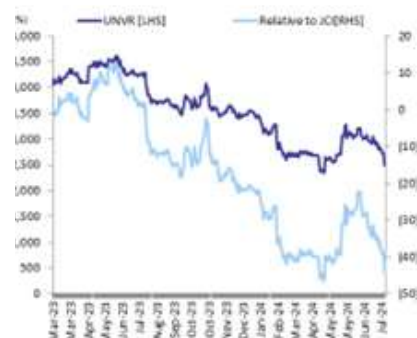


Sell

(Maintained)

Last Price (Rp)	2,490
Target Price (Rp)	2,200
Previous Target Price (Rp)	2,300
Upside/Downside	-11.6%
No. of Shares (mn)	38,150
Mkt Cap (Rpbn/US\$mn)	94,994/5,831
Avg, Daily T/O (Rpbn/US\$mn)	54.9/3.4
Free Float (%)	15.0
Major Shareholder (%)	
Unilever Indonesia Holding B.V.	85.0
EPS Consensus (Rp)	
	2024F 2025F 2026F
BRIDS	132.1 139.1 148.8
Consensus	129.1 136.5 144.3
BRIDS/Cons (%)	2.3 1.9 3.1

UNVR relative to JCI Index



Source: Bloomberg

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Unilever Indonesia (UNVR IJ)

Inline 1H24 earnings, but weak 2Q24 top line; price cuts and flat volume growth may continue ahead

- UNVR indicates a weak top line may continue with further price cuts on the table; we estimate lower vol. growth at -0.2%/1% in FY24-25F.
- On the back of persisting challenges, we anticipate 3Q24 earnings may likely see negative yoy growth due to the high base in 3Q23.
- We maintain our Sell rating on a continuing challenging outlook and premium valuation; with a lower TP of Rp2,200 (FY25F PE of 18.3x).

Lackluster 2Q24 revenue and earnings despite promotion and price cuts

UNVR's 1H24 net profit of Rp2.5tn (-11% yoy) was still broadly in line with expectations (49%/54% of cons./our FY24F est.). Post the weak 4Q23, volume growth proved to remain weak in both 1Q24 and 2Q24, even as UNVR raised promotional efforts, including price adjustments (2Q24: UPG -5.2%, see exhibit 3). Negative consumer sentiments due to lingering geopolitical issues, coupled with still soft purchasing power (core inflation of 1.9% in Jun24 vs May: 1.93% and May24 forecast of 1.96%), have induced consumers to switch to competitors' products which also offer better value (e.g., Mama Lemon vs. Sunlight Dishwasher). On a positive note, 2Q24 earnings saw a slight support from gross margin, which benefited from persistently low commodity prices.

We continue to expect -5% FY24F earnings contraction on weak sales

The management indicated that soft demand stemming from negative sentiment may continue in 2H24, and thus, it aims to continue implementing promotions and price cuts to support volume. On the back of this, we now forecast lower volume growth to -0.2%/ 1% in FY24-25F (from 0.5%/2.6% prev.) and a reduction in ASP assumptions to -5.6%/0.9% (from -4.2%/0.9%). We anticipate that soft commodity prices (such as CPO and Crude Oil) will help sustain gross margins at 49.6% during FY24-25F, despite potential price reduction and our expectation of an increase in FY24-25F A&P/sales to 9%/8.5%. Overall, our FY24-25F net profit only sees a slight revision to Rp4.5tr/4.6tr, (-5.4% yoy and 0.3% yoy).

