

FOR IMMEDIATE RELEASE

Halcyon Agri (SGX: 5VJ) reports H1 2020 results

Despite H1 2020 performance being affected by COVID-19 pandemic, Halcyon Agri remains cautiously optimistic that demand for natural rubber will improve in near future

SINGAPORE, 14 August 2020 – Halcyon Agri Corporation Limited (“Halcyon Agri” and collectively with its subsidiaries, the “Group”) announces its financial and operational performance for the first half ended 30 June 2020 (“H1 2020”). Amidst the impact of the COVID-19 pandemic, the Group reported H1 2020 revenues of US\$770.2 million, a gross profit of US\$33.7 million and an operating loss of US\$29.4 million.

H1 2020 review

Since the outbreak of COVID-19 early this year, many countries have implemented strict control and prevention measures, which include nationwide lockdowns and border closures to curb the spread of COVID-19. These measures have caused significant disruptions in global economic activity and affected Halcyon Agri’s business, which thrives on global mobility and transportation. The slowdown in our customers’ offtake amid weakened demand has resulted in a 13% contraction in our sales volume, from 612,490 metric tonnes in H1 2019 to 530,401 metric tonnes in H1 2020, causing most of our factories to operate at sub-optimal capacity.

The natural rubber pricing benchmark - SICOM TSR20 1st position started the year firm, capitalising from the upward momentum from Q4 2019, to the peak of US\$1,524 on 16 January 2020 before sideswiped by COVID-19 pandemic and collapsed to a trough of US\$1,034 after Lunar New Year, and close at US\$1,093 in end June.

Such steep decline and the depressed state of rubber prices, coupled with the lower sales volume, have seen the Group recording a 48% decrease in its gross profit from US\$65.7 million in H1 2019 to US\$33.7 million in H1 2020. With the Group’s fixed cost not fully absorbed due to aforementioned factor, the Group recorded a negative EBITDA of US\$13.8 million (H1 2019: positive EBITDA of US\$30.3 million) and an operating loss of US\$29.4 million (H1 2019: operating profit of US\$14.6 million). Included in H1 2020 result are one-off business rationalisation expenses of US\$4.5 million from streamlining our global operations to manage costs and improve efficiency.

A silver lining – opportunities in a post-pandemic economy

We have seen opportunities from a shift in mobility consumption patterns: a decline in personal driven miles due to travel and lockdown restrictions, but a surge in commercial delivery miles in line with the growth of e-commerce. These major trends have one thing in common: vehicles of all kinds, still run on wheels and tyres – we remain cautiously optimistic that the natural rubber industry is poised to emerge stronger in the post-pandemic economy.

With a strong global presence and diversified customer base, Halcyon Agri is well-positioned to benefit when the market recovers. Our key priorities remain unchanged:

- Adhering to the highest standards of health and safety management in our global operations and workplace.
- Proactively manage our capital structure, and maintain sufficient liquidity headroom across all operating entities.
- Cost containment and improving operational efficiency.

- Sustainability and profitability remain key focuses – leveraging our “People, Planet, Profit” framework, the Group continues to embrace good corporate citizenship, and create sustainable value for all stakeholders.

Mr Li Xuetao, Chief Executive Officer of Halcyon Agri said:

“COVID-19 has created unprecedented challenges to businesses around the world and the slowdown in the global economy is expected at least for the next twelve months. Notwithstanding, natural rubber is a critical ingredient for global mobility, and Halcyon Agri, as the globally integrated natural rubber supply chain manager, plays an integral role in the natural rubber industry.”

Since taking over the leadership of Halcyon Agri, I have been working closely with the management team to build on our scale, and get ourselves ready ahead of the market recovery and seize the opportunities available to us.

We’ve seen a recovery in economic activities as the world adapts to the new normal - Market prices are strengthening, and customer offtakes are picking up. We remain cautiously optimistic that the demand for natural rubber will improve. At the bottom of it, the world needs tyres and tyres need natural rubber – humanity’s quest to mobility is inseparable from natural rubber.”

He further added:

“On behalf of the Group, I will like to express our deepest gratitude for the continued support from all of our stakeholders during these challenging times. Their strong support has empowered us to weather this storm.

I would like to also thank Mr Robert Meyer and Mr Pascal Demierre (who had retired on 26 June 2020 from their capacity as Chief Executive Officer and Chief Corporate Officer respectively), for their great work and effort since the completion of the three-way merger in 2016 involving GMG Global and Sinochem rubber assets.

Together with the Group’s experienced and capable management team, we will continue to work hard to steer the business forward, and scale new heights.”

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About Halcyon Agri

Halcyon Agri (SGX: 5VJ) is a leading supply chain franchise of natural rubber with a production capacity of 1.63 million metric tonnes per annum. The Group owns 38 processing factories in most major rubber producing origins and produces sustainable natural rubber under the audited HEVEAPRO brand. The Group leverages its extensive network of warehouses, terminals, laboratories and sales offices across the world to distribute a range of natural rubber grades, latex and specialised rubber for the tyre and non-tyre industries. Halcyon Agri is headquartered in Singapore and has over 15,000 employees in over 50 locations.

Please visit us at www.halcyonagri.com

Contacts

Investor relations

Tel: +65 6460 0200

Email: investor@halcyonagri.com