H1 2023 Results Presentation

14 August 2023

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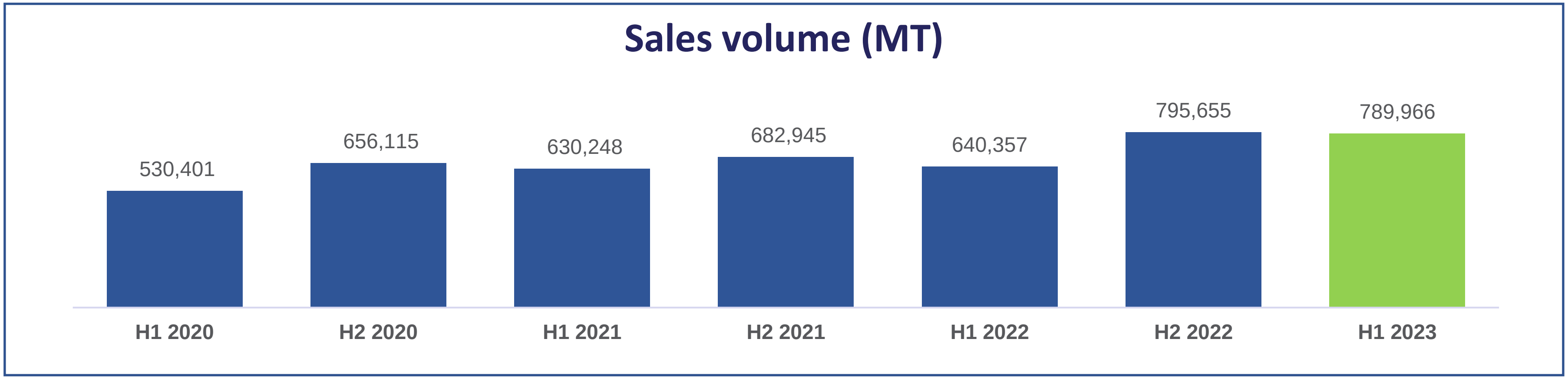
Financial Highlights

