

BUY

TP: Rp10,390 (+29.9%)

Unilever Indonesia

Experiencing a boost in demand

1Q20 results within expectations

Unilever (UNVR) 1Q20 revenue grew by 4.6% YoY to Rp11.2 tn, forming 24.8% of our FY20F. Home Personal Care (HPC) segment sales increased at 5.1% YoY in 1Q20 to Rp 7.8 tn, Food and Refreshment (FR) rose at 3.4% YoY to Rp3.3 tn. Gross profit grew at faster rate by 10.2% YoY, led to GPM expansion of 270bps YoY to 52.4% levels (vs. 49.8% in 1Q19), mainly supported lower labor cost (-3.4% YoY) which bring down overall COGS by 1%. On the segment margin; both HPC and FR segment gross margin expanded by 360/30bps YoY in 1Q20 to 56.2/43.5% respectively. However, operating profit increased only by 1.3% YoY as a result of 17.4% YoY increase in Opex. Opex was historically trending down in the following quarters so we believe operating profit in-line with our expectation. Below operating line the reduction in corporate income tax rate to 22% from 25% helped net profit to rise by 6.5% (24.2% of FY20F)

Expect resilience demand in both HPC and FR segment

According to recent survey by Nielsen, in March 2020 the demand on home care, personal care, and food preparation product increased by 33%, 28%, 44% respectively compared to the Jan-Feb period. Thus, we remain sanguine on the stock as HPC contribute 70% of company revenue. Judging from the survey and recent development HPC will likely to remain resilience during this pandemic as people doing more hand washing and more concern on personal hygiene. However we think FR segment will likely to post stronger growth going forward as more people have to stay at home due to stricter social distancing measure. Looking at 1Q20 result both HPC and FR grew by 4.4% and 8.6% QoQ amid challenging environment. We think the strong trend will likely to sustain for sometimes this year as the pandemic is not over yet.

Bigger pack preferred during pandemic

As the novel coronavirus sweeps Indonesia, consumers are being forced to dramatically change their purchase behaviors. According to consumer survey conducted by SurveySensum, people are turning to bigger packages product as they are required to stay at home after the implementation of large-scale social restrictions (PSBB) to curb the outbreak. The survey also revealed increase in consumer shopping for fast moving consumer goods (FMCG) through online sales. We believe this survey shows that people stay at home to comply with the government's call for physical distancing to avoid risk of being contagious. This make them buy FMCG in bulk (bigger quantities) and stock up which should be positive for FMCG companies as it would help volume to grow.

Reiterate Buy with higher TP of Rp10,390

Post 1Q20 results, we fine tune our corporate tax rate assumption from 25% to 22%, which lead to FY20-21 EPS forecast increase by 4.4% to Rp8.0-8.4 tn. We reaffirm our BUY rating on UNVR with higher TP of Rp10,390 (was Rp9,940), which is still based on 2020F PER of 49.3x coupled with higher earnings forecast.

Exhibit 1 : Financial Highlights

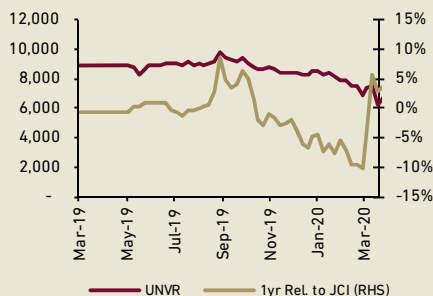
Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (Rpbn)	41,802	42,923	44,938	47,095	49,356
Operating profit (Rpbn)	9,502	10,118	10,520	11,025	11,554
Net profit (Rpbn)	9,081	7,393	8,033	8,413	8,812
EPS (Rp)	238.0	193.8	210.6	220.5	231.0
EPS growth (%)	29.6	-18.6	8.7	4.7	4.7
EV/EBITDA (x)	29.0	27.4	26.4	25.2	24.0
PER (x)	33.6	41.3	38.0	36.3	34.6
PBV (x)	41.3	57.8	57.8	57.8	57.8
Dividend yield (%)	2.3	3.0	2.6	2.8	2.9
ROE (%)	123.0	140.0	152.1	159.3	166.8

