



THE TEMPO GROUP

PT. Tempo Scan Pacific Tbk

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PT. Tempo Scan Pacific, Tbk (“Tempo Scan”) 1st Quarter 2019 Result **Accelerating Net Sales Growth Trajectory**

Tempo Scan commenced its performance in 2019 with an accelerating net sales growth of 13.5% in 1st Quarter 2019 and amounted to Rp.2,704.5 billion, such quarterly net sales result was amongst the highest that it had ever been achieved to date. Tempo Scan’s aforesaid commendable net sales result was contributed by all of its three operating divisions whereas respectively these divisions’ net sales were able to grow by double digit quarter on quarter.

Correspondingly Tempo Scan’s Pharmaceutical (“Pharma”) division took the lead with its net sales grew by 16.7% quarter on quarter and amounted to Rp.701.0 billion, then followed by its Consumer Products & Cosmetics (“CPC”) division which net sales rose by 12.0% quarter on quarter and amounted to Rp.831.2 billion, whilst its Distribution division’s net sales was also able to turn around to positive growth of 12.7% quarter on quarter and amounted to Rp.1,172.3 billion, therefore these divisions net sales’ contribution were 25.9%, 30.8% and 43.3% respectively in 1st Quarter 2019.

The main benefactor of the Pharma division net sales growth was its Consumer Health group which consisted of its Over The Counter (“OTC”) products, Vitamins Minerals Supplements products (“VMS”) and Nutritional products (“Nutritionals”), this group’s net sales had risen by 16.3% and amounted to Rp.636.4 billion, propelled by its Nutritionals business which rose by 82% quarter on quarter.

Whilst the Pharma division’s Prescription Medicines group net sales performance had recovered during 1st Quarter 2019, wherein it managed to increase by 21% quarter on quarter and amounted to Rp.64.6 billion, mostly driven by Tempo Scan own Ethical products which net sales result grew by 44.1% quarter on quarter, on the other hand its Specialty Care products’ net sales performance remained negative due to the persistent supply issues.

Given the above, the Consumer Health group and the Prescription Medicines group net sales contribution towards the Pharma division total net sales were 90.8% and 9.2% respectively, when compared to the net sales contribution in the corresponding period last year which stood at 91.1% and 8.9% respectively.

From the geographical point of view, the Pharma division's domestic net sales grew more robust by 18.8% and amounted to Rp.670.3 billion, whilst its International Business net sales registered a decline of 15.3% and amounted to Rp.30.6 billion, such a decline was among others due to an inventory realignment of its core brand equity in one of its major export market, commensurately its International Business' net sales contribution towards the Pharma Division total net sales had declined to 4.4% compared to the corresponding period last year contribution which was 6%.

As pertained to Tempo Scan's CPC division, its net sales growth main benefactor was its Consumer Products group which was able to grow by 19.4% quarter on quarter and amounted to Rp.587.3 billion, however its Cosmetics group registered a decline by 2.5% and amounted to around Rp.244 billion, such a slower growth was due to its mid-priced licensed cosmetic brand net sales decline that had suffered from a fierce competition and market slowdown emanating since last year. Therefore, its Consumer Products group contribution to the CPC's Division total net sales had risen to 70.7% or an increase compared to the same period last year contribution which stood at 66.3%, commensurately its Cosmetics group net sales contribution had declined to 29.3% versus the same period last year contribution which was 33.7%.

From geographical standpoint, the CPC division's domestic net sales grew by 15.2% and amounted to Rp.762.6 billion, whilst its International Business net sales had registered a decline of 14.2% and amounted to Rp.68.6 billion, such a decline was similarly attributed to its mid-priced licensed cosmetic brand net sales negative sales performance. Commensurately this division's International Business net sales contribution had declined from 10.8% in same period last year to become 8.2% in 1st Quarter 2019.

Moving on to Tempo Scan's Distribution division net sales which had registered a commendable increase of 12.7% quarter on quarter and amounted to Rp.1,172.3 billion, such an improved performance was attributed by its Non Pharma Principal net sales which grew by almost 28% versus same period last year; however, its Pharma Principal's net sales registered a decline of 11.7%. As a result, this division's net sales contribution towards Tempo Scan's consolidated net sales was basically maintained at 43.3% versus its contribution in the same period last year which was 43.6%.

