



## THE TEMPO GROUP

### **PT. Tempo Scan Pacific Tbk**

Head Office : Tempo Scan Tower, 16<sup>th</sup> Floor, Jl. H.R. Rasuna Said Kav. 3-4, Jakarta 12950, Indonesia  
Phone : 2921 8888 Fax : 2920 9999 PO Box : 3269 Jkt. 10002 No. P.B.F. : 31081/PBF/II/91  
Factory : EJIIP Industrial Park, Plot 1G-H, Lemahabang, Bekasi 17550 Phone : 897 1553, 897 0801 Fax: 897 1563, 897 0764

### **PT. Tempo Scan Pacific, Tbk. ("Tempo Scan") 1<sup>st</sup> Quarter 2020** **Positive Net Profit Growth Amidst Deepening Covid 19 Ongoing Crisis**

The Indonesian economy growth rate declined substantially in the First Quarter 2020 and it registered an increase of only 2.97% following its preceding Fourth Quarter 2019 economic growth rate which was still at 5.02%, such a decline was partially attributed to the negative impact of the Covid 19 pandemic which has caused a massive and unprecedented economic crisis ("Covid 19 Crisis") that commenced since February 2020, henceforth the month of January 2020 did not bear the full brunt of such Covid 19 Crisis.

Presently Tempo Scan is continuing to evaluate the full implication of this Covid 19 Crisis towards its core businesses, nevertheless Tempo Scan's manufacturing facilities and distribution operations remain functioning as per normal. While Tempo Scan's Pharmaceutical products including its OTC medicines, Vitamins and Nutritional products' sales continued to perform well and, Tempo Scan's Consumer products including its Personal Care & Hygiene, Home Care and Baby Care products' sales remained uninterrupted. However, Tempo Scan's cosmetics business was negatively impacted by the Covid 19 Crisis amongst others due to the mandated closure of shopping malls and department stores by the Indonesian government's current semi lockdown regulation which locally referred to as "PSBB".

Nevertheless, as the result of Tempo Scan's prudent financial management which has consistently been implemented for several decades, hence presently Tempo Scan's financial liquidity position remains strong given its net cash position which provides Tempo Scan with the much needed financial safety net within this period of extreme uncertainty. Such a safety net provides flexibility for Tempo Scan to maintain its marketing investment in order to strengthen its core brand equities respective market positions, as well as to sustain its capital expenditures amongst others to build its new factories and branch's warehouses in order to cater for increased capacity requirement in the future.

In connection therewith, Tempo Scan is hopeful that the Indonesian government also its central bank will provide the required fiscal and monetary stimulus for Indonesian companies to cope with this unprecedented Covid 19 Crisis, including those issued under Peraturan Pemerintah Pengganti Undang-Undang No.1 Tahun 2020 ("PERPPU No.1") which provides amongst others the gradual reduction of the corporate income tax from 25% to 22% in fiscal years 2020 and 2021, thereafter further reduction to 20% in fiscal 2022 and beyond, value added tax concession on the Indonesian custom area, customs facility for certain goods import duties exemption/reduction, etc.

For the First Quarter 2020, Tempo Scan's net profit after tax managed to increase by 39.73% and amounted to Rp.284.1 billion versus its net profit after tax increase in the corresponding period last year which did not register any increase, correspondingly Tempo Scan net profit after tax margin has risen to 10.3% compared to 7.5% in First Quarter 2019. Moreover, Tempo Scan's EBITDA also increased by 43.9% and amounted to Rp.448.7 billion in First Quarter 2020, correspondingly its EBITDA margin also increased to 16.2% versus 11.5% in First Quarter 2019.

As pertained to Tempo Scan's consolidated net sales which increased by 2.3% and amounted to Rp.2,765.4 billion, such a lower net sales growth was the consequence of implementation of Indonesia accounting standard's policy change specifically under its PSAK 72 regarding "Revenue from Contract with Customer" which has been implemented starting 1 January 2020, whereas a company revenue/sales must be recognized upon transfer of control and/or delivery of its products to the customers and the said sales must reflect the net amount after deduction of the related direct expenses upon realization of such sales. As consequence thereof, Tempo Scan is required to reclassify some expenses among others discounts which previously were accrued under its selling expenses and moved such expenses as a direct deduction to its sales resulting in a lower net sales amount.

