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Stock Valuation of PT Unilever Indonesia Tbk: Assessing Financial Impact of Economic and Industry Pressures in the FMCG Sector

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Abstract
This study evaluates the financial performance and stock valuation of PT Unilever Indonesia Tbk (UNVR.JK) from 2020 to 2024, a period marked by significant economic and competitive pressures in Indonesia's fast-moving consumer goods (FMCG) sector. As a leading player in household and personal care products, Unilever Indonesia faced declining financial performance, with revenue falling from IDR 38.6 trillion in 2021 to IDR 35.1 trillion in 2024 and net profit dropping from IDR 5.8 trillion to IDR 3.4 trillion. The deterioration was driven by macroeconomic challenges, including inflation, *rupiah* depreciation, rising operational costs, and shifting consumer preferences, which eroded profitability and investor confidence. Despite its strong brand equity and extensive distribution network, the company struggled with supply chain inefficiencies, reliance on imported raw materials, and slow adaptation to changing consumer trends. This research employs a qualitative methodology with a descriptive design. Statistical analysis confirmed that inflation and exchange rate volatility significantly impacted Unilever's financial performance and stock price fluctuations. However, valuation models—Discounted Cash Flow (DCF) and Dividend Discount Model (DDM)—suggest the company's intrinsic value exceeds its current market price, indicating potential undervaluation contingent on operational and strategic enhancements. To restore growth, this study recommends: diversifying the supply chain to reduce import dependency, accelerating digital transformation in marketing and distribution, expanding into health and wellness segments, strengthening risk management frameworks to mitigate macroeconomic shocks, and optimizing cost structures for sustainable profitability. These strategies could enhance Unilever Indonesia's resilience and long-term competitiveness in Indonesia's evolving FMCG landscape.

INTRODUCTION

In the current era of economic globalization, the fast-moving consumer goods (FMCG) sector is a key indicator for assessing the stability and growth of domestic consumption, particularly in developing countries such as Indonesia (Kuzmina et al., 2019; Neboh & Mbhele, 2022; Niedermeier et al., 2021; Sundström & Hjelm-Lidholm, 2020; Tassell & Aurisicchio, 2023). Globally, the FMCG industry is under significant pressure due to fluctuating macroeconomic dynamics, including inflation, *exchange rate* depreciation, supply chain disruptions, and changes in consumer behavior following the COVID-19 pandemic (Aquilante et al., 2022; Dilanchiev & Taktakishvili, 2021; Hofmann et al., 2021; Hoshikawa & Yoshimi, 2021; Iyoboyi & Muftau, 2014). Additionally, the sector faces increasingly complex competitive challenges, with the rise of more adaptive local brands and heightened consumer expectations for sustainability, affordable pricing, and the digitalization of services (Calderwood, LaureCalderwood, Lauren Uppink, & Soshkin & Soshkin, 2019; Malhotra et al., 2024; Porter & Heppelmann, 2014; Saptana et al., 2023; Shrivastava, 2018; West et al., 2015; World Bank, 2020). In this context, analyzing the stock valuation and financial performance of multinational companies such as PT Unilever Indonesia Tbk is highly relevant to understanding how large corporations respond to economic uncertainty while maintaining their market value and competitive advantage.

The emergence of issues in Unilever Indonesia's financial performance has been influenced by various factors, both internal and external. Externally, high inflation from 2021 to 2023 suppressed consumer purchasing power and prompted a shift towards more affordable products (Central Bureau of Statistics, 2024). Simultaneously, the depreciation of the *rupiah* against the US dollar significantly increased the cost of importing raw materials—an essential component of Unilever's production due to its high dependency on foreign resources. From an industry perspective, competition has intensified, with local players such as Indofood CBP, Kino Indonesia, and Mayora Indah successfully offering substitute products at lower prices, with more agile distribution and locally relevant brand narratives (NielsenIQ, 2024). Internally, a high operating cost structure and delays in adopting digital transformation have further weakened the company's responsiveness to market changes.

These conditions are directly reflected in the decline of Unilever Indonesia's financial performance. During the 2020–2024 period, the company's revenue declined from IDR 42.9 trillion to IDR 35.1 trillion, while net profit dropped from IDR 7.2 trillion to IDR 3.4 trillion (Unilever Annual Report, 2024). The gross profit margin also decreased due to rising raw material and operational costs, as well as the company's inability to pass these costs onto consumers amid weakening purchasing power. The depreciation of the *rupiah* further added to the burden, as more than half of Unilever's raw materials remain imported. This situation not only eroded profitability but also negatively affected investor perceptions of UNVR.JK's stock valuation in the capital market. In recent years, Unilever Indonesia's share price has declined significantly, even though its intrinsic value—based on Discounted Cash Flow (DCF) and Dividend Discount Model (DDM) approaches—indicates potential undervaluation.

In this study, the primary variables examined are **financial performance** (variable Y) and **macroeconomic factors and industry competition** (variable X). Financial performance is analyzed through indicators such as net profit, profit margin, liquidity ratios, and solvency. Variable X encompasses inflationary pressures, *rupiah* exchange rate fluctuations, and FMCG industry dynamics, including changes in consumer preferences and the intensity of market competition. The study also considers market perceptions of Unilever Indonesia's stock through valuation methods such as DCF and DDM, to assess whether the company's fundamentals are reflected in its current market price or if there is a misalignment that could inform business strategy formulation.

The novelty of this research lies in its integrative approach, combining internal financial analysis with macroeconomic variables that simultaneously impact stock valuation, and its focus on the unique dynamics of the Indonesian FMCG market. Few previous studies have comprehensively integrated SWOT, PESTEL, and intrinsic valuation analyses within a single analytical framework for one company over a specific period (2020–2024), especially in a constantly evolving macroeconomic context. Furthermore, this study incorporates a comparison of Unilever Indonesia's performance with its main domestic competitors (Indofood, Kino, Mayora), allowing for sharper identification of strategic weaknesses and market opportunities that the company can leverage for recovery.

