



THE TEMPO GROUP

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**Tempo Scan FY'2022 Net Profit jumped by 21.6%
amounted to Rp1,001.6 billion and its Net Sales grew by 9.1%
amounted to Rp12,254.4 billion in the midst of global uncertainties**

The Indonesian economy growth declined sharply in 4th Quarter 2022 and quarter on quarter recorded a meager increase of 0.36% following its higher growth in 3rd Quarter 2022 which was 1.83%, albeit for the full year 2022 the Indonesian economy was still able to grow by 5.3% year on year or significantly higher versus its economic growth rate of 3.7% in 2021. Such a significant growth was predominantly contributed by its 2nd and 3rd Quarter 2022 economic growth resulting from the Indonesian government lessen its restriction on people mobility and social gathering, which had propelled consumers pent-up demand on spending on travel & leisure, dining & entertainment, etc.

Given the above slower GDP growth quarter on quarter which commensurately can also be seen from the Indonesian Household consumption, which contribution was still 51.9% toward the Indonesian GDP hence remained as its largest contributor, such Household consumption growth had indeed slowing down in 4th Quarter 2022 to 4.5% versus its 3rd Quarter 2022 growth whereas it still increased by 5.4%. Similarly, the Government spending had also decreased by -4.8% in 4th Quarter 2022 or a steeper decline compared to 3rd Quarter 2022 which was -2.9%.

Furthermore, the Government spending through its COVID-19 stimulus package, i.e.: "Pemulihan Ekonomi Nasional (PEN)" program which has also been gradually reduced and consequently affected the Indonesian GDP growth in the end of 2022. Therefore, the Indonesian GDP growth drivers had shifted from relying on PEN stimulus toward more reliance on the Household consumption and the export revenue which had experienced a windfall growth that was attributed to the global commodities' sharp price increase.

In addition, the evolving headwind was the Bank Indonesia interest rate increases which commenced since August 2022 after such rate had been maintained at 3.5% since February 2021, and by December 2022 Bank Indonesia had risen its interest rate to become 5.5%. Such interest rate increases had been a global phenomenon following the US Fed decision to hike its rate in its attempt to reign over US unprecedented high level of inflation. Such interest rate increases did not bode well for the Indonesian economy as it tighten the financial market liquidity and shore up banks' loan interest rate.

Notwithstanding the above, Tempo Scan's 4th Quarter 2022 net sales managed to increase 9.5% year on year despite the lacklustre market condition and, amounted to Rp.3,164.5 billion, which was considerably higher when compared to its net sales growth during 4th Quarter 2021 that grew only by 0.4% year on year. Correspondingly, Tempo Scan's full year net sales had registered a commendable 9.1% growth and amounted to Rp.12,254.4 billion.

The main benefactors of Tempo Scan's full year net sales performance in 2022 were as follows:

1. Tempo Scan's Pharmaceutical division managed to grow by 2.0% and amounted to Rp.3,613.2 billion, such a growth rate was lower when compared to this division net sales growth rate in previous year. Amongst the contributing factor was the Pharmaceutical division's Consumer Health products group (Consumer Health group) slower net sales growth whereas its net sales correspondingly increased by 2.1% and amounted to Rp.3,532.2 billion. In 2022 such Consumer Health group's net sales contribution towards Tempo Scan's Pharmaceutical division stood at 97.8%.

Moreover, the Consumer Health group lower net sales growth was attributed amongst others to the decline of its Vitamins, Minerals & Supplements (VMS) products and Over The Counter (OTC) medicines' net sales, whereas in 2021 such products net sales had risen sharply as Indonesian consumers stockpiled these VMS and OTC products in anticipation of COVID-19 health hazard. However, in 2022 the demand of VMS and OTC products had generally declined particularly starting in the mid of 2022. On the other hand, the Consumer Health group's Nutritional products managed to register double digit net sales growth of 11.5%, as a result of higher sales performance at its key major customers.

Moving on to the Pharmaceutical division's Prescription medicines group (Prescription medicines group) had registered a net sales decline of 2.2% and amounted to Rp.81.0 billion, this Prescription medicines group's net sales performance was in sync with the overall prescription market sales performance trend which had registered a sluggish growth in 2022. Nevertheless, the aforesaid Prescription medicines group net sales result was an improvement when compared to this group's net sales performance in the previous year which was a negative growth of 19,6%. The Prescription medicines group net sales contribution towards Tempo Scan Pharmaceutical division stood at 2.2%.

This slower growth of Pharmaceutical division is in line with the slow growth of total pharmaceutical market, which grew by 3.7%, mainly driven by the ethical prescription medicines growth at 7.4%, while the OTC or free sales medicines was contracted by -2.3% in 2022.



2. Tempo Scan's Consumer Products & Cosmetics (CPC) division net sales managed to significantly increase by 12.4% and amounted to Rp.3,788.3 billion. This division biggest net sales benefactor remained in its Consumer Products Group which net sales had risen considerably by 11.0% and amounted to Rp.3,066.8 billion. In addition, this division Cosmetics group's net sales performance had sustained its strong growth recovery which had begun since late 2021, hence its net sales rose by 18.7% and amounted to Rp.721.4 billion.

Commensurately with the aforesaid net sales performance, the CPC division's net sales contribution was predominantly contributed by its Consumer Products which net sales contribution stood at 81.0%, whilst this division's Cosmetics group's net sales contribution was 19.0% towards the CPC division's total net sales, compared to previously the Cosmetics group net sales contribution stood at 18.0%.

