

Unilever Indonesia (UNVR IJ)

23 April 2015

Results Note

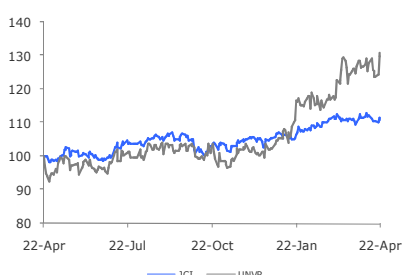
HOLD (unchanged)

Stock Data

Target price (Rp)	Rp39,375
Prior TP (Rp)	Rp28,000
Shareprice (Rp)	Rp40,850
Upside/downside (%)	(3.6)
Sharesoutstanding (m)	7,630
Marketcap. (US\$ m)	24,186
Free float (%)	15.0
Avg. 6m dailyT/O (US\$ m)	n/a

Price Performance

	3M	6M	12M
Absolute (%)	12.8	33.5	40.9
Relative to JCI (%)	10.4	26.0	27.7
52w high/low (Rp)	40,850 - 29,000		



Major Shareholders

Unilever Plc	85.0%
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Estimate Change; Vs. Consensus

	2015F	2016F
Latest EPS (Rp)	793.0	875.1
Vs. Prior EPS (%)	0.6	(1.9)
Vs. Consensus (%)	(2.5)	(4.6)

Source: Bloomberg

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Fully valued at current levels

- **Solid 1Q15 results driven by volume growth**
- **Higher gross margin on favorable commodity prices...**
- **...but slightly lower EBIT margin on higher A&P and royalty spend**
- **Maintain HOLD at a new TP Rp39,375**

Solid 1Q15 results. Unilever Indonesia (UNVR) posted a good set of 1Q15 results, with sales up by 11.8%qoq; 7.9%yoy. Despite UNVR did not disclose volume figures, we believe the strong top-line was largely driven by volume growth (ASP only increased by 1% in 1Q) – a strong recovery from the sluggish 4Q growth post 5% ASP hike in Sep 2014. Given that consumers' purchasing power was still in a recovery mode in 1Q15 and with FMCG market being increasingly competitive, we believe UNVR's strong 1Q results demonstrate its supreme brand equity, distribution networks and continuous efforts to maintain its market leadership.

Higher gross margin on favourable commodity prices... Despite only two major segments: Home and Personal Care (HPC) and Food and Refreshment (FR) were presented; we believe growth was achieved in all major categories. By segment, FR achieved a stellar performance, with sales growth of 22.3%qoq and 17.2%yoy while HPC sales growth was relatively modest at only 8%qoq; 4.5%yoy. We believe premium brands in FR e.g. Magnum ice-cream led the outperformance. Meanwhile, a faster recovery in margins was beyond our expectation; with gross margin now back to a high 54.1% for HPC and 43.7% for FR (+1200bp and +140bp from 4Q). If commodity prices stay at current level and Rp gains strength, we believe UNVR could sustain its high gross margin this year.

...but slightly lower EBIT margin on higher A&P and royalty spend. UNVR's ad and promotion spend increased to 11.6% of sales in 1Q15 (from 9.8% in 4Q14) while royalty spend increased to 7.3% of sales (from 5.6%), which resulted in lower operating margin compared to 4Q14. We expect the A&P spend to increase to 12.2% of sales given the improved macro environment which historically translate into more UNVR's brand activities. Additionally, higher royalty spend permanently increases the company's costs base, which should also weigh on margins.

Hold maintained at a new TP Rp39,375 We acknowledge that UNVR remains the best-in class in Indonesian consumer space, but one cannot ignore that the stock is currently valued at 46x FY16F earnings at the time when costs base is permanently increased (higher loyalty payment) and competition is increasingly intensified. We therefore maintain our HOLD recommendation at a higher TP Rp39,375, based on +2STD on 8-year historical PE (45.0x of FY16F earnings).

Year To 31 Dec	2013A	2014A	2015F	2016F	2017F
Revenue(RpBn)	30,757	34,512	38,802	43,268	48,268
EBITDA(RpBn)	7,122	7,779	8,162	8,970	9,953
EBITDA Growth (%)	10.3	9.2	4.9	9.9	11.0
Net Profit(RpBn)	5,353	5,739	6,051	6,677	7,404
EPS (Rp)	702	752	793	875	970
EPS Growth (%)	10.6	7.2	5.4	10.4	10.9
Net Gearing (%)	16.8	8.5	9.3	5.3	(3.0)
PER (x)	58.2	54.2	51.4	46.6	42.0
PBV (x)	73.2	67.7	59.9	56.4	50.9
Dividend Yield (%)	1.6	1.7	1.8	2.0	2.2
EV/EBITDA (x)	43.6	40.0	38.1	34.7	31.3

