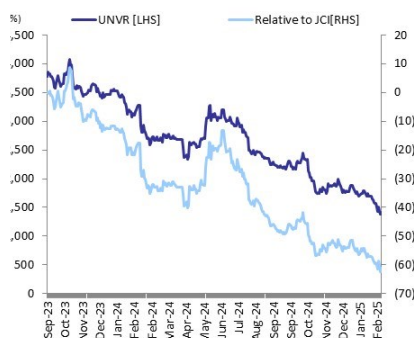


# Hold

(Upgraded)

Last Price (Rp)	1,415
Target Price (Rp)	1,500
Previous Target Price (Rp)	1,900
Upside/Downside	+6.0%
No. of Shares (mn)	38,150
Mkt Cap (Rpbn/US\$mn)	53,982/3,301
Avg, Daily T/O (Rpbn/US\$mn)	41.8/2.6
Free Float (%)	15.0
Major Shareholder (%)	
Unilever Indonesia Holding B.V.	85.0
EPS Consensus (Rp)	
	2025F 2026F 2027F
BRIDS	86.8 90.3 95.1
Consensus	108.9 108.0 106.2
BRIDS/Cons (%)	(20.3) (16.3) (10.4)

## UNVR relative to JCI Index



Source: Bloomberg

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# Unilever Indonesia (UNVR IJ)

## FY24 Earnings Missed; Potential One-Off Gain to Support FY25 Earnings and Dividend

- Following FY24 results miss, we cut our FY25/26 net profit forecasts by 10%/13% due to lower volume, lower ASP, and higher opex.
- Mgmt guides that stock reduction will continue until 1Q25, which will prevent UNVR from delivering a strong quarter despite the Eid festive.
- One-off gain from selling Ice Cream business could increase dividend yield up to 11%. We upgrade our rating to HOLD with TP Rp1,500.

### UNVR FY24 result miss: soft top line, lower gross margin and higher opex

In 4Q24, UNVR's revenue declined by 5% yoy and 8% qoq, driven by the company's ongoing efforts to reduce stock at the distribution level and implement price harmonization. Stock reduction and transformation costs pressured the FY24 gross margin, which contracted by 2.1ppt to 47.6%. On the opex side, higher remuneration costs and increased A&P spending weighed on FY24 operating profit, which declined by 30% yoy. This impact filtered through to the bottom line, with UNVR reporting an FY24 net profit of Rp3.37tr, down 30% yoy, missing both our/ consensus FY24 net profit est. (at 93%/ 90% of FY24F).

### We cut our FY25/26 NP by 10%/13% due to lower volume, ASP and higher opex

The company guided that stock reduction and price harmonization efforts will continue until 1Q25. On the cost side, it plans to adjust the selling prices of selective products in response to rising commodity prices. With a recovery expected to begin in 2H25, the company anticipates positive volume growth (versus FY24 UVG of -5.25%) and margin improvement in FY25. Following the release of the FY24 results, we have trimmed our FY25/26 net profit forecasts by 10%/13%, reflecting lower volume and ASP assumptions alongside higher operating expenses. We now project FY25 net profit to decline by 1.9% yoy to Rp3.3tr, followed by a 3.8% growth in FY26 to Rp3.4tr. Our forecast has not yet excluded the ice cream business.

### Higher dividend expectation may support the share price, upgrade to Hold

While other FMCG companies anticipate a strong 1Q25 due to the Eid season, this is unlikely for UNVR given its ongoing stock reduction and price harmonization efforts. Therefore, the next potential catalyst will only come from the improvement expected in 2H25, as well as the dividend payment from the proceeds of the ice cream business sale, which could lift the dividend yield to 11%. Taking our new forecast into account, we set our new TP of Rp1,500 based on DCF valuation, implying a 17.3x FY25 PE. We upgrade our rating to Hold.

## Key Financial

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (Rpbn)	38,611	35,139	33,837	34,985	36,240
EBITDA (Rpbn)	7,015	5,123	5,142	5,311	5,508
EBITDA Growth (%)	(11.0)	(27.0)	0.4	3.3	3.7
Net Profit (Rpbn)	4,801	3,369	3,311	3,447	3,629
EPS (Rp)	125.8	88.3	86.8	90.3	95.1
EPS Growth (%)	(10.5)	(29.8)	(1.7)	4.1	5.3
BVPS (Rp)	88.6	56.3	68.1	81.6	95.9
DPS (Rp)	125.3	75.1	73.8	76.8	80.9
PER (x)	11.2	16.0	16.3	15.7	14.9
PBV (x)	16.0	25.1	20.8	17.3	14.8
Dividend yield (%)	8.9	5.3	5.2	5.4	5.7
EV/EBITDA	7.5	10.7	10.7	10.3	9.8

