



Unilever Indonesia

Recommendation: BUY

Target Price (12-month horizon): IDR10,600 (+53%)

Current price: IDR6,950

Number of Shares outstanding: 38.1bn

Market Capitalization: IDR265.1tr

Earnings Result

UNVR – 3Q20

January 18, 2021

9M20 Results

As at end of September 2020, total consolidated sales was recorded to grow at 0.3% YoY to IDR32.5tr, which made up of Home & Personal Care (HPC) that grew at 2% YOY, and Food & Refreshment (F&R) of -3.5% YOY. In the 3Q20 alone, total sales contracted 2.0% over the preceeding quarter (2Q20: -4.8%), while HPC grew at 5.9% QoQ (2Q20:-7.5%), and F&R of -10.9% QoQ (2Q20:1.5%). All the while profitability remain intact if not slightly improved as compared to the historical decades ago. During 9M20, gross margins is at 52% (9M19:50.8%), operating margins at 21.9% (9M19: 23.3%), and net profit margins at 16.8% (9M19:17.0%). As of September last year, gearing level is at 31% (December 2019: 55%)

Worth the bet

Factoring in historical growth of the last 5 (years) for both the Home & Personal Care (HPC) and Food & Refreshment (F&R) segments, last year total revenue is expected to be IDR43.3tr (+1.9% YoY) to grow to IDR44.5tr (+2.7% YoY) this year. Keyed-in profitability margins of 51%, 22%, and 16% for gross, operating, net profit margins, respectively, we came in at an estimated net profit of IDR7.4tr in FY20, and of IDR7.6tr this year.

At the latest closing price of IDR6,950 or representing an earnings multiple of 36x FY20E earnings, slowing growths of the company have been factored in, we note.

With above average dividend current yield of an average of 2.9% (slightly above the average of 1-2%) in the last three years, or about similar to current IDR deposit rates, the vigil of growth momentum should be fruitful, we view.

Valuations

We retain our BUY recommendation with 12M-TP 10,600/share (unchanged). At our 12M-TP, UNVR is trading at 54.8 x our FY20 estimated earnings which is in-line, or representing a some 7% premium to its 5-years average historical multiple of 51.1x. A range of earnings multiple of 48.0x-55.0x is fair, as to fit in growth momentum within the sizeable market capitalization counter, we argue.

Solid global and domestic consumer brands

Rinso, Sunlight, Sunsilk, Rexona, Pepsodent, are the earlier brands among over the 27 brands that are in the HPC segment that the company put effort to revitalize to serve dynamic consumers for sustainable growths. Recent newly launches include the brands of Molto Spray and Sahaja Spray

In the FR segment, the company most recent ones are Viennetta and Mini Cornetto ice cream, both are serving into different target of consumers.

Earnings Forecasts

Earnings Forecasts					
Year To 31 Dec	2017 A	2018 A	2019 A	2020F	2021F
Revenue (IDRbn)	41,205	41,802	42,923	43,345	44,520
Operating profit (IDRbn)	9,496	12,279	9,641	9,537	9,794
Net Profit (IDRbn)	7,005	9,109	7,135	7,369	7,568
EPS (IDR)	184	240	189	193	197
EPS Growth (%)	9.6	-21.6	2.9	2.9	2.7
PER (x)	37.7	28.9	37.0	35.9	34.9

Source: UNVR, Analisa Saham Indonesia, share price close January 15, 2020

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