

FOR IMMEDIATE RELEASE

## Halcyon Agri swings back to profit in Q1 2021

**SINGAPORE**, 17 May 2021 – Halcyon Agri Corporation Limited (“**Halcyon Agri**”, the “**Company**” and together with its subsidiaries, the “**Group**”), announces operating and financial performance for the first quarter ended 31 March 2021 (“**Q1 2021**”).

The Group witnessed robust demand for natural rubber that underpins the uptrend in natural rubber prices during Q1 2021. Sales volume in the first quarter was 306,733 mT, 9.2% higher than Q1 2020. Driven by margin expansion and effective cost control, the Group has reported a Q1 2021 EBITDA of US\$14.1 million – outperforming Q4 2020 and Q1 2020 EBITDA of US\$0.2 million and negative US\$3.7 million respectively. Coupled with the reduction in net financing costs, the Group has achieved a profit before tax position in Q1 2021.

Commenting on the Group’s improved financial results, Mr Li Xuetao, Chief Executive Officer of Halcyon Agri said, *“Since Q2 2020, we have made remarkable progress in all aspects of our business. The Q1 2021 financial results is a testament of this progress. On the back of the improving market sentiments, we are confident that the Group is heading towards the right direction. Our integrated global supply chain has given us the opportunity to continue staying close to our customers in meeting their increased demands and requirements.”*

*“The rubber market remains upbeat and Halcyon Agri, having strengthened its balance sheet through recent completion of several financing initiatives, is well-positioned to ride on market recovery for further growth and to continue creating value for our stakeholders.”*

During this quarter, Halcyon Agri has also accomplished several milestones which included:

- (i) **Secured a three-year syndicated term loan of up to US\$300 million.** Funded by a syndicate of banks, the facility strengthened the Group’s liquidity and financial reserve.
- (ii) **SGX’s<sup>1</sup> investment in HeveaConnect, with Halcyon Agri ceding its controlling stake in advocating for a fair and independent marketplace.** With the completion of these initiatives, HeveaConnect would be able to move into its next phase of growth by onboarding more producers and tyre makers onto the platform, in supporting the development of a fair and independent marketplace for sustainable natural rubber. HeveaConnect will now be accounted for as an associate of the Group, with a gain on dilution<sup>2</sup> of approximately US\$4 million recorded.
- (iii) **Ranked the most transparent rubber producing company globally under SPOTT<sup>3</sup> assessment.** This adds to the expanding list of accolades recently obtained by the Group, and exemplifies recognition by respected third-party organisations and demonstrates our commitment to high sustainability standards.

In addition, Halcyon Agri will continue to focus on optimising its capital structure and unlocking value through opportunistically divesting its non-core assets.

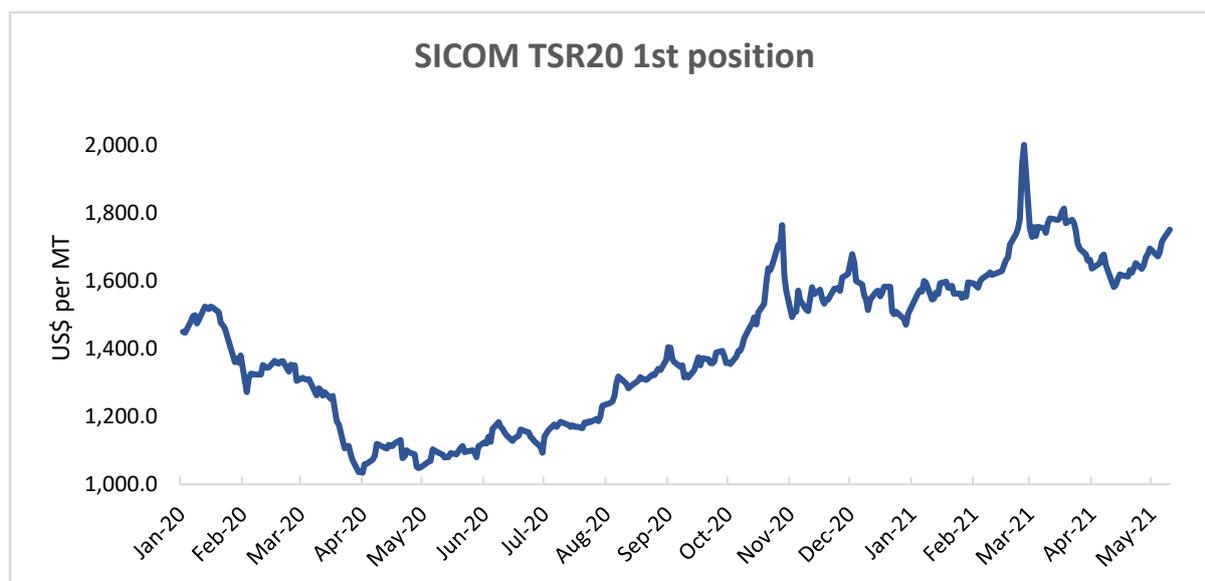
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<sup>1</sup> Singapore Exchange Limited invested US\$1.5 million through Asian Gateway Investments Pte Ltd, its wholly owned subsidiary.