Source: UNVR, BRIDS Estimates

## FY24 Earnings Missed; Potential One-Off Gain to Support FY25 Earnings and Dividend

### FY24 earnings miss: soft top line, lower gross margin and higher opex

In 4Q24, UNVR's revenue declined by 5% yoy and 8% qoq, driven by the company's ongoing efforts to reduce stock at the distribution level and implement price harmonization. As a result, FY24 revenue fell by 9% yoy, primarily due to weaker sales in Home & Personal Care (HPC), which declined by 10.8% yoy, while Food & Refreshment (FNR) revenue dropped by 5.6% yoy. Stock reduction and transformation costs pressured the FY24 gross margin, which contracted by 2.1 percentage points. On the operating expense side, UNVR reported a 110bps increase in remuneration expenses (FY24: 2.5% of revenue) as part of its transformation efforts, which the company stated was a one-off cost. Although UNVR recorded a 70bps reduction in royalty expenses, the higher remuneration costs and increased A&P spending weighed on FY24 operating profit, which declined by 30% yoy. This impact filtered through to the bottom line, with UNVR reporting an FY24 net profit of Rp3.37tr, down 30% yoy, falling below both our FY24 net profit estimate (93%) and consensus estimates (90%).

Exhibit 1. UNVR FY24/4Q24 Earnings Summary

UNVR U	FY23	FY24	YoY, %	4Q23	3Q24	4Q24	QoQ, %	YoY, %	2024F	A/F, %	A/C, %
<b>(in Rpbn)</b>											
Net sales	38,611	35,139	-9.0%	8,106	8,373	7,721	-7.8%	-4.7%	35,479	99%	98%
COGS	19,417	18,419	-5.1%	4,185	4,561	4,282	-6.1%	2.3%	18,546		
Gross profit	19,195	16,720	-12.9%	3,921	3,813	3,439	-9.8%	-12.3%	16,934	99%	97%
Opex	12,915	12,305	-4.7%	3,097	3,090	2,937	-4.9%	-5.1%	12,213		
Operating profit	6,279	4,415	-29.7%	824	723	502	-30.7%	-39.1%	4,721	94%	91%
Pretax profit	6,202	4,350	-29.9%	811	696	486	-30.1%	-40.0%	4,686		
Net profit	4,801	3,369	-29.8%	612	543	359	-33.9%	-41.3%	3,628	93%	90%
<b>(in %)</b>											
Gross margin	49.7%	47.6%		48.4%	45.5%	44.5%			47.7%		
Opex to revenue	33.4%	35.0%		38.2%	36.9%	38.0%			34.4%		
Operating margin	16.3%	12.6%		10.2%	8.6%	6.5%			13.3%		
Net margin	12.4%	9.6%		7.6%	6.5%	4.6%			10.2%		
<b>Breakdown by divisions</b>											
<b>Revenue (Rpbn)</b>											
HPC	25,150	22,426	-10.8%	5,228	5,312	4,833	-9.0%	-7.6%			
FNR	13,461	12,712	-5.6%	2,877	3,062	2,888	-5.7%	0.4%			
<b>Segment result (%)</b>											
HPC	24.6%	20.7%		18.8%	14.7%	16.6%					
FNR	18.9%	18.1%		18.3%	15.6%	19.9%					

Source: Company, Bloomberg, BRIDS Estimates

### We cut our FY25/26 net profit forecasts by 10%/13% due to lower volume, lower ASP, and higher opex

The company guided that stock reduction and price harmonization efforts will continue until 1Q25. On the cost side, it plans to adjust the selling prices of select products in response to rising commodity prices. With a recovery expected to begin in 2H25, the company anticipates positive volume growth (UVG: -5.25% in FY24) and margin improvement in FY25.

Following the release of the FY24 results, we have revised down our FY25/26 net profit forecasts by 10%/13%, reflecting lower volume and ASP assumptions alongside higher operating expenses. We now project FY25 net profit to decline by 1.9% yoy to Rp3.3tr, followed by a 3.8% growth in FY26 to Rp3.4tr. It is important to note that our forecast has not yet excluded the ice cream business.

