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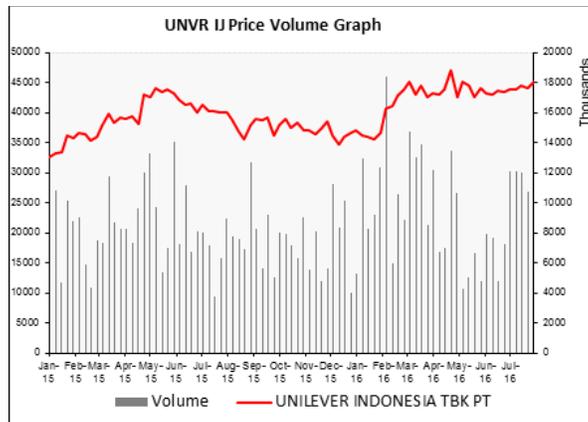


PT Unilever Indonesia Tbk manufactures soaps, detergents, margarine, oil and dairy based foods, tea based beverages, ice cream and cosmetics.

Current Price: IDR 45,400

52-Week Target Price: IDR 41,000

Previous Target Price: IDR 38,500



Share Price Performance

Price (IDR)	45,400
52-Week High (03/02/16)	47,800
52-Week Low (08/24/15)	33,000
52-Week Beta	0.84
YTD Change/%	8,650 / 23.38%

Stock Information

Market Cap (IDR)	348,309.5B
Shares Out/Float (M)	7,630.0 / 1,45.0 M

Company Update

PT Unilever Indonesia Tbk (UNVR)

1H16 Earnings Review

NEUTRAL

UNVR's 1H16 earnings are still in-line with our forecasts, with both its top-line and bottom-line earnings making up about 53% of our FY16 estimates. Considering 1H16 results, we raise our FY16E bottom-line earnings by 3% to IDR 6.26tn which translated to 15.9% net income margin (NIM). **Therefore, we upgrade our target price to IDR 41,000 though still maintaining our NEUTRAL recommendation on PT Unilever Indonesia Tbk (UNVR) due to its rich valuation. Our TP implies a forward P/E of 50x, representing a 9.7% potential downside.**

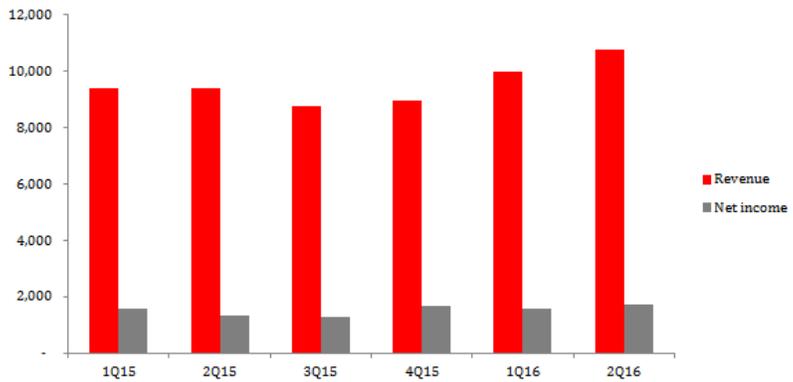
Strong 2Q16 results. In 1H16, UNVR recorded its revenue and net income growth at 10.3% YoY and 12.5% YoY respectively. For 2Q16 itself, both revenue and net income were strong, grew by 14.6% and 29.1% YoY respectively. Strong top-line growth was due to improving purchasing power supported by Lebaran seasonality, coupled with ASP increase in February 2016. Meanwhile, UNVR managed to post stable margin as its gross margin and net margin stayed at 50.6% and 15.9% in 1H16. Operating margin was slightly better in 1H16, thanks to lower operating expenses. Opex to revenue ratio declined to 29% in 1H16 (vs 29.7% in 1H15), which led to OPM at 21.6% compared to 21% last year.

Double-digit revenue growth from two divisions. Taking a deeper look at UNVR's segment results, both its home personal care (HPC) and food beverage (F&B) division managed to post double-digit top-line growth in 2Q16, accounted for 14.4% YoY and 14.9% YoY respectively. Gross margin in HPC division increased significantly to 57.5% (vs 54.9% in 1Q16) expected due to price adjustment. In the other hand, gross margin in F&B division fell by 250bps to 37.6% (vs previous quarter) which was mainly dragged down by increasing raw materials.

