



**HALCYON** AGRI

# Q3 2014 Results

5 December 2014



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## 1. Q3 2014 results

## Sales volume

- Total sales volume of 66,650 mT for Q3 2014, up 244% over Q3 2013
- Approximately 2 months contribution from Anson to Q3 2014, adding 43,698 mT and US\$71.7m sales revenue

## Margins

- Margins compressed as the market price for natural rubber continued to decline, reaching a new low for the quarter of US\$1,448 per mT in September
- Revenue per mT recorded at an average premium to market of US\$77, lower than prior quarters but consistent with 2013
- Gross material profit per mT for Q3 2014 of US\$239 per tonne

## Corporate actions

- Anson acquisition completed on 12 August and contributing to financial results
- New Continent Enterprises acquisition announced and subsequently completed on 30 September
- S\$18.45m equity placement to Mr Goi Seng Hui completed on 8 September

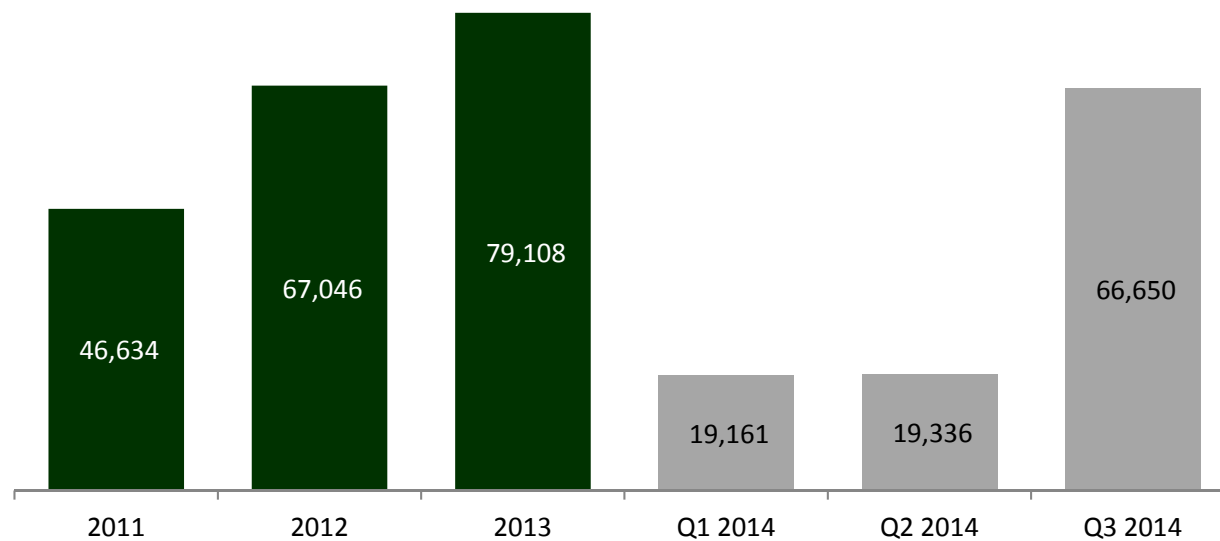
## Income statement highlights

US\$m	9M		Q3	
	2014	2013	2014	2013
Revenue	191.6	151.4	113.7	47.4
Gross profit	11.6	16.0	5.3	6.5
Operating profit <sup>1</sup>	4.1	10.4	2.3	4.4
EBITDA <sup>1</sup>	6.7	11.1	4.0	4.6
Net(loss)/ profit <sup>1</sup>	(2.5)	8.1	(3.6)	3.6
Sales volume (tonnes)	105,147	55,822	66,650	19,362
Gross material profit per mT (US\$)	265	413	239	449
EBITDA per mT (US\$) <sup>1</sup>	64.2	198.3	59.4	237.9

Note (1) Results have been adjusted to exclude non-recurring expenses of US\$13.0 million in Q3 2014 (Q3 2013 US\$0.1m) and US\$13.1m in 9M 2014 (9M 2013 US\$0.5m)