Maintain Sell rating on still challenging outlook and premium valuation

UNVR trades at FY25F PE of 21x with +0.3% yoy EPS growth, still at a premium to peers. We anticipate that 3Q24 will likely see another negative EPS growth due to a high base in 3Q23, with expected recovery only in 4Q24 (from a low base) but with lingering uncertainties surrounding geopolitical issues. Thus, we lower our TP to Rp2,200 (based on DCF, assuming lower 2027-30 FCFF growth to 4% from 5.4% prev.) and maintain our Sell rating. Upside risks include a significant turnaround in 3Q24 volume, improved geopolitical sentiment, and stronger purchasing power.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (Rpbn)	41,219	38,611	36,389	37,096	38,341
EBITDA (Rpbn)	7,880	7,015	6,593	6,645	6,938
EBITDA Growth (%)	(7.4)	(11.0)	(6.0)	0.8	4.4
Net Profit (Rpbn)	5,365	4,801	4,551	4,575	4,833
EPS (Rp)	140.6	125.8	119.3	119.9	126.7
EPS Growth (%)	(6.8)	(10.5)	(5.2)	0.5	5.6
BVPS (Rp)	104.8	88.6	89.1	89.6	90.1
DPS (Rp)	140.0	125.3	118.8	119.4	126.2
PER (x)	17.7	19.8	20.9	20.8	19.7
PBV (x)	23.8	28.1	27.9	27.8	27.6
Dividend yield (%)	5.6	5.0	4.8	4.8	5.1
EV/EBITDA	12.1	13.4	14.5	14.3	13.7

Source: UNVR, BRIDS Estimate

Inline 1H24 earnings, but weak 2Q24 top line; price cuts and flat volume growth may continue ahead

UNVR 2Q24 result: In line, Volume remained soft despite price correction

UNVR reported a lackluster 2Q24 net profit of Rp1tr (-25% yoy/ and -30% qoq). However, 2Q24 performance reflected persisting challenges on revenue, despite increased promotional spending to support the volume.

UNVR reported 2Q24 top line of around Rp9tr, down 11% qoq and 7.5% yoy, with both HPC and FNR reporting lower revenue qoq and yoy. On the margins, both also reported lower 2Q24 margins to 23% for HPC and 16.8% for FNR, following massive promotions to support volume, we believe. A&P/revenue stood at 13.1% in 1H24, higher vs avg 2019-23 of 10.5%. This filters through to a 2Q24 net profit of around Rp1tr, down 25% yoy and -30% qoq, leading to a 1H24 bottom line of Rp2.47tr, down 11% yoy. The 1H24 net profit was 54% of our FY24F and 49% of the consensus. In the past years, 1H net profit accounted for 46% of FY. However, we consider our FY24F is in line following the solid growth in 1Q24, mainly supported by Festive season and a reduction in royalty rates.

Exhibit 1. UNVR 2Q24 Earnings Result

UNVR U	1H23	1H24	YoY, %	2Q23	1Q24	2Q24	QoQ, %	YoY, %	2024F	A/F, %	A/C, %
(in Rpbn)											
Net sales	20,292	19,044	-6.2%	9,687	10,080	8,964	-11.1%	-7.5%	37,178	51%	48%
COGS	10,175	9,576	-5.9%	4,800	5,047	4,529	-10.3%	-5.6%	19,041		
Gross profit	10,117	9,468	-6.4%	4,887	5,033	4,435	-11.9%	-9.2%	18,137	52%	48%
Opex	6,490	6,278	-3.3%	3,118	3,151	3,127	-0.8%	0.3%	12,287		
Operating profit	3,627	3,190	-12.0%	1,769	1,882	1,308	-30.5%	-26.1%	5,850	55%	48%
Pretax profit	3,574	3,169	-11.3%	1,756	1,859	1,309	-29.6%	-25.5%	5,862		
Net profit	2,759	2,467	-10.6%	1,354	1,449	1,018	-29.7%	-24.8%	4,538	54%	49%
(in %)											
Gross margin	49.9%	49.7%		50.5%	49.9%	49.5%			48.8%		
Opex to revenue	32.0%	33.0%		32.2%	31.3%	34.9%			33.0%		
Operating margin	17.9%	16.8%		18.3%	18.7%	14.6%			15.7%		
Net margin	13.6%	13.0%		14.0%	14.4%	11.4%			12.2%		
Breakdown by divisions											
Revenue (Rpbn)											
HPC	13,251	12,282	-7.3%	6,429	6,443	5,839	-9.4%	-9.2%			
FNR	7,041	6,762	-4.0%	3,258	3,637	3,125	-14.1%	-4.1%			
Segment result (%)											
HPC	26.3%	24.9%		27.1%	26.7%	1.5%					
FNR	19.8%	18.5%		19.4%	19.9%	11.0%					