We view the rally of UNVR's stock price was more due to re-rating, as investors were more positive on recent macroeconomic conditions. However in the long term, we think its future EPS growth will be difficult to catch up its rich valuation. Currently, UNVR is trading at 55.8x P/E.

	2014	2015	2016E	2017F	2018F
Revenue	34,512	36,484	39,263	42,327	45,677
EBIT	8,013	7,939	8,525	9,376	10,214
EBITDA	8,388	8,444	8,960	9,828	10,675
Net Income	5,927	5,852	6,259	6,934	7,595
EPS (IDR)	777	767	820	909	995
Gross Profit Margin	49.9%	51.1%	51.2%	51.5%	51.5%
Net Income Margin	17.2%	16.0%	15.9%	16.4%	16.6%
ROE	128.9%	121.2%	129.7%	143.6%	157.3%
ROA	41.5%	37.2%	38.9%	42.6%	45.5%

Source: Company Data, Sinarmas Investment Research

UNVR strong top-line and bottom-line earnings in 2Q16


Source: Company, Sinarmas Investment Research

UNVR 1H16 earnings

	2Q15	1Q16	2Q16	QoQ (%)	YoY (%)	1H15	1H16	YoY (%)	FY16	% to FY16E
Revenue	9,388	9,988	10,756	7.7%	14.6%	18,802	20,746	10.3%	39,263	52.8%
Gross profit	4,726	5,021	5,470	9.0%	15.7%	9,529	10,491	10.1%		
EBIT	1,864	2,146	2,332	8.7%	25.1%	3,951	4,478	13.3%	8,525	52.5%
Net income	1,339	1,570	1,728	10.1%	29.1%	2,931	3,298	12.5%	6,259	52.7%
EPS	175	206	226	9.7%	29.1%	384	432	12.5%		
Gross profit margin	50.3%	50.3%	50.9%			50.7%	50.6%			
EBIT margin	19.9%	21.5%	21.7%			21.0%	21.6%			
Net income margin	14.3%	15.7%	16.1%			15.6%	15.9%			

Source: Company, Sinarmas Investment Research

UNVR's rich valuation


Source: Bloomberg, Sinarmas Investment Research

Appendix I: Financial Statements
Balance sheet

in IDR bn	2014	2015	2016E	2017F	2018F
Cash	859	628	952	732	783
AR	2,896	3,245	3,234	3,435	3,852
Inventories	2,326	2,298	2,310	2,490	2,687
Fixed Assets	7,348	8,321	8,459	8,432	8,184
Total Assets	14,281	15,730	16,098	16,269	16,695
Account Payables	4,632	4,842	4,633	5,088	5,675
ST Debts	1,250	1,700	1,600	1,200	700
Total Liabilities	9,682	10,903	11,271	11,442	11,867
Total Equity	4,599	4,827	4,827	4,827	4,827

Source: Sinarmas Investment Research

Income statement

in IDR bn	2014	2015	2016E	2017F	2018F
Revenue	34,512	36,484	39,263	42,327	45,677
CoGS	(17,305)	(17,835)	(19,161)	(20,542)	(22,169)
Gross Profit	17,207	18,649	20,102	21,785	23,509
Operating Income	8,013	7,939	8,525	9,376	10,214
EBITDA	8,388	8,444	8,960	9,828	10,675
Pre-Tax Income	7,928	7,829	8,372	9,274	10,159
Tax	(2,001)	(1,978)	(2,113)	(2,340)	(2,564)
Net Income	5,927	5,852	6,259	6,934	7,595
EPS	777	767	820	909	995

Source: Sinarmas Investment Research

Cash flow

in IDR bn	2014	2015	2016E	2017F	2018F
Net Income	5,927	5,852	6,259	6,934	7,595
Depreciation	375	505	435	452	461
Working Capital	(296)	(296)	(488)	(64)	(208)
Operating CF	6,597	6,652	7,182	7,451	8,264
Capital Expenditure	849	1,477	573	425	213
Investing CF	(690)	(1,710)	(499)	(336)	(118)
Debts	273	450	(100)	(400)	(500)
Dividends	5,927	5,852	6,259	6,934	7,595
Financing CF	(5,309)	(5,173)	(6,359)	(7,334)	(8,095)
Net - Cash Flow	598	(231)	323	(220)	51
Beginning Cash	261	859	628	952	732
Ending Cash	859	628	952	732	783

Source: Sinarmas Investment Research

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