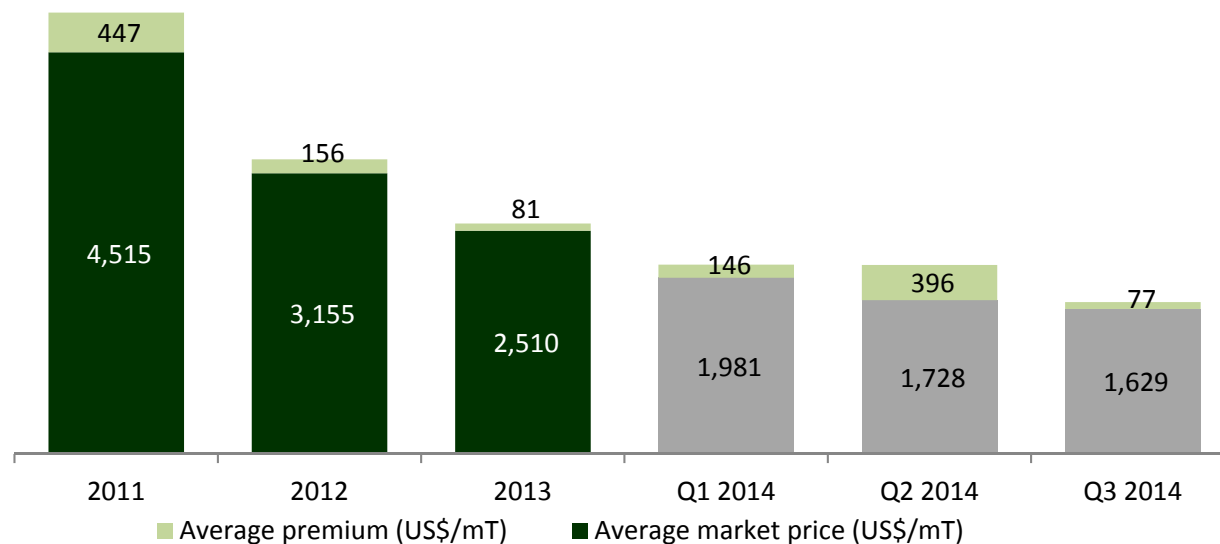
# Sales volume and selling price

## Sales volume (mT)



- Anson contributed 43,698 mT to Q3 2014
- Excluding Anson, sales volume increased by 19% over Q2 2014

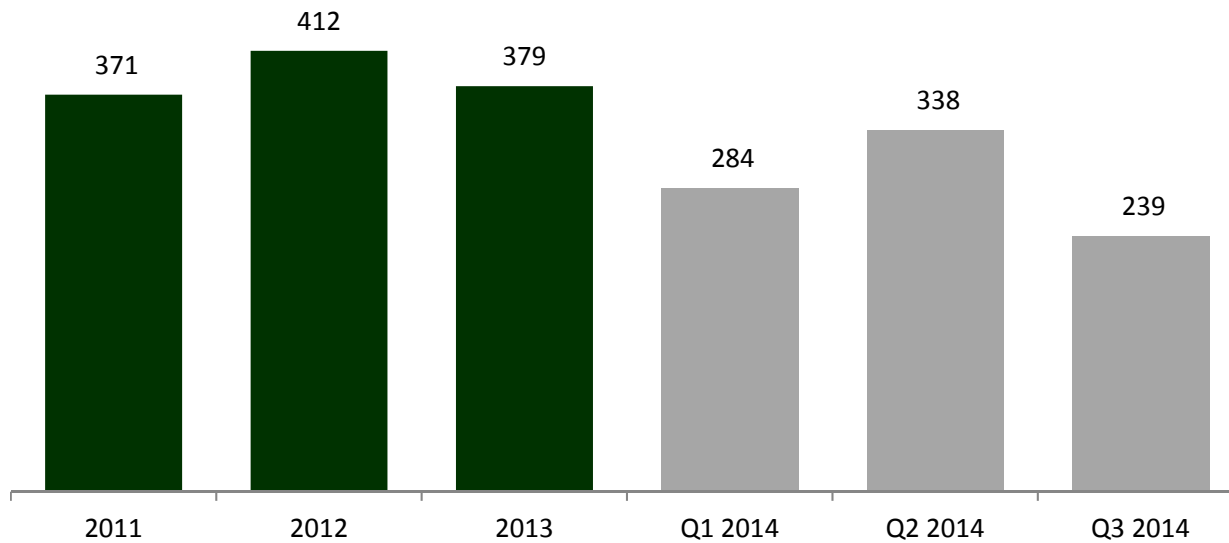
## Average market price & premium (US\$ per mT)



