



# Q2 & H1 2019 Results Presentation

13 August 2019

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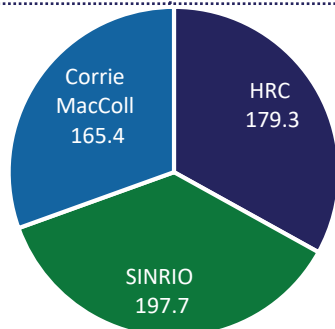


# Q2 2019 Financial Highlights

# Q2 2019 Group performance overview

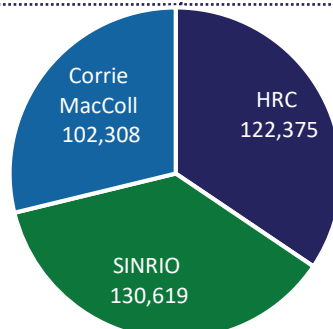
## Revenue (US\$m)<sup>1</sup>

Q2 2019	H1 2019
512.1	911.9



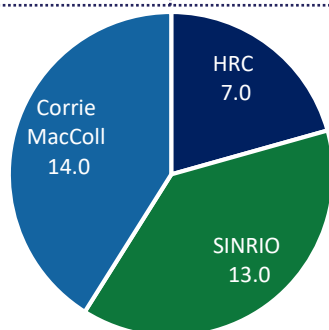
## Sales Volume (mT)<sup>1</sup>

Q2 2019	H1 2019
334,136	612,490



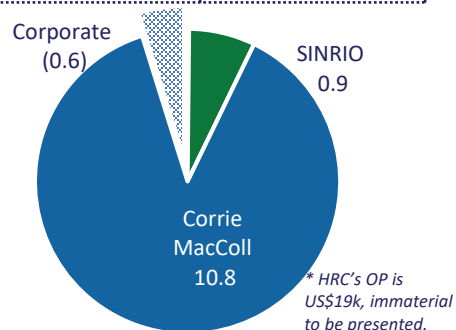
## Gross Profit (US\$m)

Q2 2019	H1 2019
34.0	65.7



## Op. Profit (US\$m)<sup>2</sup>

Q2 2019	H1 2019
11.1	14.6



## Balance sheet overview

US\$ in millions	Jun-19	Mar-19	Dec-18	Sep-18
<u>Assets partially funded by debt</u>				
WC employed	636.9	659.3	539.4	513.8
Working capital loans	630.9	636.4	520.4	507.4
<b>% WC efficiency</b>	<b>99.1%</b>	<b>96.5%</b>	<b>96.5%</b>	<b>98.8%</b>
Operational long term assets	954.0	943.4	938.7	923.6
Other borrowings	481.6	561.7	391.6	394.2
<b>% Fixed asset gearing</b>	<b>50.5%</b>	<b>59.5%</b>	<b>41.7%</b>	<b>42.7%</b>
<u>Assets fully funded by equity</u>				
Cash and cash equivalents	60.3	133.0	122.9	122.5
Non-core assets	48.5	48.0	46.8	93.2
<b>Total equity<sup>3</sup></b>	<b>587.2</b>	<b>585.4</b>	<b>735.9</b>	<b>751.4</b>
NAV per share (US cents)	36.8	36.7	46.1	47.1
NAV per share (SG cents) <sup>2</sup>	49.8	49.6	63.0	64.4

Note 1: Please refer to the announcement for the definition of working capital employed, operational long term assets, cash and cash equivalents and non-core assets.

Note 2: Translated at the closing exchange rates for each respective period.

Note 3: Inclusive of perpetual securities of US\$150m for Sep and Dec-18.

<sup>1</sup> Includes intersegment revenue and volume of US\$30.2million and 21,165 MT respectively.

<sup>2</sup> Included within Corporate is management fee income of US\$3.9m, in which US\$2.9m is allocated to HRC and US\$1.0m is absorbed by SINRIO.

