

# Sell

(Downgraded)

## Unilever Indonesia (UNVR IJ)

### Recovery in Progress, But Too Early to Turn Positive; Downgrading Rating to Sell

Last Price (Rp)	1,750
Target Price (Rp)	1,500
Previous Target Price (Rp)	1,500
Upside/Downside	-14.3%

No. of Shares (mn)	38,150
Mkt Cap (Rpbn/US\$mn)	66,763/3,967
Avg, Daily T/O (Rpbn/US\$mn)	61.0/3.6
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	84.3	90.4	93.2
BRIDS/Cons (%)	2.9	(0.1)	2.1

- Management expects continued improvement following the completion of price and inventory adjustments in 1Q25.
- 2Q25 will be a crucial period to assess sustainable progress, given expectations of sub-5% GDP growth and a seasonal slowdown.
- Following share price rally from YTD low, we downgrade rating to Sell. Key risk is earnings upside if performance and cost control continue.

#### 1Q25 Net Profit declined 14.6% yoy

UNVR reported 1Q25 revenue of Rp9.5tr, down 6.1% yoy, driven by HPC (-9.1%), while FNR was relatively flat (-0.8%) due to support from festive events. UNVR implemented a price adjustment in Feb25, which supported margins, especially for palm-related products. UNVR posted 1Q25 net profit of Rp1.24tr, down 14.6% yoy, accounting for 37% of our FY25F and 38% of the consensus estimate. We view the result as in line, given that the service fee and ETS payments typically normalize in subsequent quarters.

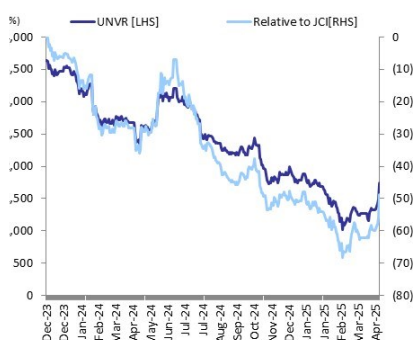
#### Eyeing growth in 2H25 after completing price and inventory adjustments

The management stated that price harmonization and inventory stock reduction were completed in 1Q25. From 2Q25 onward, UNVR will focus on supporting revenue growth and managing costs. The company views the quarterly growth in 1Q25 as a healthy outcome of its efforts to improve performance and believes it is on track to deliver growth in 2H25. However, we think it is too early to turn positive, as **2Q25 will be a crucial period to assess whether the initial improvements are sustainable**, especially with expectations of sub-5% GDP growth in 1Q25 and the **seasonal demand slowdown post Ramadan period**.

#### Downgrade rating to Sell following share price rebound

Following a 72% share price appreciation from its YTD low, UNVR currently trades at 20x FY25F PE, below its 3-year of -1SD of 21.5x. We downgrade our rating to Sell with an unchanged target price of Rp1,500, based on a DCF valuation, implying 17.3x FY25F PE. Key risk to our call is if UNVR sustains its strong top-line momentum and further enhances efficiencies in the coming quarters, where we see potential upside for net profit to exceed our FY25F and consensus estimates by 8%, implying 6% yoy growth (vs. -1.7% yoy in our current forecast). Additionally, UNVR expects to complete the sale of its ice cream business by the end of FY25, which could lift the dividend yield to 10% in the 2026 payout (vs. 5% without the one-off gain).

#### UNVR relative to JCI Index



Source: Bloomberg

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#### 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)	13.9	19.8	20.2	19.4	18.4
PBV (x)	19.7	31.1	25.7	21.4	18.3
Dividend yield (%)	7.2	4.3	4.2	4.4	4.6
EV/EBITDA	9.4	13.2	13.2	12.7	12.1

Source: UNVR, BRIDS Estimates

### UNVR's 1Q25 Net Profit declined 14.6% yoy due to lower revenue and margins, partially offset by reduced fees paid to the parent company

UNVR reported 1Q25 revenue of Rp9.5tr, down 6.1% yoy, driven by HPC (-9.1%), while FNR was relatively flat (-0.8%) due to support from festive events. UNVR implemented a price adjustment in Feb25, which supported margins, especially for palm-related products. In 1Q25, Volume (UVG) declined by 7% yoy, while price (UPG) grew 1.5% yoy.

UNVR reported a lower percentage of service fee & ETS payments, as well as reduced salary expenses in 1Q25, which partially offset the decline in gross margin and negative revenue growth. UNVR posted 1Q25 net profit of Rp1.24tr, down 14.6% yoy, accounting for 37% of our FY25F and 38% of the consensus estimate. We view the result as in line, given that the service fee and ETS payments typically normalize in subsequent quarters.

