

**FOR IMMEDIATE RELEASE**

## **Halcyon Agri reports Q3 2019 revenue of US\$513.1 million**

*Revenue performance attributed to a contraction in total sales volume owing to conservative market outlook and supply-side structural challenges*

**SINGAPORE, 14 November 2019** – Halcyon Agri Corporation Limited (“Halcyon Agri” and collectively with its subsidiaries, the “Group”) announces its financial and operational results for the third quarter ended 30 September 2019 (“Q3 2019”). In Q3 2019, Halcyon Agri reports US\$513.1 million revenue, with operating losses of US\$5.6 million in Q3 2019 and cash flow generated from operating activities of US\$31.8 million<sup>1</sup>.

### **Weakened demand and tight supply impacts volumes and margins**

The third quarter presented highly challenging market conditions for Halcyon Agri, with the confluence of weakened demand, tight supply and persistent low prices resulting in lower sales volumes and compressed operating margins.

While the long-term demand dynamics for natural rubber are positive, near term concerns about global growth contributed to weakened demand in the third quarter, leading to sales volumes contracting 11% from 374,380 tonnes in Q3 2018 to 333,682 tonnes in Q3 2019. With average market prices similar in the two periods, active sales management limited the decline in revenues to 7.2%.

On the supply side, a build-up of factors has led to a structural shift in raw natural rubber availability. Years of sustained low prices have seen the smallholder-dominated natural rubber crop be over-tapped, under-maintained and in some cases, abandoned. This has left vast land areas of rubber trees vulnerable to disease, which has now emerged in each of the major producing countries Indonesia, Thailand and Malaysia. These leaf and root diseases reduce the tree yield by at least half and will be a major factor in an ongoing tightening supply. Updates on this matter can be found in the [media release](#) dated 6 November 2019 by International Tripartite Rubber Council (ITRC) and International Rubber Consortium (IRCo).

The tightening supply is expected to exceed any reduction in demand which will inevitably lead to an upward normalisation of natural rubber prices. With selling prices yet to adjust, however, operating margins are significantly compressed and combined with lower volumes, resulted in gross profit of US\$26.9 million in Q3 2019 compared to US\$32.5 million in Q3 2018.

The market conditions currently being experienced are exceptionally challenging for the natural rubber industry as a whole. With its scale and global diversification, Halcyon Agri is well positioned to weather the storm and emerge profitably as the price cycle turns. Solid execution and cost management ensured that Halcyon Agri remained operating cash flow positive for Q3 2019 and for 9M 2019 overall.

---

<sup>1</sup> Details provided in the “Group Financial Highlights” table in the Appendix below.

## Investing in the Future of Rubber

These challenging conditions coincide with the culmination of a number of long term positive internal developments that Halcyon Agri has undertaken. In addition to focusing on cost efficiency, the group has forensically looked at the units within the business and taken steps to improve sustainability across the entire group.

Leveraging opportunities in a thinning competitive landscape following the demise of certain dealers and mid-sized processors, Halcyon Agri is consolidating its global tyre-maker processing and supply platform, under the umbrella of Halcyon Rubber Company (HRC).

The group's Corrie MacColl (CMC) business unit has made significant strides in developing and implementing its sustainability agenda in Cameroon. Its Cameroon Outgrower Programme<sup>2</sup> is progressing well with the support of local government and communities. This creates a multi-lateral platform between CMC, civil society organisations, local representatives as well as government officials, aimed at improving the welfare of the local communities.

Halcyon has also seen strong trading on HeveaConnect, its disruptive digital marketplace for HeveaPRO-certified rubber, which launched in April 2019. HeveaConnect aims to promote greater price transparency in the natural rubber market, and to move away from reference-based price fixing which remains opaque and unrepresentative of sustainable pricing requirements. The platform has traded in excess of 28,000 tonnes of rubber, translating to US\$38 million worth of product.

In addition to these sustainability developments, Halcyon Agri expects to unveil a significant new initiative designed to promote and encourage financial sustainability in the upstream supply chain, in the coming months.

