



Q4 and Full-year 2019 Results Presentation

26 February 2020

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Income Statement Highlights

US\$m	Q4 ended 31 Dec			FY ended 31 Dec		
	2019	2018	▲%	2019	2018	▲%
Revenue	482.8	538.3	-10.3%	1,907.7	2,141.0	-10.9%
Gross profit	14.7	16.9	-12.7%	107.4	118.4	-9.4%
Core operating earnings/(loss)	33.7	(1.3)	n.m.	47.4	22.6	109.6%
Operating profit	29.3	(10.1)	n.m.	38.3	4.5	>100%
EBITDA	39.2	(0.1)	n.m.	71.9	36.2	98.8%
Net income/(loss)	16.6	(8.7)	n.m.	(3.7)	(13.4)	-72.6%
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Sales volume (mT)	333,028	377,239	-11.7%	1,279,201	1,432,335	-10.7%
Average selling price (US\$)	1,450	1,427	1.6%	1,491	1,495	-0.2%
Gross profit per mT (US\$)	44	45	-1.1%	84	83	1.5%
Core operating earnings/(loss) per mT (US\$)	101	(3)	>100%	37	16	134.6%
Operating profit per mT (US\$)	88	(27)	n.m.	30	3	>100%
EBITDA per mT (US\$)	118	(0)	>100%	56	25	122.6%

Note 1: Core operating earnings/(loss) is derived by deducting working capital finance costs from EBITDA.

n.m.: Not meaningful

FY2019 Results Review

- FY2019 is an operationally challenging year for Halcyon Agri, in which challenges in both supply and demand end have persisted:
 - **Sustained downward pressure on demand** – Uncertainty surrounding major macroeconomic events in 2019 have adversely impacted demand, resulting in lower overall sales volume. While long-term demand dynamics for natural rubber are intact, the end markets for our products are not immune to near term demand weakness, and our customers have exercised prudence in their procurement. Whilst the interim resolution to the key macro events is expected to bring about positive sentiments, it is unclear yet the extent of the impact of COVID-19 outbreak will affect the industry.
 - **Reduction in raw material supply expected to outpace demand weakness** – Years of overlapping and under-maintenance of the smallholder-dominated rubber plantations, induced by prolonged compression of prices, have caused the trees to fall victim to the outbreak of tree diseases during the year. An estimated 400,000 ha of rubber trees are infected, and yields of the affected trees are expected to reduce by half. The lost yields cannot be replaced in near term, and looming supply deficit might be the key factor driving the price rally in December.
- With its scale and global diversification, Halcyon Agri is **well-positioned to weather the storm and emerge profitably** as the industry recovers. Meanwhile, the Group continues to exercise prudence in its operations and has **maintained positive operating cash flows**.
- During the year, the Group developed a business plan to convert the felled rubber trees in the Cameroonian plantation into rough sawn lumber, in which such change in circumstances prompted a revaluation of the Group's plantation portfolio, resulting in a fair value gain on biological assets of US\$53.3m.

FY2019 Highlights

- 1 Launch of BOUNCE¹, the world's first sustainable rubber movement anchored by UN SDGs.
- 2 Business plan to produce and market sustainably produced rubber wood to the furniture and construction sectors of US and China.
- 3 Rated the second most transparent rubber-producing company using SPOTT² in a study conducted by Zoological Society of London. 69.9% score is almost double industry average.
- 4 Digitalisation of production process through Halcyon Data Centre 2.0 and usage of Internet of Things technology to allow seamless recording and live monitoring of production data.
- 5 Continue forging strong partnerships with global and local NGOs - Mighty Earth and Community Forests Platform joining the independent Cameroon Sustainability Council³.
- 6 Rolling out of HeveaConnect with 4 cornerstone customers. Enhanced features with HeveaConnect Mobile⁴, offering convenience to both buyers and sellers to negotiate and confirm terms on the go.