The urgency of this research is underscored by the vital role multinational companies like Unilever play in the national economy—not only in providing essential goods, but also in job creation and tax contributions. The decline in Unilever Indonesia's performance may serve as an early indicator of weakening competitiveness among large firms in the face of local market transformation. If a company as significant as Unilever experiences stagnation and declining market value, it signals the need to recalibrate business strategies, particularly amid global economic volatility and deepening digital disruption. For investors and shareholders, accurate valuation analysis is a critical tool for making informed investment decisions in uncertain economic conditions.

The objectives of this study are to: (1) analyze the development of PT Unilever Indonesia Tbk's financial performance from 2020 to 2024; (2) assess the extent to which external challenges, particularly macroeconomic factors and industry competition, affect the company's stock valuation; and (3) provide data-driven strategic recommendations that management can implement to improve performance and enhance company value in the future. The approaches used include financial statement evaluation, ratio analysis, external environmental assessment (PESTEL), SWOT analysis, and the application of fundamental valuation methods (DCF and DDM).

The benefits of this study are twofold. Academically, it contributes to the literature in financial management and business strategy, particularly regarding the impact of macroeconomic factors on the valuation of FMCG companies. It also serves as a reference for students, lecturers, and researchers conducting similar studies in other companies or sectors. Practically, the findings can be utilized by Unilever Indonesia's management and similar firms to formulate more adaptive, efficient, and data-driven strategies. Additionally, investors and capital market analysts may use the results as a reference when evaluating the investment potential of UNVR shares or other FMCG sector stocks.

METHOD

This study employed a qualitative approach with a descriptive research design. This approach was chosen to systematically describe the actual conditions of the financial performance and stock valuation of PT Unilever Indonesia Tbk during the 2020–2024 period, within the context of global and domestic macroeconomic challenges. The main focus was on extracting meaning from available secondary data, aiming to provide an in-depth understanding of the company's financial situation, the primary causes of the decline in performance, and to formulate strategic solutions relevant to the dynamics of the FMCG industry in Indonesia. The use of descriptive methods enabled the researchers to present findings as comprehensive and context-rich narratives, rather than merely as numbers or calculations.

The research was conducted in Indonesia, focusing on a case study of PT Unilever Indonesia Tbk as a major player in the national fast-moving consumer goods (FMCG) sector. The study covered the five-year period from 2020 to 2024, a strategic timeframe that encompassed conditions before, during, and after the COVID-19 pandemic, which significantly affected market dynamics, supply chains, and consumer behavior. This period was also marked by notable macroeconomic fluctuations, including high inflation, *rupiah* depreciation, and various geopolitical issues impacting the FMCG industry.

The population of this study included all FMCG sector companies listed on the Indonesia Stock Exchange with financial data disclosures for the past five years. A purposive sampling technique was used, selecting PT Unilever Indonesia Tbk as the main subject based on several considerations: Unilever was one of the largest and most influential FMCG companies in Indonesia, had complete and publicly available financial reports, and experienced a significant decline in performance during the study period. In addition, similar companies such as Indofood CBP, Kino, and Mayora were used as benchmarks to strengthen the comparative analysis.

This study relied entirely on secondary data obtained from trusted and official sources. The main sources included the annual reports and financial statements of PT Unilever Indonesia Tbk for 2020–2024, macroeconomic data from the Central Bureau of Statistics (BPS) and Bank Indonesia (BI), and industry reports from market research institutions such as NielsenIQ and Euromonitor. Stock market data were sourced from the official website of the Indonesia Stock Exchange (IDX), while additional information was collected from academic publications, scientific journal articles, and other business and economic references. Data collection techniques included documentation review and content analysis relevant to the research objectives.

RESULTS AND DISCUSSION

External Analysis

PESTEL Analysis

PESTEL is one of the tools available for assessing external influences. The strategic framework known as PESTEL, which stands for Political, Economic, Social, Technological, Environmental and Legal, is used to assess external environmental elements that have an impact on an organisation's long-term planning and competitive positioning.

Political

Indonesia maintains a stable political environment that supports industrial growth through policies such as the Omnibus Law and "Making Indonesia 4.0". However, geopolitical tensions (e.g., Middle East-related consumer boycotts in 2023) have negatively impacted multinational brands like Unilever Indonesia. Regulatory changes such as mandatory halal certification (2026) and evolving import policies also introduce compliance risks.

Economic

Despite Indonesia's steady GDP growth (~5% in 2023), inflation and currency depreciation have reduced consumer purchasing power. The Indonesian Rupiah weakened from IDR 14,645/USD (2020) to over IDR 16,100/USD (2025), elevating costs for import-dependent firms like Unilever. Local competitors with more integrated supply chains have better resilience to these macroeconomic pressures.

Social

Consumer behavior is shifting toward value-oriented, halal, and culturally resonant products, especially among millennials and Gen Z. Over 60% of consumers have switched to affordable brands. Boycotts of Western-affiliated firms underline the need for stronger local identity and community alignment in branding strategies.

Technological

E-commerce now accounts for over 65% of FMCG sales. Local firms like KINO and ICBP excel in digital marketing, AI-driven logistics, and influencer engagement. Unilever Indonesia lags in digital adoption, reducing marketing ROI and sales agility in omnichannel environments.

Environmental

Sustainability expectations are rising. While Unilever commits to reducing virgin plastic, adoption remains below 2% of total volume. Competitors like MYOR have advanced in eco-friendly packaging and sourcing, gaining consumer and investor trust. ESG performance increasingly affects cost of capital and brand loyalty.

Legal

The tightening legal framework (e.g., Data Protection Law, Halal Product Assurance Law) demands proactive compliance. Local players enjoy a head start in halal certification. Unilever faces rising compliance costs, particularly in product reformulation and digital data management.

