



## THE TEMPO GROUP

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### **Tempo Scan's FY 2023 Operating Profit Jumped 48.2% And Net Sales Rose 7.1% Despite Challenging Market**

The global economic growth was moderating in late 2023, accompanied by US financial market uncertainty as it awaits US Fed interest rate cut decision which was earlier anticipated to take place in early 2024. Such a global economic growth is projected to be 3.0% in 2023 or lower compared to 3.5% growth rate in 2022. Given such global economic backdrop, the Indonesian economy has maintained its positive momentum, whereas it grew by 5.04% in 4<sup>th</sup> Quarter 2023 or improved slightly if compared to 4.94% in 3<sup>rd</sup> Quarter 2023. Henceforth for FY 2023, the Indonesian economy GDP grew by 5.05%.

The Indonesian economic growth in FY 2023 was attributed amongst others by its Household consumption which contribution was 53.18% towards the Indonesian GDP and it grew by 4.82%, while its Gross Fixed Capital Formation (PMTB) that contributed 29.33% of the GDP, it increased by 4.40%. These 2 (two) components' aggregate contribution was 82.51% towards the Indonesian GDP in FY 2023. Such expenditures increase was the resultant of greater public spending during the Christmas and New Year festive period, stable public purchasing power, and growing consumers confidence.

Furthermore, the Consumption by Non-Profit Institutions Serving Households (LNPR) had also recorded a strong growth of 9.83%, followed by Government Consumption which rose by 2.95% year on year, such spending increases had been anticipated as Indonesia conducted its Presidential and Members of Parliament election in February 2024. Meanwhile, Indonesian exports increased by 1.32% despite lower global prices of its key commodities export, on the other hand its import declined by 1.65%, therefore it was able to maintain positive trade surplus in 2023.

Moreover, Bank Indonesia (BI) had increased its interest rate to become 6.00% in October 2023 after such rate was maintained at 5.75% since January 2023, in 2023 rate hike frequency was much less compared to 5 (five) rate hikes that BI had implemented during 2022. Such interest rate increases were a global phenomenon following US Fed/ central bank decision to raise its interest rates in the last few years, as part of its effort to lower US unprecedented high inflation which was caused by the prolonged near zero interest rate and numerous subsidies which were provided by US government to recover its economy post Covid-19 pandemic.

The aforesaid increase in BI interest rates did not bode well for the Indonesian economy because it tightens financial market liquidity and props up bank lending interest rates, nevertheless it was able to lower the country high inflation rate from 5.51% in December 2022 down to 2.61% in December 2023, albeit the food and beverage contribution towards total Indonesian inflation rate was still stubbornly high at 6.18% in December 2023 which had eroded the consumers buying power.

Despite the above challenging market condition, **Tempo Scan's FY 2023 net sales had increased by 7.1% and amounted to Rp.13,119.8 billion**, such a result was driven by its Pharmaceutical and Consumer Products & Cosmetics divisions' net sales which respectively grew by 12.4% and 8.8%, on the other hand its Distribution division net sales grew marginally by 1.8%. Correspondingly, **Tempo Scan's FY'2023 operating profit has jumped by 48.2% and amounted to Rp.1,079.8 billion.**

Tempo Scan's FY 2023 aforesaid net sales performance major benefactors were as follows:

- 1) **Tempo Scan's Pharmaceutical division net sales performance remained robust and it grew double digits by 12.4% and amounted to Rp.4,062.1 billion**, such net sales growth was significantly higher when compared to its growth in previous year whereas this division net sales grew by only 2.0%.

This division net sales growth main benefactor continued to be **its Consumer Health products group which net sales increased commendably by 12.9% and amounted to Rp.3,987.1 billion**. This Consumer Health group's commendable net sales increase was propelled by **its Nutritional products' net sales which has risen vigorously by 32.9% year on year**. The said Nutritional products healthy sales growth was attributed by such products nationwide consumers demand substantial increase in all sales channels and also by wider geographical distribution penetration especially outside Java island.

On the other hand, its Consumer Health group's OTC and Vitamins products' net sales marginally increased by 1.0%, such **a marginal net sales growth was relatively better compared to the Indonesian Pharmaceutical OTC (Branded) market which registered a significant decline of 3.53% in 2023**, such a decline also commensurate the Indonesian Pharma retail sales which had declined by 9% year on year.

However, Tempo Scan expects that the abovementioned OTC market malaise will be temporary, as the overall OTC market must went through a transition phase from a high demand during Covid-19 pandemic to a normalize demand level during Covid-19 endemic stage and eventually post Covid-19 period. The aforesaid optimistic view was manifested in Tempo Scan aggressive advertising & promotion

investment toward its OTC & VMS core brand equities, as it took the opportunity while competitors were reducing their marketing investments in 2023.

Moving on to Tempo Scan Pharmaceutical division's Prescription Medicines group net sales which remained sluggish and it has declined by 7.4% or lagging behind the Indonesian Pharmaceutical Prescription drugs market which was able to grow by 6.27% (Branded & Unbranded). Henceforth in FY 2023 its net sales amounted to Rp.75.0 billion. Correspondingly, in FY'2023 Tempo Scan's Consumer Health products group and its Prescription Medicines group net sales contributions toward its Pharmaceutical division's total net sales were 98.2% and 1.8% respectively.

In addition, this Pharmaceutical division's international business net sales had increased by 21.6% and amounted to Rp.288,7 billion, such net sales growth was much higher compared to its growth in previous year which was 0.9%. Consequently, the aforementioned international business net sales contribution towards Tempo Scan's Pharmaceutical division total net sales had increased to 7.1% or higher compared to its contribution of 6.6% in previous year.

