PT Unilever Indonesia Tbk.

FY20 Summary, Moderate Growth Ahead

NEUTRAL (TP: IDR 7900)

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FY20 results came in as expected. UNVR recorded FY20 revenue at IDR 42.9 tn (+0.1% YoY), achieving 99.3% of our estimate. Flat sales was mainly driven by declining Foods and Refreshment (F&R) segment by 0.6% YoY, whereas Home and Personal Care (HPC) still saw a 0.4% YoY growth. Several strict mobility restrictions that were imposed by government reduced out-of-home products consumption, though we see that personal hygiene products were favourable amidst the pandemic. Gross margin increased by 100 bps, benefited from lower soft commodity price. Meanwhile, operating margin declined as promotion expense went up due to higher sales contribution from MT. As a result, NPAT came in at IDR 7.2 tn (-3.1% YoY, 99.3% of our estimate).

Assessing quarterly performance. On a quarterly basis, 4Q20 revenue came in at IDR 10.5 tn (-0.5% YoY, -1.6% QoQ). HPC segment sales went down by 6.5% QoQ which might indicate a slow down in consumption recovery. Meanwhile, F&R segment showed a slightly better consumption rate, reflected by a 10.9% QoQ growth on the back of a low base in 3Q20. Finance cost was seen higher, derived from company's additional bank borrowings. This brought 4Q20 net profit to IDR 1.7 tn (-8.4% YoY, -5.1% QoQ).

2021 Outlook. The latest announcement from Statistics Indonesia (BPS) showed that Indonesia's economy contracted by 2.07% YoY, with household consumption declined by 2.63% YoY. This indicates sluggish household spending amidst relatively high social assistance in 2020. Other than that, recent surge on Indonesia's Covid cases in the past month may lead to another strict mobility restriction. Looking into vaccines distribution timeline that was planned to reach its target (67% of total population) in Mar-22 made us believe that the consumption rate might not recover yet in 1H21 but shall gradually pick up in 2H21. We still see that purchasing power will unlikely to return back to pre-pandemic level in 2021, thus we cut our initial FY21 revenue forecast from 4.0% to 2.7% YoY.

We reiterate our NEUTRAL rating on PT Unilever Indonesia (UNVR) with lower 52-week TP of IDR 7,900. Our TP derived from 41.1x FY21F PE (-1SD from its 5-year average). Despite company's modest growth in 2020, we do not see much catalyst to boost company's performance in 2021. We also believe that margin potentially will decline as soft commodity prices has started to recover. Coupled with limited pricing power, we expect moderate growth for both top line and bottom line.

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	42,923	42,972	44,128	45,713	47,562
% growth	2.7%	0.1%	2.7%	3.6%	4.0%
Gross Profit	22,029	22,457	22,386	23,207	24,166
Net Profit	7,393	7,164	7,342	7,878	8,220
% growth	-18.6%	-3.1%	2.5%	7.3%	4.3%
Gross Margin (%)	51.3%	52.3%	50.7%	50.8%	50.8%
Net Margin (%)	17.2%	16.7%	16.6%	17.2%	17.3%
Return on Equity (%)	116.7%	140.2%	146.9%	150.9%	149.8%
Return on Assets (%)	35.9%	35.0%	36.2%	38.8%	40.2%
EPS (IDR)	194	188	192	207	215

Stock Information	
Sector	Consumer
Bloomberg Ticker	UNVR IJ
Market Cap. (IDR tn)	275.6
Share Out./Float (mn)	38,150/5,725
Current Price	7,225
FY21F Target Price	7,900
Upside	9.3%

Share Price Performance	
52W High (05/18/20)	8,800
52W Low (03/20/20)	5,275
52W Beta	0.7
YTD Change	-9.2%