Source : UNVR, Ciptadana Estimates

Sector Consumer
Bloomberg Ticker UNVR IJ

Share Price Performance

Last price (Rp)	8,000		
Avg. daily T/O (Rpbn/USDmn)	96.3/6.3		
	3m	6m	12m
Absolute (%)	0.6	-7.0	-10.7
Relative to JCI (%)	23.7	19.1	16.4
52w High/Low price (Rp)	9,795/5,275		



Outstanding shrs (mn)	38,150
Mkt. Cap (Rpbn/USDmn)	305,200/19,954
Estimated free float (%)	15.0

Major shareholders

Unilever Indonesia	85.0%
Public	15.0%

EPS Consensus

	Ciptadana	Cons.	% Diff
2020F	210.6	203.8	3.3
2021F	220.5	215.0	2.5
2022F	231.0	227.9	1.3

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Exhibit 2: UNVR 1Q20 results

(in Rp Bn)	1Q20	1Q19	YoY	1Q20	4Q19	QoQ	2020F	1Q20/20F
Revenue	11,153	10,665	4.6%	11,153	10,562	5.6%	44,938	24.8%
Gross profit	5,848	5,306	10.2%	5,848	5,591	4.6%	22,980	25.4%
Gross profit margin	52.4%	49.8%	2.7%	52.4%	52.9%	-0.5%	51.1%	
Opex	-3,454	-2,942	17.4%	-3,454	-2,998	15.2%	-12,461	
Operating Profit	2,394.0	2,363.9	1.3%	2,394	2,593	-7.7%	10,520	22.8%
Operating margin	21.5%	22.2%	-0.7%	21.5%	24.6%	-3.1%	23.4%	
Finance Cost	-50	-33	51.4%	-50	-59	-14.9%	-222.9	
Others-net	-5	0	845.0%	-5	1	-598.8%	3.1	
Pre-tax profit	2,339	2,330	0.4%	2,339	2,535	-7.7%	10,300	22.7%
Pre-tax margin	21.0%	21.8%	-0.9%	21.0%	24.0%	-3.0%	22.9%	
Net Profit	1,863	1,749	6.5%	1,863	1,883	-1.1%	7,692	24.2%
Net Margin	16.7%	16.4%	0.3%	16.7%	17.8%	-1.1%	17.1%	

