



Halcyon Agri Corporation Limited
Corporate Presentation with Lim & Tan Securities
23 September 2022



Think Rubber, **Think Halcyon**

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Agenda



1

Introduction to Halcyon and its Value Proposition

2

Natural Rubber Industry Trends

3

Halcyon's Rapid Achievements and Progress for FY2022

4

Halcyon's Operating & Financial Performance Overview

5

Conclusion

Natural Rubber is Necessity for Daily Usage and Keeps the World Moving

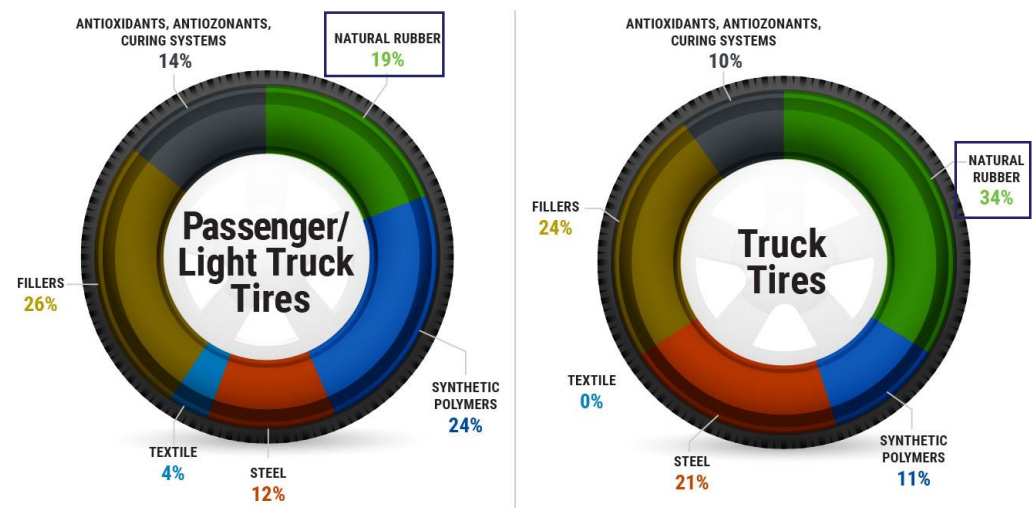
*“Natural rubber is widely used in everyday products. Globally, natural rubber consumption is **expected to continue growing, in line with GDP expansion.**”*



Natural Rubber’s Distinctive and Desirable Properties

Contrary to what many think, natural rubber and synthetic rubber are not direct substitute

Tyre Composition Guide



Source: US Tire Manufacturer Association

In fact, they **complement each other** in many applications including tyre production.

In particular, natural rubber possesses many distinctive properties:

- Superior tensile strength
- High resistant to wear such as cut, tear and fatigue crack
- Excellent vibration absorber
- Bio-based and sustainable

Commercial vehicles and aircraft tyres **have higher natural rubber content due to these desirable properties, and these tyres weigh significantly heavier.**

Tyre Categories	Est. weight (kg) range per tyre
Passenger cars	6 to 15
Light to heavy trucks	30 to 80
Aircrafts	100 to 130
Off-the-road (e.g. for mining trucks)	1,000 and more

“Assuming each passenger car tyre weighs 9kg¹ and requires 4 tyres, this translates to a demand of 7kg of natural rubber per car. This demand increases significantly for commercial vehicles. Globally, there are around 1.6 billion² vehicles in use and the numbers are growing. This is a huge addressable market.”

1. U.S Department of Transportation – Federal Highway Administration
2. Based on IRSG, “World Rubber Industry Outlook: Review and Prospects to 2030”

Halcyon Agri's Global Footprint & Strategic Network



39,500 ha¹
**Planted Land Area across
Africa and Malaysia**

PLANTATIONS >



37 Production Facilities
Approximately 1.4 million mT
per annum production
capacity

PROCESSING >



Offices and Facilities in 100+
Locations Globally

DISTRIBUTION >

Global production footprint	
Indonesia	19 factories
Malaysia	2 factories
China	7 factories
Thailand	5 factories
Ivory Coast	2 factories
Cameroon	2 factories

- Plantations operations
- Factory locations
- Distribution offices and logistics assets



Latex tanks in Terneuzen, The Netherlands




Newly commissioned latex factory
in Sudcam

PT Hok Tong Palembang factory
in Indonesia

*“Supported by more than 15,000 dedicated and respected employees, **Halcyon stands for its long term commitment to sustainable and quality natural rubber products.**”*

Halcyon Rubber Company (HRC): Pre-eminent Tyre-grade Rubber Supplier

One of the Group’s business units, **Halcyon Rubber Company (HRC)** processes and supplies superior rubber products to tyre manufacturers globally under the *HeveaPro* brand.

-  Operates 35 factories in key rubber origins: Indonesia, Malaysia, China, Thailand and Ivory Coast
-  Manages 3 sales and distribution centers in Singapore, Shanghai and Qingdao
-  Assess to raw material network across key origins, allowing HRC to manage the cost of raw materials

HRC’s integrated business model



HEVEA PRO

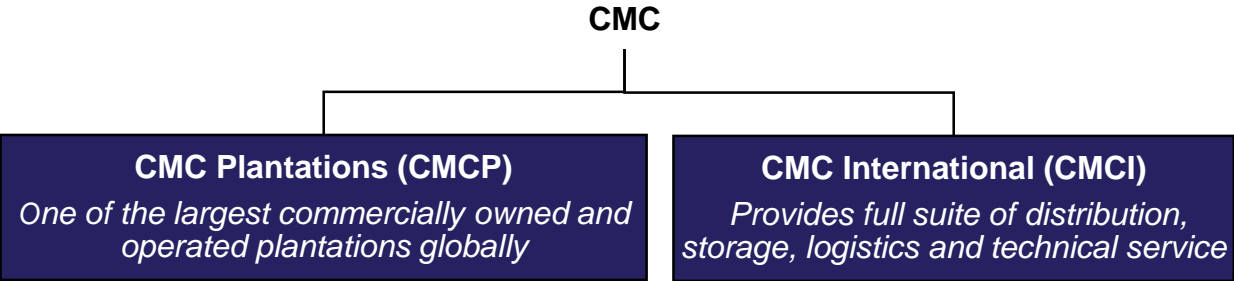
The HeveaPro brand of natural rubber represents Halcyon’s commitment to the highest standards.