#### Exhibit 1. UNVR 1Q25 Earnings Summary

UNVR II	1Q24	4Q24	1Q25	QoQ, %	YoY, %	2025F	A/F, %	A/C, %
<b>(in Rpbn)</b>								
Net sales	10,080	7,721	9,465	22.6%	-6.1%	33,837	28%	27%
Gross profit	5,033	3,439	4,559	32.6%	-9.4%	16,088	28%	28%
Opex	3,151	2,937	2,937	0.0%	-6.8%	11,731		
Operating profit	1,882	502	1,621	223.2%	-13.9%	4,357	37%	37%
Pretax profit	1,859	486	1,594	227.8%	-14.3%	4,276		
Net profit	1,449	359	1,237	244.7%	-14.6%	3,311	37%	38%
<b>(in %)</b>								
Gross margin	49.9%	44.5%	48.2%			47.5%		
Opex to revenue	31.3%	38.0%	31.0%			34.7%		
Operating margin	18.7%	6.5%	17.1%			12.9%		
Net margin	14.4%	4.6%	13.1%			9.8%		
<b>Breakdown by divisions</b>								
	1Q24	4Q24	1Q25	QoQ, %	YoY, %			
<b>Revenue (Rpbn)</b>								
HPC	6,443	4,833	5,858	21.2%	-9.1%			
FNR	3,637	2,888	3,607	24.9%	-0.8%			
<b>Segment result (%)</b>								
HPC	26.7%	16.6%	22.8%					
FNR	19.9%	19.9%	19.4%					

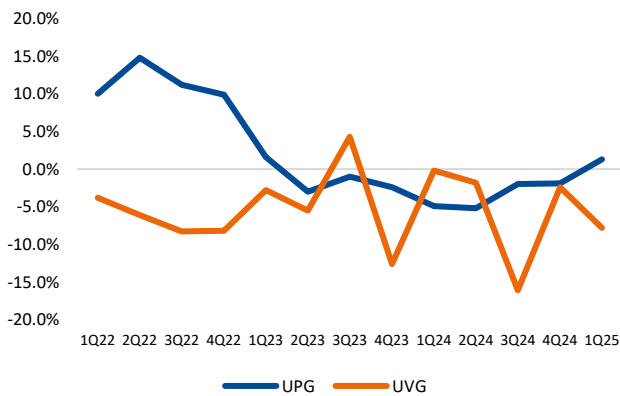
Source: Company, Bloomberg, BRIDS Estimates

#### Exhibit 2. Potential Earnings Upgrade

UNVR (Rpbn)	FY24	FY25F	FY25 with Cost Control	Upward Revision
Revenue	35,139	33,837	33,837	0%
Gross profit	16,720	16,088	16,088	0%
Operating profit	4,415	4,357	4,695	8%
Net profit	3,369	3,311	3,575	8%
<b>Yoy growth</b>				
Revenue	-9%	-4%	-4%	
Net profit growth	-30%	-2%	6%	