“Future Rubber has long been our vision, and we've put our words into practice over the last two years. We have looked at every part of our group and asked how we could operate to bring greater sustainability to our supply chain. Whether that's how our plantations operate, how we disrupt the way the industry trades or how we work with the upstream, we've left no stone unturned in building the group to be as sustainable as possible” said Mr Robert Meyer, Chief Executive Officer, Halcyon Agri.

“That has been a long process, and there is work still to be done, but we are starting to see the results of a process that will position our group, and the natural rubber industry at large, to survive and thrive in the future. We've suffered necessary short-term pain to ensure our long term gain, and in a highly challenging period that has seen the collapse of a number of market players who didn't have that perspective, I am as confident as ever that this is the right approach.”

---

<sup>2</sup> More information on the Cameroon Outgrower Programme can be found at <https://www.corrie-maccoll.com/cameroon-outgrower-programme/>

## APPENDIX

### GROUP FINANCIAL HIGHLIGHTS

#### Snapshot

##### Operating financial statistics

		Q3 2019	Q3 2018	Change	9M 2019	9M 2018	Change
Total sales volume	tonnes	333,682	374,380	-10.9%	946,172	1,055,096	-10.3%
Revenue	US\$ million	513.1	552.9	-7.2%	1,425.0	1,602.7	-11.1%
Revenue per tonne	US\$	1,538	1,477	4.1%	1,506	1,519	-0.9%
Gross profit	US\$ million	26.9	32.5	-17.3%	92.6	101.6	-8.8%
EBITDA	US\$ million	2.4	15.0	-84.3%	32.7	36.3	-10.0%
Net (loss)/profit	US\$ million	(16.6)	0.8	n/m	(20.4)	(4.7)	331.0%

n/m - not meaningful

### GROUP FUNDING STRUCTURE

The table below summarises the funding structure of the Group:

(US\$ million)	Balance at 30-Sep-19	Balance at 30-Jun-19	Balance at 31-Mar-19	Balance at 31-Dec-18
Working capital employed <sup>(1)</sup>	600.2	636.9	659.3	539.4
Working capital loans	599.2	630.9	636.4	520.4
<b>% Efficiency of Working Capital Funding</b>	<b>99.8%</b>	<b>99.1%</b>	<b>96.5%</b>	<b>96.5%</b>
Operational long term assets <sup>(2)</sup>	942.5	954.0	943.4	938.7
Other borrowings	473.4	481.6	561.7	391.6
<b>% Fixed Asset Gearing</b>	<b>50.2%</b>	<b>50.5%</b>	<b>59.5%</b>	<b>41.7%</b>
Cash and cash equivalents <sup>(3)</sup>	38.9	60.3	133.0	122.9
Non-core assets <sup>(4)</sup>	48.5	48.5	48.0	46.8
<b>Total equity (excluding Perpetual Securities)</b>	<b>557.3</b>	<b>587.2</b>	<b>585.4</b>	<b>587.2</b>
Perpetual Securities	-	-	-	148.7
<b>Total equity (including Perpetual Securities)</b>	<b>557.3</b>	<b>587.2</b>	<b>585.4</b>	<b>735.9</b>

###

## **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 about 17,000 employees in over 50 locations.

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

## **About HeveaConnect**

HeveaConnect is a digital marketplace for the trading of sustainably processed natural rubber. It serves the natural rubber market with a one-stop shop and exclusive platform for farmers, producers, consumers as well as facilitators such as financial institutions, logistics and warehousing suppliers. Through HeveaConnect, natural rubber producers and consumers are able to track pricing, access information and transact directly on the platform. Other offerings provided include value-added services such as financing, insurance and logistics.

For more information please visit [www.heveaconnect.com](http://www.heveaconnect.com)

## **Media Contact:**

Carolyn Camoens  
Hume Brophy  
Tel: +65 3157 5292  
Mobile: +65 9736 7152  
Email: [HACSG@humbrophy.com](mailto:HACSG@humbrophy.com)