

FOR IMMEDIATE RELEASE

## Halcyon Agri reports full year financial results

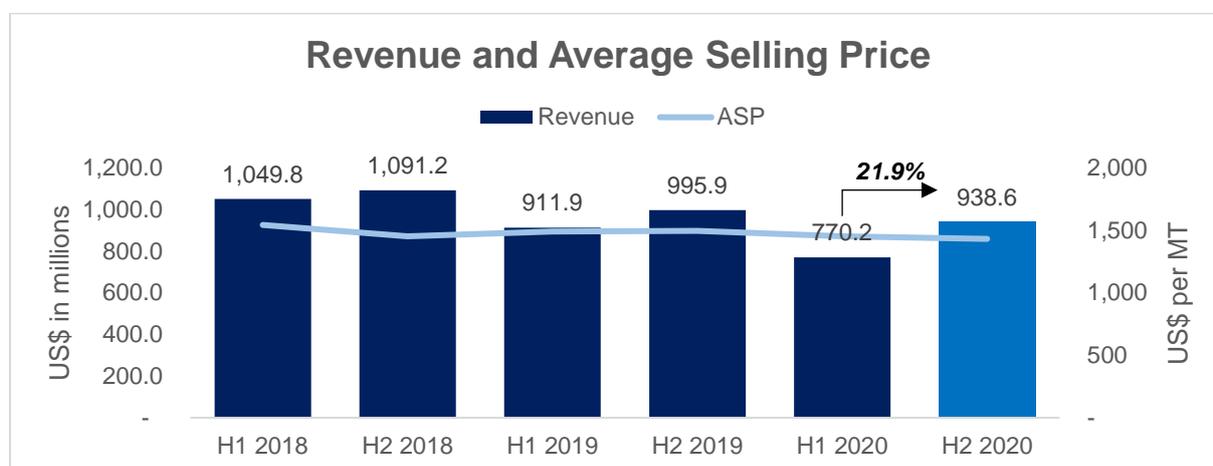
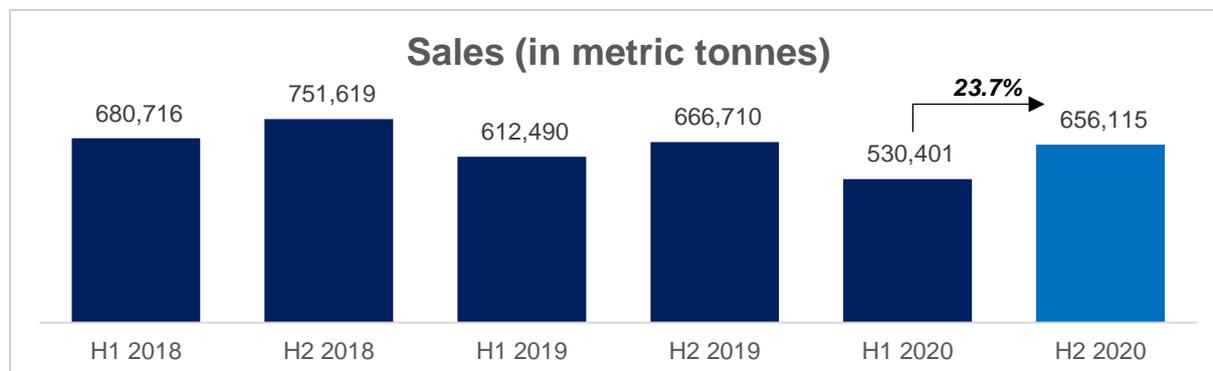
SINGAPORE, 26 February 2021 – Halcyon Agri Corporation Limited (“**Halcyon**”, the “**Company**” and together with its subsidiaries, the “**Group**”), announces operating and financial performance for the second half (“**H2 2020**”) and full year ended 31 December 2020 (“**FY2020**”).