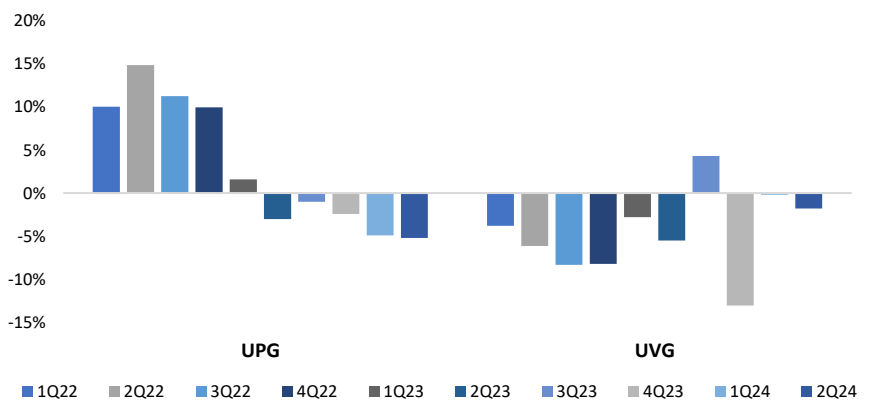
Source: Company, BRIDS Estimates

Exhibit 2. UNVR Estimates Revision

	Previous			New forecast			Changes		
	2024F	2025F	2026F	2024F	2025F	2026F	2024	2025	2026
Revenue	37,178	38,475	39,894	36,389	37,096	38,341	-2.1%	-3.6%	-3.9%
Gross profit	18,137	18,823	19,522	18,064	18,388	19,009	-0.4%	-2.3%	-2.6%
Operating profit	5,850	5,922	6,236	5,888	5,941	6,231	0.6%	0.3%	-0.1%
Net profit	4,538	4,586	4,843	4,551	4,575	4,833	0.3%	-0.2%	-0.2%
Gross margin	48.8%	48.9%	48.9%	49.6%	49.6%	49.6%			
Operating margin	15.7%	15.4%	15.6%	16.2%	16.0%	16.3%			
Net margin	12.2%	11.9%	12.1%	12.5%	12.3%	12.6%			
Changes in assumption									
	2024F	2025F	2026F	2024F	2025F	2026F			
ASP	-4.2%	0.9%	1.1%	-5.6%	0.9%	1.1%			
Volume	0.5%	2.6%	2.5%	-0.2%	1.0%	2.2%			
Opex/revenue	33.0%	33.5%	33.3%	33.5%	33.6%	33.3%			
A&P/revenue	8.6%	8.5%	8.5%	9.0%	8.5%	8.5%			

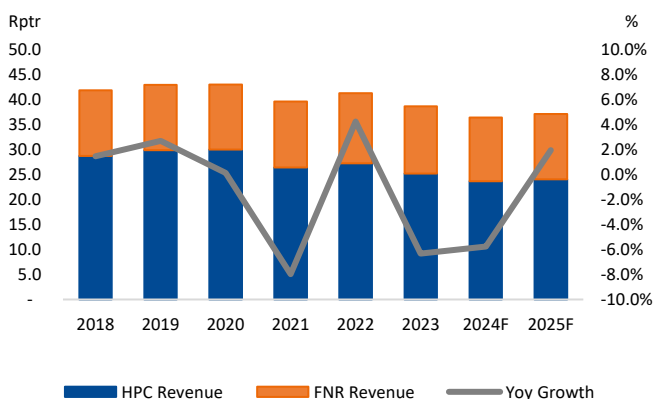
Source: BRIDS Estimates

Exhibit 3. ASP and Volume Growth (Yoy)