Source: Ciptadana Sekuritas, Company

Exhibit 3: UNVR 1Q20 segment results

	1Q20	1Q19	YoY	1Q20	4Q19	QoQ
Consolidated Sales	11,153	10,665	4.6%	11,153	10,562	5.6%
Home&Personal Care Sales	7,845	7,466	5.1%	7,845	7,517	4.4%
Food & Refreshment Sales	3,308	3,198	3.4%	3,308	3,045	8.6%
COGS	-5,305	-5,358	-1.0%	-5,305	-4,971	6.7%
Home&Personal Care	-3,435	-3,540	-3.0%	-3,435	-3,249	5.7%
Food & Refreshment	-1,870	-1,819	2.8%	-1,870	-1,722	8.6%
Gross Profit	5,848	5,306	10.2%	5,848	5,591	4.6%
Home&Personal Care	4,410	3,927	12.3%	4,410	4,268	3.3%
Food & Refreshment	1,438	1,380	4.2%	1,438	1,323	8.7%
OPEX	-2,846	-2,488	14.4%	-2,846	-2,517	13.0%
Home&Personal Care	-1,927	-1,535	25.6%	-1,927	-1,634	18.0%
Food & Refreshment	-918	-953	-3.6%	-918	-883	4.0%
Operating Profit	3,002	2,819	6.5%	3,002	3,074	-2.3%
Home&Personal Care	2,483	2,392	3.8%	2,483	2,635	-5.8%
Food & Refreshment	519	427	21.7%	519	439	18.3%
GPM	52.4%	49.8%	2.7%	52.4%	52.9%	-0.5%
Home&Personal Care	56.2%	52.6%	3.6%	56.2%	56.8%	-0.6%
Food & Refreshment	43.5%	43.1%	0.3%	43.5%	43.4%	0.0%
OPM	26.9%	26.4%	0.5%	26.9%	29.1%	-2.2%
Home&Personal Care	31.6%	32.0%	-0.4%	31.6%	35.0%	-3.4%
Food & Refreshment	15.7%	13.3%	2.4%	15.7%	14.4%	1.3%
Sales Breakdown						
Home&Personal Care Sales	70.3%	70.0%	0.3%	70.3%	71.2%	-0.8%
Food & Refreshment Sales	29.7%	30.0%	-0.3%	29.7%	28.8%	0.8%
Gross Profit Breakdown						
Home&Personal Care Sales	75.4%	74.0%	1.4%	75.4%	76.3%	-0.9%
Food & Refreshment Sales	24.6%	26.0%	-1.4%	24.6%	23.7%	0.9%
Operating Profit Breakdown						
Home&Personal Care Sales	82.7%	84.9%	-2.2%	82.7%	85.7%	-3.0%
Food & Refreshment Sales	17.3%	15.1%	2.2%	17.3%	14.3%	3.0%

Source: Ciptadana Sekuritas, Company

Exhibit 4: UNVR Forecast Change

(in Rp Bn)	FY20 Old	FY20 New	YoY	FY21 Old	FY21 New	YoY
Revenue	44,938	44,938	0.0%	47,095	47,095	0.0%
Gross profit	22,980	22,980	0.0%	24,084	24,084	0.0%
Gross profit margin	51.1%	51.1%	0.0%	51.1%	51.1%	0.0%
Opex	-12,461	-12,461	0.0%	-13,059	-13,059	0.0%
Operating Profit	10,520	10,520	0.0%	11,025	11,025	0.0%
Operating margin	23.4%	23.4%	0.0%	23.4%	23.4%	0.0%
Finance Cost	-223	-223	0.0%	-241	-241	0.0%
Others-net	3	3	0.0%	3	3	0.0%
Pre-tax profit	10,300	10,300	0.0%	10,787	10,787	0.0%
Pre-tax margin	22.9%	22.9%	0.0%	22.9%	22.9%	0.0%
Net Profit	7,692	8,033	4.2%	8,055	8,413	4.2%
Net Margin	17.1%	17.9%	0.8%	17.1%	17.9%	0.8%

Source: Ciptadana Sekuritas, Company

Exhibit 5 - Income Statement

Year to 31 Dec (Rpbn)	2018A	2019A	2020F	2021F	2022F
Revenue	41,802	42,923	44,938	47,095	49,356
COGS	-20,697	-20,894	-21,958	-23,012	-24,116
Gross profit	21,105	22,029	22,980	24,084	25,240
Oper. expenses	-11,603	-11,911	-12,461	-13,059	-13,686
Oper. profit	9,502	10,118	10,520	11,025	11,554
EBITDA	10,551	11,247	11,693	12,281	12,898
Interest income	16	11	5	5	5
Interest expense	-192	-230	-228	-246	-263
Other income (exp.)	2,821	-2	-2	-2	-2
Pre-tax profit	12,148	9,902	10,300	10,787	11,299
Income tax	-3,067	-2,509	-2,267	-2,374	-2,487
Minority interest	0	0	0	0	0
Net profit	9,081	7,393	8,033	8,413	8,812

