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**RESPONSES TO FY2024 AGM QUESTIONS FROM SHAREHOLDERS**

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The Board of Directors (the “**Board**”) of Grand Banks Yachts Limited (“Grand Banks” or the “Company”) refers to the Company’s FY2024 Annual Report and the Notice of Annual General Meeting (“AGM”) announced on SGXNet on 7 October 2024 and updated on 18 October 2024, in particular, requesting for shareholders to submit questions in advance of the AGM.

The Company would like to thank shareholders for submitting their questions in advance of our AGM. Please refer to the questions received from shareholders, and the Board and Management’s responses.

**Question 1**

- i) In 2H2024, the Group’s Inventory increased to S\$29.6 million from S\$16.05 million in 1H24, mainly due to higher work in progress (which increased S\$5 million), and stock boat (which increased S\$10 million). Can the company explain to us what were the reasons behind these big jumps?**

The increase in inventory was due to the higher number of Work-in-Progress boats under construction as at 30 June 2024 (2H FY2024) compared to 31 December 2023 (1H FY2024).

In addition, the Group held three stock (traded-in) boats as at 30 June 2024, compared to none as at 31 December 2023.

The reason behind these increases is a reflection of the activity level.

- ii) Has the company operation policy changed to make more stock boats for sale?**

The Group prioritises the construction of built-to-order/pre-sold boats to ensure timely delivery to our customers, stock boats are constructed where there is spare capacity or for the development of new models for marketing purposes.

There is no change to the Group’s policy on the construction of stock boats.

**Question 2**

- Selling and marketing expenses were reduced dramatically from S\$8.5 million in 1H24 to S\$3.1 million in 2H24. Can we know what are the reasons behind this? Are structural changes happening for selling and marketing activities?**

The decrease in selling and marketing expenses is attributable to the accounting reclassification of goodwill warranties from Selling and Marketing Expenses to Cost of Sales. Goodwill warranties primarily cover boat repairs and services rendered to clients outside of the contractual warranty period, in line with our commitment to delivering excellent after-sales service to foster long-term customer loyalty.

Prior to FY2024, goodwill warranties were classified as Selling and Marketing costs. In FY2024, these were re-classified under Cost of Sales.

There was also the reversal of certain sales commissions which were no longer required, partially offset by higher professional fees [outlined in Note 13 of SGX announcement template released on 28 August 2024].

### **Question 3**

**What % of our sales came from referrals in the last few years, is this % continue moving upward trend?**

The Group does not track sales from referrals, which are generally on an informal basis.

### **Question 4**

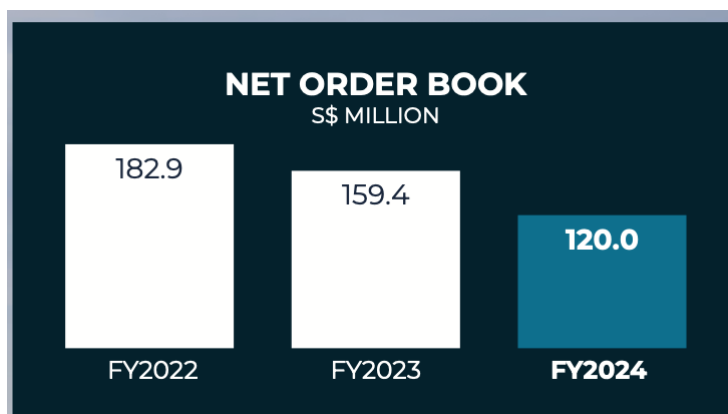
**With our products being better choices for our customers, how long will the competitors be able to catch up with our technology and may take away our market shares?**

The Group prides itself on its patented V-Warp Technology, our proprietary hull design and construction technique. It is valued by clients who seek superior performance and fuel efficiency. It complements our combination of exotic construction materials, unique build philosophy, and commitment to excellent customer service. With these attributes, the Group is confident that it will continue to maintain, if not grow, its market share in the coming years.