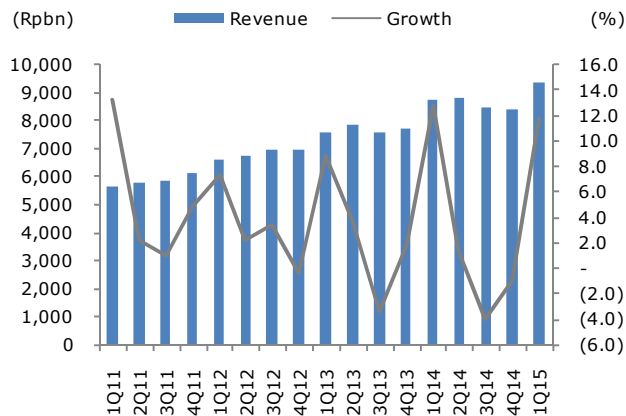
Source : UNVR,IndoPremier

Share Price Closing as of : 22-April-2015

Refer to Important disclosures on the last of this report

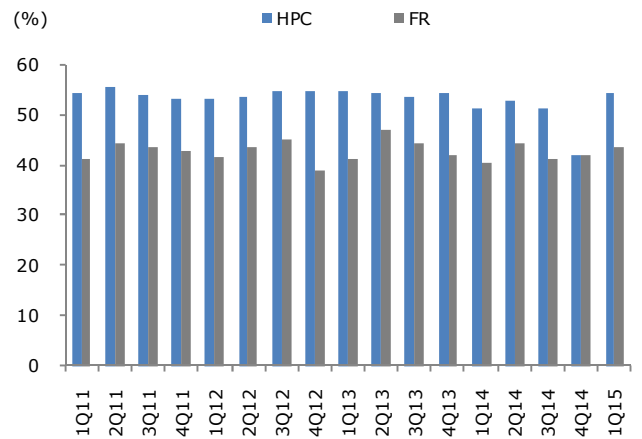
UNVR Results Note

Fig. 1: Strong 1Q15 revenue



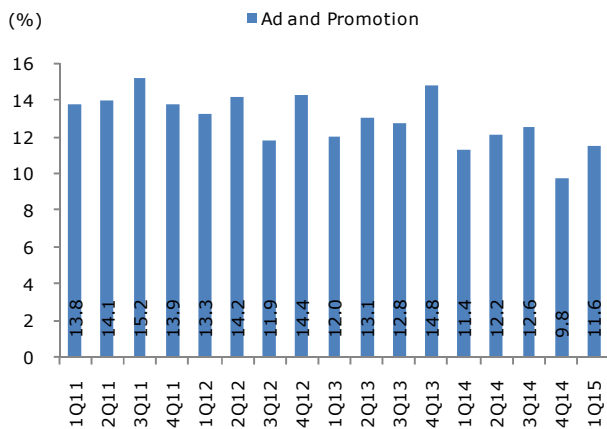
Source : UNVR; IndoPremier

Fig. 2: Recovery in gross margin



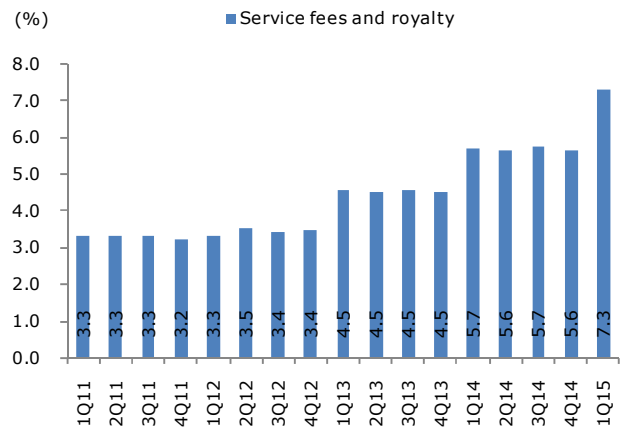
Source : UNVR; IndoPremier

Fig. 3: Higher A&P as % of sales



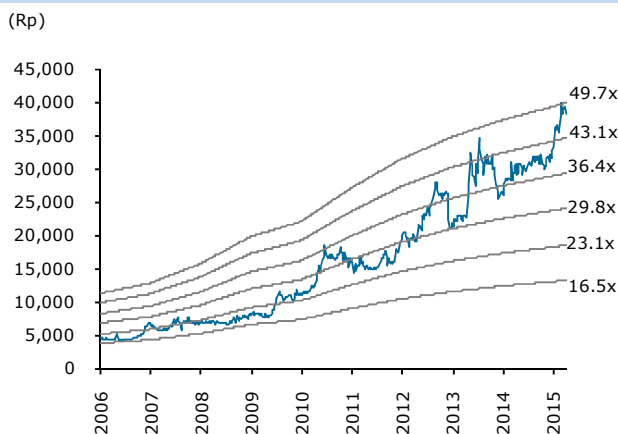
Source : UNVR; IndoPremier

Fig. 4: Higher royalty payment as % of sales



Source : UNVR; IndoPremier

Fig. 5: P/E Band



Source : UNVR; IndoPremier

Fig. 6: Historical P/E



Source : UNVR; IndoPremier

Year To 31 Dec (RpBn)	2013A	2014A	2015F	2016F	2017F
Income Statement					
Net Revenue	30,757	34,512	38,802	43,268	48,268
Cost of Sales	(14,979)	(17,412)	(19,272)	(21,533)	(24,070)
Gross Profit	15,778	17,099	19,530	21,735	24,198
SG&A Expenses	(8,657)	(9,320)	(11,368)	(12,765)	(14,245)
Operating Profit	7,122	7,779	8,162	8,970	9,953
Net Interest	(6)	(86)	(51)	(20)	(31)
Forex Gain (Loss)	(8)	0	0	0	0
Others-Net	51	(17)	(17)	(17)	(17)
Pre-Tax Income	7,159	7,677	8,094	8,933	9,905
Income Tax	(1,806)	(1,938)	(2,044)	(2,255)	(2,501)
Minorities	0	0	0	0	0
Net Income	5,353	5,739	6,051	6,677	7,404
Balance Sheet					
Cash & Equivalent	261	859	192	385	182
Receivable	3,270	2,896	3,466	3,865	4,311
Inventory	2,084	2,326	2,441	2,727	3,048
Other Current Assets	248	257	270	284	299
Total Current Assets	5,863	6,337	6,369	7,261	7,841
Fixed Assets - Net	6,874	7,348	7,571	7,771	7,951
Goodwill	62	62	62	62	62
Non Current Assets	549	534	510	487	463
Total Assets	13,348	14,281	14,512	15,580	16,318
ST Loans	977	1,250	677	677	0
Payable	3,765	4,632	0	5,191	5,803
Other Payables	3,678	2,983	3,132	3,289	3,454
Current Portion of LT Loans	0	0	0	0	0
Total Current Liab.	8,419	8,865	8,456	9,157	9,257