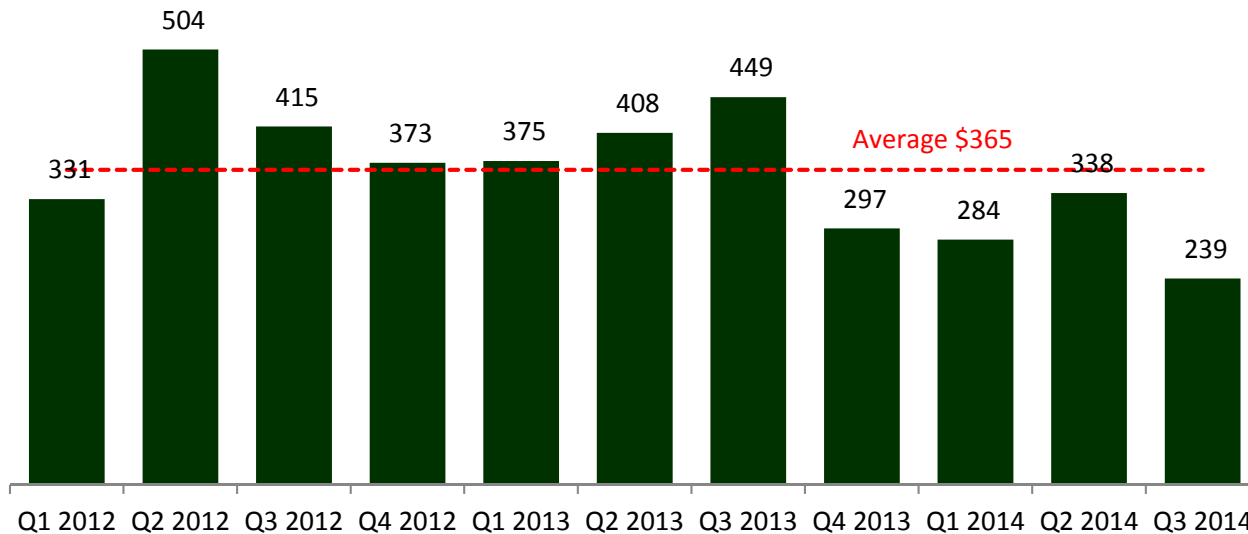
- TSR20 prices in decline since 2011
- Low of US\$1,380 per mT in October 2014
- Solid outperformance vs market

Note: Premium reflects the difference between the average market price per tonne and the average revenue per mT, which includes any gain/loss from risk management activities

## Gross material profit (US\$ per mT)



## Quarterly gross material profit (US\$ per mT)

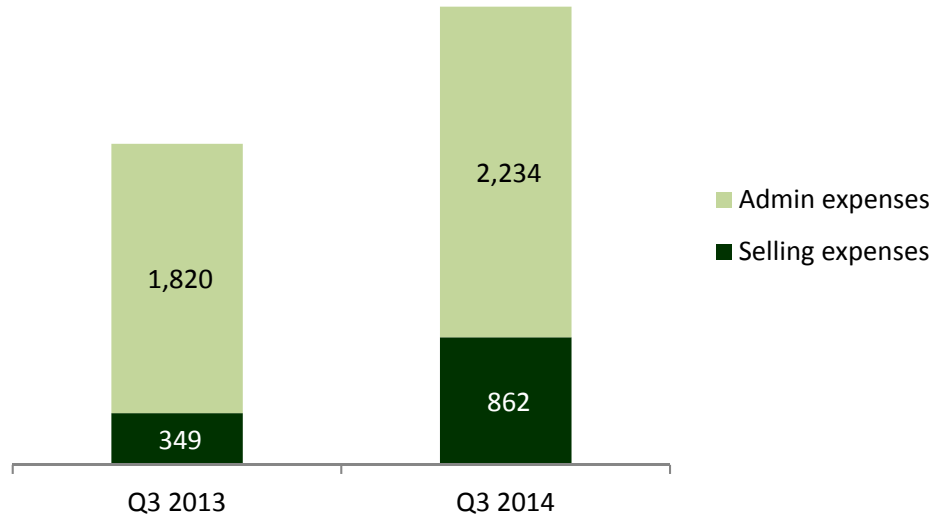


- GMP continues to be pressured by restricted raw material supplies as a result of ongoing low market prices