### **Question 5**

**On the issue of Order Book**

**On page 6 of the AR, I noted that the company's net order book has been dropping from a high of S\$182 million (in 2022) to S\$120 million (in 2024). Can the company share its strategies to address this fall in order book?**



In FY2022 and FY2023, the Group's net order book experienced a significant increase, largely driven by several factors:

1. Pent-up demand for boats during the COVID pandemic, as high net-worth individuals turned to luxury yachts as an alternative to leisure travel amid pandemic-related border restrictions;
2. Despite the cancellation of boat shows in the USA during the pandemic, the Group's pivot towards digital marketing and private cruise marketing helped maintain a healthy sales pipeline;
3. In 1H FY2022, the Group's manufacturing facility in Pasir Gudang, Johor, Malaysia, halted operations for nearly two and a half months between 1 June 2021 to mid-September 2021, in compliance with COVID-related restrictions in Malaysia. As a result, boat construction was delayed, and the Group could not convert the order book into revenue.

Post-pandemic, the Group improved scheduling and overtime policies to accelerate our boat-building activities and clear the backlog of orders. The return of global travel has also resulted in a general softening of short-term demand. This was further compounded by macroeconomic headwinds such as higher interest rates, higher operating costs as well as geopolitical tensions, resulting in a lower net order book for FY2024.

Nevertheless, the Group will continue to work towards building a strong sales pipeline to ensure the order book remains healthy.

### **Question 6**

**Has the company been more active in attending boat shows in 2024? (Say compared to 2023 and 2022?) Will attending more boat shows help the company to sell more yachts?**

Yes, our participation in boat shows across the USA, Europe and Australia has returned to pre-pandemic levels. Boat shows are the Group's main sales and marketing channel, and the Group will continue to maintain our presence at these key events.

### **Question 7**

#### **Revenue from Australia dropping**

Page 122 of AR shows that revenue from US customers are growing strongly while revenue from Australian customers have dropped drastically from 30.7m (2023) to 18.2m (2024), is the company able to identify the reasons why this has happened and taking acing steps to address this decline?

	2024 \$'000	Group 2023 \$'000
<b>Revenue contributed by primary geographical markets:</b>		
United States of America	<b>104,876</b>	69,964
Australia	<b>18,206</b>	30,792
Europe	<b>5,704</b>	11,787
Asia	<b>4,867</b>	1,628
	<b>133,653</b>	114,171

The increase in USA sales, which grew 49.9% to S\$104.9 million from S\$70.0 million, has more than offset the decline in sales in Australia. Given that boats sold in the USA generally command a higher price relative to their Australian counterparts, the Group is focused on growing sales in the former to deliver better returns. Nevertheless, Australia remains a key market for the Group and we will continue with marketing efforts there.

### **Question 8**

#### **Inventory / Stock boats**

**Pg 112/113 of the AR report states that "the Group agreed to the termination of two construction contracts.". Hence there is an increase in the amount on completed stock boats valued at \$10.4m (in 2024) vs \$2.27m (in 2023)**

**With an outstanding order book and unfulfilled customer orders, would the company be actively selling this stock boats?**

## 9 INVENTORIES

	Group	
	2024	2023
	\$'000	\$'000
Raw materials and components	15,722	17,343
Allowance for inventory obsolescence	(2,406)	(2,340)
	13,316	15,003
Completed stock boats	10,439	2,274
Work-in-progress	6,145	927
	29,900	18,204

To clarify, the termination of the 2 construction contracts did not result in an increase in Completed Stock Boats balance but an increase in the Work-in-Progress balance disclosed on Page 112 of the AR as these boats were uncompleted at the time of contract termination.

Yes; the Group is actively selling these stock boats. In fact, one of the terminated contracts was sold within FY2024.

### Question 9

#### Operating Expenses

Page 4 of the AR: CEO stated that "we streamlined our cost structures, lowering our total operating expenses to S\$21.6 million in FY2024 from S\$22.2 million in FY2023 due to lower sales commissions and reclassification of goodwill services"

Can the company explain why is "reclassification of goodwill services?"

Please see the Group's response to Question 2 above.