Long Term Loans	0	0	0	0	0
Other LT Liab.	674	817	858	901	946
Total Liabilities	9,094	9,682	9,314	10,058	10,202
Equity	172	172	172	172	172
Retained Earnings	4,082	4,426	5,026	5,350	5,943
Minority Interest	0	0	0	0	0
Total SHE + Minority Int.	4,255	4,599	5,198	5,522	6,115
Total Liabilities & Equity	13,348	14,281	14,512	15,580	16,318

Source : UNVR,IndoPremier

Year to 31 Dec	2013A	2014A	2015F	2016F	2017F
Cash Flow					
Net Profit	5,353	5,739	6,051	6,677	7,404
Depr. & Amortization	441	144	259	255	250
Changes in Working Capital	(256)	484	(607)	(74)	(87)
Others	231	496	(135)	93	107
Cash Flow From Operating	5,769	6,862	5,568	6,951	7,675
Capital Expenditure	(977)	(602)	(458)	(432)	(407)
Others	14	10	11	21	10
Cash Flow From Investing	(963)	(592)	(448)	(411)	(397)
Loans	(63)	273	(573)	0	(677)
Equity	0	0	0	0	0
Dividends	(5,066)	(5,394)	(5,452)	(6,353)	(6,811)
Others	173	47	(21)	1	4
Cash Flow From Financing	(4,956)	(5,074)	(6,046)	(6,352)	(7,484)
Changes in Cash	(150)	1,196	(925)	189	(206)
Financial Ratios					
Gross Margin (%)	51.3	49.5	50.3	50.2	50.1
Operating Margin (%)	23.2	22.5	21.0	20.7	20.6
Pre-Tax Margin (%)	23.3	22.2	20.9	20.6	20.5
Net Margin (%)	17.4	16.6	15.6	15.4	15.3
ROA (%)	42.3	41.5	42.0	44.4	46.4
ROE (%)	130.2	129.6	123.5	124.6	127.2
ROIC (%)	104.8	103.8	103.4	111.0	120.4
Acct. Receivables TO (days)	33.8	32.6	29.9	30.9	30.9
Acct. Receivables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Inventory TO (days)	7.2	7.9	8.1	8.3	8.3
Payable TO (days)	79.5	88.0	87.9	83.4	83.4
Acct. Payables - Other TO (days)	0.0	0.0	0.0	0.0	0.0
Debt to Equity (%)	23.0	27.2	13.0	12.3	0.0
Interest Coverage Ratio (x)	0.0	0.0	0.0	0.0	0.0
Net Gearing (%)	16.8	8.5	9.3	5.3	(3.0)

Source : UNVR,IndoPremier

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INVESTMENT RATINGS

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

ANALYSTS CERTIFICATION.

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