Note 1: <https://www.demandsustainablelubber.org/>

Note 2: <https://www.spott.org/natural-rubber/>

Note 3: <https://www.corrie-maccoll.com/cameroon-sustainability-council-landmark-collaboration/>

Note 4: [Link to App Store](#)

Cash flows

US\$m	Q4 ended 31 Dec		FY ended 31 Dec	
	2019	2018	2019	2018
Operating cash flows before working capital changes	(9.1)	(4.7)	15.2	33.3
Changes in working capital	(32.0)	36.3	(29.9)	(57.6)
Payment of taxes and working capital loan interests	(4.2)	(12.1)	(26.9)	(28.6)
Cash flow generated from/(used in) operating activities	(45.3)	19.5	(41.7)	(53.0)
Cash flow used in investing activities	(23.1)	(23.2)	(65.5)	(201.2)
Cash flow generated from/(used in) financing activities	40.9	5.9	38.7	228.4
Net changes in cash and cash equivalents	(27.6)	2.2	(68.5)	(25.7)

- The decrease in cash and cash equivalents is mainly due to redemption of perpetual securities during the year and the increase in inventory held during Q4 2019 to cater for near-term demand.
- Net cash used in investing activities of \$23.1m was mainly due to capital expenditure on PPE and plantation related assets.
- Net cash generated from financing activities was \$40.9m, mainly due to the net proceeds from the drawing down of new term loans, set off by repayment of working capital loan and payment of interest.

Balance sheet overview

US\$ in millions	31-Dec-19	30-Sep-19	30-Jun-19	31-Mar-19
<u>Assets partially funded by debt</u>				
Working capital employed	594.9	600.2	636.9	659.3
Working capital loans	572.6	599.2	630.9	636.4
% Efficiency in working capital funding	96.3%	99.8%	99.1%	96.5%
Operational long term assets	1,017.1	942.5	954.0	943.4
Term loans	551.1	473.4	481.6	561.7
% Fixed asset gearing	54.2%	50.2%	50.5%	59.5%
<u>Assets fully funded by equity</u>				
Cash and cash equivalents	55.6	38.9	60.3	133.0
Non-core assets	45.2	48.5	48.5	48.0
Total equity	589.1	557.3	587.2	585.4
Net asset value per share (US cents)	36.9	34.9	36.8	36.7
Net asset value per share (SG cents)	49.8	48.1	49.8	49.6

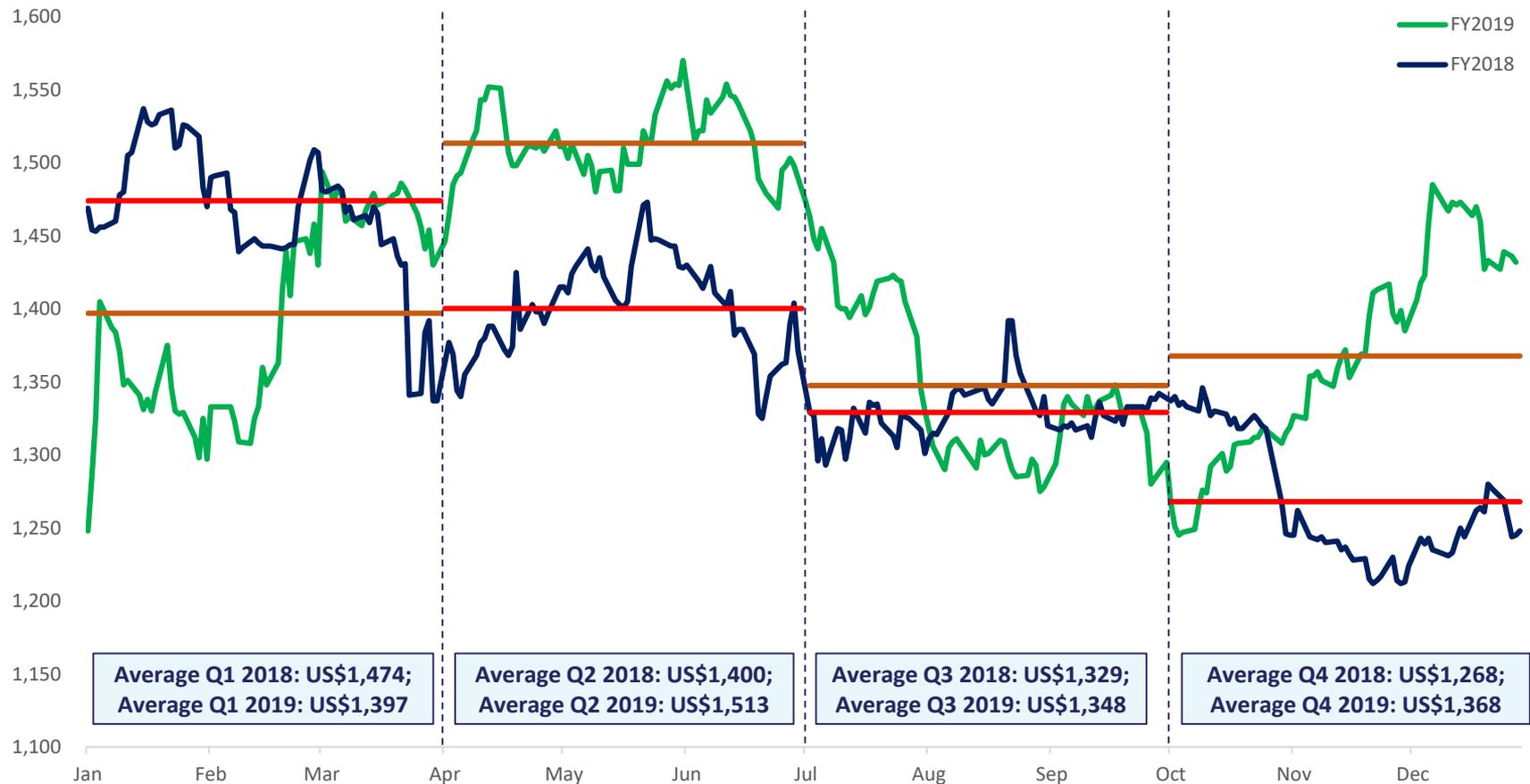
Note 1: Please refer to the announcement for the definition of working capital employed, operational long term assets, cash and cash equivalents and non-core assets.