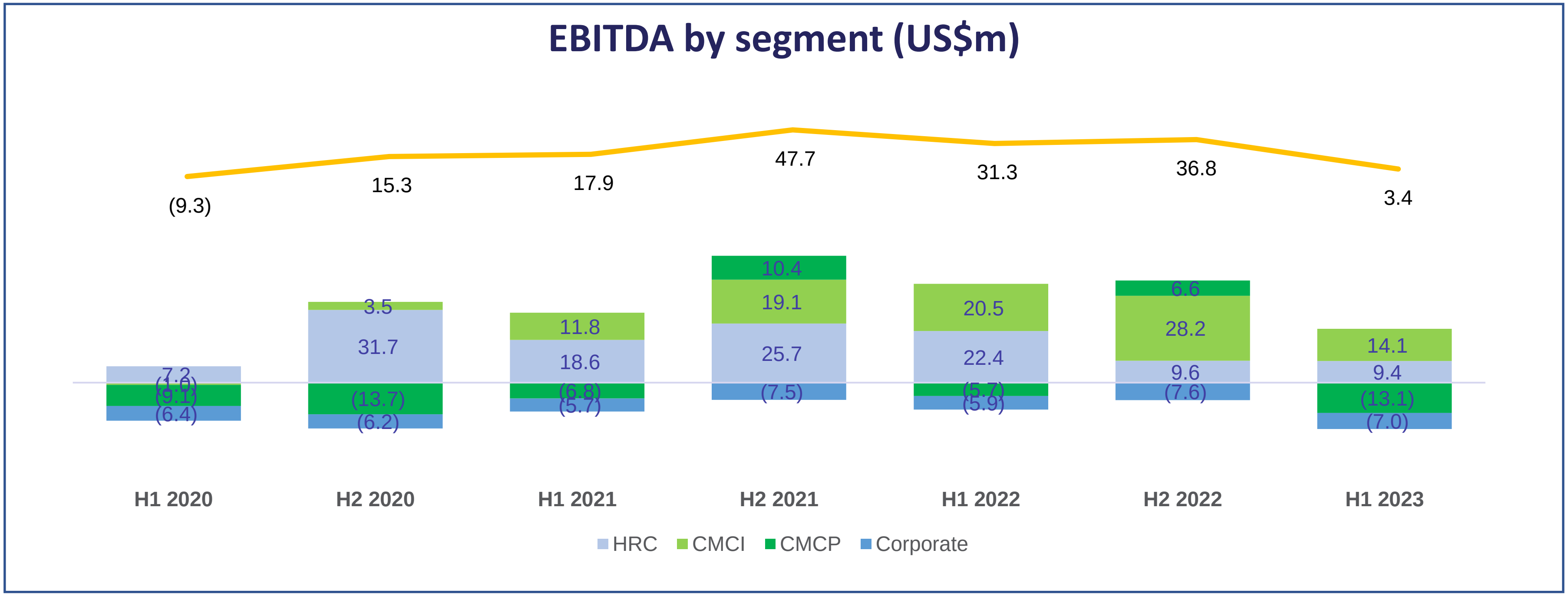
H1 2023 results review

	For the half year ended 30 June			
	H1 2023	**H1 2022**	**%**	**Factors**
Sales volume (mT)	789,966	640,357	23.4%	• The Group's sales volume improved mainly due to the expansion of rubber trading in China, synergies realised from the integration in China business.
Average selling price (US$/mT)	1,535	2,017	-23.9%	• In line with the movement of natural rubber price.
Gross profit (GP)	60.9	85.9	-29.1%	• The Group faced margins decline resulting from lower rubber prices and higher raw materials costs amid our increased market share and strengthened presence in the industry.
- GP per mT (US$/mT)	*77*	*134*	*n.m*	
Operating (loss)/profit	(24.5)	26.6	n.m	• In line with gross profit movement. H1 2023 performance is further affected by the incurrence of one-off costs such as the loss upon recovery of third party loan receivables and certain settlements with local government, details of which are in the following page.
EBITDA	3.4	31.3	n.m	• In line with gross profit movement.
(Loss)/Profit before taxation	(53.5)	12.1	n.m	• Due to the gross profit movement, one-off costs, as well as the impact of higher financing costs. Partially offset by higher gains from deleveraging activities.

Note: In US$ million unless otherwise stated

Overview of Group’s performance





H1 2023 exceptional items and impact on P&L

During H1 2023, the Group has taken active and decisive steps to address and resolve its legacy matters, which resulted in one-off expenses.

Items	Amount (US$m)	Description
Recovery of third party loan receivables	20.8	• The Company has taken active steps to expedite the recovery of this loan. Despite the P&L impact, the funds inflow of c.US$40 million will be used to reduce leverage.
Settlement with local governments	8.1	• During the year, the Group came to a conclusion in negotiations with the local governments in African region over various disputes, most of which are legacy. Whilst this affected the Group's operations in H1 2023, the Group does not foresee these items to recur.
Total	**28.9**	

Balance sheet overview

US$ in millions	30-Jun-23	31-Dec-22
Assets partially funded by debt		
Total net working capital employed	676.2	740.1
Net working capital assets	*518.2*	*557.1*
Cash and cash equivalents	*111.3*	*118.7*
Loans receivable	*46.7*	*64.3*
Working capital loans	591.9	679.1
% Efficiency in working capital funding	**87.5%**	**91.8%**
Shareholders' loans	150.0	-
% Efficiency in working capital funding including shareholders' loans	**109.7%**	**91.8%**
Operational long term assets	1,027.9	1,022.7
Non-core assets	41.6	40.7
Other borrowings	404.3	464.4
% Fixed asset gearing	**37.8%**	**43.7%**
Total equity (excludes Perpetual Securities)	**406.9**	**467.4**
Perpetual Securities	192.6	192.6
Total equity	**599.5**	**660.0**
Net asset value per share (US cents)	*37.6*	*41.4*
Net asset value per share (SG cents)	*50.7*	*55.6*
Working capital Days		
Accounts receivable days	*20*	*21*
Accounts payable days	*5*	*5*
Inventory days	*67*	*66*
Cash conversion days	*82*	*81*
Term debt to equity ratio	**0.66x**	**0.69x**

Note 1: Please refer to the announcement (page 16) for the definition of the captions in the tables displayed above.
Note 2: Translated at the closing exchange rates for each respective period.