Porter's Five Forces

A common approach in strategic marketing for assessing the competitive dynamics within an industry is Porter's Five Forces framework.

Threat of New Entrants – Medium

Digital commerce lowers entry barriers. While Unilever benefits from scale and distribution, social commerce enables agile new entrants to gain market share in niche segments.

Bargaining Power of Suppliers – High

Unilever's reliance on imported raw materials exposes it to FX risk and supply chain disruptions. In contrast, local rivals benefit from domestic sourcing and lower cost volatility.

Bargaining Power of Buyers – High

Consumers have high bargaining power due to price sensitivity, abundant choices, and access to digital platforms. Private labels and value brands dominate shelf space and online channels.

Threat of Substitutes – Medium to High

Substitution risk rises with DIY alternatives, herbal products, and traditional home remedies. Consumers are also turning to refill stations, zero-waste products, and loose commodities, particularly during economic downturns.

Rivalry among Existing Competitors – High

The market is saturated with intense rivalry from both domestic giants (ICBP, KINO, MYOR) and global players. Unilever's legacy strategies face pressure from competitors offering localized, health-conscious, and digitally enabled product lines.

Internal Analysis

The following subchapter presents the internal analysis of PT Unilever Indonesia Tbk. The assessment is predicated on financial performance metrics, including activity ratios, liquidity, solvency, and profitability. The present analysis utilizes secondary data obtained from publicly available financial documents with the objective of evaluating the company's operational and financial status over the past five years (2020–2024). The internal strengths and weaknesses that will be utilized in the development of business solutions and valuation modeling in later chapters are supported by this study.

Liquidity Ratio

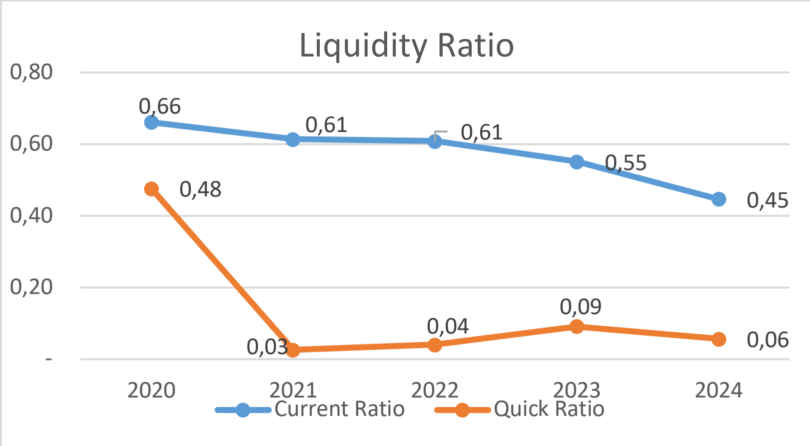

Figure 1. Liquidity Ratio

PT Unilever Indonesia Tbk's liquidity position from 2020 to 2024 shows a clear downward trend, as indicated by both the current ratio and the quick ratio. The current ratio, which reflects the company's ability to meet short-term obligations using all current assets, declined steadily from 0.66 in 2020 to 0.45 in 2024. While it remained above 0.60 through 2022, the ratio dropped more sharply in 2023 and 2024, suggesting increasing pressure on the company's working capital position. Specifically, Unilever's total current assets fell from IDR 8.83 trillion in 2020 to IDR 5.28 trillion in 2024, while current liabilities remained consistently high, ranging from IDR 13.36 trillion in 2020 to IDR 11.83 trillion in 2024. This indicates that the company's liquidity stress stems primarily from a shrinking asset base, rather than a proportional reduction in liabilities.

The most significant contributors to this decline are reductions in trade receivables and cash and cash equivalents. Trade debtors from third parties decreased from IDR 4.98 trillion in 2020 to just IDR 1.67 trillion in 2024, reflecting lower sales volume. Simultaneously, the cash position showed considerable volatility, dropping to just IDR 325 billion in 2021, briefly recovering in 2023, and then settling at IDR 671 billion in 2024, which remains below 2020 levels.

The quick ratio, which excludes inventories and focuses on the most liquid assets, shows an even more critical condition. It dropped sharply from 0.48 in 2020 to 0.03 in 2021, reflecting a steep fall in both cash and receivables during that period. It recovered slightly to 0.09 in 2023 before declining again to 0.06 in 2024. With inventories making up a growing proportion of current assets, from 28% in 2020 to nearly 47% in 2024, Unilever's liquidity profile appears increasingly reliable on converting stock into cash efficiently, which could be risky if consumer demand continues to soften.

These liquidity trends suggest growing internal financial pressure. Despite being a cash-generating FMCG business, Unilever Indonesia's ability to meet short-term obligations has deteriorated due to declining working capital efficiency. This raises concerns about operational flexibility, especially considering the company's ongoing dividend policy and exposure to rising input costs. To strengthen its liquidity position, Unilever must reassess its cash flow management, review its receivable collection and inventory turnover policies, and consider delaying non-critical expenditures or modifying its payout ratio to preserve cash reserves.