- 2) **Tempo Scan's Consumer Products & Cosmetics ("CPC") division was able to deliver a commendable net sales growth with an increase of 8.8% and amounted to Rp.4,119.8 billion.** This division's net sales main benefactors continued to be its Consumer Products group which net sales increased by 7.5% and amounted to Rp.3,296.4 billion, whilst its Cosmetics group's net sales delivered a strong performance growth of 14.1% and amounted to Rp.823.5 billion.

The CPC division core brand equities products are well poised to face the FMCG market evolving dynamic whereas the retail sales result in 2023 had indicated that Price/Unit change% had declined significantly from 12% in 2022 to become only 5% in 2023, therefore such **a market** dynamic indicated that substantial price increase opportunity will be lesser in 2024.

Consequently, the aforementioned Consumer Products group and Cosmetics group net sales contributions toward Tempo Scan's CPC division's total net sales were 80.0% and 20.0% respectively in FY'2023, such a contribution was marginally changed when compared to these net sales contributions during 2022 which were at 81.0% and 19.0% respectively.

For FY'2023, the CPC division's International Business net sales sustained its robust growth following its sales performance positive turnaround which commenced in 1<sup>st</sup> Half 2022, and it registered a commendable double-digit net sales increase of 37.9%. Such **a strong net sales performance was contributed by its Consumer Products and Cosmetics which net sales have increased by 12.1% and 45.6% respectively.**

3) Tempo Scan's Distribution division net sales grew marginally by 1.8% and amounted to Rp.4,937.8 billion. Its main contributor of this division net sales growth was its Non-Pharma Principals' products which net sales rose by 3.4% and amounted to Rp.4,540.3 billion, while on the other hand this division Pharma Principals' products registered a decline of 13.8% and amounted to Rp.397.6 billion. Correspondingly, the aforesaid Non-Pharma Principals' products and Pharma Principals' products net sales contributions toward the Distribution division total net sales stood at 91.9% and 8.1% respectively.

Moving on to **Tempo Scan's gross profit result which registered an increase of 12.9% and amounted to Rp.4,703.3 billion in FY 2023**, such an increase was significantly higher compared to its net sales growth rate, consequently **its gross profit margin had increased to become 35.8% versus its gross profit margin in the previous year which was 34.0%**. Such gross profit margin increase was attributed amongst others to its key raw materials prices declined in line with the global commodity prices downward trend. Moreover, commencing in the beginning of 2023 Tempo Scan has commenced commercial production of its dairy spray drying manufacturing facility, such a facility substitutes Tempo Scan's base powder milk which was previously imported from Australia and New Zealand, therefore such a facility has reduced considerably its cost of goods sold specifically for its infant formula and children growing up milk products.

As pertained to Tempo Scan's total operating expenses for FY 2023, whereas its selling expenses and general administrative expenses ratios stood at 21.6% and 4.7% respectively, hence lower if compared to these ratios in corresponding period last year which were 23.9% and 4.6% respectively. Moreover, *its other operating income/(expenses) which net amount was negative by Rp.173.0 billion* as such it was a sharp contrast compared to *its other operating income/(expenses) net amount that was positive by Rp.50.8 billion in 2022*. The abovementioned a net negative amount was mainly caused by its unrealized foreign exchange (forex) losses which amounted to Rp.65.3 billion in 2023 versus its unrealized foreign exchange gain that amounted to Rp.129.7 billion in 2022, whereas its aggregate impact was Rp.195.0 billion. Correspondingly, Tempo Scan's total operating expenses in 2023 had increased by 5.5% and amounted to Rp.3,623.5 billion

Notwithstanding the above, **FY'2023 Tempo Scan's operating profit managed to register an increase of 48.2% and amounted to Rp.1,079.8 billion, hence its operating profit margin stood at 8.2% or a sharp increase versus its operating margin of 5.9% in 2022**. Albeit on proforma basis if the aforesaid unrealized forex loss of Rp.65.3 billion would be excluded, consequently Tempo Scan's operating profit would be amounted to Rp.1,145.1 billion instead, which shall represent a substantial increase of 91.2% year on year.



Furthermore, its FY' 2023 net non-operating income had decreased and amounted to Rp.523.3 billion or slightly lower compared to previous year which amount was Rp.601,2 billion. As the result, **Tempo Scan's 2023 net profit after tax has risen by 17.6% and amounted to Rp.1,177.4 billion**, consequently its net profit after tax margin stood at 9.0% or higher versus its net profit after tax margin in the previous year which was 8.2%. Correspondingly, **Tempo Scan's EBITDA had risen by 35.5% and amounted to Rp.1,401.8 billion**, hence its **EBITDA margin in 2023 stood at 10.7% or higher compared to its EBITDA margin in previous year which was at 8.4%**.

As pertained to Tempo Scan's balance sheet position as of 31 December 2023, it remained solid whereas its cash and cash equivalent position total amount stood at Rp.3,694.2 billion or an increase of 6.0% compared to previous year. In addition, its net operating cycle was at 72 days and need further improvement to be brought down. Lastly Tempo's Scan total assets and shareholders' equity were amounted to Rp.11,315.7 billion and Rp.8,065.6 billion respectively.

Tempo Scan's Board of Directors would like to express our highest appreciation to all Tempo Scan's Board Commissioners, its management team and all of its employees for their continuous support, advise, dedication, commitment and hard works as well as to our valued shareholders, business partners, vendors, customers and professional parties.

Jakarta, 28 March 2024

On behalf of PT. Tempo Scan Pacific, Tbk.



**I Made Dharma Wijaya**

President Director

Copies:

- Mr. Handojo S. Muljadi, Tempo Scan's President Commissioner
- Tempo Scan's Board of Directors