# Q2 2019 Group performance overview (Contd.)

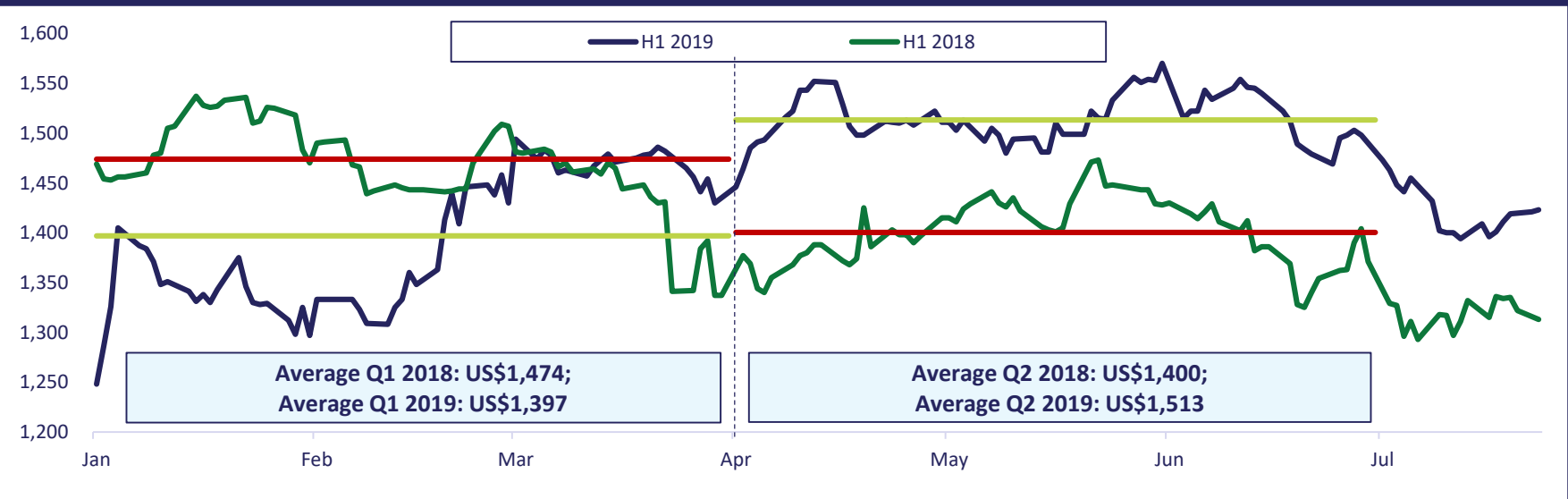
## Headline Financials

US\$ in millions	Q2 2019	H1 2019
Revenue	512.1	911.9
Gross profit	34.0	65.7
Operating profit	11.1	14.6
EBITDA	19.5	30.3
Profit/(Loss) before tax	1.7	(2.7)

## Headline Commentary

- The Group observed slight improvement in profitability in Q2 2019, following the increase in sales volume as a result of marginally improved global sentiment.
- The redemption of perpetual securities on 26 April 2019 through a mixture of banking facilities as well as existing cash, resulted in the increase of Q2 2019 financing costs.
- Progressive recovery of our share of plantation community development expenses from the Cameroonian government.

## Market Prices Movement (SGX SICOM TSR20 First Position – in US\$ per mT)



# Income Statement Highlights

US\$m	Q2 ended 30 June			H1 ended 30 June		
	2019	2018	▲%	2019	2018	▲%
		(Restated)			(Restated)	
Revenue	512.1	574.1	-10.8%	911.9	1,049.8	-13.1%
Gross profit	34.0	40.5	-16.2%	65.7	69.0	-4.8%
Operating profit	11.1	2.0	451.2%	14.6	6.7	119.6%
Operating profit/(loss) after working capital interest	4.2	(3.0)	n.m.	2.5	(0.2)	n.m.
EBITDA	19.5	9.5	105.2%	30.3	21.3	42.3%
EBITDA after working capital interest	12.6	4.5	179.0%	18.2	14.4	26.3%
Net income/(loss)	1.2	(5.8)	n.m.	(3.8)	(5.6)	-31.9%
<hr/>						
Sales volume (mT)	334,136	374,216	-10.7%	612,490	680,716	-10.0%
Average selling price (US\$)	1,533	1,534	-0.1%	1,489	1,542	-3.5%
Gross profit per mT (US\$)	102	108	-6.1%	107	101	5.8%
Operating profit per mT (US\$)	33	5	517.3%	24	10	144.0%
Operating profit/(loss) after working capital interest per mT (US\$)	13	(8)	n.m.	4	(0)	n.m.
EBITDA per mT (US\$)	58	25	129.8%	50	31	58.2%
EBITDA after working capital interest per mT (US\$)	38	12	212.4%	30	21	40.3%