Solvency Ratio

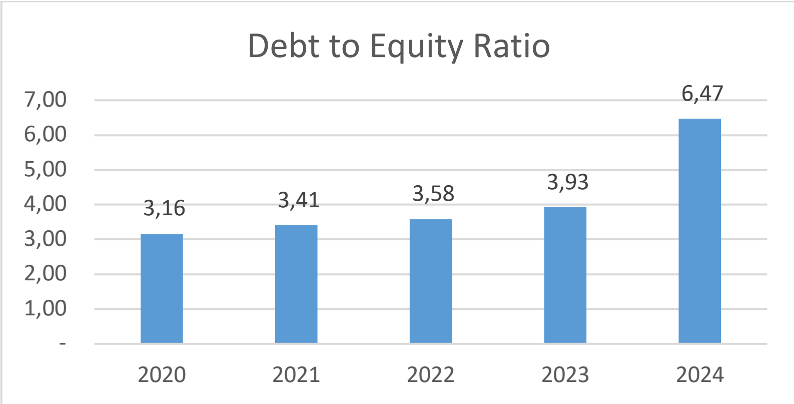

Figure 2. Solvency Ratio

The solvency condition of PT Unilever Indonesia Tbk between 2020 and 2024 has shown a clear weakening trend, as reflected in the consistent increase in its debt-to-equity ratio (DER). The DER rose from 3.16 in 2020 to a striking 6.47 in 2024. This indicates that the company's capital structure is becoming increasingly reliant on external liabilities rather than equity. Total liabilities declined only slightly over the five-year period from IDR 15.60 trillion in 2020 to IDR 13.90 trillion in 2024 but this was outpaced by a much steeper drop in total equity, which fell from IDR 4.94 trillion to IDR 2.15 trillion. This decline in equity was largely driven by lower retained earnings, which fell consistently in line with declining net profits, alongside continued dividend payouts that further reduced the capital base.

A rising DER is particularly concerning because the company is also experiencing declining profitability, as seen in the concurrent downward trend in net earnings. The company may face limited financial flexibility in the future, especially if external financing becomes more expensive or less accessible. Although the FMCG sector traditionally operates with moderate leverage, the magnitude of this increase places Unilever at a higher solvency risk level relative to historical norms.

From a strategic perspective, the elevated DER underscores the need for Unilever to strengthen its equity position through earnings retention and cost discipline. The company may also need to reconsider its dividend distribution policy, which may continue to eradicate equity and amplify solvency concerns. Going forward, improving operational efficiency and restoring profitability will be critical not only for competitiveness but also for ensuring long-term financial sustainability.

Profitability Ratio

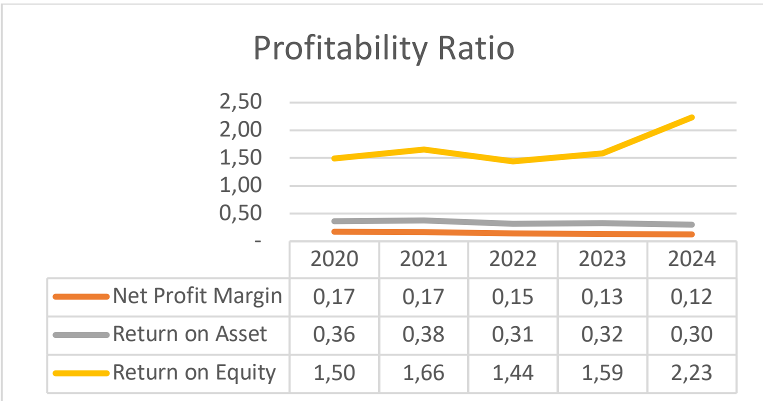

Figure 3. Profitability Ratio

The profitability performance of PT Unilever Indonesia Tbk has shown a downward trend from 2020 to 2024 across key financial indicators, reflecting structural pressure on margins, asset productivity, and shareholder returns. This is evident in the declining figures for Net Profit Margin (NPM) and Return on Assets (ROA), while Return on Equity (ROE) shows mixed results.

The company's Net Profit Margin (NPM) declined steadily from 17% in 2020 to 12% in 2024, indicating reduced profitability relative to total revenue. The drop was largely driven by falling net earnings, which decreased from IDR 7.16 trillion in 2020 to IDR 3.37 trillion in 2024, despite some volatility in sales. The margin erosion reflects the combined impact of rising costs of goods sold, increased marketing and distribution expenses, and declining operating efficiency. Notably, gross profit also decreased from IDR 22.46 trillion in 2020 to IDR 16.72 trillion in 2024, reinforcing the view that cost pressures have been difficult to offset through pricing or volume growth.

Similarly, Return on Assets (ROA) declined from 0.36 in 2020 to 0.30 in 2024, pointing to decreasing efficiency in the company's ability to convert asset base into net income. The reduction in ROA aligns with the simultaneous decrease in net income and gradual reduction in total assets, which fell from IDR 20.53 trillion in 2020 to IDR 16.05 trillion in 2024. This reflects not only operational headwinds but also a possible delay in the return on capital invested in fixed and intangible assets.

In contrast, Return on Equity (ROE) exhibits a different pattern. While it dropped from 1.50 in 2020 to 1.44 in 2022, it rebounded sharply to 2.23 in 2024. However, this increase should be interpreted cautiously, as it is primarily due to a shrinking equity base, from IDR 4.94 trillion in 2020 to IDR 2.15 trillion in 2024, rather than a meaningful improvement in profitability. A declining denominator (equity) may artificially inflate ROE even if net income is falling, as occurred here. Thus, the upward movement in ROE in later years reflects increased financial leverage, rather than improved business performance.

These patterns underline the importance of cost management, innovation, and strategic investment to restore operating leverage and financial resilience. Without improvements in topline growth or operating margin, profitability may continue to decline, further weakening the company's long-term financial position and its attractiveness to investors.

Activity Ratio

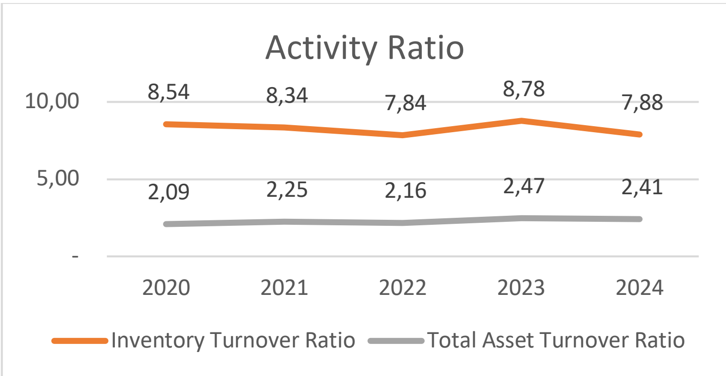

Figure 4. Activity Ratio

The activity ratios of PT Unilever Indonesia Tbk from 2020 to 2024 demonstrate mixed trends in operational efficiency, based on inventory turnover and total asset turnover. These ratios help evaluate how effectively the company utilizes its resources to generate revenue.