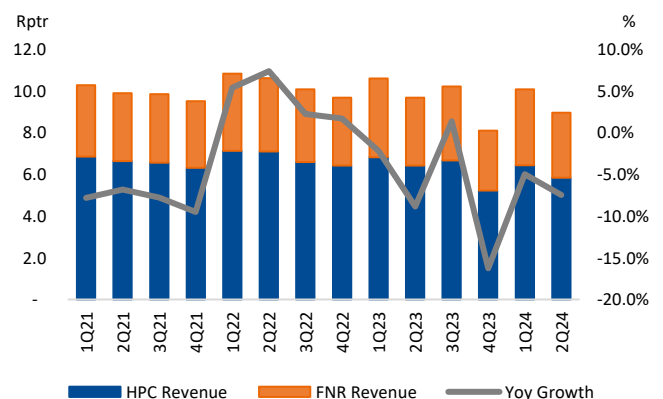
Source: Company, BRIDS

Exhibit 4. Total Revenue and Yoy Growth, FY18-25F



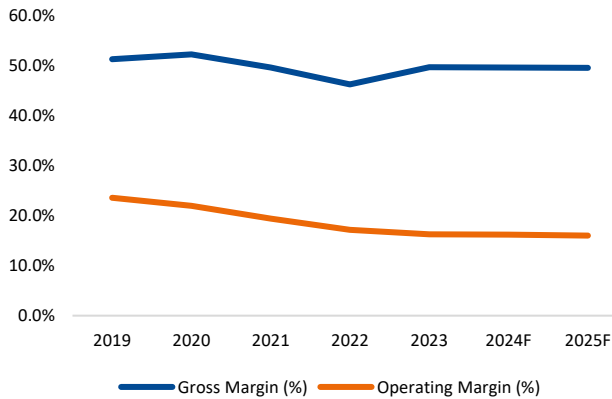
Source: Company, BRIDS Estimates

Exhibit 5. Quarterly Revenue and Yoy Growth, 1Q21-2Q24



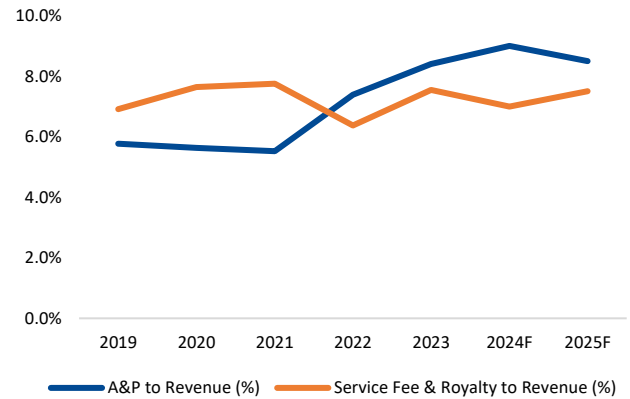
Source: Company, BRIDS

Exhibit 6. Gross and Operating Margin, FY19-25F



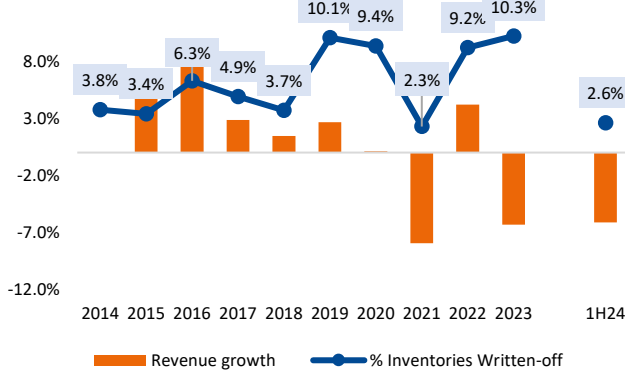
Source: Company, BRIDS Estimates

Exhibit 7. A&P and Service Fee to Revenue. FY19-25F



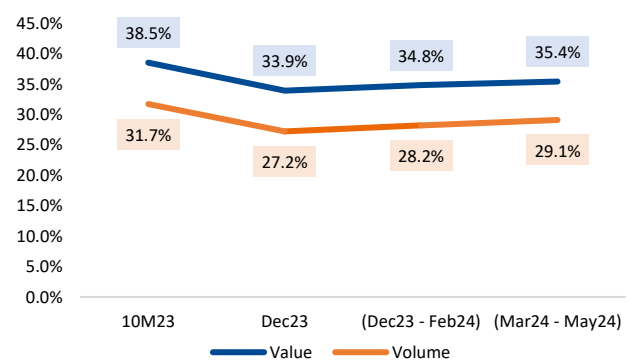