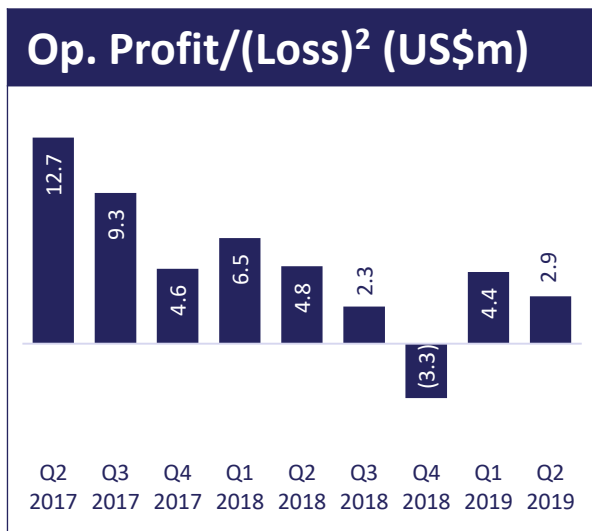
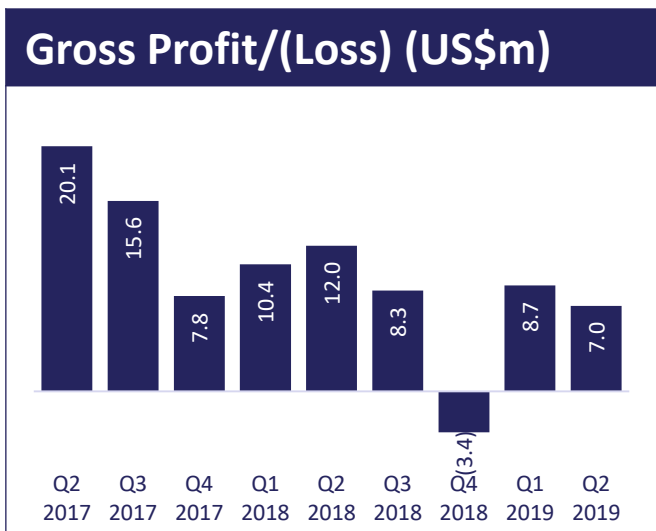
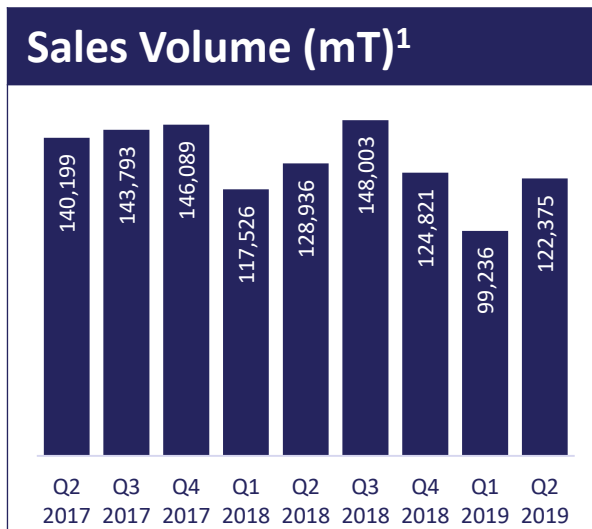
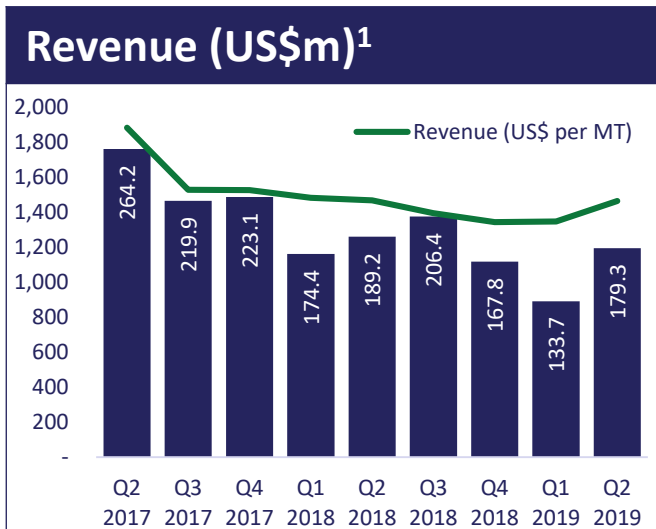
Note: Please refer to the announcement for details of the restatement of Q2 2018 and H1 2018 financials.