Previously Tempo Scan accrued the aforesaid expenses among others discounts under its selling expenses hence constitute as part of its financial control system, correspondingly such expenses can be monitored under a stringent budgetary control mechanism which enables its management to closely supervise such expenses utilization. Moreover, by accruing the said expenses under its selling expenses, Tempo Scan was also able to analyze its products sales to trade transactions' value under constant term without being distracted by those expenses constantly changing disbursement schemes which depends on the respective sales channels through which those products would be sold.

Despite the aforementioned accounting policy change which implementation timing is unfortunately coincided with the ongoing Covid 19 Crisis, nevertheless Tempo Scan was still able to grow its consolidated net sales given the contribution from its 3 core businesses which have continued to become its net sales growth benefactors:

1. Tempo Scan's Pharmaceutical ("Pharma") Division net sales grew by 5.7% and amounted to Rp.741.2 billion in First Quarter 2020. The Pharma Division's net sales growth was attributed predominantly by its Consumer Health products group which grew by 11.9% and driven by this group relatively new Nutritional products' net sales increase which had risen by almost 61% quarter on quarter.

Correspondingly this Consumer Health group's net sales amounted to Rp.712.2 billion hence its net sales contribution towards the Pharma Division's total net sales has risen to become 96.1% in First Quarter 2020. On the other hand, the Pharma Division's Prescription Medicines group net sales contribution declined to 3.9%, hence compared to these 2 groups net sales contribution toward the division's total net sales which were at 90.8% and 9.2% respectively in First Quarter 2019.

2. Tempo Scan's Consumer Products & Cosmetics ("CPC") Division net sales declined by 4.2% and amounted to Rp.796.4 billion. As explained hereinabove that the CPC Division net sales has been hardest hit by its Cosmetics group which net sales had decreased by 24.4% and amounted to Rp.184.3 billion. Such a significant decline was due to the compounded effects of its under licensed mid-price cosmetic which has already in a declining sales trend prior to Covid 19 Crisis and such downward trend was exacerbated during this crisis. In addition, as has already been explained in the above whereby under Indonesian government current semi lockdown policy or so called PSBB, any retailer who selling non-essential products including cosmetics has been mandated to close including Shopping Malls and Department Stores, consequently it creating a dire situation for all of this group's cosmetics sales.

In anticipation of the above cosmetic retailers mandatory closure pursuant to the government regulation, Tempo Scan has created a home delivery service under its trademark named Tempo Scan Home Delivery service ("TSHD") which will supplement its cosmetic products as well as its consumer health and consumer products' online sales strategy, in addition to the e-commerce channels which Tempo Scan has been pursuing over the last few years.

TSHD will be a service product that provides sales call centers through WhatsApp and other social media platforms to receive direct consumer orders, and it provides payment gateway, fulfilment service and last mile delivery direct to the consumer home. Therefore, TSHD service will eventually be extended on nationwide basis with the expectation to further increase Tempo Scan products' online sales contribution to commensurate the post Covid 19 Crisis new normal business reality.

On the other hand, CPC Division's Consumer Products group net sales was still able to grow by 4.2% in First Quarter 2020 and amounted to Rp.612 billion. As consequence, this Consumer Products group's net sales contribution towards the CPC Division total net sales has risen to 76.9% versus 70.7% in First Quarter 2019. On the other hand, its Cosmetics group net sales has shrunk to 23.1% compared to its contribution in same quarter last year which was still at 29.3%. Commensurately in First Quarter 2020 this Cosmetics group's net sales contribution towards Tempo Scan's consolidated net sales has also decreased to become 6.7% versus its contribution in the same quarter last year which was still at 9%.