Four core attributes lie at the heart of HeveaPro:



Corrie MacColl (CMC): Global Rubber Franchise with entrenched position in Europe & US

Another business unit of our Group, Corrie MacColl (CMC) is the **leading integrated global distributor of fully traceable and sustainable in-house/third-party rubber products, with entrenched position in Europe and US**. CMC distributes under industry-leading *HEVEAPRO* and *LATEXPRO* brands to its tyre and non-tyre customers.



CMC Plantations



Amassed a total concession area of 110,000 ha, championing low-intensity planting, **zero deforestation** and ceased new planting in 2018. Championing the community forest and the Cameroon Outgrower programmes¹

CMC International



The **largest latex tank terminal in Europe**, providing storage and logistic service to customers



Presence in strategic locations to provide bespoke, holistic and prompt services to its clients



1. Please refer to <https://www.corrie-maccoll.com/community-forest/> and <https://www.corrie-maccoll.com/cameroon-outgrower-programme-has-launched/> for more information on these programmes.

Halcyon's Global Market Leadership Position



The Group's H1 2022 global volume (NR & Latex)

410,464 mT

Production Vol.

671,096 mT

Sales Vol.



Sales volume as a % of global NR consumption*

10% (as of 2022)



Sales volume as a % of global NR consumption for tyre & tyre products*

11% (as of 2022)

"We provide the key ingredients to power mobility and save lives. Our rubber products can be found in vehicle tyres, shoe soles, medical gloves and abundance of everyday items."

Emerging Trends in NR Industry



Industry trends

Natural rubber prices movement ○

Consumption growth to exceed production growth ○

Vehicle-in-use and production to increase ○

Global miles travelled to rise ○

Drastic decline in new planting ○

Our strategic positioning

○ Unparalleled strategic geographical presence

○ Wide-ranging approvals from tyre majors

○ Industry champion in sustainability

○ Accelerating the digitalisation of natural rubber supply chain

○ Key beneficiary of upcycle in natural rubber industry

Natural Rubber Outlook: Strong Underlying Demand Fundamentals

Rubber futures prices not reflective of underlying steady demand

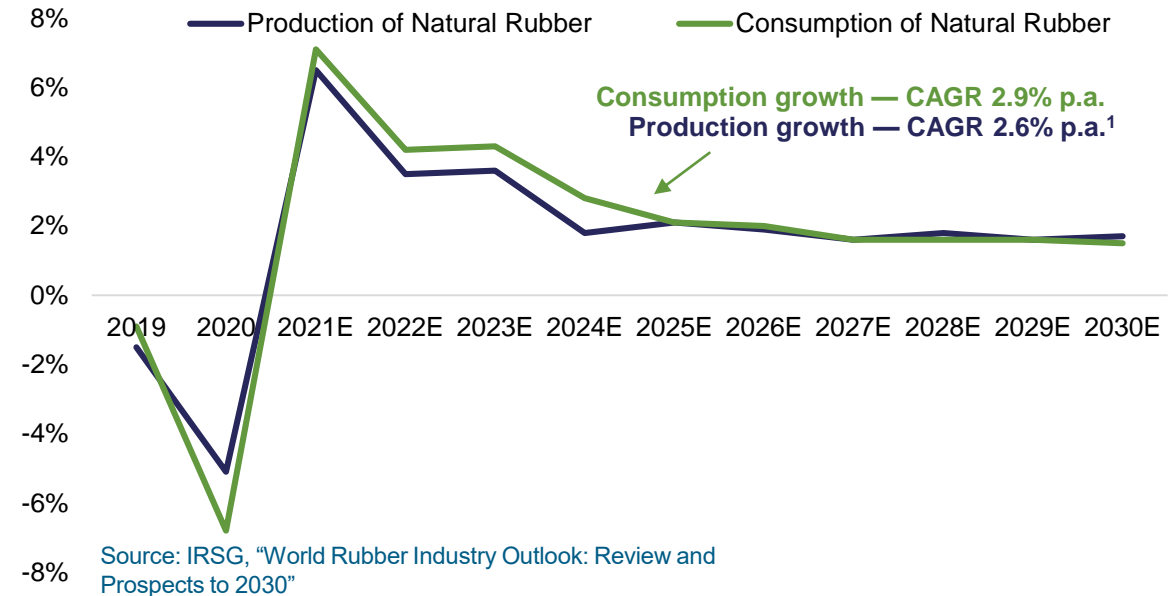
SICOM TSR20 1st Position (US\$ per MT)



- Demand has grown steadily over the years (CAGR 2.5%), while natural rubber prices did not trend along, currently trending near historical lows;
- Amid near term volatilities, the impending global growth recovery supports price uptrend;
- Natural rubber prices no longer trend along the commodity price indices.