n.m.: Not meaningful



# Segmental Performance

# Halcyon Rubber Company (HRC)



- Strong recovery in Q2 sales volume following the end of wintering season.
- Despite the increase in sales volume, the gross profit decreased mainly due to tight raw materials situation as a result of leaf and root diseases.
- The inverted market structure added further pressure on margins as raw materials were priced against spot month, but outright sales market tends to be 1-2 months forward. See Appendix for further analysis.

<sup>1</sup> Includes intersegment figures

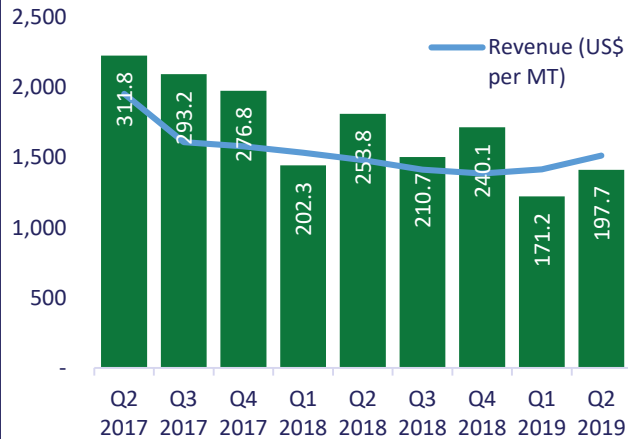
<sup>2</sup> Adjusted for management fees

\* The Group's Ivory Coast operations has been recessed to SINRIO Group effective 1 Jan 2019, and the relevant financials have been readjusted to that effect..