Source: Company, BRIDS Estimates

Exhibit 8. Inventory written off and rev. growth, FY14-1H24



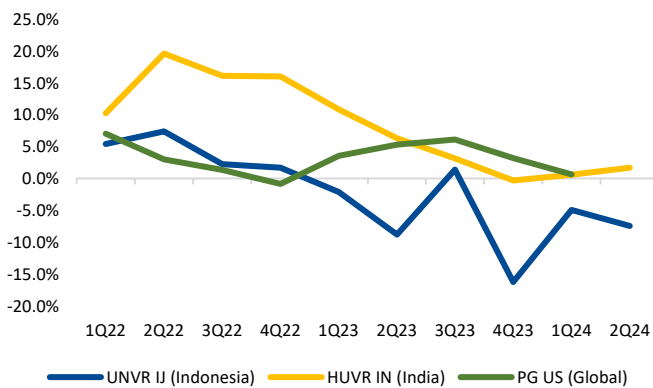
Source: Company, BRIDS

Exhibit 9. UNVR Market Share



Source: Company, BRIDS

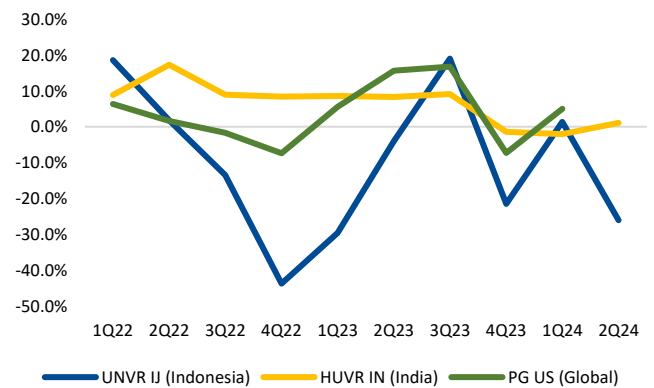
Exhibit 10. Quarterly Revenue Yoy Growth vs. Global peers



Source: Company, Bloomberg, BRIDS

*PG US data only available until 1Q24

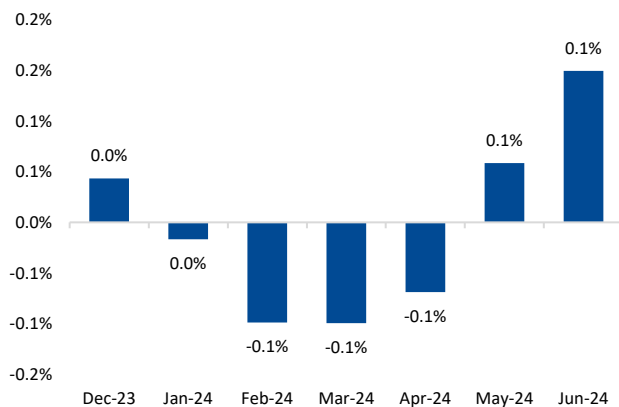
Exhibit 11. Quarterly Op.Profit Yoy Growth vs. Global Peers