Riding on a recovery in global demand for natural rubber, the Group has registered sales volume of 656,115 tonnes in H2 2020, 23.7% higher than H1 2020 and almost reaching the volume achieved in H2 2019. Since the progressive lifting of lockdown restrictions around the world in the second half of 2020, the offtakes from our customers continues to strengthen.

Driven by higher volumes and improved margins, the Group has reported a H2 2020 EBITDA<sup>1</sup> of US\$10.9 million – reversing H1 2020 and H2 2019 negative EBITDA of US\$13.8 million and US\$11.0 million respectively. As compared to H1 2020, whereby the utilisation of the Group’s factory capacities were affected by lockdown restrictions in various countries, factory utilisation in H2 2020 represents a significant improvement.

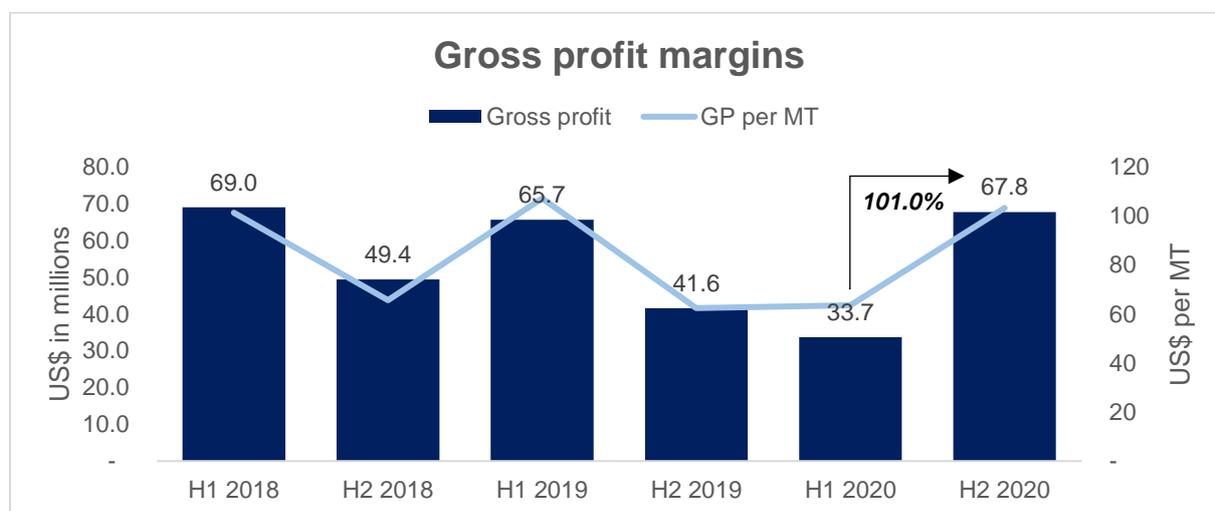
Commenting on the Group’s financial results, Mr Li Xuetao, Chief Executive Officer of Halcyon Agri said, “*Our relentless focus on operational excellence and customer excellence has borne fruit, as was seen in a stronger H2 2020 performance, on the back of higher volumes and improved margins. This signifies that the Group is heading on the right direction. We strive to keep up this trend by improving operating efficiency across the board and leveraging the seamless connectivity of our global platforms to capitalise on the surge in demand, while prioritising the health and safety of our global workforce.*”