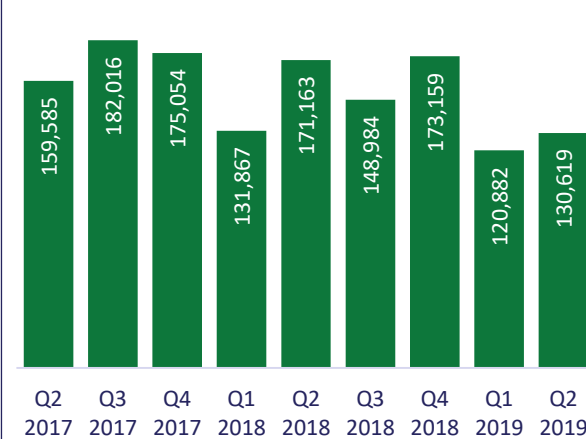


# SINRIO

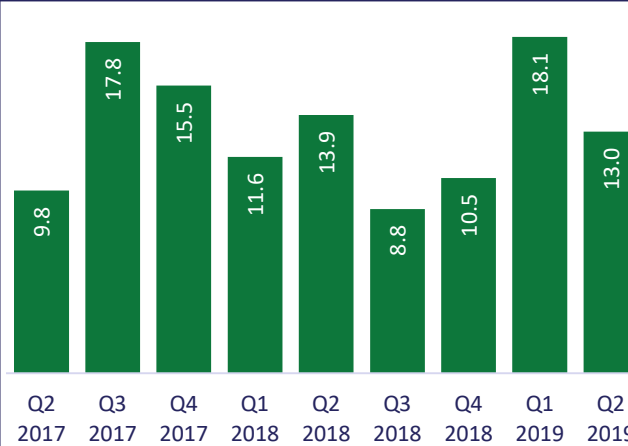
## Revenue (US\$m)<sup>1</sup>



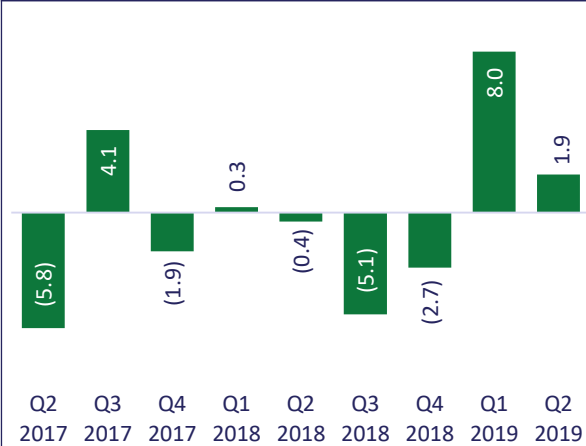
## Sales Volume (mT)<sup>1</sup>



## Gross Profit (US\$m)



## Op. Profit/(Loss)<sup>2</sup> (US\$m)



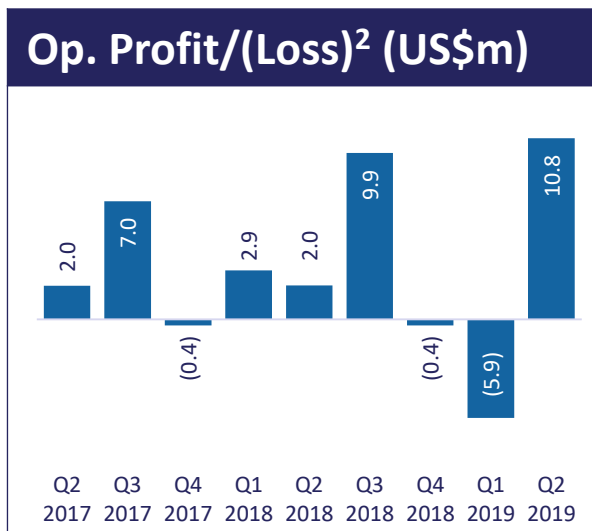
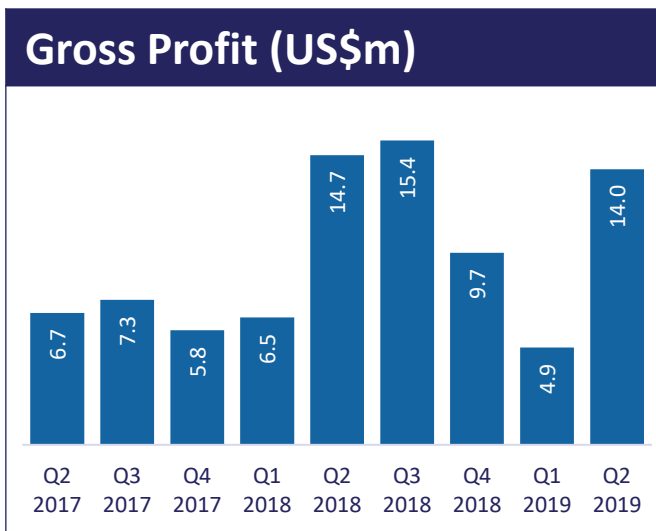