Consumption to outpace production levels

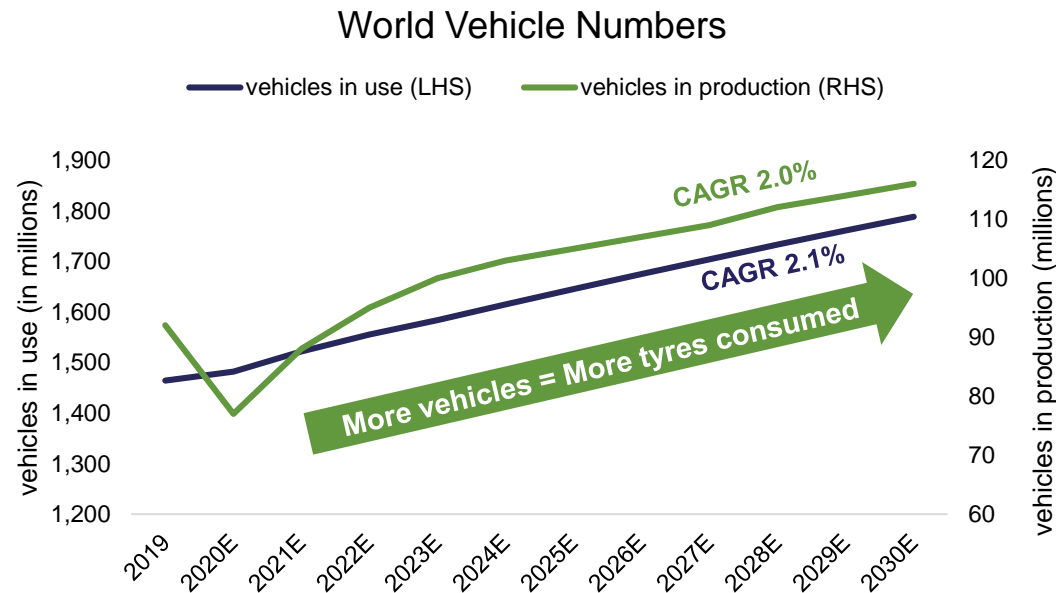
Expected Change in Production and Consumption of Natural Rubber between 2021 to 2030



- Consumption predicted to reach 14.1 million mT this year, back to pre-COVID-19 levels
- Given stronger consumption trend, **future demand > supply**
- Recent macroeconomic uncertainty does not affect the underlying supply/demand dynamics

Natural Rubber Demand: Positive Factors

Global vehicle-in-use and production are expected to increase, propelled by emergence of EVs

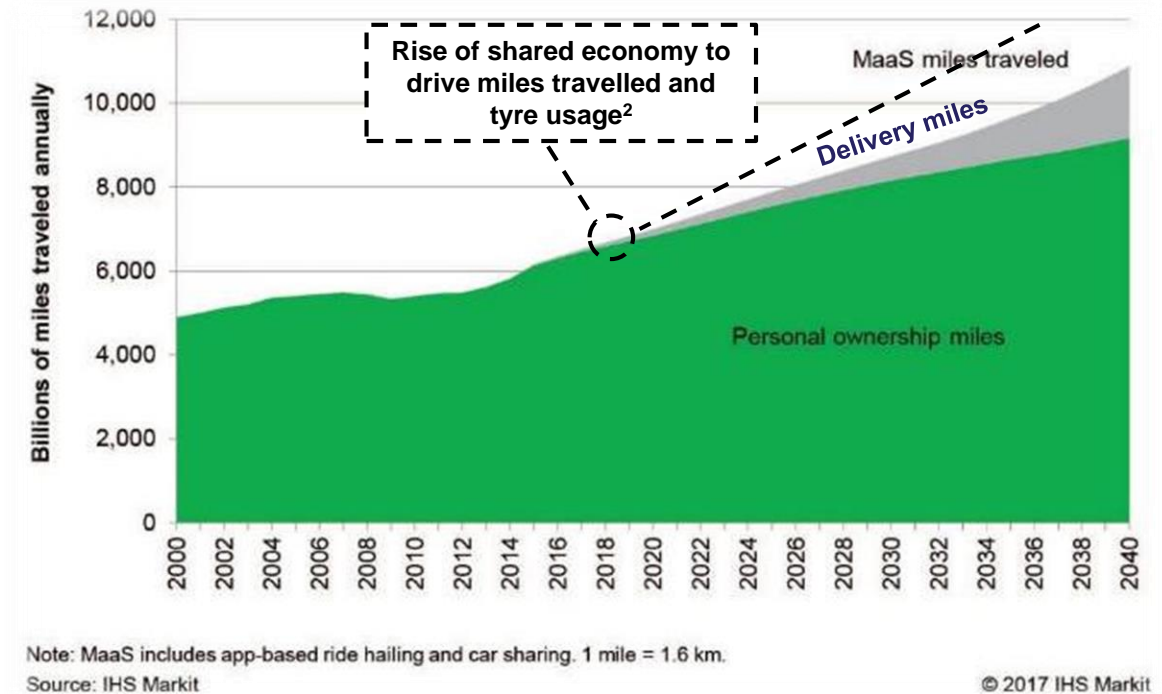


Source: IRSG, "World Rubber Industry Outlook: Review and Prospects to 2030"

- Global tyre production expected to **rise from c.1.86 billion in 2021 to c.2.4 billion units** by 2030, driven by increasing demand for OEM tyres
- Surge in demand for electric/electronic vehicles will **propel the rise in tyre consumption trend further** – due to instant torque technology
- Global infra. spending to hit US\$5.8 trillion by 2030¹, 35% more than 2019, anchored by US, China and India → **rising car no. and mobility**

1. <https://asia.nikkei.com/Economy/China-and-India-infrastructure-construction-paves-way-out-of-crisis>
 2. IHS Markit, "The Future of Cars 2040: Miles Travelled Will Soar While Sales of New Vehicles Will Slow"