Source: Company, Bloomberg, BRIDS

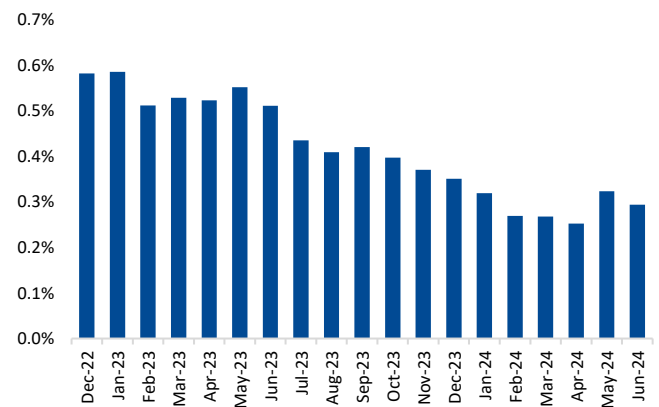
*PG US data only available until 1Q24

Exhibit 12. UNVR – Local Mutual Fund OW/UW Position



Source: KSEI, BRIDS

Exhibit 13. UNVR – Foreign Fund Ownership



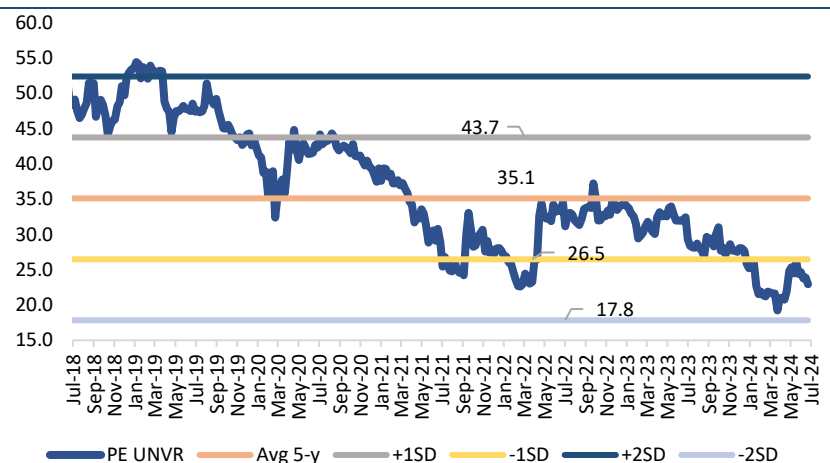
Source: KSEI, BRIDS

Exhibit 14. UNVR Peers comparison

Ticker	Rec	Target	Market Cap	P/E (x)		P/BV (x)		ROE (%)	Dividend yield (%)	EPS growth (%)		Core profit growth (%)	
		(Rp)	(Rp8n)	2024F	2025F	2024F	2025F	2024F	2024F	2024F	2025F	2024F	2025F
ICBP II	Buy	12,900	126,530	12.9	11.5	2.7	2.4	22.3	3.7	40.3	11.7	8.3	8.8
UNVR II	Sell	2,200	94,990	20.9	20.8	27.9	27.8	134.2	4.8	(5.2)	0.5	(5.2)	0.5
KLBF II	Buy	1,600	73,830	25.9	23.9	3.2	3.0	12.9	2.0	3.0	8.3	(2.1)	9.5
INDF II	Buy	8,000	53,780	5.5	5.0	0.8	0.7	15.5	5.4	19.0	11.4	19.3	6.3
MYOR II	Buy	3,200	58,360	16.9	15.6	3.4	3.0	21.1	2.8	5.3	8.1	(2.2)	11.3
SIDO II	Buy	810	24,450	17.9	16.3	6.2	6.0	34.8	5.1	25.9	10.0	9.4	8.8
Sector - weighted				16.8	15.7	8.3	8.1	44.6	3.8	15.7	8.2	3.7	7.3