The Group has utilised bridge loan from shareholders to address its recent loan repayment requirements (including certain non-current portion of term loans) and refreshing its panel of lenders, and these will be replaced by long-term debts in H2 2023.

Cash flow

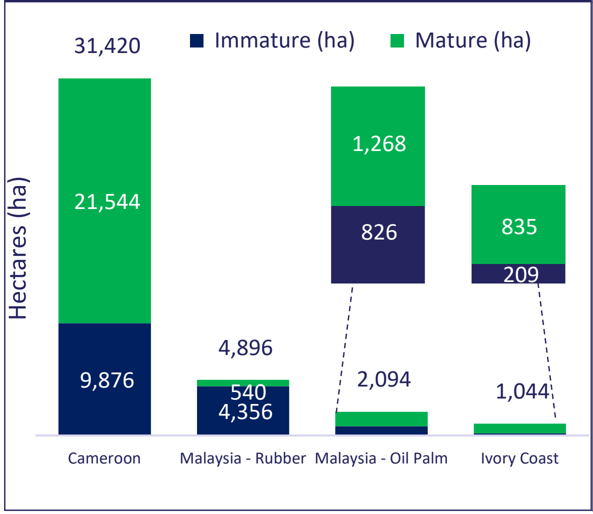
US$m	Half year ended 30 June 2023	2022
Operating cash flows before working capital changes	(2.5)	28.5
Changes in working capital	31.2	(49.2)
Interest received	0.9	-
Tax payment	(13.1)	(2.8)
Net cash flow from operating activities	**16.5**	**(23.5)**
Net cash flow from investing activities	16.9	9.2
Net cash flow from financing activities	(40.9)	32.6
Net changes in cash and cash equivalents	**(7.5)**	**18.3**

- Net cash generated from operating activities of US$16.5 million; the Group has tightened its working capital management in the challenging environment, resulting in its improved operating cash flow during H1 2023.
- Net cash generated from investing activities of US$16.9 million; generated by the proceeds from non-core assets disposal that set off the capital expenditures during H1 2023. The fresh funds were recycled into working capital usage.
- Net cash used in financing activities was US$40.9 million, mainly due to the paring down of the Group's loans from proceeds of deleveraging and working capital fund inflows, to manage the Group's overall financing costs.