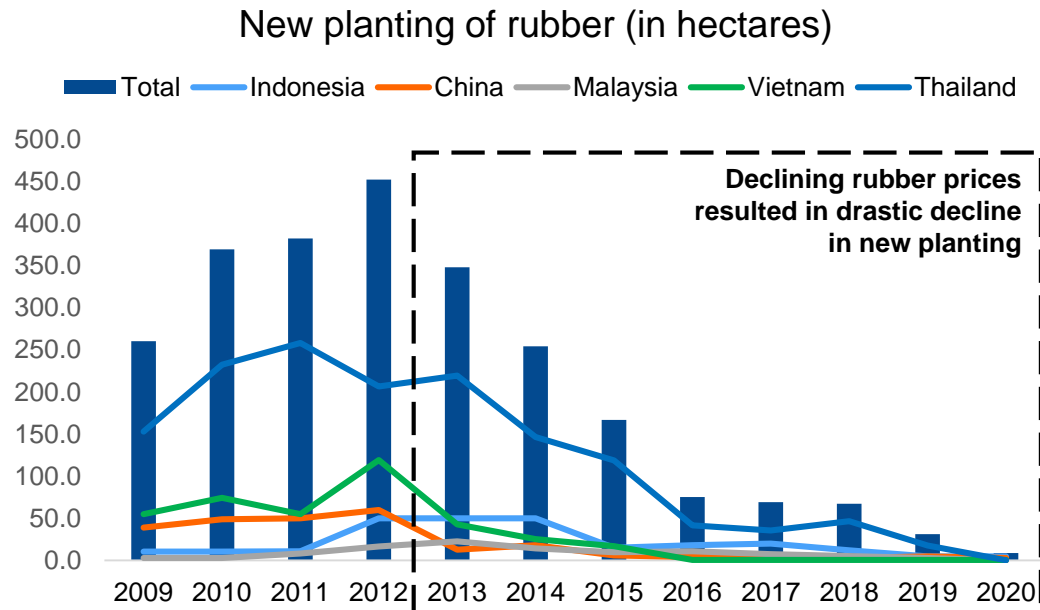
Growth in global miles travelled, accelerated by improved global connectivity & rise of shared economy



- COVID-19 has further propelled surge in delivery miles
- Vehicle on road time/utilisation ↑, Idle vehicles ↓, miles driven ↑
- Increase in miles is expected to translate into demand for replacement tyres**

Natural Rubber Supply Situation: Upstream Presence & Sustainability Focus

Drastic decline in new planting potentially spark future supply shortage



Source: IRSG / ANRPC

- Other considerations restricting supplies:
 - ❖ Supply inelasticity — Rubber tree takes around 6 to 7 years to mature, and **existing supply may not be sufficient to fulfil surging demand**
 - ❖ Lack of maintenance cause vulnerability to tree diseases, affecting yield
 - ❖ Prolonged weak prices → smallholders leaving rubber trade

Other long-term trends that are favouring natural rubber players

Sustainability



Increasing need for sustainable rubber and products

Digitalisation



Revolutionise rubber trade and improve operational efficiencies

Non-tyre demand



Growing demand from transportation & healthcare sectors (e.g. shock absorbers on high-speed rail, latex gloves)

Natural Rubber Market Movement: SICOM TSR20 vs CRB



- Rubber prices are generally undervalued against wider commodities
- Rubber prices displayed resilience amid prices volatility
- The rise in global commodities prices is slated to positively spur further growth in rubber prices, which has not been priced in yet

* >10 years charts comparison (2009-2022)

Halcyon's Strategic Positioning in NR Industry (cont'd)



Industry trends

Natural rubber prices movement ○

Consumption growth to exceed production growth ○

Vehicle-in-use and production to increase ○

Global miles travelled to rise ○

Drastic decline in new planting ○

Our strategic positioning

○ Unparalleled strategic geographical presence

○ Wide-ranging approvals from tyre majors

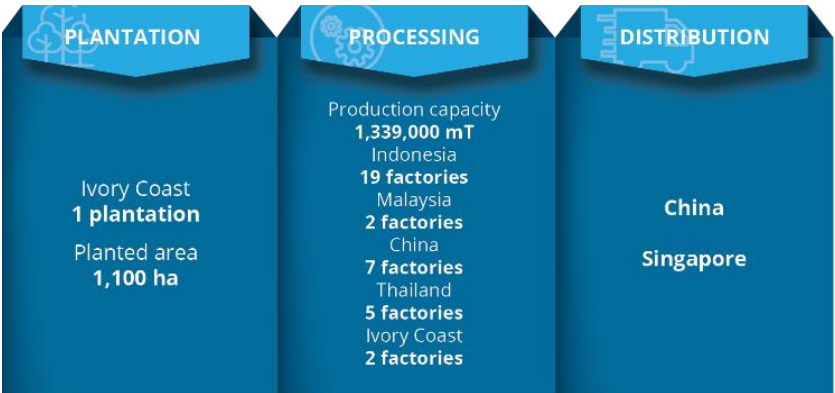
○ Industry champion in sustainability

○ Accelerating the digitalisation of natural rubber supply chain

○ Key beneficiary of upcycle in natural rubber industry

Halcyon's Value Proposition to Capitalise on Opportunities (cont'd)

We have unparalleled strategic geographical presence



Plantation



Processing



Distribution



“Leveraging its global presence and access to real-time supply-demand dynamics across the world, Halcyon is poised to **capitalise on growing demand for natural rubber.**”

Halcyon's Value Proposition to Capitalise on Opportunities (cont'd)

Wide-ranging approvals from international tyre majors and industrial customers



- Tyre majors have specific technical and sustainability requirements and stringent quality control
- We supply rubber products that meet these requirements and build long-standing relationships with our extensive clientele base including global blue-chip clients

Sustainability leadership



Sustainability is a key business tenet for Halcyon, milestones & awards include:



Zero deforestation commitment



Cameroon Outgrower Programme



Attained US\$25m sustainability-linked financing from Deutsche Bank¹ and US\$300m SLL from banking syndicate²



EcoVadis Gold³ Most Transparent Rubber Producing Company²

We strive to **differentiate ourselves, stay relevant and potentially capture more market share** as the supply chain gears towards sustainability.