#### Exhibit 2. Earnings Estimates Revision Summary

	Previous			New forecast			Changes		
	2024F	2025F	2026F	2024A	2025F	2026F	2024	2025	2026
Revenue	35,479	35,623	37,005	35,139	33,837	34,985	-1.0%	-5.0%	-5.5%
Gross profit	16,934	16,954	17,653	16,720	16,088	16,688	-1.3%	-5.1%	-5.5%
Operating profit	4,721	4,814	5,126	4,415	4,357	4,525	-6.5%	-9.5%	-11.7%
Net profit	3,628	3,676	3,967	3,369	3,311	3,447	-7.1%	-9.9%	-13.1%
Gross margin	47.7%	47.6%	47.7%	47.6%	47.5%	47.7%			
Operating margin	13.3%	13.5%	13.9%	12.6%	12.9%	12.9%			
Net margin	10.2%	10.3%	10.7%	9.6%	9.8%	9.9%			
<b>Changes in assumption</b>									
	2024F	2025F	2026F	2024A	2025F	2026F			
ASP	-4.5%	0.9%	1.1%	-3.6%	0.3%	0.8%			
Volume	-3.7%	-0.5%	2.7%	-5.5%	-4.0%	2.5%			
Opex/revenue	34.4%	34.1%	33.9%	35.0%	34.7%	34.8%			
A&P/revenue	9.7%	9.0%	9.0%	8.8%	8.8%	8.8%			

Source: Company, BRIDS Estimates

### The sale of Ice cream business: Potential dividend yield of up to 11%

On 14<sup>th</sup> Jan25, UNVR obtained EGM approval to sell its ice cream business to its affiliated company, PT Magnum Ice Cream Indonesia, for a total value of Rp7tr (excluding VAT). However, the transaction will only be completed once the external separation process is finalized. UNVR's management indicated that this transaction could result in a one-off gain of Rp3.8tr. If realized in FY25, this could boost net profit and increase the dividend yield to 11% (from 6.8% previously).

According to the company's disclosure, the ice cream segment contributed 9.5% of total revenue in FY23 yet has experienced declining growth, with a -2% CAGR from 2019 to 2023. This slowdown has impacted profitability, as net margins have fallen from 11.1% in 2019 to 7.2% in 2023, primarily due to margin erosion.

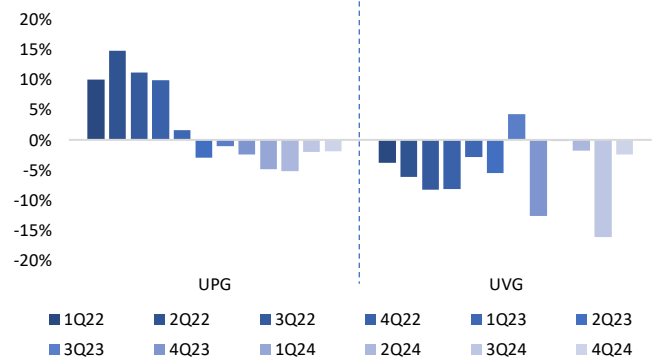
Although UNVR remains the market leader in Indonesia's ice cream sector, its market share has declined from 69.2% in 2019 to 61.9% in 2024. The ice cream business also requires high capital expenditures, averaging 8% of sales over the past five years—significantly higher than the company's overall capex of 3%.

Exhibit 3. DCF Valuation

Terminal value (IDR bn)	43,949
PV of FCFF (IDR bn)	18,273
<b>Enterprise value (IDR bn)</b>	<b>62,222</b>
Net debt - 2025 (IDR bn)	1,200
<b>Equity value (IDR bn)</b>	<b>61,022</b>
No of shares - mn	38,150
<b>Equity value/share - IDR</b>	<b>1,500</b>
Implied FY25F PE	17.3

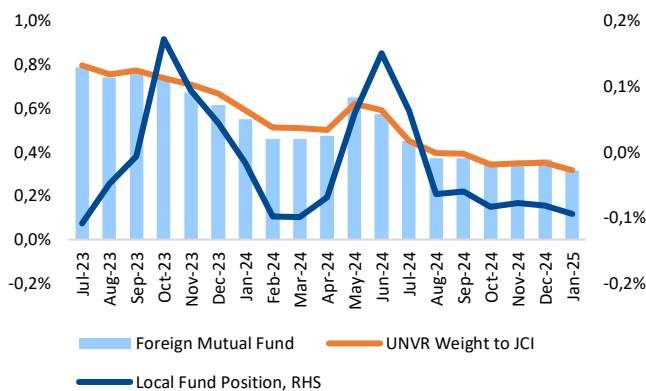
Source: BRIDS \*WACC 9.1%, Terminal growth 3%