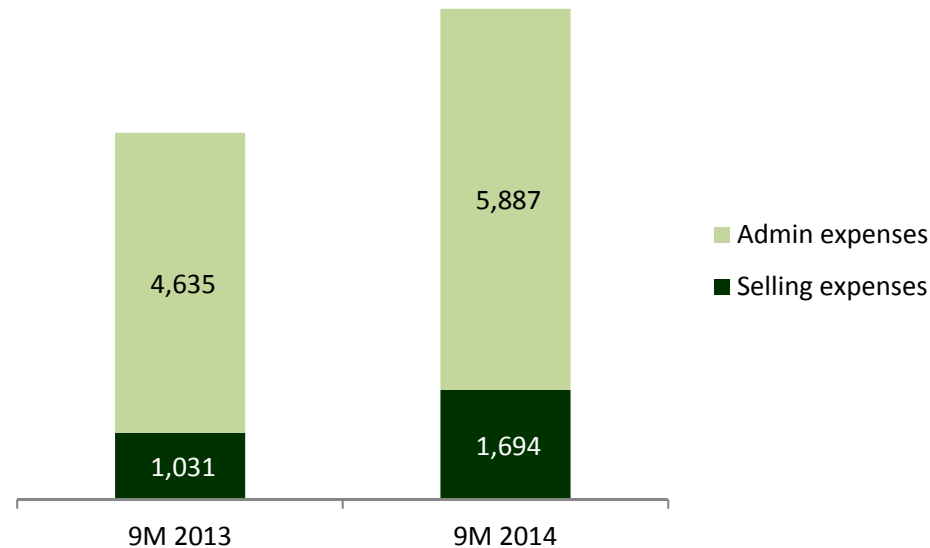


# Selling, general & administrative expenses

## SG&A Q3 2014 (US\$'000)

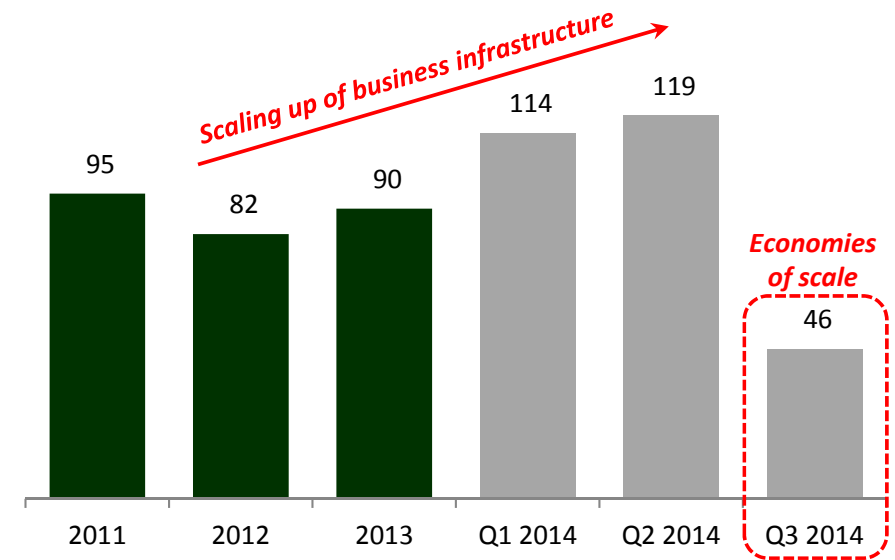


## SG&A 9M 2014 (US\$'000)



Note: Amounts have been adjusted to exclude non-recurring expenses

## SG&A per mT of sales volume (US\$)



- Significant investment has been made in establishing appropriate business infrastructure and resources to support significant expansion in scale
- Benefits of scale beginning to be realised, as SG&A expenses amortised over a significantly larger production base

# Cash flow

US\$m	9M		Q3	
	2014	2013	2014	2013
Net cash from operating activities, before working capital changes <sup>1</sup>	2.0	8.6	0.3	2.3
Changes in working capital	7.5	(9.3)	17.9	(2.1)
Net cash generated (used in)/from operating activities <sup>1</sup>	9.5	(0.7)	18.2	0.2
Non-recurring items	(13.1)	(0.5)	(13.0)	(0.1)
Investing activities	(317.0)	(7.0)	(282.5)	(1.3)
Financing activities	395.3	27.4	373.6	3.4
Net increase in cash	74.7	19.2	96.3	2.2

Note (1) Results have been adjusted to exclude non-recurring expenses of US\$13.0 million in Q3 2014 (Q3 2013 US\$0.1m) and US\$13.1m in 9M 2014 (9M 2013 US\$0.5m)