In pole position to tap on surging **green/ESG linked financing**

1. <https://www.halcyonagri.com/en/press-release/halcyon-agri-provides-corporate-updates/>

2. <https://www.halcyonagri.com/en/press-release/halcyon-agri-outlines-sustainability-ambitions-inks-sustainability-linked-facility-of-up-to-us300-million/>

3. <https://www.halcyonagri.com/en/press-release/halcyon-ranks-top-amongst-rubber-producers-in-spott-assessment/>

Halcyon's Value Proposition to Capitalise on Opportunities (cont'd)

Owns one of the largest commercially operated rubber plantations globally



- >50% immature¹; as plantation matures, plantation yield ↑, per unit cost and capital investment ↓
- Improve traceability and quality control
- **Potential additional annual revenue² of US\$32 million in 2025**
- **Upside earnings potential from rubber price increase** as supply shortage looms following years of decline in new plantings

1. As of 30 June 2022

2. Expected 2025 yield multiplied with assumed market price of US\$1,600 per mT

3. <https://www.halcyonagri.com/en/press-release/halcyon-agri-welcomes-new-investors-onboard-heveaconnect/>

Innovation at the core of our Group



Internet of Things ("IoT")

- **Our associate, HeveaConnect is an independent digital platform** to facilitate trades for sustainably-produced natural rubber
- The platform is supported by diversified blue-chip investors (**DBS Bank, ITOCHU Corporation, SGX, Provident Capital and DeClout Ventures³**) and has **successfully onboarded all key tyre majors**
- Promote fair and equitable remuneration among the supply chain
- Automation and digitalisation of operations improve cost efficiency

Halcyon's Rapid Achievements & Progress – FY2022

Past Position

- Focus on core competencies, improving utilisation and margins
- Activate deleveraging plan and improve operating liquidity
- Entrench leadership in ESG, tap on sustainability-linked financing opportunities

Present Position

- Achieved steady performance: FY2021 returned to the black, H12022 continued positive momentum
- Working capital days decreased, deleveraging plan made progression with US\$10.3 million gain in H12022
- Obtained SLL of up to US\$300 million, testament to financial institutions' recognition of our ESG track record

Aspirations

- Continue to strengthen core opportunities by providing added value to our stakeholders
- Continue to organise balance sheet through non-core assets disposal
- Continue to explore ESG-linked opportunities with banking partners

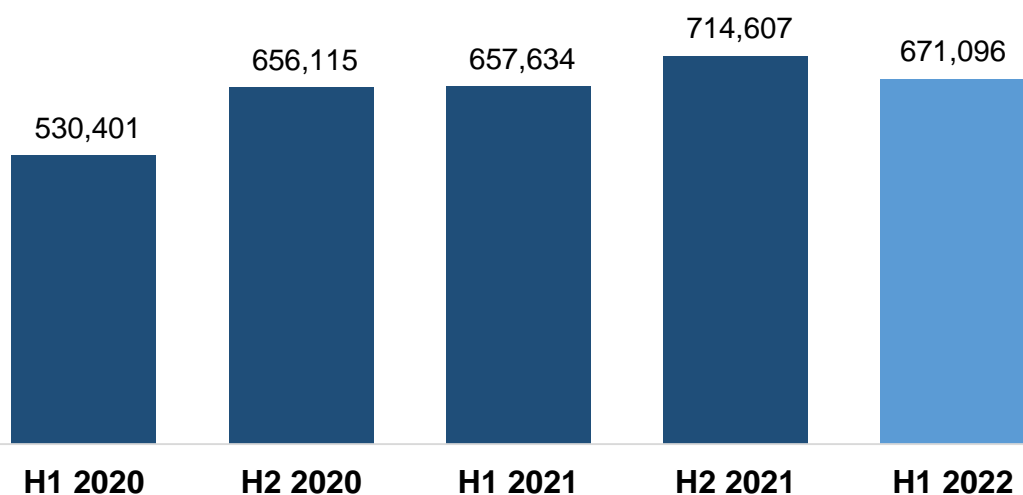
H1 2022 Key Financial Highlights

(Year-on-year comparison against H1 2021/H1 2022)

	H1 2021	H1 2022
Volume	657,634 mT	671,096 mT (Maintained momentum amid challenging market)
Average Selling Price	US\$1,752	US\$1,922 (+ 9.7%)
Gross Profit	US\$73.1m	US\$85.9m (+ 17.6%)
Operating Profit	US\$8.8m	US\$26.6m (3-fold jump)
Core EBITDA	US\$18.3m	US\$31.3m (+ 71.0%)
Net Profit	US\$0.2m	US\$4.3m (Registered growth)

Financials – HAC Group

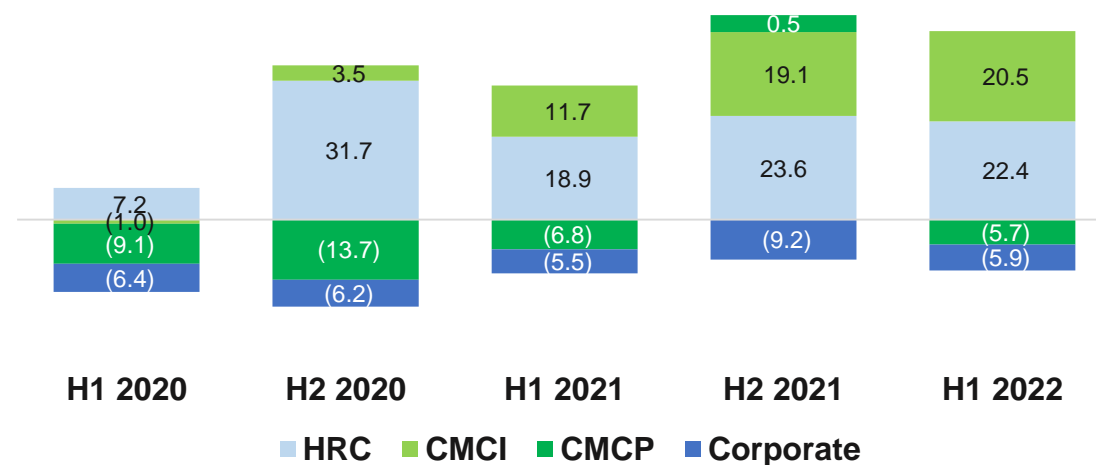
Sales volume (metric Tonnes/mT)