The company's inventory turnover ratio declined slightly from 8.54 times in 2020 to 7.88 times in 2024, indicating a minor slowdown in the rate at which inventory is converted into sales. This downward trend suggests a buildup of inventory relative to sales, possibly due to weaker consumer demand, slower-moving SKUs, or a strategic decision to hold more buffer stock in response to supply chain disruptions. While a small decrease may not immediately signal inefficiency, it does warrant closer attention given the declining revenue and profitability.

In contrast, the total asset turnover ratio showed modest improvement over the same period, increasing from 2.09 in 2020 to 2.41 in 2024. This reflects greater efficiency in the use of total assets to generate revenue, possibly driven by cost discipline, asset optimization, or improved utilization of existing facilities without substantial capital expansion. The increase suggests that despite falling net profit margins, the company continues to manage its asset base effectively to maintain revenue productivity.

Unilever Indonesia's activity ratios present that asset efficiency has improved, indicating more revenue generation per unit of asset, this has not been translated into higher profitability, as reflected by the declining ROA. This suggests that although the company has maintained operational throughput, it is doing so with thinner margins. To enhance financial performance, Unilever must not only maintain operational efficiency but also address the structural costs and pricing pressures affecting its net earnings. On the other hand, inventory efficiency is slightly deteriorating. To enhance operational effectiveness, the company may need to implement tighter inventory. These improvements are crucial considering ongoing margin compression and intensified market competition.

SWOT Analysis

The SWOT analysis of PT Unilever Indonesia Tbk reveals that while the company retains fundamental strengths, it is also increasingly exposed to internal inefficiencies and external threats that have eroded its market position.

Table 1. SWOT Matrix

Strengths	Weaknesses
Strong brand equity with long-standing heritage in Indonesia (eg, Pepsodent, Lifebuoy, Royco, Sunsilk).	Declining profitability and ROA: ROA fell from 0.36 in 2020 to 0.30 in 2024, reflecting weakening efficiency in asset utilization amid rising costs and declining margins.
Extensive and integrated national distribution network covering over 1 million outlets across modern and traditional trade.	High dependency on imported raw materials, making cost of goods sold (COGS) vulnerable to FX volatility (IDR 15,926/USD in 2024).
Strong commitment to ESG, halal certification compliance, and sustainability programs.	Slower innovation and digital transformation compared to agile competitors like Kino and Indofood CBP.
Stable capital structure and dividend policy, despite pressure on earnings, Unilever continues to generate positive free cash flows and maintain dividend distributions, supporting investor trust and financial flexibility.	Declining market share in core segments (personal care and food): from 38.5% in Q3 2023 to 34.9% in Q3 2024.
Opportunities	**Threats**
Expanding digital commerce: Over 65% of FMCG sales now occur via online channels, offering direct-to-consumer potential.	Aggressive competition from ICBP, KINO, and MYOR that is growing aggressively in overlapping categories, leveraging local agility, pricing advantages, and halal positioning.
Rising demand for health-conscious, halal-certified, and locally tailored products due to demographic shifts (median age: 29.9).	Price wars and shrinking margins in traditional and digital trade due to private labels and local competitors.
Potential R&D partnerships with Indonesian startups to accelerate innovation and localization.	Regulatory tightening: mandatory halal certification by 2026, stricter labeling, environmental, and advertising standards.
Access to green financing and ESG-aligned investment funds, in line with sustainability goals.	Reputational risk and declining brand sentiment due to political/geopolitical backlash and consumer boycotts.

Unilever's strengths include robust brand equity, an extensive distribution network, and a diversified product portfolio. These elements have been instrumental in maintaining its market leadership position for an extended period. The company's well-known brands, including Lifebuoy, Pepsodent, and Sunsilk, have garnered significant consumer trust across both urban and rural demographics. The company's distribution network encompasses over 1 million outlets nationwide, a pivotal asset in a highly fragmented retail landscape. Unilever's dedication to environmental, social, and governance (ESG) initiatives, along with its commitment to sustainability and halal certification compliance, has been instrumental in aligning its practices with customer needs and preferences. The company's financial health is evidenced by its consistent generation of positive cash flows and a reliable dividend history, factors that have contributed to the confidence of investors.

However, there have been several documented instances of internal weaknesses that have come to the fore. From 2020 to 2024, Unilever witnessed a precipitous decline in net profit, with a 50% decrease from IDR 7.2 trillion to IDR 3.2 trillion. This decline can be attributed primarily to two factors: rising production costs and stagnant revenue. ROA exhibited a decline from 0.36 in 2020 to 0.30 in 2024, indicative of a deterioration in efficiency of asset utilization amid escalating costs and diminishing margins. Additionally, the company's substantial reliance on imported raw materials renders it susceptible to exchange rate depreciation (IDR 15,926.13/USD in 2024), which contributes to cost of goods sold (COGS) inflation. A comparative analysis of Unilever's digital readiness with that of its competitors, including ICBP, KINO, and MYOR, reveals a discrepancy. The latter companies have adopted a proactive stance on leveraging e-commerce and social commerce platforms to enhance brand engagement and promote growth.

From an external perspective, several opportunities are emerging. The long-term demand fundamentals for personal care and wellness products are favorable due to Indonesia's growing middle class and young population. Digital commerce, which currently accounts for over 65% of FMCG transactions, is facilitating new avenues for personalized marketing and direct-to-consumer sales. Furthermore, the shift in consumer preferences toward health-conscious and halal-certified products creates opportunities for innovation within existing portfolios. Should Unilever accelerate its digital transformation and localize its product offerings, it stands to recapture lost market share and brand relevance. Unilever has the potential to enhance its capacity for innovation by engaging in collaborative research and development (R&D) initiatives with Indonesian startups. Moreover, Unilever has demonstrated a strong commitment to sustainability, positioning the company to leverage green financing and ESG-based investment opportunities.

