
HALCYON AGRI

# Building a Leading Global Natural Rubber Producer

## 1H 2013 Results & Business update

14 August 2013

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# Agenda

1. Review of results for 1H 2013
2. Executing our growth strategy: business update

## 1 Review of results for 1H 2013

# Key facts for 1H 2013

**Sales Volume**

- Sales volume up 10% on 1H 2012 at 36,459 tonnes
- Unseasonal weather led to a tight raw material environment, which impacted volumes
- Successfully secured committed offtake for the remainder of 2013 of 43,960 tonnes, representing more than 80,000 tonnes for the full year FY 2013

**Pricing**

- Achieved average revenue per tonne in excess of the average market price, reflecting effective revenue management and premium product mix
- 1H 2013 average premium consistent with FY 2012 full year premium

**Margins**

- Profitability at Gross Material Profit per tonne ("GMP") lower than 1H 2012, reflecting tight raw material environment due to unseasonal rains
- GMP in line with FY 2011 and FY 2012 in spite of significant decline in rubber prices, reflecting sound business model and risk management approach
- Bottom line margins lower due to cost increases to support expansion

**Expansion**

- Expansion of facilities at Palembang on-time and on-budget
- Announced highly strategic acquisition of Chip Lam Seng assets, expanding future capacity in excess of 300,000 tonnes; completion on-track
- Successfully raised S$20.7m through share placement

# 1H 2013 Results summary

## Income Statement highlights

| US$m | 1H 2013 | 1H 2012 | 2Q 2013 | 2Q 2012 |
|---|---|---|---|---|
| Revenue | 104.1 | 121.6 | 54.0 | 69.5 |
| Gross profit | 9.5 | 10.0 | 5.4 | 6.9 |
| Operating profit | 5.6 | 7.7 | 3.4 | 5.9 |
| EBITDA (adjusted)* | 6.5 | 8.1 | 3.7 | 6.1 |
| Net profit (adjusted)* | 4.5 | 6.0 | 2.7 | 4.8 |
| | | | | |
| Sales volume (tonnes) | 36,459 | 33,019 | 19,926 | 19,122 |
| Gross material profit per mT (US$) | 394.8 | 432.2 | 407.6 | 504.2 |
| EBITDA per mT* (US$) | 177.2 | 246.7 | 186.5 | 318.3 |

* The results have been adjusted to exclude the non-recurring expenses of US$0.1 million in Q2 2013 and US$0.4 million in H1 2013.