Exhibit 6 - Balance Sheet

Year to 31 Dec (Rpbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	352	629	282	282	282
Acct, receivables	4,983	5,335	5,586	5,854	6,135
Inventory	2,658	2,429	2,553	2,675	2,804
Other curr, asset	265	137	144	151	158
Total current asset	8,258	8,530	8,565	8,962	9,379
Fixed assets - net	10,627	10,715	11,184	11,635	12,068
Other non-curr.asset	945	939	938	936	935
Total asset	20,327	20,649	21,119	21,935	22,751
ST debt + curr. maturity	599	3,046	3,006	3,316	3,603
Acct, payable	4,573	4,517	4,747	4,975	5,214
Advances received	0	0	0	0	0
Other curr. liab	6,102	5,502	5,782	6,060	6,351
Long term debt	897	919	919	919	919
Other non-curr, liab,	772	1,383	1,383	1,383	1,383
Total liabilities	12,943	15,368	15,837	16,653	17,469
Shareholder equity	7,384	5,282	5,282	5,282	5,282
Minority interest	0	0	0	0	0
Total liab + SHE	20,327	20,649	21,119	21,935	22,751

Exhibit 7 - Per Share Data

Year to 31 Dec(Rp)	2018A	2019A	2020F	2021F	2022F
EPS	238.0	193.8	210.6	220.5	231.0
BVPS	193.5	138.4	138.4	138.4	138.4
DPS	183.0	240.9	210.6	220.5	231.0
FCF per share	234.5	197.0	208.2	218.5	230.1

Source : UNVR, Ciptadana Estimates

Exhibit 8 - Cash Flow

Year to 31 Dec (Rpbn)	2018A	2019A	2020F	2021F	2022F
Net income	9,081	7,393	8,033	8,413	8,812
Depreciation	1,049	1,129	1,173	1,256	1,344
Chg in working cap.	660	-35	129	108	113
Other	174	214	217	235	252
CF-Oper activities	10,964	8,701	9,552	10,012	10,521
Capital expenditure	-1,255	-1,217	-1,641	-1,707	-1,777
Others	-764	33	33	33	33
CF-Investing activities	-2,019	-1,184	-1,608	-1,674	-1,744
Net change in debt	-1,954	2,469	-40	310	287
Net change in equity	0	0	0	0	0
Dividend payment	-6,981	-9,192	-8,033	-8,413	-8,812
Other financing	113	-297	6	6	6
CF-Financing activities	-8,999	-7,240	-8,291	-8,338	-8,777
Net cash flow	-53	277	-347	0	0
Cash - begin of the year	405	352	629	282	282
Cash - end of the year	352	629	282	282	282

Exhibit 9 - Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth					
Revenue (%)	1.5	2.7	4.7	4.8	4.8
Operating profit (%)	0.0	6.5	4.0	4.8	4.8
Net profit (%)	29.6	-18.6	8.7	4.7	4.7
Profitability Ratios					
Gross margin (%)	50.5	51.3	51.1	51.1	51.1
Operating margin (%)	22.7	23.6	23.4	23.4	23.4
EBITDA margin (%)	25.2	26.2	26.0	26.1	26.1
Net margin (%)	21.7	17.2	17.9	17.9	17.9
ROA (%)	44.7	35.8	38.0	38.4	38.7
ROE (%)	123.0	140.0	152.1	159.3	166.8
Liquidity Ratios					
Current ratio (x)	0.7	0.7	0.6	0.6	0.6
Quick ratio (x)	0.5	0.5	0.4	0.4	0.4
Cash conversion cycle (days)	0.0	0.0	0.0	0.0	0.0
Activity Ratio					
Inventory turnover (days)	0.0	0.0	0.0	0.0	0.0
Receivable turnover (days)	0.0	0.0	0.0	0.0	0.0
Payable turnover (days)	0.0	0.0	0.0	0.0	0.0
Solvency Ratio					
Interest cover (x)	55.0	48.9	51.3	49.9	49.1
Debt to equity ratio (x)	0.2	0.8	0.7	0.8	0.9
Net debt to equity (x)	0.2	0.6	0.7	0.7	0.8

Source : UNVR, Ciptadana Estimates

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