Source: BRIDS Estimates, Bloomberg

Exhibit 15. UNVR PE's Band



Source: Bloomberg, BRIDS Estimates

Exhibit 16. Income Statement

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Revenue	41,219	38,611	36,389	37,096	38,341
COGS	(22,154)	(19,417)	(18,324)	(18,708)	(19,332)
Gross profit	19,065	19,195	18,064	18,388	19,009
EBITDA	7,880	7,015	6,593	6,645	6,938
Oper. profit	7,069	6,279	5,888	5,941	6,231
Interest income	10	29	31	30	(32)
Interest expense	(85)	(106)	(40)	(60)	(20)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	0	0	0	0	0
Pre-tax profit	6,994	6,202	5,879	5,910	6,243
Income tax	(1,629)	(1,401)	(1,328)	(1,335)	(1,410)
Minority interest	0	0	0	0	0
Net profit	5,365	4,801	4,551	4,575	4,833
Core Net Profit	5,365	4,801	4,551	4,575	4,833

Exhibit 17. Balance Sheet

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	503	1,021	624	932	760
Receivables	4,211	2,598	3,004	2,958	3,140
Inventory	2,625	2,422	2,071	2,079	2,416
Other Curr. Asset	229	100	94	96	99
Fixed assets - Net	10,163	9,978	9,853	9,746	9,573
Other non-curr.asset	587	545	541	542	545
Total asset	18,318	16,664	16,187	16,353	16,534
ST Debt	600	0	200	100	0
Payables	4,700	4,064	4,347	4,453	4,453
Other Curr. Liabilities	4,657	4,421	4,174	4,254	4,407
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	4,363	4,798	4,066	4,128	4,234
Total Liabilities	14,321	13,283	12,787	12,935	13,095
Shareholder's Funds	3,997	3,381	3,400	3,419	3,439
Minority interests	0	0	0	0	0
Total Equity & Liabilities	18,318	16,664	16,187	16,353	16,534

Exhibit 18. Cash Flow

Year to 31 Dec (Rpbn)	2022A	2023A	2024F	2025F	2026F
Net income	5,365	4,801	4,551	4,575	4,833
Depreciation and Amort.	352	404	706	704	707
Change in Working Capital	233	1,252	93	191	(442)
Other Oper. Cash Flow	907	275	(825)	121	165
Operating Cash Flow	6,857	6,732	4,525	5,592	5,263
Capex	306	(167)	(581)	(597)	(533)
Others Inv. Cash Flow	38	76	31	30	32
Investing Cash Flow	344	(91)	(549)	(568)	(501)
Net change in debt	(1,250)	(600)	200	(100)	(100)
New Capital	0	0	0	0	0
Dividend payment	(5,343)	(4,781)	(4,532)	(4,556)	(4,813)
Other Fin. Cash Flow	(431)	(742)	(40)	(60)	(20)
Financing Cash Flow	(7,024)	(6,123)	(4,372)	(4,716)	(4,933)
Net Change in Cash	177	518	(397)	308	(171)
Cash - begin of the year	325	503	1,021	624	932
Cash - end of the year	503	1,021	624	932	760

Exhibit 19. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	4.2	(6.3)	(5.8)	1.9	3.4
EBITDA	(7.4)	(11.0)	(6.0)	0.8	4.4
Operating profit	(8.0)	(11.2)	(6.2)	0.9	4.9
Net profit	(6.8)	(10.5)	(5.2)	0.5	5.6
Profitability (%)					
Gross margin	46.3	49.7	49.6	49.6	49.6
EBITDA margin	19.1	18.2	18.1	17.9	18.1
Operating margin	17.1	16.3	16.2	16.0	16.3
Net margin	13.0	12.4	12.5	12.3	12.6
ROAA	28.7	27.4	27.7	28.1	29.4
ROAE	129.0	130.1	134.2	134.2	140.9
Leverage					
Net Gearing (x)	0.0	(0.3)	(0.1)	(0.2)	(0.2)
Interest Coverage (x)	83.0	59.3	147.2	99.0	311.5

Source: UNVR, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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