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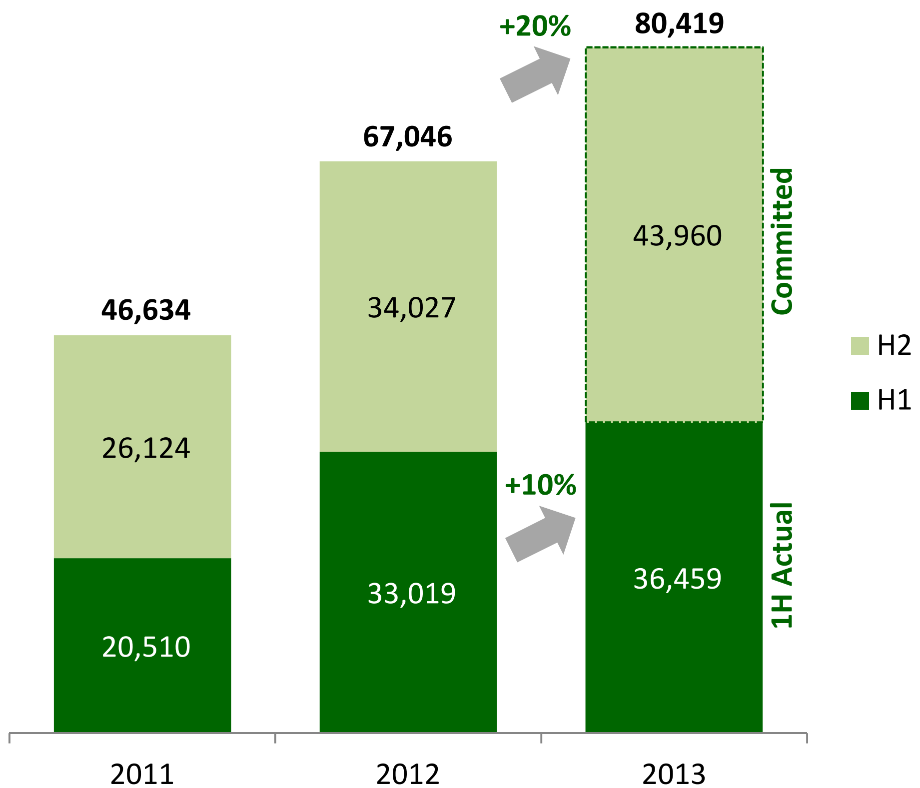
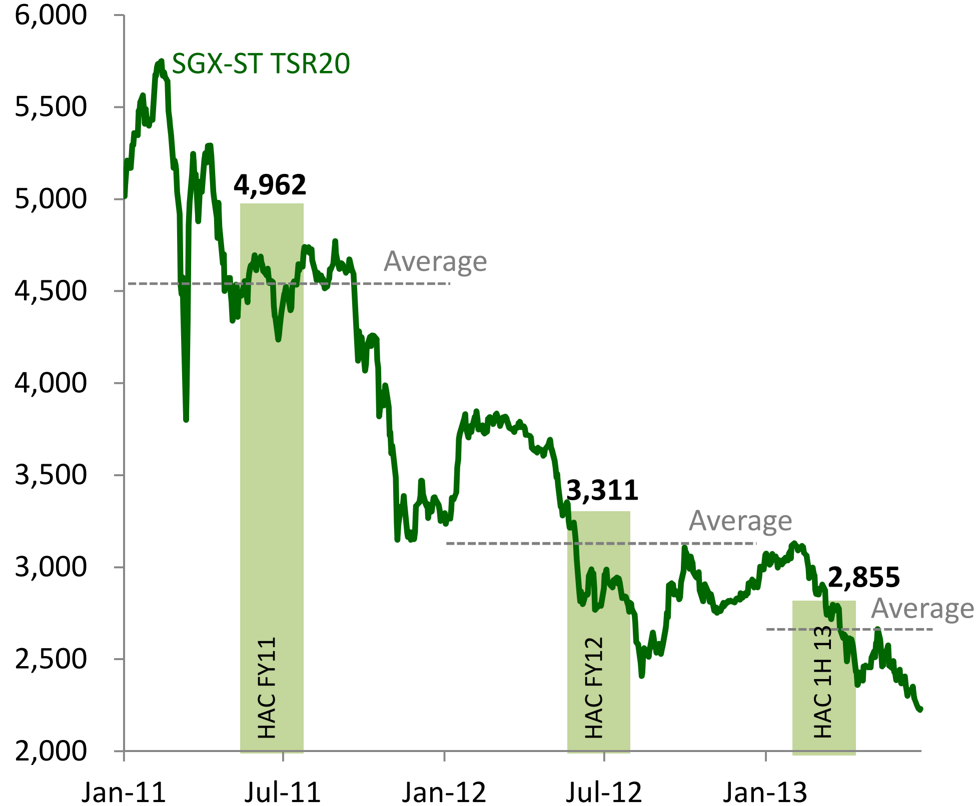
# Revenue analysis

## Volume




- 1H 2013 sales volume up 10% over 1H 2012
- Committed offtake for the remainder of 2013 of 43,960 tonnes, with options to increase by a further 5,776 tonnes. Represents an increase of between 20% to 29%

## Pricing US$(HAC avg revenue/tonne vs avg mkt price)




- Average revenue per tonne continued to exceed the average market price over the corresponding period
- Reflects effective revenue management and premium products



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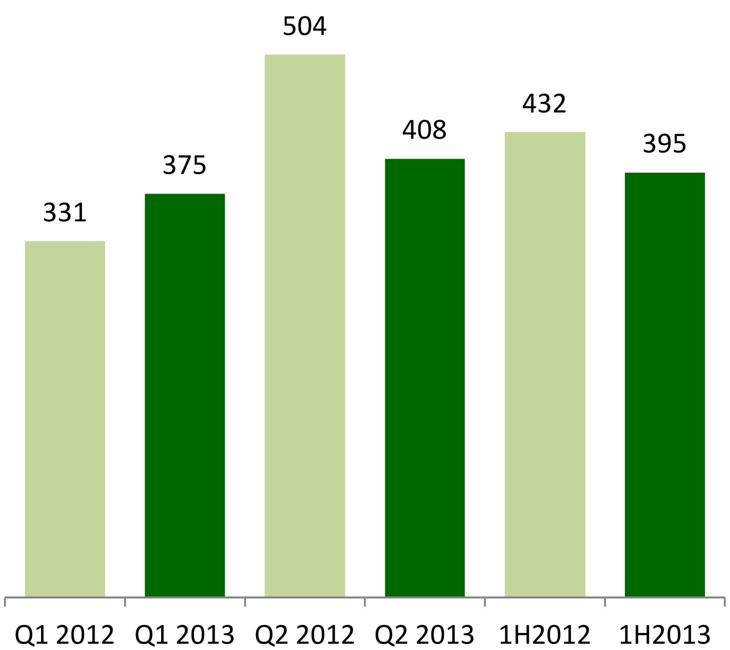
# Margin analysis: Gross material profit