The abovementioned robust CPC division net sales result was in line with the Indonesian FMCG market positive sales trend which had risen 12% year on year, wherein this division's competing categories namely Personal Care and Home Care had respectively registered positive growth of 11% and 9% year on year. Whilst, the CPC division's Cosmetics group net sales performance turnaround was also benefited from the reopening of the offline cosmetic shops due to the Government mobility restriction relaxation as COVID-19 threat subsided.

3. Tempo Scan's Distribution division net sales registered an increase of 12.3% year on year and amounted to Rp.4.852,9 billion, such a growth rate was considerably higher when compared to this division net sales performance during the previous year which was a negative growth of 8.0%.

Corresponding to the above, the Distribution division's external Non-Pharmaceutical principals net sales managed to grow by 17.2%. While on the other hand its pharmaceutical principals net sales had declined by 20.0%.

Moreover, the Distribution division's Pharmaceutical and Non-Pharmaceutical products principal net sales contributions were respectively at 9.5% and 90.5% toward the Distribution division's total net sales in full year 2022.

In connection with the above, Tempo Scan's Pharmaceutical division and its CPC division aggregate net sales contribution towards Tempo Scan's consolidated net sales was 60.4% in 2022, while in the previous year these 2 divisions' net sales aggregate contribution was higher and stood at 61.5%.

Furthermore, Tempo Scan's gross profit result for FY'2022 registered an increase of 3.9% and amounted to Rp.4,164.6 billion, and such a gross profit increase was lower when compared to Tempo Scan's consolidated net sales growth which was 9.1%, consequently its consolidated gross profit margin had also declined to become 34.0% versus its gross profit margin in the previous year which stood at 35.7%.

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The above consolidated gross profit margin decline was attributed to Tempo Scan's Pharmaceutical division gross profit margin which had declined to 41.9% versus previous year which gross profit margin was 45.7%, such a decline was attributed to the sharp increase of its raw material prices as a result of global commodities' sharp price increase and global supply chain disruption amongst other due to the war in Ukraine. However, a silver lining has emerged as the said raw material prices increase had started to plateau and gradually declining by the end of 2022.

Correspondingly, Tempo Scan's CPC division gross profit margin was also eroded from 54.8% in previous year and down to become 53.3% in 2022, such a decline contributing factors were similar with those of the Pharmaceutical division. It is important to note that Tempo Scan was also very cautious to increase its products' prices substantially in view of weak market condition. On the other hand, its Distribution division's gross profit margin had increased to 13% compared to its margin in previous year which was 12.6%.

In furtherance to the above, Tempo Scan's total operating expenses increased by 18.3% and amounted to Rp.3,435.9 billion, such an increase was primarily attributed to its selling expenses which had risen by 23.5% and amounted to Rp.2,923.9 billion, hence its selling expenses ratio was higher at 23.9% versus the same ratio in the 2021 which stood at 21.1%. Moreover, Tempo Scan has decided to escalate its brands building investment through higher advertising and promotion spent, which had propelled it to be amongst the top 10 advertisers in Indonesia and, such investment was indeed required to overcome the sluggish market condition.

Moreover, Tempo Scan's total general administration expenses had risen by 1.4% and amounted to Rp.562.8 billion. Consequently, the said general administrative expenses ratio was lower at 4.6% versus such the same ratio in the previous year which stood at 4.9%. In addition, its (net) other operating income was amounted to Rp.50.8 billion which was a considerable increase versus last year result that was Rp.17.8 billion.

As a result of the aforesaid brand building investment, Tempo Scan's operating profit declined by 34.0% and amounted to Rp.728.7 billion. In addition, Tempo Scan's (net) other non-operating income was increased and amounted to Rp.601.2 billion or significantly higher compared to the previous year result. The said significant increase was attributed to the one-time gain obtained from its minority stake divestment to a third party of its associated company, which no longer fit into Tempo Scan' future strategic roadmap.

Consequently, Tempo Scan's net profit after tax grew by 21.6% and amounted to Rp.1,001.6 billion henceforth its net profit margin stood at 8.2% or significantly higher compared to its net profit margin in the previous year which stood at 7.3%. Correspondingly, Tempo Scan's EBITDA result was amounted to Rp.1,034.8 billion hence its EBITDA margin was at 8.4%.



As pertained to Tempo Scan's balance sheet position as of 31 December 2022, it remained solid with its cash and cash equivalent amounted to Rp.3,484.0 billion or an increase of 29.6%. In addition, its net operating cycle stood at 68 days versus last year position which was at 62 days, such an increase was amongst other due to the raw materials inventory built up in anticipation of such raw materials previous price escalation, as well as to avoid possible shortage due to the global supply chain disruption in early part of the year. Moreover, Tempo Scan's total assets and shareholder equity were amounted to Rp.11,329.0 billion and Rp.7,550.8 billion respectively.

On behalf of Tempo Scan's Board of Directors, I like to convey our appreciation for all the supports that have been provided by Tempo Scan's management and employees through their hard works and dedications in achieving its financial result for the period as of 31 December 2022, as well as my gratitude towards Tempo Scan's Board of Commissioners, shareholders, business partners, suppliers, customers and professional parties.

Jakarta, 31 March 2023

On behalf of PT. Tempo Scan Pacific,Tbk



I Made Dharma Wijaya
President Director

Copies:

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