Exhibit 4. UPG and UVG



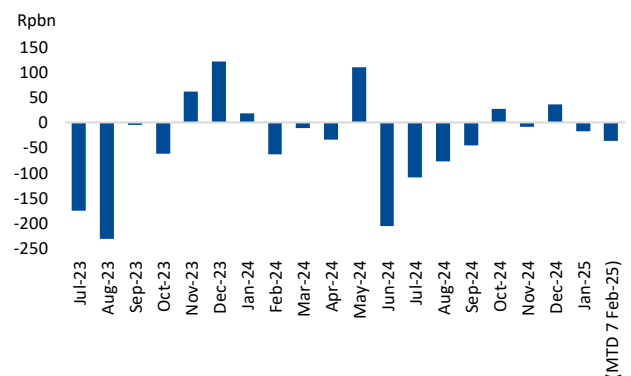
Source: Company

Exhibit 5. UNVR's Weighting and Fund Position



Source: KSEI, BRIDS

Exhibit 6. UNVR's Historical Foreign Flows (as of 7 Feb25)



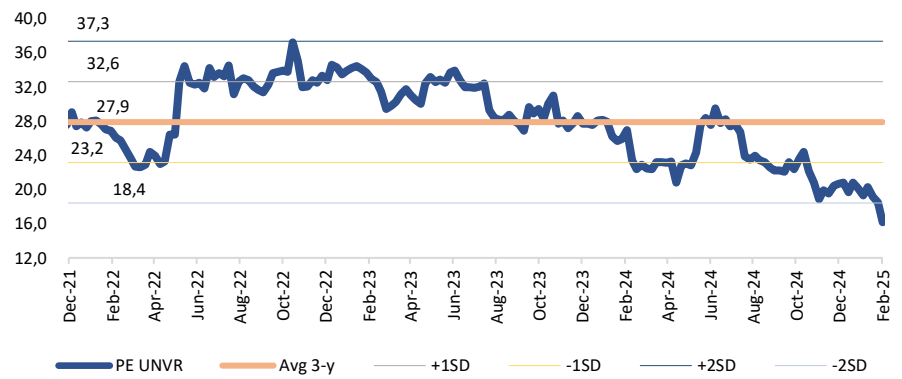
Source: IDX, BRIDS

Exhibit 7. UNVR Peers Comparison

Ticker	Rec	Target	Market Cap	P/E (x)		P/BV (x)		ROE (%)	Dividend yield (%)	EPS growth (%)		Core profit growth (%)	
		(Rp)	(Rpbn)	2025F	2026F	2025F	2026F	2025F	2025F	2025F	2026F	2025F	2026F
ICBP IJ	Buy	14,000	127,700	11.4	10.4	2.4	2.1	22.7	4.2	21.2	10.1	10.8	14.2
<b>UNVR IJ</b>	<b>Hold</b>	<b>1,500</b>	<b>53,982</b>	<b>16.3</b>	<b>15.7</b>	<b>20.8</b>	<b>17.3</b>	<b>139.5</b>	<b>5.2</b>	<b>(1.7)</b>	<b>4.1</b>	<b>(1.7)</b>	<b>4.1</b>
INDF IJ	Buy	8,800	66,070	5.9	5.6	0.9	0.8	16.5	5.2	14.9	5.7	9.3	9.9
KLBF IJ	Buy	1,800	60,940	17.9	16.6	2.4	2.3	14.1	2.7	7.3	7.3	8.0	7.3
MYOR IJ	Buy	3,050	54,110	16.4	14.2	2.8	2.5	18.0	2.2	12.6	15.8	19.0	13.8
SIDO IJ	Buy	640	16,650	16.4	15.0	5.2	5.1	32.1	5.6	8.6	8.8	8.8	10.5
<b>Sector - weighted</b>				<b>13.1</b>	<b>12.0</b>	<b>5.0</b>	<b>4.3</b>	<b>36.6</b>	<b>4.1</b>	<b>12.8</b>	<b>8.8</b>	<b>9.4</b>	<b>10.7</b>