However, it is imperative to acknowledge the inherent risks associated with such endeavors. Unilever's market share has exhibited a decline, from 38.5% in the third quarter (Q3) of 2023 to 34.9% in Q3 2024. This transition can be attributed to intensified competition from regional firms, including Indofood CBP, Kino, and MYOR. The adoption of Sasha herbal toothpaste and Larutan Penyegar has played a pivotal role in enabling these competitors to align with the cultural and financial expectations of the local market. The impending halal certification mandate, which is set to become mandatory by the year 2026, will contribute to an escalation in compliance burdens. Furthermore, the incitement of consumer boycotts of Western-affiliated companies by political-geopolitical conflicts has further diminished Unilever's sales and brand equity. The discount rate (WACC), terminal growth assumptions, and revenue predictions represent a small subset of the valuation variables that are directly impacted by these external concerns.

Valuation

This section presents the valuation analysis of PT Unilever Indonesia Tbk using a combination of intrinsic and relative valuation methods. The objective of this study is to ascertain the fair value of the company by incorporating financial performance trends, macroeconomic assumptions, and benchmarking against industry peers. This study employed three distinct models: the discounted cash flow (DCF) method and the dividend discount model (DDM). To enhance the robustness of this valuation, scenario and sensitivity analyzes were also conducted.

Discounted Cash Flow (DCF) Valuation

The DCF method is used to estimate the intrinsic value of Unilever Indonesia by projecting future Free Cash Flows (FCF) over a five-year period (2025–2029) and discounting them to present value using the Weighted Average Cost of Capital (WACC). The projections are based on historical financial performance, macroeconomic outlook, and strategic plans inferred from the company's disclosures.

Table 2. Assumptions

Assumptions		
Category	Value	Description
Inflation Rate Indonesia	2.80%	Average inflation last 5 year, decline based on Bank Indonesia (BI) forecast band: 2.5% ± 1%.

Interest Rate	5.82%	Average company interest rate previous year
Revenue Growth	2.00%	Average last 5 year is 3.79%, because revenue is declining due to geopolitical and macroeconomic shocks (2020-2024). However, with stabilization post-2024 and digital transformation, a conservative recovery is plausible. Assume growth increase from 2% to 4%
COGS % of Revenue	51.00%	Range 49-51%. Historical average (2020-2024) was 51%. Assuming modest supply chain optimization, COGS may decline slightly
Expenses % of Revenue	36.00%	Increase as inflation rate
Tax % of EBT	22.57%	As Unilever tax rate last 2 year
Finance Income % of revenue	0.03%	Average last 5 year
Finance Expenses % of revenue	0.35%	Average last 5 year
Days Sales Outstanding (DSO)	32.17	Average last 5 year
Days Inventory Outstandings (DIO)	44.82	Average last 5 year
Days Payable Outstandings	77.45	Average last 5 year
Dividend Growth	-9.00%	CAGR last 5 year
Risk Free Rate	6.80%	Long-term Indonesian Government Bond 5Y rate in IDR. Source: PHEI per 17-April-2025
Expected Market Return	6.87%	Damodaran equity risk premium 9 January 2025
Levered Beta	0.43	Yahoo Finance 5Y beta
Price stock growth	1.00%	CAGR UNVR 2020-2024 (-26,10) shows declining Unilever performance. 1% assumed that Unilever performance will get better

The valuation was calculated using the assumptions enumerated in the above table. The base-case scenario anticipates moderate revenue recovery, which is aligned with Indonesia's predicted GDP growth of 5.2% (Ministry of Finance, 2025). The scenario also anticipates gradual margin improvement due to operational efficiencies. The COGS are expected to experience a slight decrease, attributable to enhanced supply chain optimization strategies. It is anticipated that the expense will rise in tandem with the inflation rate. Another assumption included in the valuation is a 1% annual growth in Unilever's stock price, which represents the expected appreciation in market value over time, driven by improved investor sentiment and gradual financial recovery. Although 1% annual capital appreciation may appear conservative, it cautiously reflects investor expectations in the context of a declining five-year profitability trend and macroeconomic headwinds. This outcome is consistent with the company's prevailing valuation multiples, which indicates that subsequent price escalations will be more contingent on earnings stabilization than on accelerated growth.

Weighted Cost of Capital	
Cost of Debt	5,82%
Tax Rate	23%
D/(D+E)	79,56%
After Tax Cost of Debt	**4,51%**
Risk Free Rate	6,80%
Expected Market Return	6,87%
Market Risk Premium	0,07%
Levered Betta	0,43
E/(D+E)	20,44%
Cost of Equity	**6,83%**
WACC	**4,98%**

Figure 5. WACC Calculation

The weighted average cost of capital (WACC) is calculated at 4.98%, based on a capital structure consisting of 79.56% debt and 20.44% equity. The cost of debt is 5.82%, which is assumed to be the average interest rate of the company. After applying a tax rate of 23%, the after-tax cost of debt becomes 4.51%. The cost of equity is 6.83%, calculated using a risk-free rate of 6.80%, a market risk premium of 0.07%, and a levered beta of 0.43. The low market risk premium and low beta indicate a conservative and stable equity risk profile, consistent with the FMCG sector's low volatility characteristics.