### Question 10

In company's 2H result announcement, I noted that company's "selling and marketing expense drop a lot in 4Q 2024 (3.1m vs 7.9m in 4Q2023). Is there a reason why this happened?"

Please see the Group's response to Question 2 above.

### Question 11

#### Roadshows and shareholder Engagement

Would like to thank the company for organising a yard tour and conduct results briefing. Hope that the company will continue to be active in engaging shareholders via its IR and company email

The Group notes shareholders' requests, and will plan to hold a tour at its manufacturing yard in Pasir Gudang, Johor, Malaysia, after the completion of its planned expansion.

### Question 12

#### Delay in the expansion of Pasir Gudang Yard

I noted that the Pasir Gudang yard expansion's completion date has been delayed from Aug 2024 (original completion date when the expansion was first announced) and now scheduled to be completed in Dec 2024. Is there a reason for the delay? Perhaps to change the configuration to accommodate bigger boats construction?

The delay was mainly due to inclement weather and delays in the delivery of certain machinery such as overhead cranes.

### **Question 13**

#### **NEW yacht Models**

**I notice that there are more Palm Beach Models being rolled out over the years versus Grand Banks models. Is there a reason why this is so? Is it because Palm beach models are selling better? Or more customers are asking for the new models that the company is rolling out under PM?**

The Group wishes to clarify that there are in fact more new Grand Banks (GB) models that have been/will be launched. However, there are more Palm Beach (PB) models in our product portfolio. Please see the launch details below:

<b>S/n</b>	<b>Launch Date</b>	<b>GB Model</b>	<b>S/n</b>	<b>Launch Date</b>	<b>PB Model</b>
1	May 2017	GB60	1	Apr 2016	PB42
2	Dec 2017	EB44	2	Apr 2019	GT50
3	Jun 2020	GB54	3	Jul 2019	PB70
4	May 2022	EB60	4	Feb 2020	GT60
5	Jul 2022	GB85	5	Est Jan 2025	PB85
6	Jun 2024	GB65	6	Est May 2026	GT70
7	Est Dec 2024	GB62	7	Est Jun 2027	PB107
8	Est Jul 2026	GB73			

### **Question 14**

**Can the company list out the various new models it has been rolling out over the years? For shareholders to better appreciate the big strides that has taken place under Mark's watch in turning GB around?**

The list of new models launched over the years and planned in the coming years is given in the response to Question 13.

**Lastly, would like to congratulate Mark and its board and management for delivering a stellar set of results in 2024. Looking forward to more good years**

The Group would like to thank all shareholders for their continued and loyal support, and remains committed to creating long-term shareholder value.

### **Question 15**

**Net order book has been declining for past few years as revenues increased. What would be the level required to keep the production facilities running at optimal capacity on a yearly basis considering the expanded factory areas? Is the company confident of achieving it for the foreseeable future?**

Please see the Group's response to Question 5. The Group believes maintaining a net order book equivalent to approximately one year's worth of annual revenue would be an optimal level for factory operations, striking a balance between financial performance and operational efficiency. The Group is cautiously optimistic of this level in the coming years.

### **Question 16**

**Stock boat value was \$10.1m from \$2.3m in FY 23. Were these traded-in boats manufactured by the company?**

Yes. These related to boats built by the company.

### **Question 17**

**In relation to the reclassification of goodwill services, please provide details of it.**

Please see the Group's response to Question 2.

### **Question 18**

In relation to better customer engagement, please explain how it was and is being carried out.

For pre-contract client engagements, these are through our various marketing channels: Website(s), Company Database and external paid Database, email Campaigns (EDM), Boat Shows, Company and Sponsored Events, Social channels; (Facebook, LinkedIn, Instagram, YouTube), Global Print and Digital media campaigns and Public Relations opportunities.

Leads are tracked via a CRM system which distributes to various sales representatives globally. Engagements with prospects are on a one-on-one basis through exploratory meetings to understand buyer's requirements. Demonstrations like sea trials may be arranged to provide a first-hand experience for prospective clients. Follow-ups and client engagement is optimised by an interactive Sales Enablement Software and engagement is monitored via the CRM.