EBITDA (US\$m)



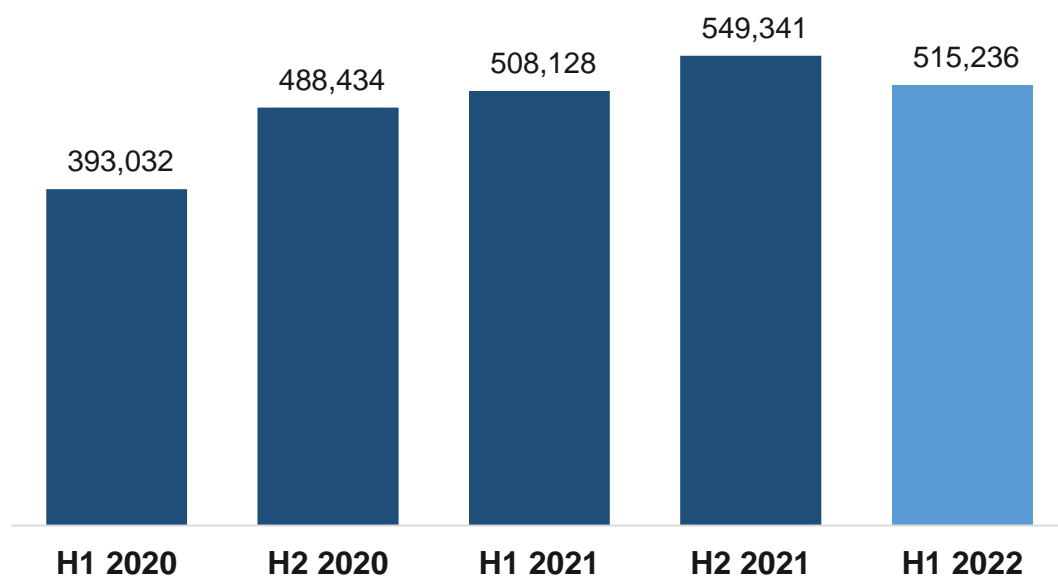
EBITDA by Segment (US\$m)



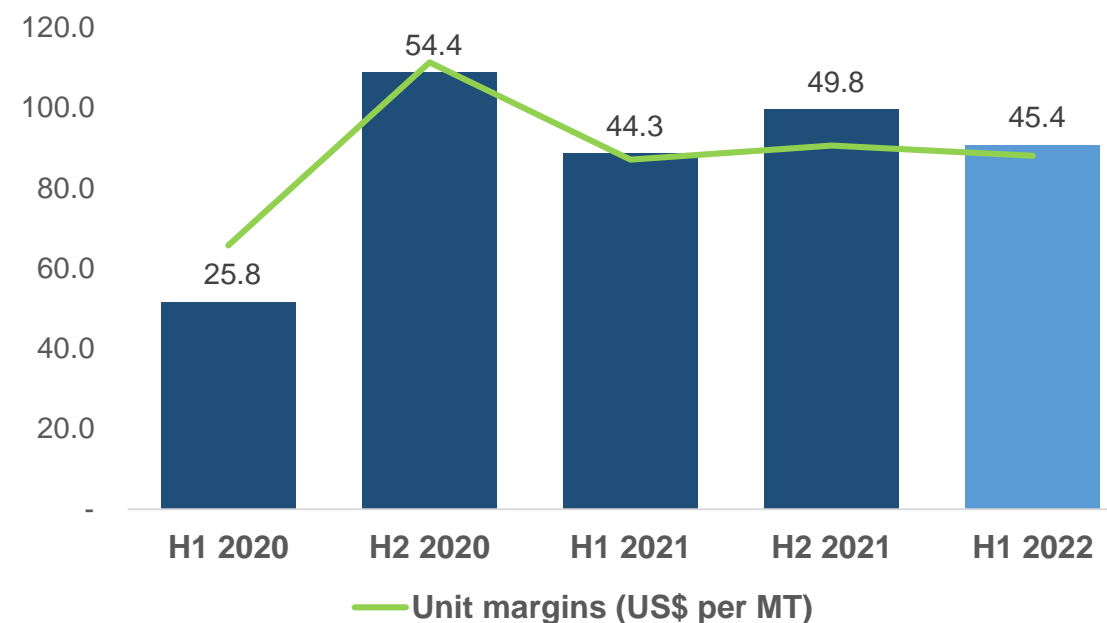
¹ Excludes fair value gains, disposal gains and one-off non-operational expenses

Financials – Halcyon Rubber Company (HRC)

Sales volume (mT)



Gross profit margins (HRC)



Headline figures
(H1 2021 / H2 2022)