Unlevered Free Cash Flow						
Fiscal Year	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Revenue	35.841.416	36.737.451	37.839.575	39.163.960	40.730.518	42.563.392
COGS	(18.279.122)	(18.552.413)	(18.919.787)	(19.386.160)	(19.957.954)	(20.643.245)
Gross Profit	**17.562.294**	**18.185.038**	**18.919.787**	**19.777.800**	**20.772.564**	**21.920.147**
Expense	(12.902.322)	(13.588.564)	(14.374.119)	(15.271.460)	(16.295.258)	(17.462.773)
EBIT	**4.659.972**	**4.596.474**	**4.545.668**	**4.506.340**	**4.477.306**	**4.457.374**
Finance Income	11.988	12.287	12.656	13.099	13.623	14.236
Finance Expenses	(126.423)	(129.583)	(133.471)	(138.142)	(143.668)	(150.133)
EBT	**4.545.536**	**4.479.178**	**4.424.853**	**4.381.296**	**4.347.261**	**4.321.476**
Taxes	(1.025.761)	(1.010.786)	(998.527)	(988.698)	(981.017)	(975.199)
NOPAT	**3.519.776**	**3.468.392**	**3.426.326**	**3.392.599**	**3.366.244**	**3.346.278**
(+) Depreciation & Amortization	990.719	990.719	990.719	990.719	990.719	990.719
(-) Capital Expenditures	770.414	770.414	770.414	770.414	770.414	770.414
(-) Change in NWC	(2.745.403)	(163.187)	(208.793)	(257.250)	(309.307)	(365.793)
NWC	(8.301.554)	(8.464.741)	(8.673.535)	(8.930.785)	(9.240.092)	(9.605.885)
Current Asset	1.125.525	1.176.534	1.235.386	1.303.005	1.380.481	1.469.100
Current Liabilities	9.427.080	9.641.275	9.908.921	10.233.790	10.620.574	11.074.985
Unlevered Cashflow	**6.485.483**	**3.851.883**	**3.855.424**	**3.870.153**	**3.895.855**	**3.932.375**

Figure 5. Projected Unlevered Free Cash Flow

The UFCF is projected to experience a substantial peak in 2025, primarily driven by a favorable change in working capital of IDR 2.7 trillion, suggesting expectations of a gradual recovery and performance stabilization following the challenges encountered between 2020 and 2024. However, starting in 2026, the company's financial position is expected to stabilize within the range of IDR 3.8–3.9 trillion, indicating consistent operational performance, supported by relatively stable Net Operating Profit After Tax (NOPAT), depreciation, and capital expenditure. However, the modest upward trend in UFCF during the forecast period is slightly tempered by a gradual increase in networking capital requirements, driven by higher current asset growth. This growth trajectory suggests that management is pursuing a strategy of incremental profitability enhancement and efficiency improvement, with the objective of generating robust cash flows over time. The consistent year-on-year increase in UFCF also provides a stable foundation for estimating terminal value and supports a long-term view of value creation. The findings indicate that, notwithstanding prevailing challenges, PT Unilever Indonesia Tbk maintains the capability for ongoing cash flow generation, thereby substantiating its intrinsic value proposition to investors.

Free Cash Flow						
Fiscal Year	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Unlevered Free Cash Flow	6.485.483	3.851.883	3.855.424	3.870.153	3.895.855	3.932.375
Projection Year	1	2	3	4	5	6
Present Value of Free Cash Flow	6.177.741	3.495.005	3.332.224	3.186.234	3.055.200	2.937.509

Figure 6. Free Cash Flow Projection

The table above delineates the annual free cash flow (FCF) projections for the fiscal years 2025 through 2030. The forecasted FCF over this six-year period serves as the foundation for calculating the present value of the company's future cash flow. The enterprise value is then determined through the application of a discount rate, which is calculated using the Weighted Average Cost of Capital (WACC). The total present value of the FCF is IDR 22.18 trillion.

Implied Share Price Calculation	
Sum of PV of FCF	22.183.913
Growth Rate	1,00%
WACC	4,98%
Terminal Value	99.754.674
PV of Terminal Value	74.517.356
Enterprise Value	96.701.270
(+) Cash	671.180
(-) Debt	5.433.297
(-) Minority interest	-
Equity Value	**91.939.153**
Shares outstanding	38.150
Implied Share Price	**2.410**
Stock Price (ending 2024)	**1.885**
Under Valued	**21,78%**

Figure 7. Implied Share Price Calculation DCF Method

The implied share price was derived using the DCF method, which estimates the intrinsic value of a company based on the present value of its projected future cash flows. The DCF calculation incorporates the sum of the present value (PV) of FCF over the explicit forecast period (2025–2030), which totals IDR 22.18 trillion. The terminal value was determined to be IDR 99.75 billion, derived through the application of the Gordon Growth Model. This calculation was conducted under the assumption of a conservative perpetual growth rate of 1.00% and a WACC of 4.98%. The present value of the terminal value is IDR 74.52 billion, resulting in a total enterprise value of IDR 96.70 billion. The equity value has been determined to be IDR 91.94 trillion. The company's total shares outstanding amount to 38.15 billion, according to the latest available data. This results in an implied intrinsic share price of IDR 2,410.

A comparison of this to the actual stock price at the end of 2024, which was IDR 1,885, reveals a 21.78% undervaluation. This suggests that, based on fundamental cash flow-based valuation, the stock is trading below its intrinsic value, indicating a potential buying opportunity for investors, assuming no significant adverse changes in assumptions or market sentiment.

In order to enhance the robustness of the valuation for PT Unilever Indonesia Tbk, a scenario and sensitivity analysis was conducted for the DCF model. This approach enables the assessment of how alterations in fundamental assumptions affect the intrinsic value of the company. Specifically, three distinct scenarios (Worst Case, Base Case, and Best Case) were developed to reflect a range of perspectives on future financial performance and macroeconomic conditions.