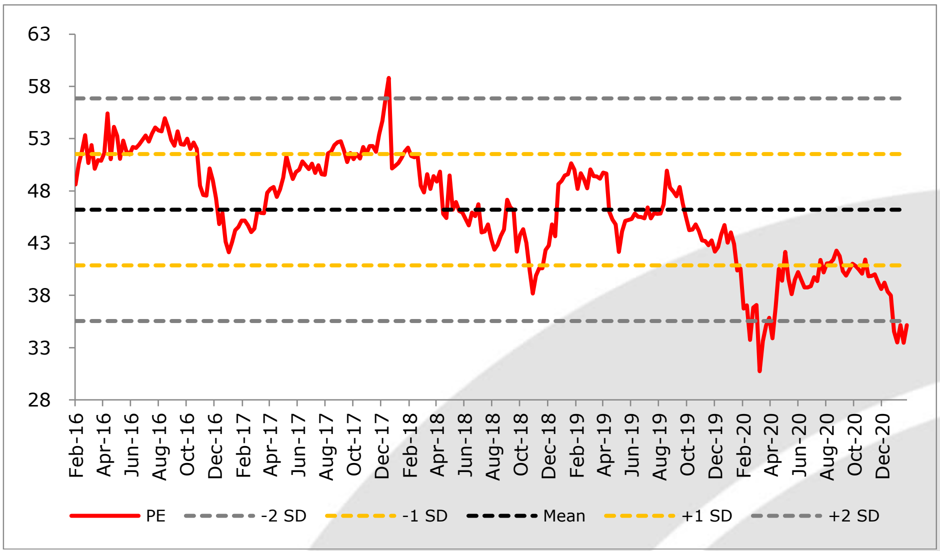
Relative Valuations	
Trailing P/E	42.1x
Forward P/E	41.1x
P/BV	59.5x

UNVR 4Q20 Earnings Summary

IDR Bn	4Q19	3Q20	4Q20	%QoQ	%YoY	12M19	12M20	%YoY	%DH	%Cons
Revenue	10,562	10,685	10,516	-1.6%	-0.4%	42,923	42,972	0.1%	99.3%	98.5%
Gross Profit	5,591	5,687	5,586	-1.8%	-0.1%	22,029	22,457	1.9%		
Operating Profit	2,593	2,360	2,365	0.2%	-8.8%	10,118	9,471	-6.4%		
Net Profit	1,883	1,819	1,725	-5.1%	-8.4%	7,393	7,164	-3.1%	99.3%	98.2%
Gross Profit Margin	52.9%	53.2%	53.1%			51.3%	52.3%			
Operating Profit Margin	24.6%	22.1%	22.5%			23.6%	22.0%			
Net Profit Margin	17.8%	17.0%	16.4%			17.2%	16.7%			

Source: Company Data, Sinarmas Investment Research

UNVR 5-Year P/E Band



Source: Bloomberg, Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	**42,923**	**42,972**	**44,128**	**45,713**	**47,562**
% growth	2.7%	0.1%	2.7%	3.6%	4.0%
Cost of Good Sold	(20,894)	(20,515)	(21,742)	(22,506)	(23,396)
Gross Profit	**22,029**	**22,457**	**22,386**	**23,207**	**24,166**
% growth	4.4%	1.9%	-0.3%	3.7%	4.1%
Operating Expenses	(11,911)	(12,986)	(12,723)	(13,152)	(13,726)
Opex to Sales (%)	27.7%	30.2%	28.8%	28.8%	28.9%
Other Income (Expenses)	3	(20)	(9)	(9)	(9)
EBIT	**10,121**	**9,451**	**9,654**	**10,046**	**10,431**
% growth	-17.9%	-6.6%	2.1%	4.1%	3.8%
EBITDA	**10,978**	**10,360**	**10,564**	**11,012**	**11,444**
% growth	-16.7%	-5.6%	2.0%	4.2%	3.9%
Net Financing Income (Expenses)	(219)	(244)	(241)	(198)	(156)
EBT	**9,902**	**9,207**	**9,413**	**9,848**	**10,275**
Tax Expenses	(2,509)	(2,043)	(2,071)	(1,970)	(2,055)
Net Income	**7,393**	**7,164**	**7,342**	**7,878**	**8,220**
% growth	-18.6%	-3.1%	2.5%	7.3%	4.3%
EPS (IDR)	**194**	**188**	**192**	**207**	**215**