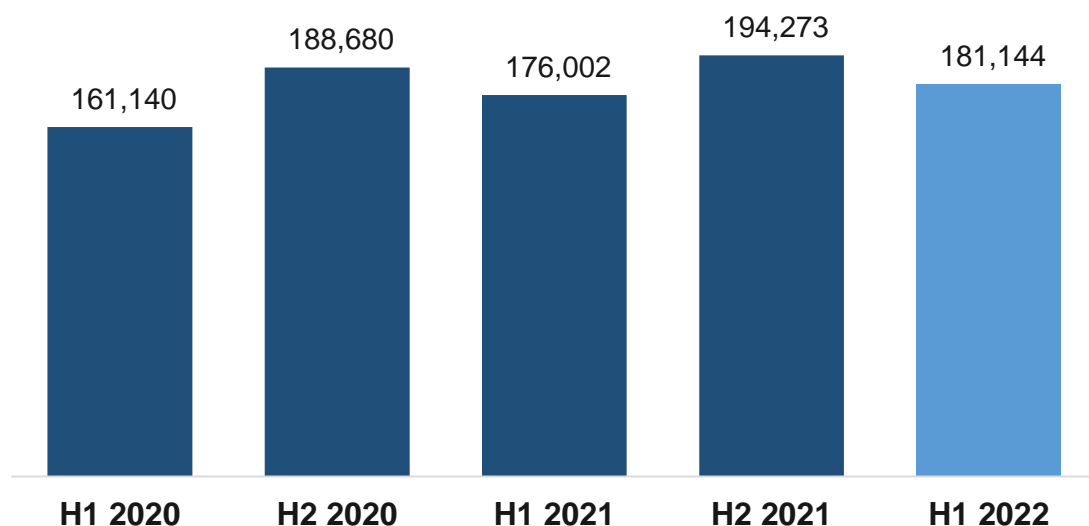
Sales volume
508,128 mT / 515,236 mT

Gross profit per mT
US\$44.3 / US\$45.4

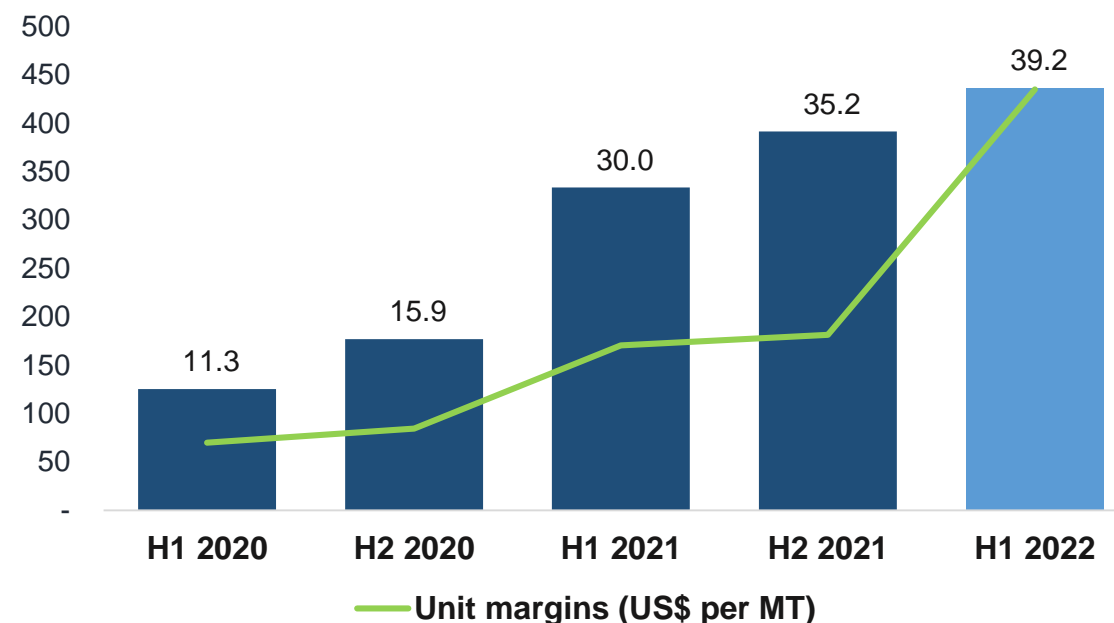
EBITDA per mT
US\$39 / US\$44

Financials – Corrie MacColl International (CMCI)

Sales volume (mT)



Gross profit margins (CMCI)



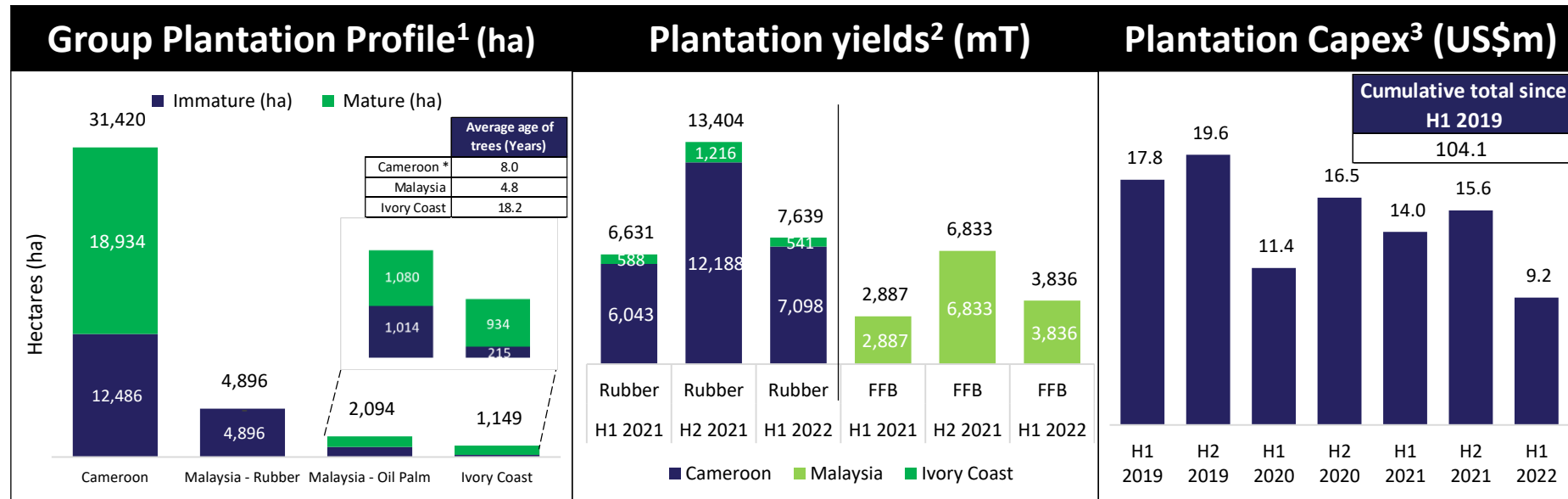
Headline figures
(H1 2021 / H2 2022)