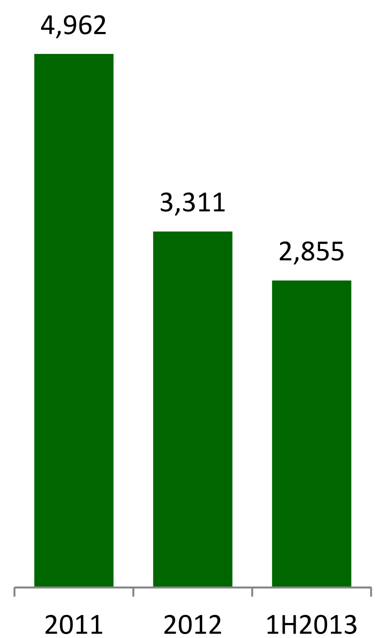
## Quarterly gross material profit (US$)



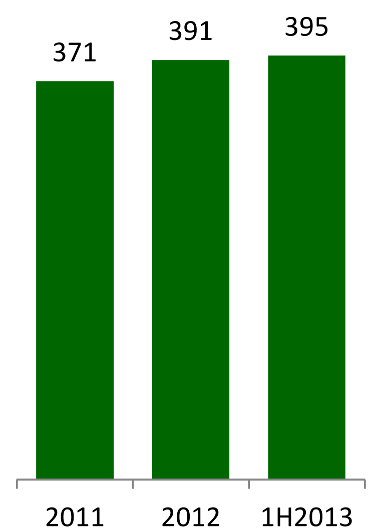

- Gross material profit affected by availability of raw material
- Unseasonal rains and flooding reduced the supply of raw material in Q2, resulting in higher prices and compression of gross material profit