<sup>2</sup> Gain on dilution is recorded in other income, but not included as part of EBITDA computation.

<sup>3</sup> Sustainability Policy Transparency Toolkit, created by ZSL (Zoological Society of London).

## Industry trends and outlook



Source: Bloomberg

Natural rubber prices (indicated by SICOM TSR20 1st position) closed at US\$1,662 per MT in the first quarter of 2021 following a pullback from a four-year high of US\$2,000 per MT in end-February 2021. Prices were supported by pent-up demand post-lockdowns and tightened supply due to early-wintering and above-normal rainfall in Southeast Asia, a key rubber producing region, during Q1 2021. Q1 2021 closing price represents an increase of 10.6% and 60.1% over Q4 2020 and Q1 2020 closing prices, respectively.

Global economic recovery remains strong, as shown by recent gross domestic product (GDP) growth numbers from the US and China, two of the world's largest economies. Similar sentiment was echoed by the International Monetary Fund (IMF), which increased its global growth projections for 2021 and 2022 to 6% and 4.4% (previously 5.5% and 4.2%) respectively.

While global recovery gathers strength, the global shortage of shipping containers has caused enormous strain on the international supply chains. Such a situation has disrupted global trade, hindering the movement of natural rubber cargoes from Asia to Europe and the US. This had a domino effect down the supply chain, where the customers that procured rubber from Asia are hampered with shipment delays, or suffered higher freight costs.

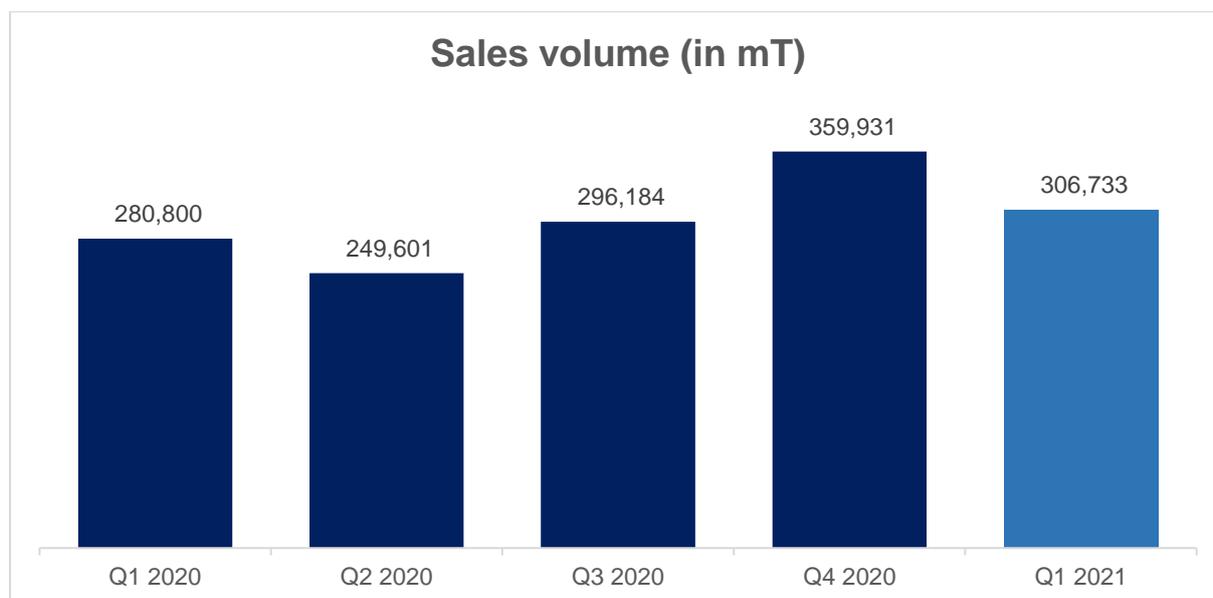
The Group believes that these developments will provide further tailwinds for natural rubber demand and prices in near-to-middle term. As an integrated global supply chain manager for natural rubber, Halcyon Agri is well-positioned to leverage its strong presence in major rubber-producing regions and its extensive global distribution network to source, process and distribute its rubber products internationally.