Note 2: Translated at the closing exchange rates for each respective period.



Appendix 1: Market price movement

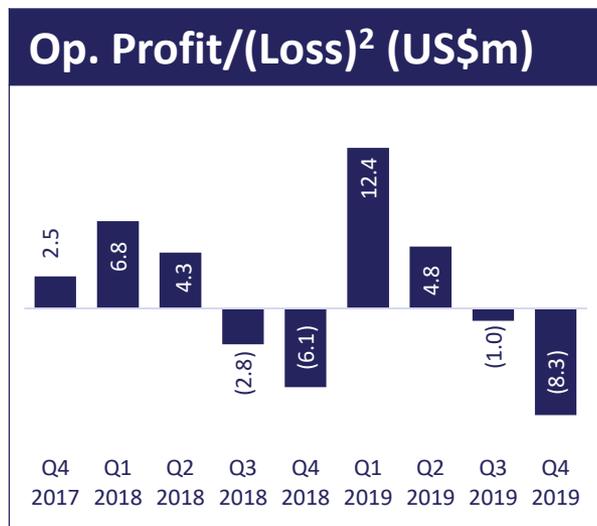
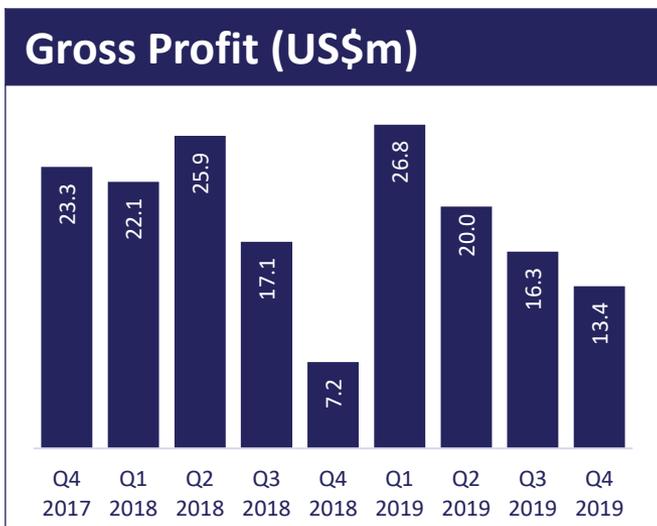
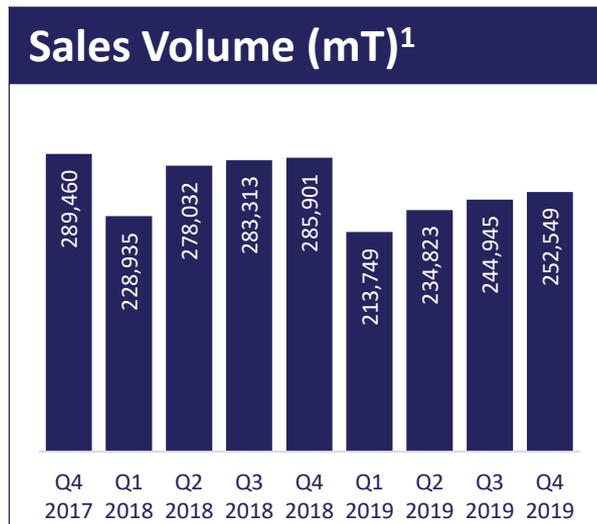
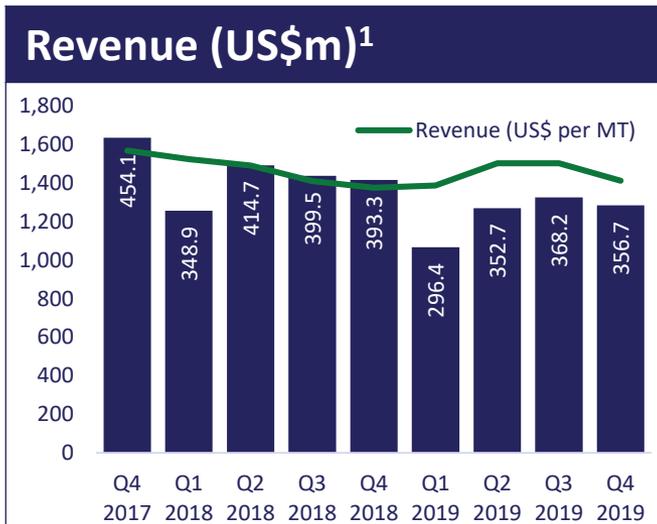
Movement in SICOM TSR20 1st position