## Gross material profit 2011 to 1H 2013 (US$)

**Average revenue/tonne**



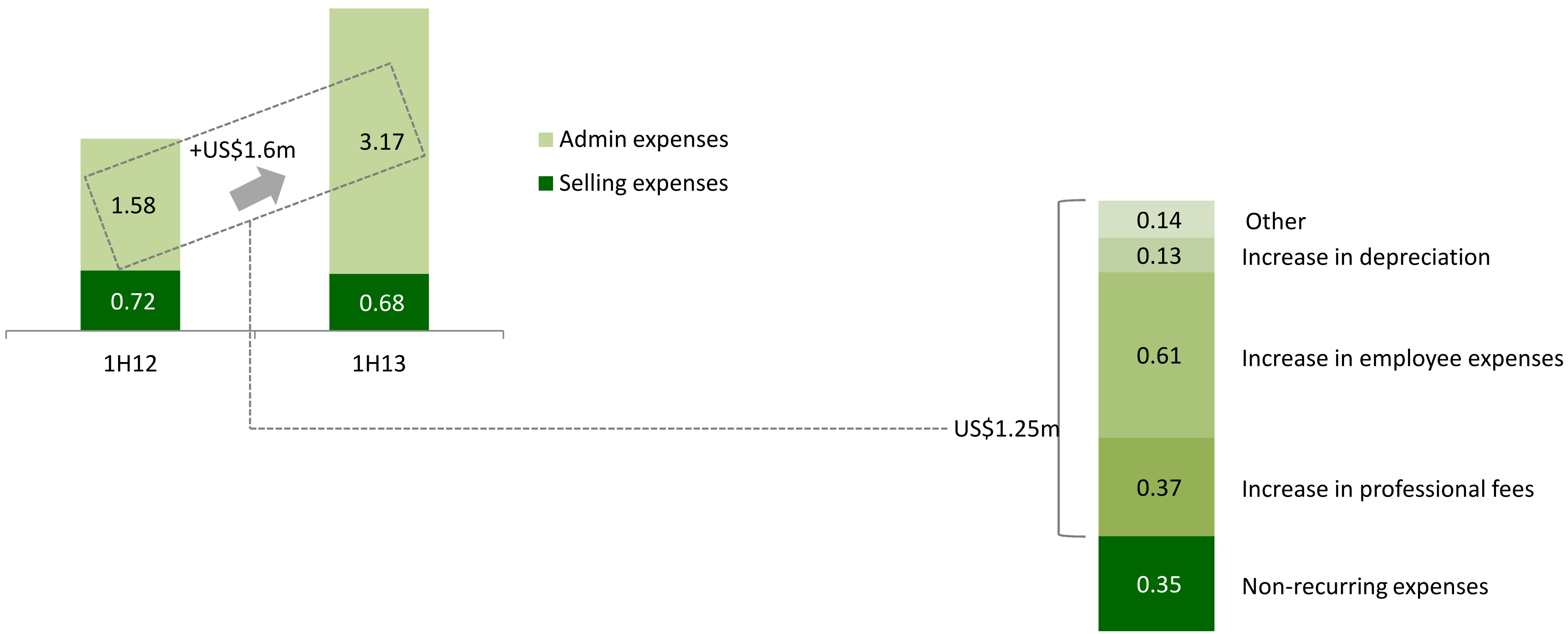

**Average GMP**




- Consistency in average gross material profit/tonne, in spite of significant declines in market prices, illustrates the benefits of Halcyon Agri's business model and risk management approach

# Operating expenses

- Recurring operating expenses increased by US$1.25m as business scaled up for expansion



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## Cash flow

| US$m | 1H 2013 | 1H 2012 | 2Q 2013 | 2Q 2012 |
|---|---|---|---|---|
| Net cash from operating activities, before working capital changes | 5.9 | 6.5 | 4.1 | 5.9 |
| Changes in working capital | (7.1) | (17.1) | 2.3 | (5.4) |
| Net cash generated from/(used in) operating activities | (1.2) | (10.6) | 6.4 | 0.5 |
| Investing activities | (5.7) | (0.2) | (3.6) | (0.1) |
| Financing activities | 23.9 | 10.9 | 8.3 | (3.5) |
| Net increase/(decrease)in cash | 17.0 | 0.1 | 11.1 | (3.1) |

- Strong operating cash flow before working capital changes
- Working capital rises along with increased volumes, offset by benefit of lower prices
- Significant increase in cash as a result of placement exercise

# Balance sheet

| US$m | 30-Jun-13 | 31-Dec-12 |
|---|---|---|
| **Total assets** | **87.7** | **62.1** |
| Working capital cash and bank balances | 14.6 | 11.9 |
| Inventories | 18.6 | 20.3 |
| Trade receivables | 9.6 | 6.8 |
| **Total working capital assets** | 42.8 | 39.0 |
| Cash reserved for strategic purposes | 14.2 | - |
| **Total liabilities** | **(31.5)** | **(35.8)** |
| Trade payables | (0.2) | (1.6) |
| Working capital loans | (19.0) | (19.8) |
| **Total working capital liabilities** | (19.2) | (21.4) |
| Term loan | (7.2) | (8.3) |
| **Total Equity** | **56.2** | **26.3** |
| **Net working capital** | 23.6 | 17.6 |

- Halcyon Agri's Balance sheet remains strong to support expansion
- Total cash holdings of US$28.8m, including US$14.2m proceeds remaining from the share placement, which are reserved for strategic purposes

# Outlook

**Sales Volume**

- Total contracted volume in 2013 of 80,419 tonnes + options for 5,776 tonnes
- Additional volume from Indonesia expansion and Chip Lam Seng acquisition expected 2014 onwards

**Pricing**

- Natural Rubber price expected to continue to be volatile
- Natural Rubber price expected to be around current levels

**Margins**

- Gross Material Profit per tonne ("GMP") subject to raw material availability and is affected by weather
- New storage capacity expected to improve ability to maintain/optimise GMP margins
- Bottom-line in 2013 reflects higher cost base to support expansion plans; benefits of expansion expected 2014 onwards