Source: BRIDS Estimates, Bloomberg

Exhibit 8. UNVR's PE Band



Source: Bloomberg, BRIDS Estimates

**Exhibit 9. Income Statement**

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
<b>Revenue</b>	<b>38,611</b>	<b>35,139</b>	<b>33,837</b>	<b>34,985</b>	<b>36,240</b>
COGS	(19,417)	(18,419)	(17,749)	(18,297)	(18,925)
<b>Gross profit</b>	<b>19,195</b>	<b>16,720</b>	<b>16,088</b>	<b>16,688</b>	<b>17,315</b>
<b>EBITDA</b>	<b>7,015</b>	<b>5,123</b>	<b>5,142</b>	<b>5,311</b>	<b>5,508</b>
<b>Oper. profit</b>	<b>6,279</b>	<b>4,415</b>	<b>4,357</b>	<b>4,525</b>	<b>4,725</b>
Interest income	29	18	15	20	17
Interest expense	(106)	(83)	(96)	(94)	(54)
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
<b>Pre-tax profit</b>	<b>6,202</b>	<b>4,350</b>	<b>4,276</b>	<b>4,451</b>	<b>4,687</b>
Income tax	(1,401)	(982)	(965)	(1,004)	(1,058)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>4,801</b>	<b>3,369</b>	<b>3,311</b>	<b>3,447</b>	<b>3,629</b>
<b>Core Net Profit</b>	<b>4,801</b>	<b>3,369</b>	<b>3,311</b>	<b>3,447</b>	<b>3,629</b>

**Exhibit 10. Balance Sheet**

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	1,021	671	700	769	638
Receivables	2,598	2,065	2,225	2,498	2,872
Inventory	2,422	2,506	2,452	2,614	2,523
Other Curr. Asset	100	39	37	38	40
Fixed assets - Net	9,978	9,781	9,840	9,704	9,597
Other non-curr.asset	545	984	966	988	1,013
<b>Total asset</b>	<b>16,664</b>	<b>16,046</b>	<b>16,221</b>	<b>16,612</b>	<b>16,682</b>
ST Debt	0	1,450	1,900	1,400	500
Payables	4,064	3,983	4,138	4,390	4,380
Other Curr. Liabilities	4,421	4,025	3,883	3,728	4,050
Long Term Debt	0	0	0	0	0
Other LT. Liabilities	4,798	4,439	3,703	3,980	4,094
<b>Total Liabilities</b>	<b>13,283</b>	<b>13,897</b>	<b>13,624</b>	<b>13,498</b>	<b>13,024</b>
Shareholder's Funds	3,381	2,149	2,597	3,114	3,658
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>16,664</b>	<b>16,046</b>	<b>16,221</b>	<b>16,612</b>	<b>16,682</b>

**Exhibit 11. Cash Flow**

Year to 31 Dec (Rpbn)	2023A	2024A	2025F	2026F	2027F
Net income	4,801	3,369	3,311	3,447	3,629
Depreciation and Amort.	783	721	798	799	797
Change in Working Capital	1,252	154	183	71	(205)
Other Oper. Cash Flow	275	(864)	(909)	(77)	364
<b>Operating Cash Flow</b>	<b>7,112</b>	<b>3,380</b>	<b>3,383</b>	<b>4,240</b>	<b>4,585</b>
Capex	(1,086)	(996)	(958)	(801)	(826)
Others Inv. Cash Flow	76	81	12	16	13
<b>Investing Cash Flow</b>	<b>(1,010)</b>	<b>(915)</b>	<b>(946)</b>	<b>(785)</b>	<b>(813)</b>
Net change in debt	(600)	1,450	450	(500)	(900)
New Capital	0	0	0	0	0
Dividend payment	(5,112)	(4,502)	(2,863)	(2,930)	(3,085)
Other Fin. Cash Flow	128	238	(96)	(94)	(54)
<b>Financing Cash Flow</b>	<b>(5,584)</b>	<b>(2,814)</b>	<b>(2,509)</b>	<b>(3,524)</b>	<b>(4,039)</b>
<b>Net Change in Cash</b>	<b>518</b>	<b>(349)</b>	<b>(72)</b>	<b>(69)</b>	<b>(267)</b>
Cash - begin of the year	503	1,021	671	700	769
Cash - end of the year	1,021	671	700	769	638

**Exhibit 12. Key Ratio**

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
<b>Growth (%)</b>					
Sales	(6.3)	(9.0)	(3.7)	3.4	3.6
EBITDA	(11.0)	(27.0)	0.4	3.3	3.7
Operating profit	(11.2)	(29.7)	(1.3)	3.9	4.4
Net profit	(10.5)	(29.8)	(1.7)	4.1	5.3
<b>Profitability (%)</b>					
Gross margin	49.7	47.6	47.5	47.7	47.8
EBITDA margin	18.2	14.6	15.2	15.2	15.2
Operating margin	16.3	12.6	12.9	12.9	13.0
Net margin	12.4	9.6	9.8	9.9	10.0
ROAA	27.4	20.6	20.5	21.0	21.8
ROAE	130.1	121.8	139.5	120.7	107.2
<b>Leverage</b>					
Net Gearing (x)	(0.3)	0.4	0.5	0.2	0.0
Interest Coverage (x)	59.3	53.2	45.5	48.0	87.0

Source: UNVR, BRIDS Estimates



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**INVESTMENT RATING**

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

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