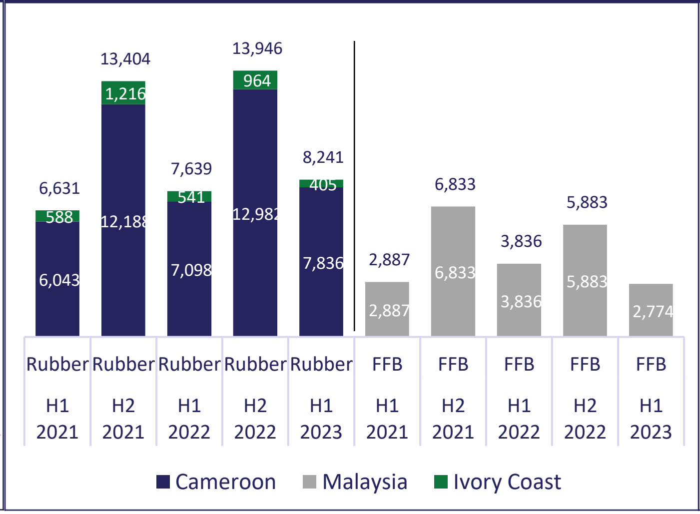
Business and Strategic Highlights

Plantations business – H1 2023 highlights

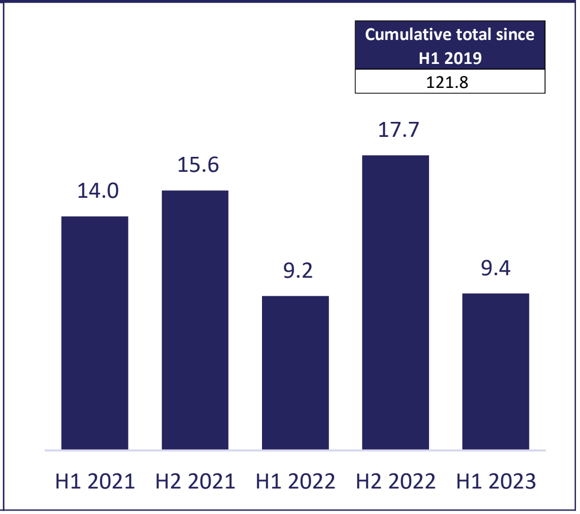
Group Plantation Profile[1] (ha)



Plantation yields[2] (mT)



Plantation Capex[3] (US$m)



[1] As of 31 December 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*

- As of 30 June 2023, 39% of the Group's plantations remain immature.
- Inaugural opening of Malaysia's Rubber Plantation; 540 hectares.
- Lower yields due to seasonal wintering happening in 1st half of every year (around March/April), while the yields in the second half year will be substantially higher.
- The Group continues to optimise its cost structure for the maintenance of its mature trees, which is the main reason of the reduction in plantation start-up losses, and the per unit costs will continue to reduce as we opened up c. 2,700 ha in 2023 and plan to commence the replanting programme of 7,300 ha old trees.

Progress of refinancing exercise

With the support of Halcyon's two major corporate shareholders, Hainan Rubber Group and Sinochem International Corporation, the Group has successfully closed **two** syndicated loans to refinance the existing indebtedness which came due. This signifies the level of confidence from the financial markets in the Group.

Syndicated loan 1

- **Mandated Lead Arranger**: ICBC Shanghai
- **Amount**: US$189.6m (can be further upsized)
- **Purpose**: Refinancing existing indebtedness
- **Tenure**: One year

Syndicated loan 2

- **Mandated Lead Arranger**: China CITIC Bank International, Singapore Branch
- **Amount**: Up to US$300m
- **Purpose**: Refinancing existing indebtedness
- **Tenure**: One year
- **Special Feature:** Sustainability Linked Loan with ESG KPIs on power and water usage of the Group's operating factories, as well as traceability of the Group's sourcing.

The Group still has a number of financing in the pipeline (for both long-term and short-term financing), and it is expected to be completed by the end of FY2023 to rebalance the financing tenor, reduce overall financing costs, and replace bridge loans extended by shareholders.

Industry Outlook

NR Industry Outlook: Underlying Supply & Demand Dynamics

Positive Factors

- International Monetary Fund ("IMF") and Organisation for Economic Cooperation and Development ("OECD") 2023 global growth projections – 3% and 2.7% respectively.
- Global mobility demand is expected to rise with increasing demand of OEM tyres and the surge in demand for electric vehicles (IHS Markit[1]: global tyre production estimated to rise from c.1.86 billion in 2021 to c.2.4 billion units by 2030). NR industry is slated to benefit from the growth in global miles travelled, as well as global vehicle-in-use and production.
- Renewed focus on sustainability-linked finance opportunities.
- Lack of new planting since 2012 may aggravate supply limitations in origins = rubber prices up.

Counteracting Factors

- Persistent inflation, tighter monetary policies, recession concerns and geopolitical tensions amid fragile global economic recovery.
- Raw material sourcing in key origin countries remain challenging as the farmers are disincentivised to continue rubber tapping due to lower rubber prices; raw material intake cost may remain high.
- Short-term demand slowdown across industries including natural rubber, which may not recover before Q4 2023.
- Higher interest rates will continue to place pressure on the Group.

Other observations:

- It is observed that majority of the negative factors have been priced in the recent rubber price trend, and the downside is limited.
- Despite market volatility and tough macro situation, we remain optimistic that the downstream demand will underpin the industry's long-term growth.

[1] *IHS Markit, "The Future of Cars 2040: Miles Travelled Will Soar While Sales of New Vehicles Will Slow"*

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