Commenting on his expectations of the industry, Mr Li said, "**Like a rubber ball that bounces back, natural rubber prices has risen sharply in the past months and is well above its pre-pandemic peak in February 2020.** This is reflective of our earlier expectations of an increasingly robust downstream demand as the global economy reopens. However, the global pandemic situation remains fluid. Recent emergence of new strains and new wave of outbreaks have shown that the pandemic is far from over, and the growth trajectory of global economy that we have been seeing may potentially be disrupted."

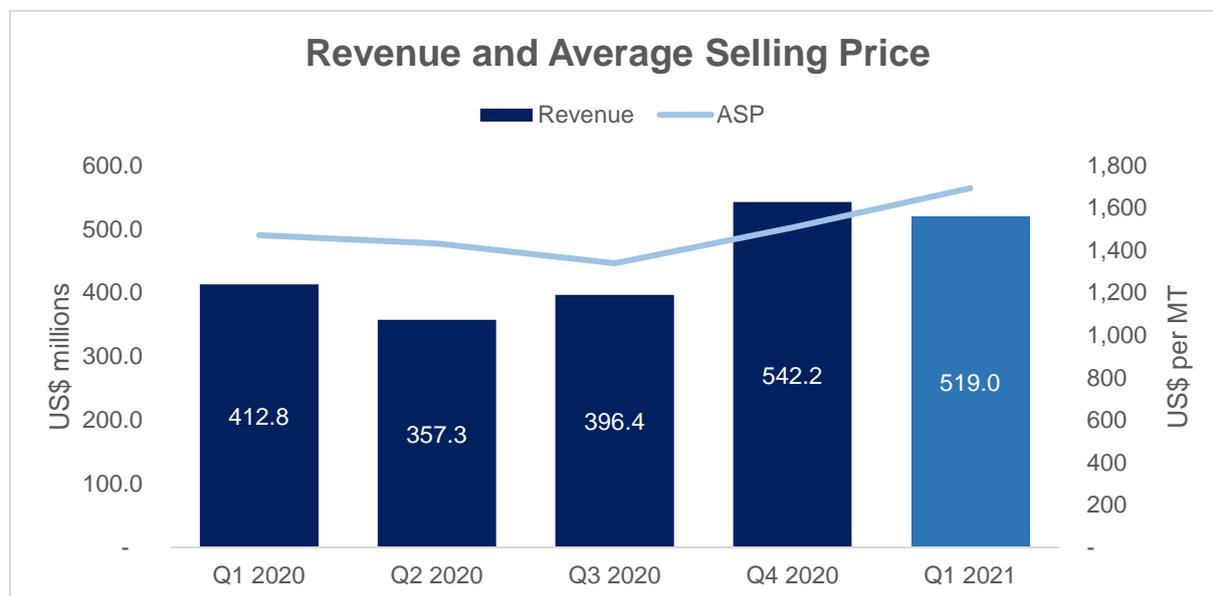
"Notwithstanding this, we continue to see stable and improving stream of offtakes from our customers and the downstream factories are operating at full speed. This goes to show that near-term demand outlook is looking positive. However, considering the fluid situation of the pandemic and that massive lockdowns remain possible, we are cautiously optimistic on the long-term prospects for natural rubber." Mr Li added.