## 2 Executing our growth strategy: business update

# Halcyon Agri's business

| | Indonesia | Malaysia | Strategic initiatives |
|---|---|---|---|
|  Upstream suppliers | 400+ suppliers | Multiple sources | Evaluating upstream opportunities in Malaysia |
|  Midstream | **Hevea MK I**, **Hevea MK II**<br>**SIR20, SIR20VK, Compound** | **Chip Lam Seng I**, **Chip Lam Seng II**<br>**SMR, multiple high grades** | Expansion of Indonesia factories<br>Acquisition of Chip Lam Seng in Malaysia |
|  Downstream customers | ▪ Bridgestone<br>▪ Ceat India<br>▪ Continental<br>▪ Cooper tyre<br>▪ Goodyear<br>▪ JK Tyre India<br>▪ Kumho<br>▪ Sumitomo<br>▪ Toyo | ▪ Hankook<br>▪ Kumho<br>▪ Nexen<br>▪ Goodyear<br>▪ GT Tyres | Expansion of customer base |

Malaysia upon completion of Chip Lam Seng acquisition



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# Factory expansion progress update: Hevea MK I

## Natural Rubber Production Steps

**Raw material**
- Collection
- Weighing
- Storage

**Wet process**
- Washing
- Shredding
- Creping

**Water treatment**

**Dry process**
- Hanging
- Drying
- Palletising

New raw material storage shed


New wet processing line

New water treatment plant

New hanging shed



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# Factory expansion progress update: Hevea MK II

**Natural Rubber Production Steps**

**Raw material**
- Collection
- Weighing
- Storage

**Wet process**
- Washing
- Shredding
- Creping

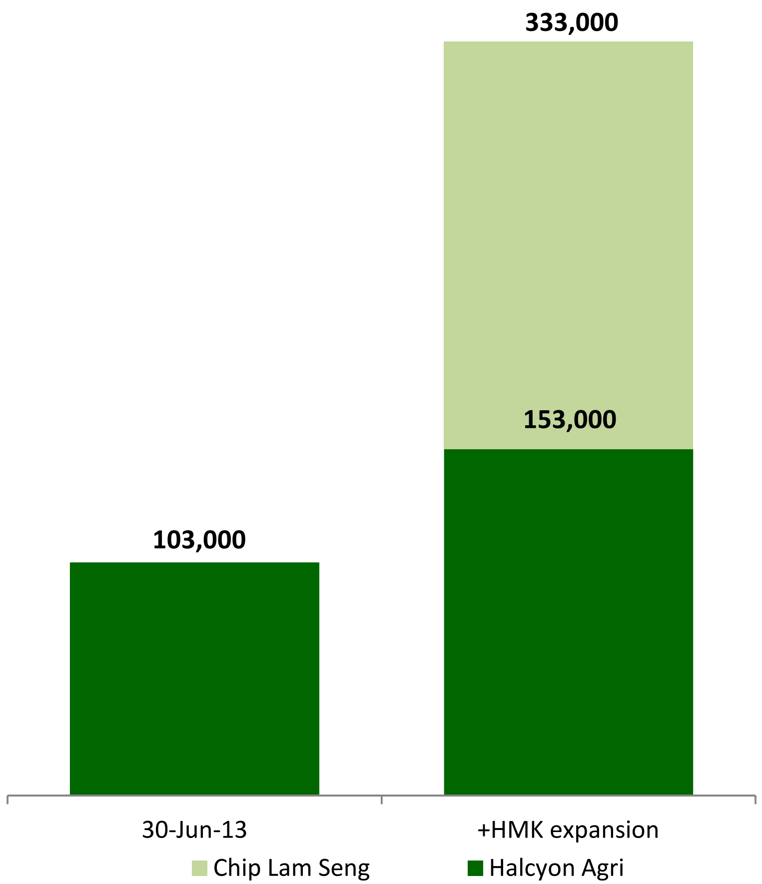
**Dry process**
- Hanging
- Drying
- Palletising

**Water treatment**



# Expansion profile

## Combined production capacity (mT)




- CLS production targeted to be <50% of capacity in first full year, rising to c.80% of capacity in 3 years

## Margins

- CLS margins initially expected to be lower than Halcyon Agri existing margins
- Sustainable margin improvements to be implemented over time through:
  - Improvements in raw material sourcing
  - Increasing the production of premium grades that attract higher pricing/margins
- Significant economies of scale of combined operations



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