

ANALISA SAHAM INDONESIA

AUGUST 4, 2020

- * THE JCI TRADING RANGE: 4,975PT - 5,100PT (YESTERDAY CLOSE : 5,006PT)
- * WALL STREET CLOSED HIGHER BY OVER 1% ON TECH'S STOCKS RALLY FOR HIGHER-THAN-EXPECTED 2Q20 EARNINGS GROWTH/
- * THE JCI IS EXPECTED TO FLUCTUATE ON A REVERSING TREND TODAY ON ALSO BY SUPPORT OF HIGHER OIL CLOSE

Morning,

The Jakarta Composite Index (JCI) today (4/8) is expected to be in the range of 4,975pt – 5,100pt to be in cautious stance on 2Q20 data releases, but supported by stable USDIDR and oil close. Meanwhile, yesterday (3/8) in Wall Street the DJIA ended higher by 236 points or 0.9% at 26,654pt, while the S&P500 and the Nasdaq both gained by 0.7% and 1.5%, respectively.

Indonesia Consumer Sector

Unilever Indonesia reported very-much-decent financials during the 2Q20

- * **1H20 published financials is in-line with our estimates**
- * **Eid celebrations in May helped supported F&R sales in 2Q20**
- * **Balance sheet improved to debt-free position at end of June**
- * **Maintain our BUY call with 12-M target price of IDR10,600 / share**

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Stable 2Q20 performances

Unilever Indonesia (UNVR) reported 1H20 financials with sales amounted to IDR21.8tr , an increase of 2% YoY, while during 2Q20 alone the company recorded total net sales of IDR10.6tr. Sales during 2Q20 was representing a 2% decline as compared to the same period last year, and a 5% decline as compared to the 1Q this year.

Eid festive season on May helped support the company's total net sales in the 2Q20 through its Foods & Beverages (F&B) division that saw a 1.5% growth over the 1Q20 versus that of Home & Personal Care that contracted by 7.5% over the same period. We see the performance of the F&B division positively given the highly competitive food market in Indonesia. We gather UNVR's innovations on ice cream lines supported the existing solid establishment of its margarine (Blue Band), Bango (soybean sauce), Sari Wangi (tea bags).

Total gross margins in 1H20 came in at 51.4% (1H19:51.0%, 2Q20: 50.2%), mainly being backed by that of HPC during the 2Q20 at 57.4% (1H20:56.8%, 1H19: 54.1%), while F&R gross margins in the 2Q20 was recorded at 34.8% (1H20:39.1%, 1H19:44.2%). We refer that UNVR's medium to high-end lines of products as resilient during the start of the pandemic climate.

Total operating margins stood at 21.8% in 1H20 as compared to 23.4%, nevertheless during the 2Q20 alone the position was at 22.1% which we relate to lower financing costs.

As of end of June this year, UNVR balance was debt-free, having paid off balance of bank loan amounted to IDR2.9tr end of 2019.

We valued the company 's share by DCF method (WACC:9%, LTG:2%) and come with a 12-month fair price of IDR10,600/share. At the fair price of IDR10,600, the counter is trading at 51 times next year's earnings or about similar to its historical earnings multiple. At yesterday price of IDR8,250, UNVR is trading at 39.7 times our estimated FY21 earnings, representing a historical premium rate of some 70% to the general market earnings multiples. We view premium to the counter justified. Maintain our BUY call (please see our report dated December 6, 2019, and July 16, 2020)

At the other end, yesterday the WTI price closed higher by 1.8% to USD41.0/barrel on higher America's manufacturing index over 1.5 years. Meanwhile the USDIDR closed at IDR14.713 vs. IDR14.570 the previous one.

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We advise the following recommendation , for both trading and longer-time investment purpose. **AALI, LSIP (sector of Agri, allocation suggestion Underweight), UNTR, ITMG, ADRO, PTBA (sector of Coal Mining, allocation suggestion Market-weight), GGRM, UNVR, ICBP (sector of Consumer, allocation suggestion Overweight), ASII (sector of Automative, allocation suggestion Market-weight), and ACES, SCMA, MAPI (sector of Trade, allocation suggestion Overweight),and TKIM (sector of Basic Industry, allocation suggestion Market-weight).**

Cheers,

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