Sales volume
176,002 mT / 181,144 mT

Gross profit per mT
US\$30.0 / US\$39.2

EBITDA per mT
US\$67 / US\$113

Corrie MacColl Plantations (CMCP) – Investing in the Future



¹ As of 30 June 2022. Cameroon and Ivory Coast consist solely of rubber plantations.

² Malaysia's rubber plantation is expected to commence production in 2023.

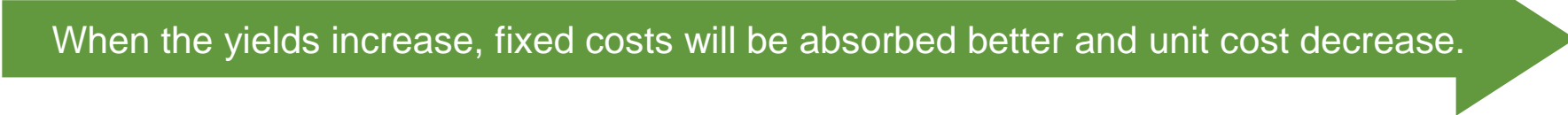
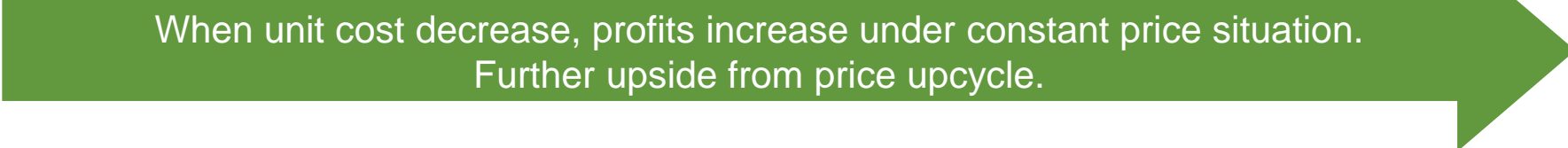
³ Includes capitalised interest costs.

Note: FFB stands for Fresh Fruit Bunch (oil palm). Cameroon and Malaysia plantations are grouped under CMCP while Ivory Coast plantation is part of HRC.

* Excludes 7,300 ha of very old trees earmarked for replanting

- The Group's upstream business unit (CMCP) narrowed its losses in H1 2022 with efficient cost control amid local wintering season, and has commenced tapping on maturing new plantation areas of 2,500 hectares.
- In H2 2022, yields from new openings are expected to ramp up and provide better operating cost leverage for the Group.
- Our capital expenditure will further reduce as the plantations mature and per-unit cost will go lower.
- As of 30 June 2022, more than half of the Group's planted hectares remain immature.

Financials – Corrie MacColl Plantations (CMCP)

	Current	2025	2030
Yields	c.20,000 mT <i>(2.1 mT per matured hectare)*</i> <i>(7.2 years average tree age)*</i> Q1 2022 - commenced tapping on c.2,500 hectares of new plantations areas, contributing to increased production of c.2,000 mT per annum	40,000 mT	55,000 mT
Unit costs	 When the yields increase, fixed costs will be absorbed better and unit cost decrease.		
Profits	 When unit cost decrease, profits increase under constant price situation. Further upside from price upcycle.		

* Yield and average tree age exclude 7,300 ha of very old trees earmarked for replanting.

Halcyon's Agile Action Steps to Mitigate Economic Uncertainties

1 Rising interest rates

- Accelerate deleverage plan to strengthen balance sheet
- Swap between loans of different currencies and tenors to reduce overall interest

2 Volatile rubber market price

- Continue to focus on margins instead of volumes while ensuring sufficient capacity utilisation of our factories
- Continue to optimise the sales mix between spot and long-term contract

3 Global recession and inflationary pressure

- Strict cost control across the Group such as optimising the usage of tapping materials/equipments
- Align manpower requirement across different factories according to the demand and production level

4 Fuel prices hike

- Invest in solar panels to establish energy self-reliance
- Utilise biomass or clean energy alternatives to reduce reliance on fossil fuels

Recap: Halcyon Agri Investment Merits

Our Growth Propositions

- 1 Unparalleled strategic geographical presence
- 2 Wide-ranging approvals & long-standing relationships with international tyre majors and industrial customers
- 3 Pioneered digitalisation in the natural rubber supply chain
- 4 Key beneficiary of upcycle in natural rubber industry
- 5 Strong institutional support; sustainable financing

Our Priorities

- Capture the growing natural rubber demand
- Solidifying the position of our key profit drivers, HRC and CMCI
- Promote greater price transparency in natural rubber supply chain
- Capture upside from our maturing plantations when the yield ramps up and secure premium pricing
- Gain wider access to financial institutions' capital support/sustainability-linked support

*“Anchored by our financing initiatives, we continue to **strengthen our capital structure**. We also seek to **deleverage and unlock further value of our assets through opportunistic divestment**.”*



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Thank you!