Appendix 2: Segmental Performance

Halcyon Rubber Company (HRC)



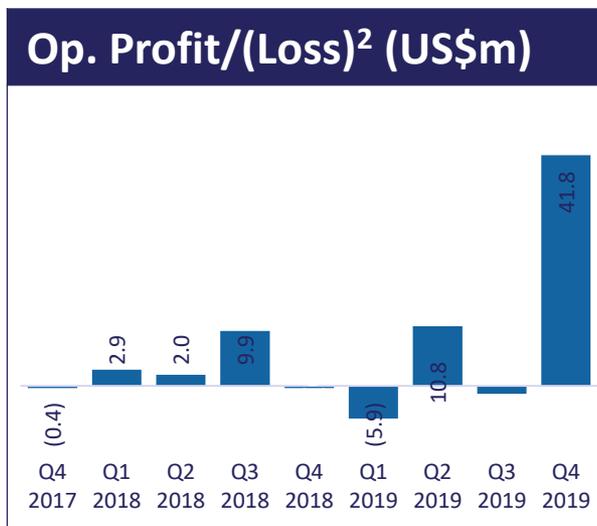
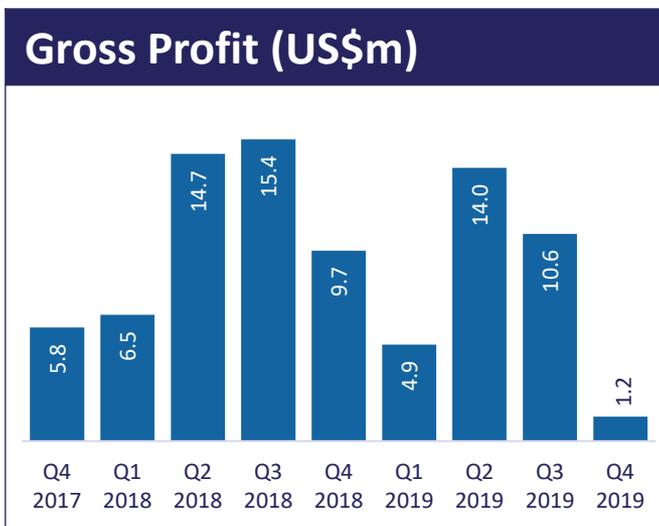
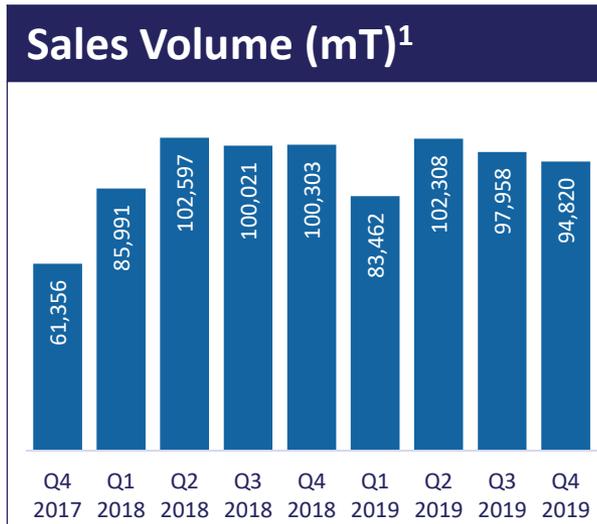
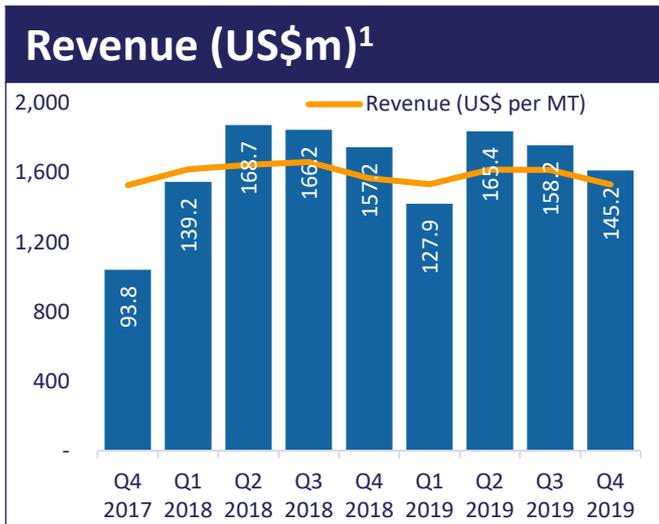
- HRC continues to be mired by tight raw materials situation, which led to erosion of processing margins.
- However, active margin-oriented sales management have prevented further losses.
- One-off redundancy costs in our Indonesian platform to improve cost efficiency moving forward.

¹ Includes intersegment figures

² Adjusted for management fees

* The Group's Ivory Coast operations has been recessed to SINRIO Group effective 1 Jan 2019, and the relevant financials have been readjusted to that effect.

Corrie MacColl (CMC)



- Sales continues to decline due to procurement cutbacks by consumers amid macro uncertainty.
- Operating profit spiked in Q4 2019, mainly driven by the recognition of fair value gain on biological assets.
- The increase was set off by the further compressed contributions margins in the latex business.
- Additional accruals for retirement benefits for our Cameroonian operations following the re-negotiation of collective wage structure.

¹ Includes intersegment figures
² Adjusted for management fees.

Updates on HeveaConnect (HC)

Digital marketplace for HeveaPRO-certified natural rubber

Platform traffic since Apr-19

80,000 MT

(YTD volume traded on platform since HC went live on Apr-19)

Proactive engagements with key NGOs

Close collaboration with NGOs on initiatives to drive improvement in livelihood of smallholders.

Launch of mobile application

The launch of HeveaConnect Mobile further revolutionises trading by providing convenience to both parties to negotiate and confirm sales terms on the go.

Continuous customer feedback drives improvement

Rolling out of Long Term Contract (LTC) features epitomises the drive to provide full suite of services.

Total contracted value of cargoes passes through HC

US\$120 million

(Average US\$500k per trading day)

Automation of data capturing using IoT devices

Parallel trials to introduce automated production data capturing to reduce manual errors, using Internet of Things (IoT) technology.

- HC made encouraging progress throughout FY2019, being in the forefront of industry and driving sustainable agenda.
- Customer-focused feedback loop allows the team to continue to improve the service delivery, with the rolling out of mobile application, as well as introduction of LTC features being the highlight in Q4 2019.
- Through introduction of advanced IoT technology, HC aims to drive continuous improvements in operating efficiency of the factories it serviced.

Thank you