### Key FY2020 financial performance summary

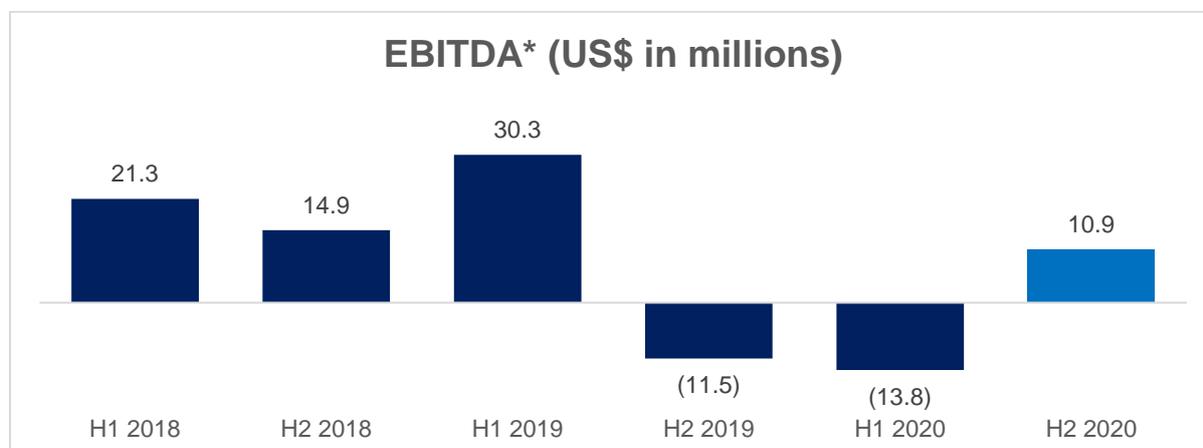


<sup>1</sup> EBITDA after adjusting for fair value gains on biological assets and investment properties in the respective periods.

The Group achieved a sales volume of 656,115 metric tonnes in H2 2020, a 23.7% improvement from H1 2020 and 1.6% lower than H2 2019. On the back of higher volumes delivered, H2 2020 revenue of US\$938.6 million is 21.9% higher than H1 2020 but 5.7% lower than H2 2019. Lower revenue as compared to H2 2019 is partly volume-driven, as well as the depressed state of natural rubber prices heading into H2 2020 (as compared with the year-ago period).



The Group doubled its gross profits period-on-period, from US\$33.7 million in H1 2020, to US\$67.8 million in H2 2020, on the back of higher volumes and improved unit margin. H2 2020 gross profits also represents a 62.8% increase as compared to H2 2019. Halcyon remains focused on capturing processing margins by optimising our factories' utilisation, improving operating efficiencies, and realising cost savings. The Group also aims to enhance the collaboration with our customers in providing premium products and fulfilling their full-suite supply chain requirements – all of which allows for an effective capturing of sales premium.



\* EBITDA presented above and in the sentence below is after the exclusion of fair value gain on biological assets and investment properties in the respective periods. Please refer financial statement for further information.

On the back of better margins, EBITDA in H2 2020 is US\$10.9 million, reversing the negative US\$13.8 million and US\$11.0 million recorded during H1 2020 and H2 2019 respectively.

### Sustainability remains a core business tenet of Halcyon Agri

As a responsible corporate citizen, the Group is committed to uphold the highest standards of sustainability. We strive to expand our lead in global sustainability arena, and steer the sustainability agenda for the natural rubber industry – with an aim to create a fair and equitable supply chain. We have made significant strides during 2020, and our sustainability efforts have been recognised by respected third-party organisations:

- Partnered with Deutsche Bank AG on a US\$25 million sustainability-linked financing, which is first of its kind for natural rubber industry. The facility carries an accordion option to upsize the facility to US\$75 million.
- Awarded EcoVadis Gold medal, in recognition of its responsible conduct in the environment, labour practices, ethics and sustainable procurement. EcoVadis's latest assessment shows a 13-point improvement in our score from 55/100 to 68/100, and ranks in the top 4% amongst its industry peers.
- JFL Holdings Sdn Bhd, the concession holder of the Group's plantations in Malaysia, has received the Malaysian Sustainable Palm Oil (MSPO) certification, which was granted by the Malaysian Palm Oil Certification Council (MPOCC).
- Established a collaboration with China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters ("**CCCMC**") to foster sustainable development of natural rubber.