- Major cash movements relate to acquisition of Anson & associated financing

# Balance sheet

US\$m	30-Sep-14	31-Dec-13
<b>Total assets</b>	<b>684.7</b>	<b>107.8</b>
Working capital cash and bank balances	72.6	14.9
Inventories	82.6	16.4
Trade receivables	67.5	7.3
<b>Total working capital assets</b>	<b>222.7</b>	<b>38.6</b>
Cash reserved for strategic purposes <sup>1</sup>	45.0	-
<b>Total liabilities</b>	<b>(517.8)</b>	<b>(27.6)</b>
Trade payables	(11.1)	-
Working capital loans (current)	(66.5)	(15.3)
<b>Total working capital liabilities</b>	<b>(77.6)</b>	<b>(15.3)</b>
Term loans and MTN	(346.2)	(5.8)
<b>Total Equity</b>	<b>166.9</b>	<b>80.2</b>
<b>Net working capital</b>	<b>145.1</b>	<b>23.3</b>

Note (1) Cash reserved for strategic purposes represents amounts payable to the vendors of JFL Agro and New Continent Enterprises

- Significant expansion of balance sheet due to acquisition of Anson and associated financing

## 2. Key developments in Q3 2014

## Business model in place

- Top 5 global producer and merchandiser of natural rubber
- Extensive natural rubber origination capabilities, ranging from owned plantations to raw material feedstock and finished products from all major origins globally
- Large scale natural rubber production capacity for Indonesia and Malaysia origin rubber
- Global distribution strength, with a network of procurement and sales offices and logistics assets in South East Asia, China, Europe and the United States
- Highly experienced senior management team and workforce of nearly 4,000 employees





## Grow

- Halcyon Agri owns approximately 10,000ha of Sultanate land in Kelantan State, Malaysia
- 7,200ha being established as natural rubber plantation
- First tapping expected 2020
- Production will include latex and cup-lump. Pristine raw material for premium applications (eg. adhesives, medical)
- Estate management services to bring best practices and route to market for third party plantations

## Procure

- Raw material from smallholders , providing feedstock to processing facilities in Indonesia and Malaysia
  - aggregate sourcing reach covers approximately 500,000 ha
- Off-specification TSR and other grades procured for reprocessing to meet customer requirements
- High quality finished goods sourced for distribution through Halcyon Agri's global network
  - sourcing reaches natural rubber producers of all major origins including South East Asia, India, Sri Lanka, West Africa and Central America
  - strategic sourcing office in Vietnam to access natural rubber from emerging producers in Vietnam, Laos and Cambodia