Scenario	Worst	Base	Best
Inflation Rate Indonesia	3,00%	2,80%	2,50%
Interest Rate	7,00%	5,82%	5,00%
Revenue Growth	-2,0%	2,00%	6,00%
COGS % of Revenue	60,00%	51,00%	45,90%
Expenses % of Revenue	41,00%	36,00%	25,20%
Tax % of EBT	25,00%	22,57%	22,57%
Finance Income % of revenue	0,03%	0,03%	0,04%
Finance Expenses % of revenue	0,41%	0,35%	0,30%
Days Sales Outstanding (DSO)	40,00	32,17	25,00
Days Inventory Outstandings (DIO	50,00	44,82	38,00
Days Payable Outstandings	60,00	77,45	90,00
Risk Free Rate	7,80%	6,80%	5,80%
terminal growth rate	0,00%	1,00%	2,00%

Figure 8. Scenario Assumption

The Worst Case Scenario is predicated on the most pessimistic outlook, incorporating lower revenue growth, diminished margins, and diminished free cash flow generation. It is important to note that this potential risk may be manifested through several channels, including increased competition, weakening consumer demand, and inflationary pressures on costs. Assuming the validity of these assumptions, the implied share price is the lowest among the scenarios presented, indicating a potential downside risk for investors if adverse conditions materialize.

The base case scenario is regarded as the most realistic and balanced perspective, given its foundation on current company performance, prevailing industry trends, and macroeconomic forecasts. Assumptions are moderate, with steady but conservative growth rates, stable margins, and cash flow levels in line with historical averages. The resulting implied share price from this scenario serves as the central benchmark for valuation.

The Best Case Scenario project is predicated on the assumption of improved performance, contingent upon positive outcomes, including, but not limited to, higher revenue growth, cost efficiency improvements (lower COGS by 10% assuming there is reduction in reliance on imported inputs and lower expenses by 30% assuming digitalization) , and recovery in dividend distributions or reinvestments. The factors mentioned may also be considered in the context of macroeconomic recovery, stronger consumer demand, and strategic initiatives that prove to be advantageous. This scenario results in the highest implied share price among the three cases, demonstrating the potential for investors to benefit from favorable conditions if they materialize.

Scenario Result	Worst	Base	Best
Share Price (ending 2024)		1885	
Terminal Value	(19.894.468)	106.032.119	550.101.219
Implied Share Price	(729)	2.385	12.547
Implied Dividend Price	378	451	801

Figure 9. Scenario Result

Furthermore, to identify which assumptions have the greatest impact on the intrinsic valuation of PT Unilever Indonesia Tbk, a sensitivity analysis was conducted by adding and contracting the assumptions by 15% and visualized through a tornado chart. The following chart is used to assess the relative influence of key input variables on the outcome of the valuation model when adjusted within a reasonable range. It has been demonstrated that the length of the bar has a direct impact on the sensitivity of the valuation to the variable in question.

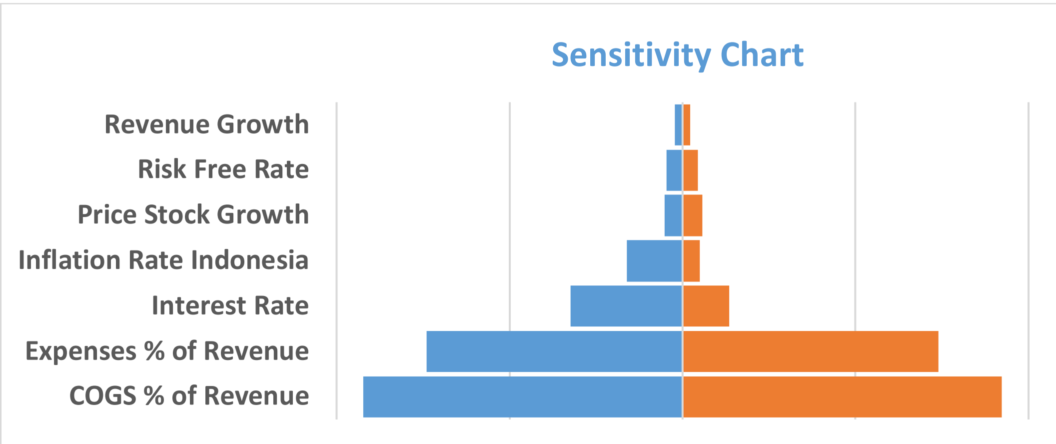

Figure 10. Tornado Chart

According to the data presented in the chart, the two most significant variables are COGS and Operating Expenses. The COGS is the most sensitive variable. A modest uptick in COGS has been shown to exert a substantial impact on free cash flow, thereby influencing the implied share price. This suggests that the company's profitability and value are susceptible to fluctuations in production or sourcing costs. The second most sensitive variable is the company's operating expense ratio. An increase in expenses has a direct negative impact on operating margins, reducing both cash flows and valuation. This underscores the significance of cost control in preserving value. It is important to note that other notable variables include the interest rate and the inflation rate. These macroeconomic factors also demonstrate moderate sensitivity. Conversely, higher interest or inflation rates can increase the discount rate, thereby reducing the present value of future cash flow. This underscores the significance of external economic conditions in valuation models, particularly for consumer goods companies operating within emerging markets. While less sensitive, the variables of stock price growth, risk-free rate, and revenue growth remain relevant. These variables exhibit smaller bars in the tornado chart, indicating that within the tested range, their impact on valuation is less pronounced. Nonetheless, revenue growth continues to play a strategic role over the long term and can become more significant depending on the assumptions employed in forecasting.

CONCLUSION

This research addressed the declining financial performance and competitiveness of Unilever Indonesia from 2020 to 2024, employing strategic and financial analyses to develop actionable solutions and evaluate their impact on company valuation. The study integrated theories from strategic management and corporate finance, utilizing PESTEL analysis, Porter's Five Forces, SWOT, financial performance metrics, discounted cash flow (DCF) and dividend discount model (DDM) valuations, scenario/sensitivity analysis, and comparative benchmarking against local peers (ICBP, KINO, MYOR). A mixed-methods approach analyzed secondary data (2020–2024), with strategic transformation impacts modeled through base-case and improved-case valuation simulations. For future research, expanding this framework to longitudinal multi-country comparisons within emerging markets could yield deeper insights into FMCG resilience strategies under macroeconomic volatility.

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