For post-sales, the Company periodically organizes events such as Palm Beach Bahamas Rendezvous, Grand Banks Cruise, Owners Dinners, sponsors high profile regattas including the Newport Bermuda Ocean Race 2024 and the 52 Super-series Newport trophy and Rolex World Championships. Rendezvous and cruises typically start at our Head Quarters in Stuart involving 20-30 boats to a destination like the Bahamas or Newport. Sponsorships are around high-profile regattas and owner's dinners are held around high profile boat events globally. These events typically enable owners to exchange notes, occasionally owners have guests onboard to which potential new sales may arise.

### **Question 19**

**In relation to lower sales commission achieved. How was it achieved, and would it adversely impact the company going forward?**

The lower sales commission was due to one-off write back of over provision of sales commission. It is not expected to affect the Company going forward.

### **Question 20**

**Would the company consider pegging dividend payout to a percentage of its net profit?**

The Board and management are focused on delivering strong sustainable financial performance, with a long-term focus on providing stable dividends. Over the past four years, the Group has consistently declared dividends.

For FY2024, the Group has proposed a final dividend of 1.0 Singapore cent per ordinary share. Combined with the interim dividend of 0.5 Singapore cent per ordinary share, the total dividend distributed for the year will be 1.5 Singapore cents per ordinary share. This is a 50% increase over the preceding year of 1.0 Singapore cent per ordinary share.

Given the current unstable geopolitical environment, the Group is adopting a prudent approach to conserve cash to ensure adequate funding for its ongoing factory expansion and maintain sufficient working capital to sustain current operational requirements while remaining agile to respond to changes in the operating environment.

Pegging a dividend payout to a percentage of its net profit will not provide the flexibility to take into account operating conditions and the need for future investments.

### **Question 21**

**Would the company consider share buybacks in the future, in particular, after the required larger capital expenditure to grow the company's business had been taken of?**

The Company may consider implementing a share buyback in the future but the priority is currently to manage the cashflow for working capital and investments.

### **Question 22**

**Would greatly appreciate if the company could pump whatever capital is required into improving operations and cutting costs.**

The Group thanks the shareholder for this suggestion. Management is relentlessly working to balance working capital needs, capital expenditure improvements and expansion requirements so as to drive improved financial performance, and in turn deliver value to shareholders.

### **Question 23**

**How many demo boats were purchased and the prices bought? Were they used boats?**

These are used boats that were traded-in by customers usually for larger and upgraded boat models. In the interim, these boats are used as demonstration boats until they are subsequently sold. With reference to our response in Question 1, as at 30 June 2024, the Group currently holds three trade-in boats. The Group does not publicly disclose these boat prices, as it is commercially confidential.

### **Question 24**

**How would the company depreciate the carrying values of the demo boats?**

The carrying value of a demonstration boat is depreciated over a useful life of five years.

### **Question 25**

**In view of the expansion of the manufacturing yard, how many new boat orders - at the least - is the company targeting to achieve on an annual basis to allow for full utilisation of the production facilities?**

While the Group anticipates a 10 – 15% increase in production capacity once the manufacturing yard is completed, the Group does not target the number of boat orders, as boat prices vary greatly across our wide product portfolio of 42-foot to 107-foot boat models.

### **Question 26**

**Regarding traded-in boats, would they be purchased by the company for resale to end users?**

Please refer to the Group's response to Question 23. To clarify, the boats are not purchased per se but traded in by customers when they order a new boat. The Group will subsequently re-sell the traded-in boats.

### **Question 27**

**In relation to Q26, would they be solely of the makes manufactured by the company?**

In general, the Company only accepts its own brand of boats as trade-ins.

### **Question 28**

Please provide us with an update on the company's berthing and traded-in boats performances so far.

The Company does not have berthing revenues as it does not operate a marina. Trade-in boats historically have been sold within 12 months from the date of trade-in.