## Key Q1 2021 financial performance summary

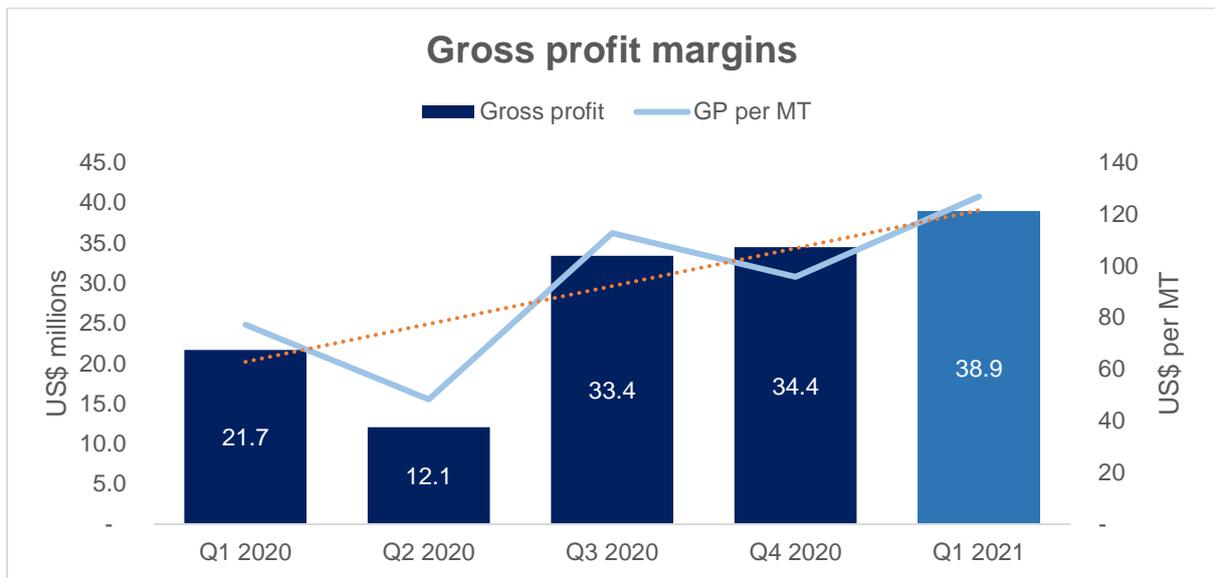
### Financial performance



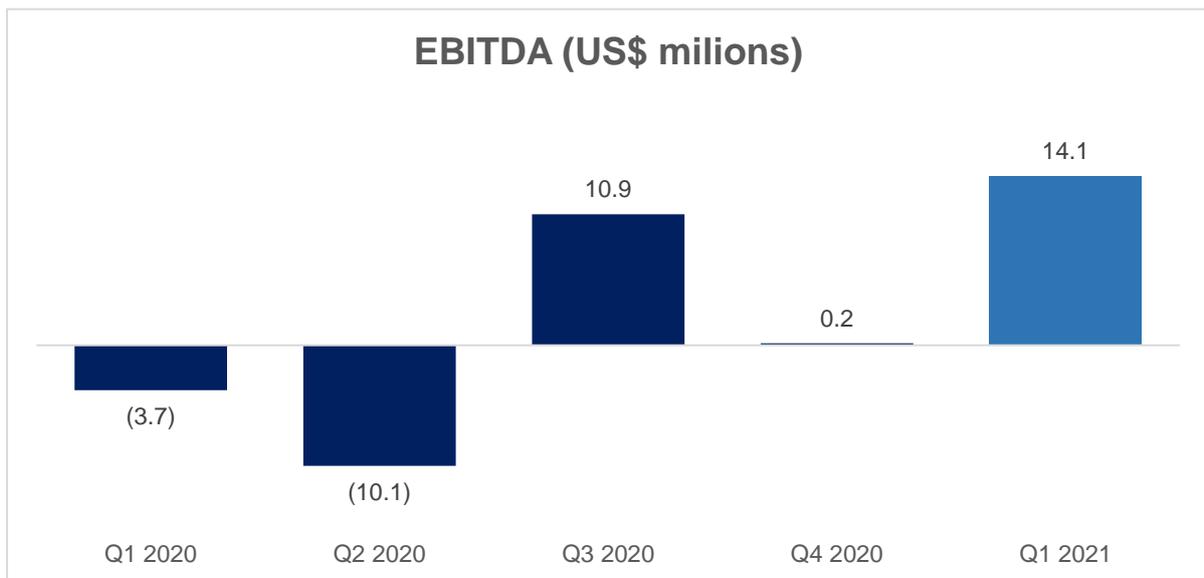
During the quarter under review, sales volume increased by 9.2% from Q1 2020, reflecting the favourable market condition now as compared to Q1 2020 which was affected by COVID-19 pandemic, 14.8% lower than Q4 2020, despite a stronger order backlog, was mainly due to the pent-up demand from most customers in H2 2020 following the progressive lifting of lockdown restrictions. While the current disruptions in global logistics have affected some of our fulfilment to customers, we have been managing this situation closely with our customers. Any incremental costs were passed on further downstream.



