



## THE TEMPO GROUP

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### **PT. Tempo Scan Pacific, Tbk. ("Tempo Scan")**

### **1st Half 2022 Resilience Performance Amidst Global Inflationary Challenges and Risk of Stagflation.**

During 2<sup>nd</sup> Quarter of 2022 Indonesia was in its 9<sup>th</sup> consecutive quarters facing the COVID-19 pandemic and had experienced 3<sup>rd</sup> waves of COVID-19 resurgent, the first was in January 2021, followed by the deadlier Delta variant in July 2021 and lastly the Omicron variant in February 2022. The Indonesian government has continued to implement the effective counter measures against COVID-19 among others through vaccination program including the booster shots, while gradually lessen some strict restrictions that were imposed during the aforesaid resurgent, it had resulted in the significant decline of daily infection rate during 2<sup>nd</sup> Quarter 2022. Commensurately the related social and economic activities have gradually restored to normal as indicated by the positive economic trend.

However, as the COVID-19 has gradually subsided then the global inflationary pressures have continued to further escalate among others due to supply chain constraint as a result of consumers' pent up demand post COVID-19, and made worse by the ongoing Russia-Ukraine war which increase significantly global energy prices, as well as the food and commodities' prices. Various countries, including the United States ("US"), responded to the massive inflation rate increase by tightening their monetary policies, thereby dampening their respective economic recovery and increasing the risk of stagflation. Economic growth in various countries, such as the US, Europe, Japan, China and India, are predicted to be lower than previously projected, accompanied by increasing fears of recession in the US. Consequently, global economic growth in 2022 is projected to be lower than the previous projection of 3.5% to 2.9%. In line with such developments, the global financial market had declines considerably as uncertainty remains high, resulting in limited foreign capital inflows and investors capitulation in developing countries, including Indonesia.

Amidst those global challenges, in the 2<sup>nd</sup> Quarter of 2022 Indonesian economy continued improving, the Gross Domestic Product (GDP) has growing by 5.44% year-on-year, such growth was supported by its household consumption which contribution was 51.47% and grew by 5.51%, followed by its gross fixed capital formation which contribution was 24.68% and increased by 3.07%. And its export which contribution was 24.68% and grew by 19.74%. Moreover, various economic indicators in June 2022 including the latest Bank Indonesia survey result, such as consumer confidence, retail sales, and the Manufacturing Purchasing Managers' Index have indicated that the ongoing domestic economic recovery is progressing. From the external side, export performance was higher than previously projected, especially in coal, metal ore, and steel commodities, supported by strong export demand and high global

commodity prices. Economic growth was also supported by improvements in various business fields, such as the Processing Industry, Trade, as well as Transportation and Warehousing. Nevertheless, the global economic slowdown could have a negative effect on Indonesia export performance, while rising food and commodities inflation could restrain consumers consumption as government evaluate its exploding subsidies budget.

Under the abovementioned circumstances, Tempo Scan was still able to register a commendable net sales increase of 8.3% and amounted to Rp.5,941.4 billion, such a result was a considerable improvement when compared to the Tempo Scan's 1<sup>st</sup> Half 2021 net sales which registered growth of 2.4% compared to the corresponding period last year.

**The abovementioned Tempo Scan's consolidated net sales result in 1st Half 2022 main benefactors were:**

- 1) Tempo Scan's Consumer Products & Cosmetics ("CPC") division was able to sustain its net sales robust growth which had increased by 9.4% and amounted to Rp.1,798.9 billion, such a performance was a further improvement compared to the CPC division's 1<sup>st</sup> Half 2021 net sales which had risen by 8.2% versus the corresponding period last year. This division's net sales main contributor was its Consumer Products group which net sales increased by 9.1% and amounted to Rp.1,471.7 billion. While its Cosmetics group's net sales performance had continued its positive recovery with an increase of 10.8% and amounted to Rp.327.2 billion, hence it was a consistent growth improvement toward this group net sales result in 1<sup>st</sup> Half 2021 which grew by 9.6%.

The CPC division's International Business net sales performance had gradually improved with its net sales increased by 6.0%, albeit still at a lower growth rate compared to its Domestic Business which grew by 9.5%. Nonetheless, it was a sharp reversal compared to net sales result in 1st Half 2021 wherein it registered a negative growth of 19.7%. This positive growth was contributed by the growth of its Consumer Products and Cosmetic Products which risen by 12.2% and 3.9% respectively. Correspondingly, the said Consumer Products group and Cosmetics group net sales contributions toward CPC division's total net sales were 81.8% and 18.2% respectively, or slightly changed when compared with their net sales contributions during the 1<sup>st</sup> Half 2021 which were 82% and 18% respectively.

- 2) Tempo Scan's Pharmaceutical division had increased by 0.9% and it amounted to Rp.1,696.7 billion, this division's net sales main benefactor was its Consumer Health products group which net sales had increased by 1.0% and amounted to Rp.1,657.7 billion. Such Consumer Health group's net sales slower growth was attributed amongst others to its Consumer Health group's OTC and Vitamins products' net sales which had decreased by 0.4%. On the other hand, its Nutritional products had registered a positive growth of 3.5% which resulted from stable selling out performance at its key major customer, amongst other as a result of management's strategic decision to conduct Nutritional products inventory realignment at the trade level, in order to normalize its stock position and promote price stability since 3<sup>rd</sup> Quarter 2021.