### **Question 29**

#### **Strong 4Q profit**

**Based on 9-month and full-year results, 4QFY2024 profit was a whopping \$10.5m. What contributed to this exceptional outcome? Were there one-off items?**

In 3Q FY2024, there were 2 terminations of boat contracts which resulted in the reversal of revenues and gross profit, thereby depressing the financial performance for the quarter. In 4Q FY2024, the Company on-sold one of these boats to a new buyer and therefore booked the revenues and gross profit under the new contract in 4Q FY2024.

The above are related to the Company's core business and are not considered exceptional items.

### **Question 30**

#### **Sales commissions and goodwill**

**CEO attributed lower total operating expenses to lower sales commissions and reclassification of goodwill services. What was "reclassification of goodwill services"? Was the commission structure revamped in FY2024?**

Please refer to the Group's response to Question 2.

### **Question 31**

#### **Provision for warranty claims**

**Claims expended rose to \$2.403m from \$0.995m. Does the higher provision in FY2024 (from \$1.746m to \$5.128m) cater for higher expected claims?**

Over the course of the last few years, the Group had gradually increased prices and built bigger and higher value boats. Warranty provisions are calculated based on a percentage of a rolling 5-year revenue value of boats. Therefore, higher provisions are intended to provide for potential higher claims from bigger and higher value boats.

### **Question 32**

#### **Ringgit**

**Will the recent strengthening of the Ringgit against the US \$ be negative for profit?**

**Note 28 states that a 1% strengthening of USD would increase profit by \$ 65k. Is Ringgit the reference currency?**

We do not believe the recent strengthening of the Ringgit will have a material impact to the Group.

No, the reference currency in Note 28 refers to the ultimate holding company, Grand Banks Yachts Limited, which is the Singapore Dollar.



### **Question 33**

#### **Compensation fee**

**How did the compensation fee of \$ 0.674m from a customer arise? (Note 22)**

This relates to a compensation settlement received from a customer who cancelled a boat contract during construction.

### **Question 34**

**Has or would the company consider diversifying into adjacent businesses like building of pleasure craft patrol craft, passenger ferry, etc.?**

The Company has and will consider any new opportunities in any related marine business. However, the business case has so far not been attractive and the group remains focussed on delivering performance in its core business of designing, building and selling luxury motor yachts.

### **Question 35**

**Each recent years, the company has recorded an inventory write down of circa S\$2m. As each dollar saved is each dollar saved, could the company try to reduce it, noting its increase in revenue?**

The inventory write-down of about S\$2 million refers to the provision balances as at 30 June 2024 and 2023. The actual write-offs were about S\$0.4 million and S\$0.8m in FY2024 and FY2023 respectively as outlined in Note 9 on Page 113 of the AR.

### **Question 36**

**"For example, anecdotal evidence shows clients with a price-to-earnings ratio of six to eight times here compared to 25 times with Bursa Malaysia. This discrepancy in valuations, partly driven by stronger market liquidity in Malaysia, points to the need for SGX to reassess its approach to attract more high-profile new listings and IPOs".**

In view of the above, would the company consider a secondary listing in Bursa Malaysia to help secure a better valuation for its business, eased by the fact that the company's production facility is in Malaysia?

The Company has no plans for any secondary listing in Bursa Malaysia.

### **Question 37**

**Please clarify the dividend payout ratio and its rationale**

Please refer to response to Question 20.

In considering the current dividend payout, the Board considers the Company's current financial performance and strives to balance its working capital needs, capex investment and business expansion requirements. The Board aims to pay a stable, consistent and growing dividend year-on-year.

**Question 38**

**How does the dividend payout align with the Company's growth objectives and capital requirements**

The Board believes that the dividend payouts over the last few financial years have been carefully calibrated to meet its growth objectives without new fundraising. Over the last few years, the Company had funded all its investments and capex through internal funds and borrowings, secured on its acquired assets.

**Question 39**

**Any consideration for the alternative use of capital, such as share buybacks or strategic investments?**

The Board will consider these alternatives should the requirement(s) arise. The Company remains focused on ensuring that its limited resources are fully committed to meet its working capital needs, capex and business expansion requirements.

**By Order of the Board  
GRAND BANKS YACHTS LIMITED**

**CHIAM HENG HUAT  
CHIEF FINANCIAL OFFICER**

21 October 2024