Q1 2021 revenue of US\$519.0 million represents a 25.7% increase from Q1 2020, but a 4.2% reduction as compared to Q4 2020, which is in line with sales volume trends. Notwithstanding, the average selling price (ASP) has trended upwards alongside the rubber prices.



The Group recorded higher gross profits, from US\$21.7 million in Q1 2020, to US\$38.9 million in Q1 2021. The Group's continued focus on margin optimisation, and deploying agile supply chain strategies had resulted in consecutive quarters of gross profit expansion. Gross profit per mT was US\$127 in Q1 2021, 23.3% and 32.3% higher than Q1 2020 and Q4 2020 respectively.



*Note: EBITDA, as defined herein, excludes fair value gains on biological assets and investment properties in the respective periods.*

EBITDA increased significantly in Q1 2021 to US\$14.1 million when compared to both Q1 2020 and Q4 2020, largely driven by strong margins and effective cost control measures.

#### Segment overview

##### *HRC Group*

Revenue increased by 30% from US\$285.8 million in Q1 2020 to US\$371.6 million in Q1 2021, which was equally contributed by an increase in volume and a higher ASP. Gross profits up by 44.9% from Q1 2020's US\$17.8 million to US\$25.8 million in Q1 2021. HRC Group continues to differentiate itself as the premium producer of tyre-grade rubber from desired origins and the improvement in results reflect the effectiveness of our margin optimisation strategies.

## CMC Group

Buoyed by higher ASP, revenue rose by 15% from US\$127.6 million in Q1 2020 to US\$147.3 million in Q1 2021. Gross profit more than doubled from US\$3.9 million to US\$13.1 million over the corresponding period, which is attributable to CMC Group's strong presence in Europe and the US. Its ability to offer just in time deliveries relieves the acute domestic shortages, which allowed them to command a substantial sales premium. The downstream distribution margins are more than sufficient to cover the maintenance costs of upstream plantations.

Please refer Appendix for a summary of operating statistics.

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## About Halcyon Agri

Halcyon Agri is a leading supply chain franchise of natural rubber with global presence. Headquartered in Singapore and listed on the Singapore Exchange (SGX: 5VJ), the Group owns and operates significant assets along the natural rubber value chain, and distributes a range of natural rubber grades, latex and specialised rubber for the tyre and non-tyre industries. It has 38 processing factories in most major rubber producing origins with production capacity of 1.6 million mT per annum, and is one of the largest owners of commercially operated rubber plantation globally.

Halcyon Agri comprises two major business units:

- **HRC Group** is the pre-eminent supplier of natural rubber to the global tyre fraternity. HRC Group owns and operates 36 factories with wide-ranging approvals from the tyre majors. The factories, compliant to stringent manufacturing standards, are located across the key rubber origins, including Indonesia, Malaysia, China, Thailand and Ivory Coast.
- **CMC Group** is a leading provider of specialist polymers for industrial and non-tyre applications. It comprises of two units: **CMC Plantations**, which owns one of the largest commercially owned and operated plantations globally and **CMC International**, a commercial and distribution platform with global third-party procurement capability, which supports the customers' requirements by providing full suite of logistic and technical services.