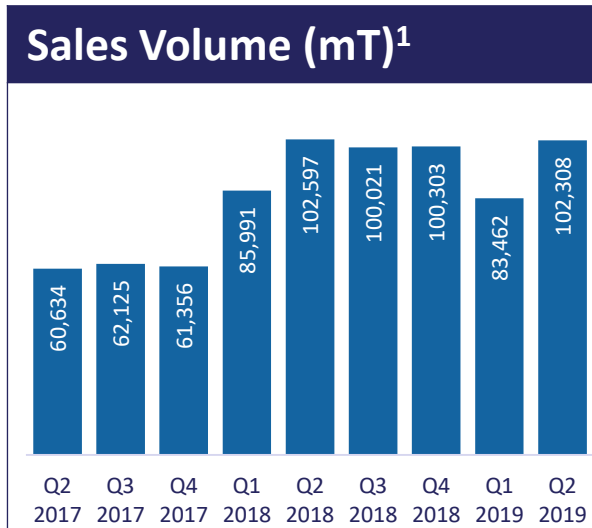
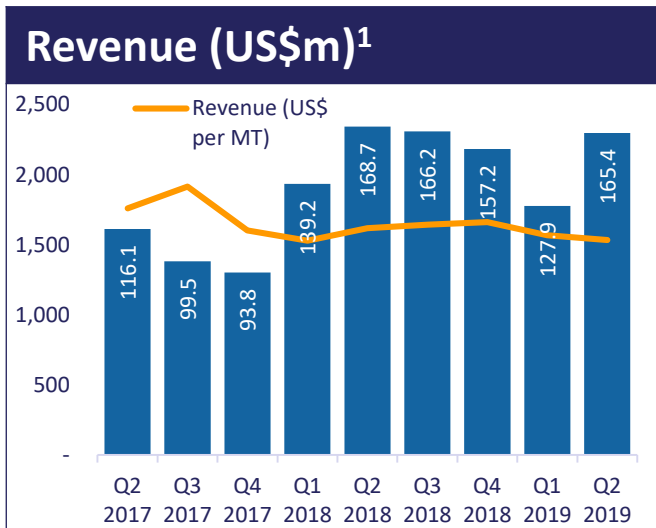
- Sales volume has improved despite slowing growth/demand from China.
- Despite the increase in volume, the gross profit has decreased due to relatively higher raw material prices, as the procurement of raw materials remains challenging in Malaysia and Thailand due to extended wintering season.

