

# JB FOODS LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 201200268D)  
(the "Company")

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## SHAREHOLDERS' QUESTIONS IN RELATION TO THE ANNUAL REPORT 2023

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The board of directors (the "Board") of JB Foods Limited (the "Company", or the "Group") refers to the Company's announcement dated 9 April 2024 on the Annual Report for the financial year ended 31 December 2023 (the "Announcement"). Further to the Announcement, the Board received several questions from the shareholders. The Board would like to thank the shareholders for the questions raised and is pleased to respond as follows:

**Q1. From your point of view, what are your customers' saying in terms of demand for butter / powder at current prices for the next 12 months?**

**Response:** With the current higher bean prices as compared to before, some of the Company's customers have increased their selling prices and passed on the higher bean costs to the end customers. Some of the Company's customers are more cautious given the high bean price situation, and some of the customers indicated they are developing new recipe by using lesser cocoa ingredients. Therefore, the demand for butter / powder is subject to the reactions of end consumers and the industry is constantly monitoring the situation.

**Q2. With the combined ratio now at 3.6x, per Barry Callebaut's FY23/24 results, can we expect a turnaround in profitability for JBF?**

- a. The last time the ratio was at such levels in 2018 and 2022, JBF saw improved profitability + margins. Can one extrapolate the same?
- b. Can we expect the combined ratio to go higher?

**Response:** With the increased bean prices, the industry requires a higher combined ratio to achieve a breakeven on the costs. However, this is subject to market condition, namely, whether the customers are willing to continue pay at a higher combined ratio if bean prices remain at the current level or increase further.

**Q3. Given the current supply dynamics for cocoa, which may see a continued shortage into 2025, does it change the fixed margin structure of processors? Are customers trying to re-negotiate their contract terms, and in what direction are they re-negotiating it?**

**Response:** The cocoa bean price is a pass-through cost given that the Company has adjusted the selling prices relative to the increase in cost. Having said that, the current cocoa bean shortage is unprecedented, and industry players face challenges in securing an adequate and consistent supply to meet their production demands. This scarcity can lead to increased competition among processors for the available cocoa beans, which in turn can drive up prices. Accordingly, cocoa processors may face higher input costs for cocoa beans, which can reduce their profit margins if they are unable to pass on these increased costs to their customers.

Industry players are using their best efforts to negotiate the delivery arrangements in light of the global cocoa bean supply situation.

**Q4. With cocoa prices at current levels, are your customers scaling back on demand for butter / powder? How will this impact your processing utilization?**

**Response:** Currently, the Company has not observed any significant scaling back of the demand for butter or powder, and the Company continues to operate at the optimum level, meeting the customers' demands while managing the cocoa bean shortage. However, this might change in the future if the cocoa bean price continues to stay at high level.

**Q5. Lastly, does JBF have sufficient working capital to purchase cocoa beans for processing at such high prices? Your net gearing is at a 10 year high of 138%, due to higher borrowings (presumably for working capital purposes).**

**a. Will JBF be able to raise sufficient funds to meet its working capital needs?**

**Response:** The Group's existing financial institutions have provided and extended additional working capital facilities to the Group to manage the high bean prices.

**b. Also, any concern on receivables? Receivable days are in-line with historical levels, but wondering if you are seeing any customers asking for longer payment times / potentially defaulting.**

**Response:** The trade receivable collection cycles remain healthy notwithstanding the higher bean prices. Given the higher bean prices and working capital requirements, the Group has discussed and negotiated with certain customers to shorten the payment terms granted. This would help the Group manage and lower the overall working capital cycles.

**BY ORDER OF THE BOARD**

**CHIN KOON YEW**

Independent Director & Chairman

18 April 2024