The Prescription Medicines group's net sales had declined by 1.8% and amounted to Rp.39.0 billion which was a moderate decline compared to this group net sales performance in the 1st Half 2021 which was still registered a significant negative growth of 29.0%. Correspondingly, the Consumer Health products group and the Prescription Medicines group net sales contributions toward the Pharmaceutical division's total net sales were 97.7% and 2.3% respectively or almost at par if compared to their net sales contributions in the same period last year which stood at 97.6% and 2.4% respectively.

- 3) Tempo Scan's Distribution division's net sales had risen by 13.3% and amounted to Rp.2,445.9 billion. The main benefactor of this division net sales growth was its Non-Pharma Principals' products which net sales rose by 19.5% and amounted to Rp.2,212.5 billion, while on the other hand this division Pharma Principals' products registered a decline of 24.4% and amounted to Rp.233.3 billion. Correspondingly, the said Non-Pharma Principals' products and Pharma Principals' products net sales contributions in the 1<sup>st</sup> Half 2022 stood at 90.5% and 9.5% respectively.

Furthermore, in the 1<sup>st</sup> Half 2022, Tempo Scan's gross profit result amounted to Rp.2,009.5 billion which was an increase of 4.1%, hence a higher growth versus its gross profit result in the 1<sup>st</sup> Half 2021 which had registered a growth of 3.6% compared to the previous year. However, such a gross profit increase was still lower when compared to Tempo Scan's consolidated net sales growth which was 8.3% in the 1<sup>st</sup> Half 2022, consequently its gross profit margin had also declined to become 33.8% versus its gross profit margin in the 1<sup>st</sup> Half 2021 which stood at 35.2%. The said gross profit margin decline was attributed amongst others by the main raw materials price increases as consequence of the above explained global inflationary pressure, which in fact have emanated since the end of 2021 and continuing until now. Such raw materials price increases were driven by the continuing increase of the global commodities and energy costs among others due to continued supply chain disruptions in line with ongoing Russia-Ukraine geopolitical tensions, and also reflected through Indonesia inflation rate which risen sharply to 4.35% year on year as of June 2022, compared to the same period last year wherein such inflation rate was only at 1.33% year on year.

Moving on to Tempo Scan's total operating expenses in 1<sup>st</sup> Half 2022 which had increased by 10.5% and amounted to Rp.1,512.7 billion, such an increase was contributed predominantly by its total selling expenses that had increased by 12.8% and amounted to Rp.1,270.5 billion. Consequently, this total selling expenses as a ratio to Tempo Scan's consolidated net sales was 21.4% or higher compared to the same period last year whereas such ratio was 20.5%.

On the other hand, its total general administrative expenses had increased by 1.1% and amounted to Rp.289.5 billion, hence the said total general administrative expenses ratio towards Tempo Scan's consolidated net sales was 4.9% or lower compared to the ratio in the same period last year which was 5.2%.

Moreover, Tempo Scan's net other operating income had increased by 9.9% and amounted to almost Rp.47,3 billion, such an increase was mainly attributed by its foreign exchange gain. As a result, Tempo Scan's operating profit registered a decline of 11.4% and amounted to Rp.496.7 billion, therefore its operating profit margin had also decreased to become 8.4% compared to its operating profit margin in 1<sup>st</sup> Half 2021 which was 10.2%.

Furthermore, its net non-operating income (expense) had increased by 4.9% and amounted to Rp.6.6 billion mainly due to higher interest expense. As the result, Tempo Scan's 1<sup>st</sup> Half 2022 net profit after tax had declined by 7.5% and amounted to Rp.378,9 billion, consequently its net profit after tax margin stood at 6.4% or lower versus its net profit after tax margin in the same period last year which stood at 7.5%. Commensurately, Tempo Scan's EBITDA had also decreased by 7.9% and amounted to Rp.649,0 billion, correspondingly its EBITDA margin in the 1<sup>st</sup> Half 2022 stood at 10.9% versus its EBITDA margin in the corresponding period last year which stood at 12.9%.

As pertained to Tempo Scan's balance sheet position as of 30 June 2022, it remained formidable given its cash and cash equivalent position which amounted to Rp.2,789.2 billion. In addition, its net operating cycle was at 67 days despite the challenging market condition, while Tempo Scan's total assets and shareholders' equity were amounted to Rp.10,614.5 billion and Rp.7,023.7 billion respectively, as such representing almost 10.4% and 7.2% increase respectively.

Tempo Scan's Board of Directors would like to express the highest appreciation to all Tempo Scan's management and employees for their dedication, commitment and hard works, as well as to our valued shareholders, business partners, vendors, customers, professional parties and Board of Commissioners, hence Tempo Scan has managed to achieve the abovementioned financial result.

Jakarta, 12 August 2022

On behalf of PT. Tempo Scan Pacific, Tbk.



**I Made Dharma Wijaya**

President Director

Copies:

- Tempo Scan's President Commissioner
- Tempo Scan's Board of Directors