With a multinational workforce of more than 15,000 employees in over 100 locations globally, Halcyon Agri embraces sustainability as its core business tenet, and has stringent standards in place to ensure its products are sustainably sourced and responsibly produced.

Please visit us at [www.halcyonagri.com](http://www.halcyonagri.com)

## Contacts

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## Appendix – Selected operating statistics summary

			Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
<b>HRC Group</b>	Sales volume	mT	194,973	232,648	236,450	238,248	195,964	173,464	204,602	263,923	222,589
	Revenue	US\$m	271.9	347.6	355.6	337.6	285.8	236.8	259.6	393.1	371.6
	EBITDA	US\$m	17.9	10.2	4.4	(2.6)	4.9	0.8	17.3	13.4	13.9
	Operating profit	US\$m	12.4	4.8	(1.0)	(8.4)	(0.2)	(4.3)	11.9	7.8	8.6
	<i>ASP</i>	<i>US\$</i>	<i>1,395</i>	<i>1,494</i>	<i>1,504</i>	<i>1,417</i>	<i>1,458</i>	<i>1,365</i>	<i>1,269</i>	<i>1,489</i>	<i>1,669</i>
	<i>EBITDA per mT</i>	<i>US\$</i>	<i>92</i>	<i>44</i>	<i>18</i>	<i>(11)</i>	<i>25</i>	<i>5</i>	<i>84</i>	<i>51</i>	<i>62</i>
	<i>OP per mT</i>	<i>US\$</i>	<i>64</i>	<i>21</i>	<i>(4)</i>	<i>(35)</i>	<i>(1)</i>	<i>(25)</i>	<i>58</i>	<i>29</i>	<i>38</i>
<b>CMC Group</b>	Sales volume	mT	83,382	101,488	97,232	94,780	84,836	75,612	92,107	96,008	84,145
	Revenue	US\$m	127.8	164.5	157.5	145.1	127.0	120.5	124.6	161.2	147.3
	EBITDA	US\$m	(4.2)	13.3	0.7	(8.1)	(5.1)	(7.1)	(2.9)	(9.9)	2.7
	Operating profit	US\$m	(5.9)	10.8	(1.4)	(10.8)	(7.5)	(9.3)	(5.4)	(12.3)	0.1
	<i>ASP</i>	<i>US\$</i>	<i>1,533</i>	<i>1,621</i>	<i>1,620</i>	<i>1,531</i>	<i>1,497</i>	<i>1,594</i>	<i>1,353</i>	<i>1,679</i>	<i>1,751</i>
	<i>EBITDA per mT</i>	<i>US\$</i>	<i>(50)</i>	<i>131</i>	<i>8</i>	<i>(85)</i>	<i>(61)</i>	<i>(94)</i>	<i>(32)</i>	<i>(104)</i>	<i>32</i>
	<i>OP per mT</i>	<i>US\$</i>	<i>(71)</i>	<i>107</i>	<i>(15)</i>	<i>(114)</i>	<i>(88)</i>	<i>(123)</i>	<i>(59)</i>	<i>(128)</i>	<i>1</i>
<b>Corporate &amp; Others</b>	EBITDA	US\$m	(3.0)	(4.0)	(2.7)	(2.9)	(3.5)	(3.7)	(3.4)	(3.3)	(2.5)
	Operating profit	US\$m	(3.1)	(4.5)	(3.2)	(4.2)	(4.0)	(4.1)	(3.9)	(4.1)	0.8
<b>Group</b>	EBITDA	US\$m	10.8	19.5	2.4	(13.6)	(3.7)	(10.1)	10.9	0.2	14.1
	Operating profit	US\$m	3.5	11.1	(5.6)	(23.5)	(11.6)	(17.8)	2.5	(8.6)	9.5

Note: The EBITDA and operating profit figures above excludes fair value gains on biological assets and investment properties in the respective periods.