<sup>1</sup> Includes intersegment figures

<sup>2</sup> Adjusted for management fees

\* The Group's Ivory Coast operations has been recessed from HRC Group effective 1 Jan 2019, and the relevant financials have been readjusted to that effect.

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- Returned to profitability in Q2 2019 due to higher volumes and the improvement in the latex margins during the quarter.
- Despite market slowdown in automotive OEM sales, CMC was able to gain market share mainly because of the available inventory for spot delivery at key destinations.
- Validation of recoverable social charges by the Cameroonian government led to one-off gain in Q2.

<sup>1</sup> Includes intersegment figures  
<sup>2</sup> Adjusted for management fees.



# Cash Flows

# Cash Flows

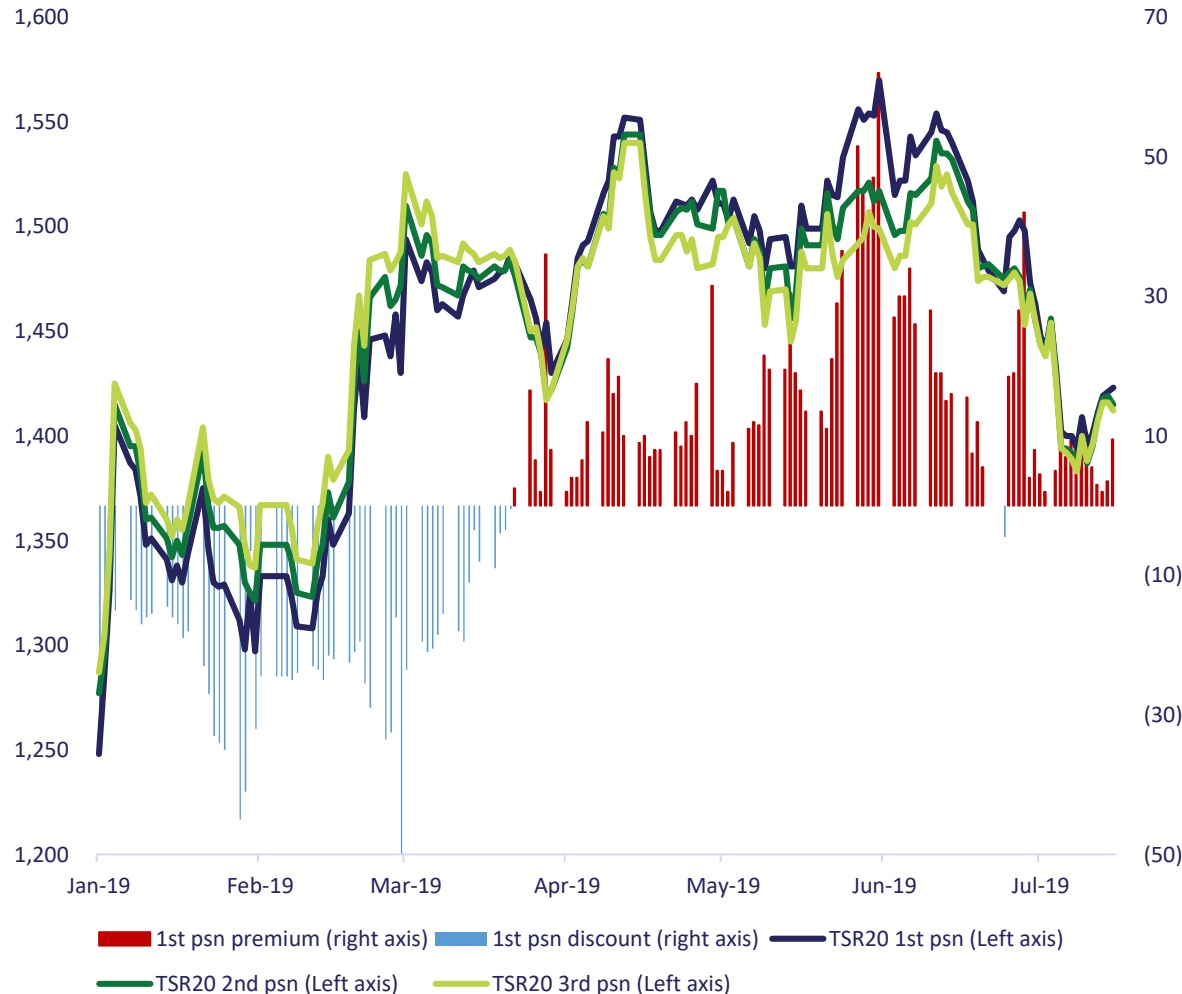
US\$m	Q2 ended 30 June		H1 ended 30 June	
	2019	2018	2019	2018
Operating cash flows before working capital changes	14.7	6.5	14.2	18.1
Changes in working capital	17.2	3.8	(26.4)	(104.0)
Payment of taxes and working capital loan interests	(8.9)	(4.8)	(16.0)	(8.8)
<b>Cash flow generated from/(used in) operating activities</b>	<b>23.0</b>	<b>5.5</b>	<b>(28.2)</b>	<b>(94.7)</b>
Cash flow used in investing activities	(13.4)	(76.7)	(28.1)	(159.1)
Cash flow used in redemption of perpetual securities	(150.0)	-	(150.0)	-
Cash flow generated from financing activities	55.0	32.0	187.2	229.9
<b>Net changes in cash and cash equivalents</b>	<b>(85.4)</b>	<b>(39.2)</b>	<b>(19.1)</b>	<b>(23.9)</b>

# Appendix

The background features a series of parallel diagonal stripes. From top-left to bottom-right, the stripes are: a dark blue stripe, a light blue stripe, a green stripe, and another dark blue stripe. The stripes are separated by white space, creating a dynamic, geometric pattern.

# Review of forward vs nearby price relationship in SICOM TSR20

Market structure of SGX TSR20 contracts (expressed in US\$ per MT); abnormal pattern of inversion



- Q1 2019 represents the normal market conditions, with an ascending forward curve (i.e. first position lower than subsequent positions).
- However, in Q2 2019, the emergence of inverted market (i.e. first position higher than subsequent positions with a descending forward curve) might have been driven by speculative activities as well as supply-side uncertainty.
- It is noted that the trend has reversed since and the abovementioned market anomaly has disappeared.
- An uncertain and unpredictable market is disadvantageous to rubber processors as margin compression occurs with the raw materials being priced on higher nearby prices, whereas spot sales made based on lower forward prices.
- **The current market condition does not reflect the cost to produce Technically Specified Rubber.**



**Thank you**