3. Tempo Scan's Distribution Division net sales has risen by 4.7% and amounted to Rp.1,227.8 billion. The main benefactor of this division net sales growth was its Non Pharma Principals' products which net sales rose by 11.1% and amounted to Rp.911.7 billion, while on the other hand this division Pharma Principals' products registered a decline of 10.1% and amounted to Rp.316.2 billion.

As the result in the First Quarter 2020, the said Non Pharma Principals' products net sales contribution towards the Distribution Division's total net sales had increased to become 74.3% versus its net sales contribution in the same quarter last year which was at 70%, henceforth the Pharma Principals' products net sales contribution towards this division's total net sales had declined to 25.7%, compared to the same quarter last year wherein its net sales contribution was still at 30%.

Furthermore, Tempo Scan's gross profit registered a decline of 3.2% and amounted to Rp.982.7 billion in First Quarter 2020, such a decline was attributed among others to the change in business mix and the rapid depreciation of Rupiah exchange rate against the major foreign currencies importantly against the US Dollar, while on the other hand its management has decided to postpone some of its products planned price increase due to the severity of Covid 19 Crisis. Correspondingly, Tempo Scan's gross profit margin had been eroded to become 35.5% compared to its gross profit margin in the First Quarter 2019 which stood at 37.6%.

Moreover, as pertained to Tempo Scan's total operating expenses which had decreased by 20.2% and amounted to Rp.604 billion, such a decline was attributed among others by its total selling expenses which declined by 5.3%. This selling expenses decline was affected by the above explained accounting policy change, whereas some expenses that were previously accrued under this selling expenses have been reclassified and deducted from Tempo Scan's net sales. On the other hand, its general administration expenses had increased by 5.7% and amounted to Rp.135.1 billion, therefore in First Quarter 2020 Tempo Scan's selling expenses ratio against its consolidated net sales was 21.7% compared to the ratio in the same quarter last year which was 23.4%. On the other hand in First Quarter 2020, its general administration expenses ratio against Tempo Scan's consolidated net sales was 4.9% or almost on par with the ratio in First Quarter 2019.

It is important to note that Tempo Scan's net other operating expenses & incomes had risen substantially in First Quarter 2020 and amounted to Rp.131.1 billion, such an increase was predominantly attributed by its foreign exchange gain as a result of Tempo Scan's aforementioned prudent financial management yielding a net cash position which was largely held in US Dollar. Commensurately, Tempo Scan's operating profit surged by 46.6% and amounted to Rp.378.7 billion, as a result its operating profit margin was also increased to become 13.7% compared to its operating profit margin in First Quarter 2019 that was 9.6%. Moreover, Tempo Scan's net non-operating incomes & expenses declined by 44.5% and amounted to Rp.5.4 billion, as a result in First Quarter 2020 Tempo Scan's net profit after tax increased significantly by 39.7% and amounted to Rp.284.1 billion as already explained hereinabove.

Consistent with what has been explained hereinabove, Tempo Scan's prudent financial management result was also manifested in its Balance Sheet position as of 31 March 2020, wherein its cash and cash equivalent increased substantially by 22.5% quarter on quarter and amounted to Rp.2,376.8 billion. In addition, Tempo Scan's net operating cycle in First Quarter 2020 has also improved to become 52 days compared to 55 days in the same quarter last year. Furthermore, Tempo Scan's total assets and shareholders' equity amounted to Rp.8,883.7 billion and Rp.6,102.9 billion respectively or increased by 9.7% and 7.9% respectively quarter on quarter.

Tempo Scan's Board of Directors appreciate the supports provided by its management and employees as well as the cooperation that have been extended by its business partners, vendors/suppliers, customers, professional parties and its shareholders, hence our company was able to continue its operation in First Quarter 2020 despite the extremely negative implication caused by the unprecedented Covid 19 Crisis and, we shall continue to pray and work hard that this crisis can be overcome in the future.

Jakarta, 29 May 2020

On behalf of PT. Tempo Scan Pacific, Tbk.



**Handojo S. Muljadi**  
President Director