Furthermore, Tempo Scan's gross profit result which had increased by 7.2% and amounted to Rp.1,015.6 billion, such growth was lower compared to its net sales growth rate of 13.5%, consequently its gross profit margin had also declined to become 37.6% compared to 39.8% in the corresponding period last year. Nevertheless its 1st Quarter 2019 gross profit margin declined was relatively lower when compared to its Full year 2018 gross profit margin which stood at 38.1%.

Among the contributing factors of Tempo Scan's gross profit margin decline was firstly related to its Pharma division's sales mix whereas this division Nutritional business stellar net sales growth has commensurately resulted in its increased net sales contribution towards this division's total net sales, on the other hand such Nutritional products gross profit margin is relatively lower versus this division's OTC and VMS products as well as its Prescription Medicines. Secondly, related to its CPC division's sales mix as evidenced by the growing contribution of this division Consumer Products net sales versus its Cosmetics, whereas such Consumer Products aggregate gross profit margin is relatively lower compared to its Cosmetics gross profit margin.

In addition to the above factors, there was also the macro factor such as the Rupiah exchange rate decline against USD commencing from 2nd Quarter 2018 and reached its peak in early 4th Quarter 2018 where Rupiah had decreased by around 14% against USD, while most of the imported raw materials used during 1st Quarter 2019 production have been received during 4th Quarter 2018 hence they were booked at such peak USD exchange rate. Equally important was the effect of its key raw material's price increases which have occurred in 2018 and had negative implication against Tempo Scan's COGS but cannot be fully offset by its products selling price increases.

Moreover, in 1st Quarter 2019 Tempo Scan's aggregate operating expenses had risen by 8.4% and amounted to Rp.757.2 billion, such an increase was mainly attributed by its selling expenses which in total had increased by 9.3% and amounted to Rp.633.5 billion nevertheless such selling expenses ratio was lower at 23.4% versus the ratio in the corresponding period last year which was 24.3%. Whilst its total general administrative expenses had increased by 6.4% and amounted to Rp.127.8 billion, consequently such general administrative expenses ratio had also decreased to 4.7% compared to the ratio in same period last year which stood at 5.0%

As a result, Tempo Scan's operating profit managed to increase by almost 4.0% and amounted to Rp.258.4 billion. Furthermore, its net non-operating income had suffered a decline of 23.6% and amounted to Rp.9.7 billion, correspondingly Tempo Scan's 1st Quarter 2019 net profit after tax was practically on par with its net profit after tax result in the corresponding period last year and amounted to Rp.203.3 billion. Therefore, its net profit margin was at 7.5% or lower compared to its net profit margin in the same period last year which stood at 8.5%. As pertained to Tempo Scan's 1st Quarter 2019 EBITDA which had also risen by almost 5% and amounted to Rp.311.7 billion, resulted in an EBITDA margin of 11.5%.

Moving on to Tempo Scan's Balance Sheet position as of 31 March 2019 which remained solid given its aggregate cash and cash equivalent balance amounted to Rp.1,940.2 billion, such balance representing a 5.5% increase compared to the position in the corresponding period last year. Correspondingly its total assets has also increased by 7.6% and amounted to almost Rp.8.1 trillion, and its Shareholder's Equity managed also to rise by 6.7% and amounted to almost Rp.5.7 trillion. Correspondingly, Tempo Scan's Working Capital position remained healthy as indicated by its Net Operating Cycle which had improved considerably to become 55 days down from same period last year position which was 64 days, likewise its liquidity indicator such as its current ratio remained healthy and it stood at 2.6x. Moreover, its ROE as well as its ROA ratios were at around 14.4% and 10% respectively.

On behalf of Tempo Scan's Board of Directors, I wish to convey our gratitude to all Tempo Scan's employees for their hardworks and dedication towards achieving the above reported 1st Quarter 2019 financial result as well as to all Tempo Scan's valued shareholders, business partners, vendors/suppliers and professional parties for the continuous supports.

Jakarta, 30 April 2019

On behalf of PT. Tempo Scan Pacific, Tbk.



Handojo S. Muljadi

President Director