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash & Equivalents	629	844	886	675	963
Trade Receivables	5,448	5,413	5,415	5,667	5,913
Inventories	2,429	2,463	2,631	2,715	2,814
Other Current Assets	25	108	42	36	33
Total Current Assets	**8,531**	**8,828**	**8,974**	**9,093**	**9,723**
Fixed Assets	11,610	11,187	10,848	10,586	10,201
Other Non Current Assets	509	519	524	522	525
Total Assets	**20,650**	**20,534**	**20,346**	**20,201**	**20,449**
Short Term Debt	3,046	3,128	2,771	1,784	1,298
Trade Payables	6,595	6,820	6,825	7,086	7,380
Other Current Liabilities	3,425	3,409	3,615	3,757	3,855
Total Current Liabilities	**13,066**	**13,357**	**13,211**	**12,627**	**12,533**
Long Term Debt	919	847	929	956	991
Other Non Current Liabilities	1,383	1,393	1,144	1,237	1,328
Total Liabilities	**15,368**	**15,597**	**15,284**	**14,820**	**14,852**
Share & APIC	172	172	172	172	172
Retained Earnings	5,110	4,765	4,890	5,209	5,425
Others	-	-	-	-	-
Total Equity	**5,282**	**4,937**	**5,062**	**5,381**	**5,597**
Total Liabilities & Equity	**20,650**	**20,534**	**20,346**	**20,201**	**20,449**

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	**7,393**	**7,164**	**7,342**	**7,878**	**8,220**
Dep. & Amortization	857	909	910	966	1,013
Chg. In NWC	(651)	127	108	74	50
CF from Operating	**7,599**	**8,200**	**8,360**	**8,918**	**9,283**
Capital Expenditure	(944)	(486)	(571)	(704)	(629)
Chg. in LT Assets	36	(10)	(5)	3	(3)
Chg. in LT Liabs	612	9	(250)	91	93
CF from Investing	**(296)**	**(487)**	**(826)**	**(610)**	**(539)**
Chg. in Share & APIC	-	-	-	-	-
Chg. in Debt	2,469	10	(275)	(960)	(452)
Dividends Paid	(9,192)	(7,401)	(7,217)	(7,559)	(8,004)
Others	(303)	(107)	-	-	-
CF from Financing	**(7,026)**	**(7,498)**	**(7,492)**	**(8,519)**	**(8,456)**
Chg. in Cash	277	215	42	(211)	288
Beginning Cash	352	629	844	886	675
Ending Cash	**629**	**844**	**886**	**675**	**963**

Financial Ratio & Key Assumptions	2019	2020	2021E	2022F	2023F
Profitability					
Return on Equity	116.7%	140.2%	146.9%	150.9%	149.8%
Return on Assets	35.9%	35.0%	36.2%	38.8%	40.2%
Gross Margin	51.3%	52.3%	50.7%	50.8%	50.8%
Operating Margin	23.6%	22.0%	21.9%	22.0%	21.9%
EBITDA Margin	25.6%	24.1%	23.9%	24.1%	24.1%
Net Margin	17.2%	16.7%	16.6%	17.2%	17.3%
Liquidity					
Current Ratio (x)	0.7	0.7	0.7	0.7	0.8
Quick Ratio (x)	0.5	0.5	0.5	0.5	0.5
Solvency					
Debt to Equity (x)	0.8	0.8	0.7	0.5	0.4
Debt to Assets (x)	0.2	0.2	0.2	0.1	0.1
Interest Cov. (x)	44.0	38.0	39.1	49.5	64.7
Valuation					
Price to Earnings (x)	40.8	42.1	41.1	38.3	36.7
Price to Book (x)	57.1	61.0	59.5	56.0	53.8

Source: Company Data, Sinarmas Investment Research

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