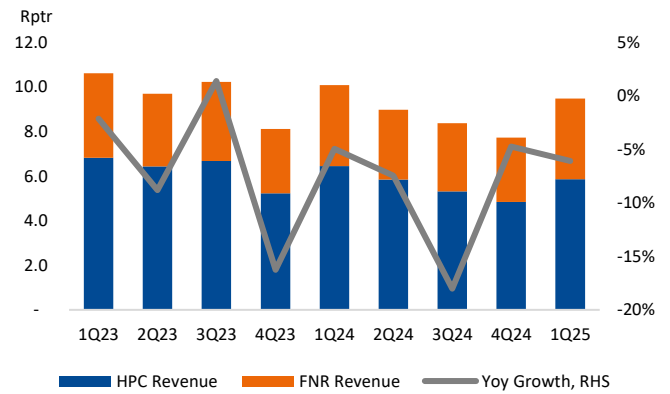
Source: Company, BRIDS Estimates

Exhibit 3. Volume and ASP Growth, 1Q22 – 1Q25



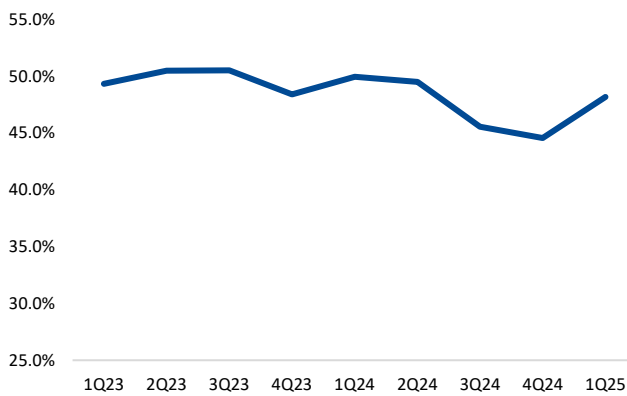
Source: Company

Exhibit 4. Quarterly Rev and Yoy Growth, 1Q23 – 1Q25



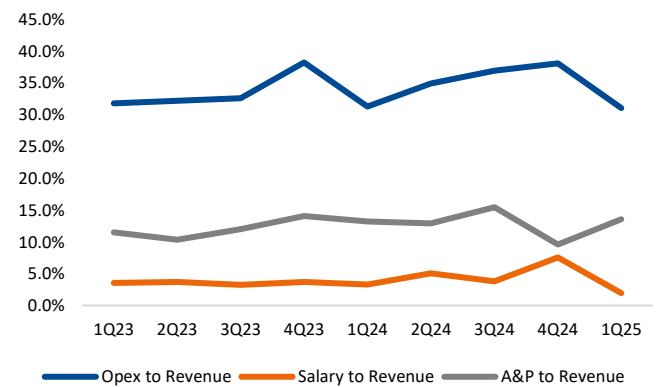
Source: Company

Exhibit 5. Quarterly Gross Margin, 1Q23 – 1Q25



Source: Company

Exhibit 6. Quarterly Opex/Revenue, Salary and A&amp;P, 1Q23 – 1Q25



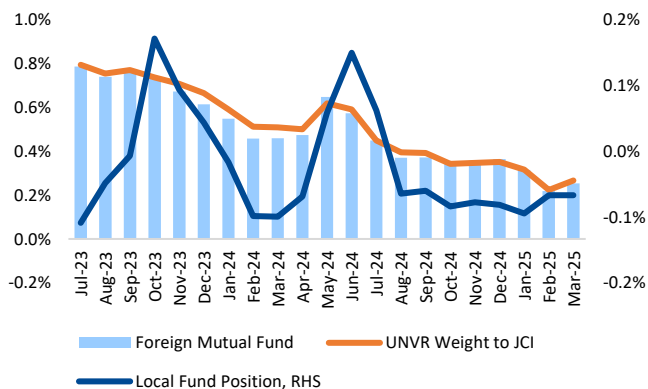
Source: Company

Exhibit 7. UNVR's Affordable Products



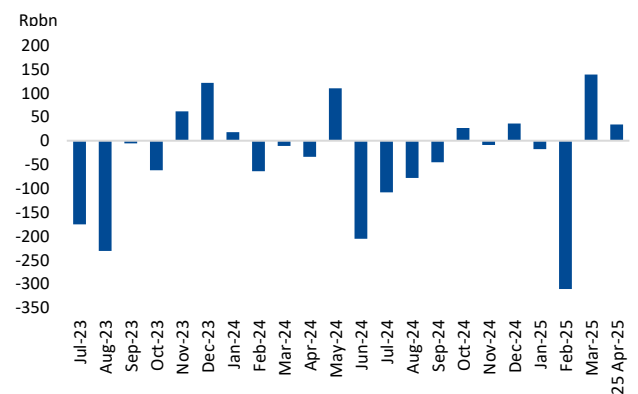
Source: Company

Exhibit 8. UNVR's Weighting and Fund Position



Source: KSEI, BRIDS

Exhibit 9. UNVR's Historical Foreign Flows (as of 25 Apr25)



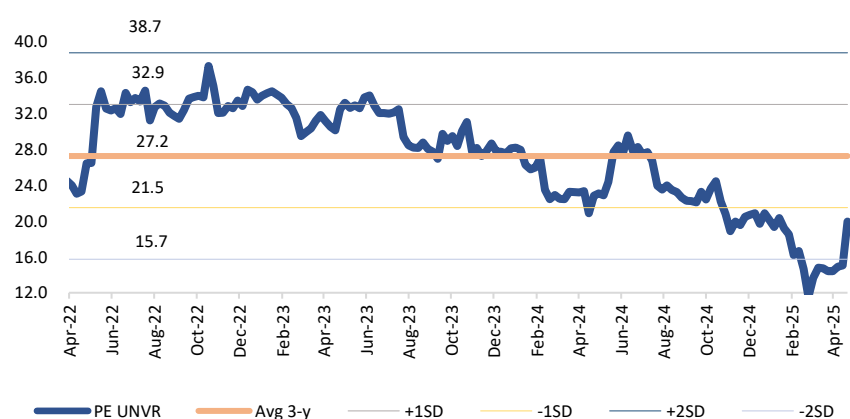
Source: IDX, BRIDS

Exhibit 10. UNVR's Peers Comparison

Ticker	Rec	Target Price	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	128,281	12.3	10.5	2.5	2.2	21.4	2.9	46.8	17.6	4.8	9.5
UNVR IJ	Sell	1,500	66,763	20.2	19.4	25.7	21.4	139.5	4.2	(1.7)	4.1	(1.7)	4.1
INDF IJ	Buy	8,800	65,634	6.0	5.2	0.9	0.8	15.8	3.8	27.0	15.9	7.4	7.4
KLBF IJ	Buy	1,800	58,125	17.2	16.0	2.3	2.2	14.1	2.9	4.5	7.3	8.0	7.3
MYOR IJ	Buy	3,050	55,450	16.6	15.1	2.9	2.6	18.6	2.2	11.1	10.4	14.1	13.0
SIDO IJ	Buy	640	17,400	13.9	12.7	4.9	4.7	35.5	6.7	7.3	8.9	8.8	10.5

Source: BRIDS Estimates, Bloomberg

Exhibit 11. UNVR's PE Band



Source: Bloomberg, BRIDS Estimates

**Exhibit 12. 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 13. 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 14. 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 15. 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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