### **Continuous review of our capital structure**

The Company has successfully completed the issuance of the perpetual securities of US\$200 million on 18 November 2020. The securities carry an annual fixed distribution rate of 3.8%, payable semi-annual for the first five years. It is also classified as equity, which improved the Group's leverage ratio and stand the Group in good stead in obtaining better financing terms from its financing partners.

Mr Jeremy Loh, Chief Financial Officer, commented, "*The work does not stop here. Building on the success of the issuance of the perpetual securities, we have made encouraging progress in our refinancing negotiations. We are confident that we'll be able to close this relatively soon, and Sinochem International Corporation, our major shareholder has also provided its strong support to ensure its successful completion. It is our goal to continuously optimise our financial structure.*"

The Group is also undertaking a review of all of its assets portfolio to identify underperforming assets for possible divestment. The objective of this exercise is to raise cash to reduce the Group's borrowings, and/or re-deployed on assets that produce better returns.

### **Industry trends and outlook**

Natural rubber prices (indicated by SICOM TSR20 1st position) having ended H1 2020 on a price of US\$1,134 per MT, have reached a high of US\$1,764 on 28 October 2020, before closing off 2020 at US\$1,503. This represents a 32.5% improvement from June 2020 close, and 3.7% higher than December 2019 close of US\$1,450. The rubber prices continue to strengthen in 2021, closing at US\$1,706 per MT as of 19 February 2021 – a further 17.7% improvement.

The improvement in natural rubber prices are supported by expectation of improved consumption of natural rubber from 2021 onwards.

Key analysts' consensus have pointed towards a stronger growth in 2021. The International Monetary Fund ("IMF") has projected a global GDP growth of 5.5% for 2021. On the other hand, the International Rubber Study Group ("IRSG") has projected a 7.0% year-on-year growth in the global natural rubber consumption in 2021.

### COVID-19: The Great Realisation

COVID-19 pandemic has accelerated the shift towards e-commerce and the low-touch economy, which brought an unprecedented level of emphasis towards supply chain connectivity. While the passenger cars' driven miles reduce as people travelled less and adopted telecommuting arrangements, the booming e-commerce industry have boosted the utilisation of delivery vehicles around the world, connecting the supply chain from the first mile to the last mile.

Besides, natural rubber's anti-microbial properties have proven to be critical during the pandemic, evidenced by the spike in the gloves consumption and its prices. Even with the mass vaccination programme in near future, the demand for personal protective equipment is not expected to wane due to the awareness and emphasis on hygiene both on personal and medical perspective. This means that the gloves consumption will remain strong for years to come.

The above two narratives have a common denominator – tyres that power the delivery vehicles are made out of natural rubber; gloves that are quintessential in protecting us from microbes, is also made out of natural rubber. Demand for natural rubber will remain robust.

On the other hand, supply is dwindling. Minimal new plantings in the past few years, under-maintenance of rubber trees due to unremunerative prices, have left the trees to be vulnerable to diseases which permanently affects its yield. These issues are structural: Trees can't grow faster, and nor does the sick or dead trees can be revived or rejuvenated.

**Inferring from the above observations, the future growth in natural rubber demand is likely to outpace the growth in its supply, barring unforeseen circumstances. Being a connected and integrated supply chain manager, Halcyon Agri is well-positioned to capitalise on these post-pandemic opportunities.**

#### Closing thoughts from the CEO

Commenting on his expectations of the industry, Mr Li added, *“Amid bullish sentiments in the recent months, we are mindful of the potential effects of the recent resurgence in global COVID-19 cases, and the emergence of new virus strains, which may potentially disrupt the economic growth trajectory. Notwithstanding, we are cautiously optimistic in the prospects of natural rubber.”*

*“The COVID-19 pandemic has exemplified the importance of natural rubber. Hevea brasiliensis is the common ingredient that is fundamental to mobility (tyres) and healthcare (gloves and medical equipment), being two of the most prevalent themes at the moment. **It goes without saying that our products keep the world moving, and keep people safe.**”*

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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 1.6 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 15,000 employees in over 50 locations.

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

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