# Produce: 14 factories with a total licensed export capacity of 748,000 metric tonnes

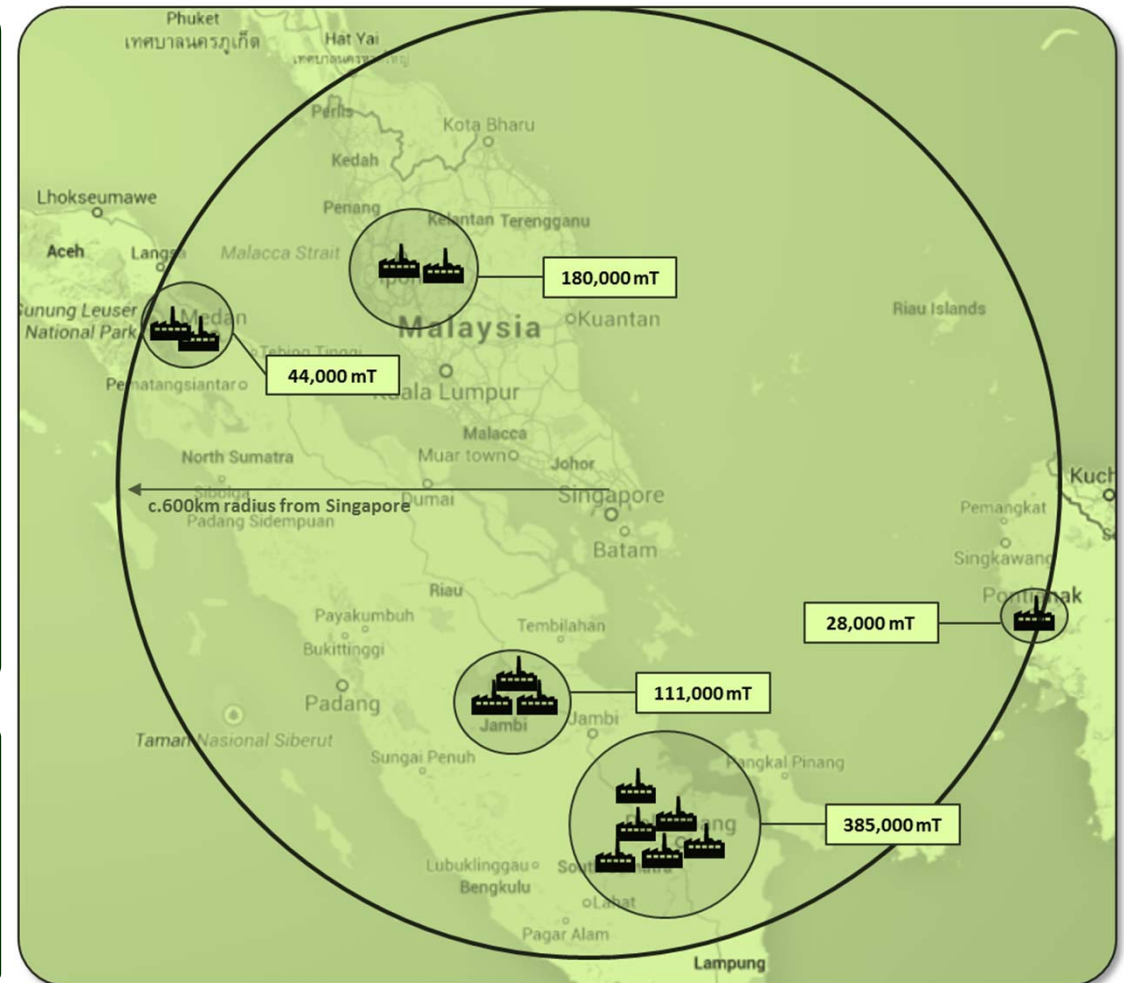


## Halcyon Agri's processing assets: Indonesia

Factory	Location	Licensed Capacity
PT Hevea MK I	Palembang, South Sumatra	55,000
PT Hevea MK II	Palembang, South Sumatra	55,000
PT Hok Tong I Palembang	Palembang, South Sumatra	65,000
PT Hok Tong II Palembang	Palembang, South Sumatra	100,000
PT Remco Palembang	Palembang, South Sumatra	50,000
PT Sunan Rubber Palembang	Palembang, South Sumatra	60,000
PT Hevea GE	Jambi, Central Sumatra	50,000
PT Remco Jambi	Jambi, Central Sumatra	36,000
PT Hok Tong Jambi	Jambi, Central Sumatra	25,000
PT Hok Tong Pontianak	Pontianak, West Kalimantan	28,000
PT Rubber Hock Lie Sunggal	Medan, North Sumatra	19,000
PT Rubber Hock Lie Rantau Prapat	Medan, North Sumatra	25,000
<b>Total</b>		<b>568,000</b>

## Halcyon Agri's processing assets: Malaysia

Factory	Location	Licensed Capacity
Hevea KB I	Ipoh, Perak	90,000
Hevea KB II	Ipoh, Perak	90,000
<b>Total</b>		<b>180,000</b>



# Distribute: global distribution network servicing an extensive customer base



HEVEA GLOBAL

 New Continent Enterprises Pte Ltd

## Long established customer relationships

- Customer relationships in many cases span decades and in some cases more than 50 years
- Approved supplier to leading global tire producers and production approved for delivery against SGX futures

## Global reach

- Sales and sourcing offices in key locations in South East Asia, China, Europe and the United States connecting to a global customer base
- 8 warehouses/tanks across Europe, US and Asia

## Logistics excellence

- Full service logistics capability
- Best-in-class customs, documentation, warehousing and transshipment capabilities
- Reputation for excellence





### 3. Outlook

## Near term environment

- Natural rubber market price continues to create a challenging environment, though signs of a recovery are beginning to emerge
  - price declined further following Q3 2014, to reach a new low of \$1,387 per mT on 1 October 2014
  - subsequently recovered, currently around US\$1,500 per mT
- Price levels are unsustainable and do not reflect fundamentals. Continued recovery expected, though timing is difficult to predict

## Positioned for growth

- With Halcyon Agri's business model now in place, rewards of recent acquisitions to be realised over the coming year
- Full year contributions of acquired assets and ramping up of production to drive significant production and sales volume growth
- Economies of scale of SG&A costs across higher volumes to positively impact bottom line margins
- Significant long term growth expected in natural rubber demand, driven by emerging market appetite for motor vehicles
- Halcyon Agri positioned at the heart of this structural growth



# HALCYON AGRI

