

Counterparty Risk in Coffee: Exposure, Mitigation & Strategic Safeguards

StoneX[®]

Connecting **Clients** to **Markets**



StoneX Overview

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November 2025



StoneX Overview

Who we are

StoneX Group Inc. connects clients to the global financial markets via a full suite of services including institutional-grade platforms, end-to-end clearing and execution, post-trade settlement, market intelligence and local expertise. A Fortune 100 company with a century-long track record, StoneX Group Inc. (NASDAQ:SNEX) and its 4,500+ employees serve over 54,000 commercial, institutional and payments clients, along with over 260,000 retail accounts, from over 70 offices across six continents.



What we do

We utilize our capital, knowledge, and expertise to provide our clients with access to a broad range of financial products and services. Our capabilities include:

- Risk management advisory services
- Futures brokerage and clearing
- OTC and structured products
- Physical trading in select commodities
- Precious and base metals trading
- Global payments and treasury services
- Foreign exchange execution and prime brokerage
- Equity market-making
- Securities custody and clearing
- Fixed income
- Wealth management
- Asset management
- Market intelligence
- Retail access to FX/CFD markets

FY 2025 Financial highlights

Operating revenues
\$4,126.9 million

Total assets
\$45,268 million

Volume traded⁽¹⁾
\$4.6 trillion

Stockholders' equity
\$2,377.4 million

Net income
\$305.9 million

Listed derivatives contracts traded
215 million

Key facts

- Global access to 40+ exchanges
- Operates in over 180 countries across 140+ currencies
- 100-year track record
- Nasdaq stock ticker: SNEX
- Global headquarters
230 Park Avenue, New York, NY
Tel: (212) 692-5100
- Worldwide employees
4,500+ employees and 70+ offices

Topics

- Categories of Risk
- KYC / Onboarding Procedure
- Credit Limits for Physical Trading
- Account Review Process
- Additional Credit Mitigants
- Account Monitoring & Annual Review
- Questions

What is Counterparty Risk

- Risk of financial loss to your firm due to a counterparty's failure to meet its contractual obligation under a physical commodity transaction.
- Simply put - Will your customer perform?
- Front office is FIRST Line of defense



Sub-Categories

- Market Risk – Potential loss on positions due to adverse change in price
 - Set MtM (Loss Limit) against total Notional Value book; VAR daily
- Liquidity Risk – Insufficient cashflow to meet current obligations
 - Stress test portfolio by product/region/delivery period
- Third Party Risk – Financial/legal/reputational risk via vendors
 - Logistics (rail, vessel, truck), data/software providers, warehousemen, etc.
- Operational Risk – Categories including Internal & External Fraud, Execution mgmt., Fire/flood/disaster, Strikes, etc.

Five C's of Credit – Will Your Customer Perform

- 1) CHARACTER – Willingness to pay. Reputation, integrity, past payment behavior, trade references
- 2) CAPACITY – Ability to pay from cash-flows. Assessed via financial statement analysis focusing on liquidity ratios
- 3) CAPITAL – Financial strength of the business. Measured by Net Worth, retained earnings, overall balance sheet health
- 4) COLLATERAL – Assets pledged to secure credit and mitigate loss in event of default.
- 5) CONDITIONS – External factors such as industry trends, economic cycles, regulatory/geopolitical/tariffs, etc.



Onboarding Process/Procedure

- Prospect sent to Credit via internal onboarding platform (After)
 - Approval by F/O manager & AML / Compliance check
 - KYC must include Description of Business & Deal, Commodity, Buy vs. Sell, Tenor, Crop Year, Anticipated terms
- IF Limits requested < certain threshold, Financials not required
 - Automated process (North America), constraints in other regions
 - Portfolio based approach, diversify risk over groups/commodities
- Credit to determine if limits requested make sense against customer's Financial size (or sales churn if necessary)
 - Additional information/mitigants/security requested if unable to approve as-is

Necessary Credit Limits

- The following Limits are required for physical trading:
 - **Notional (Contract)** = [price] * [quantity] of all unsettled contracts/contracts outstanding
 - **Loss (MtM)** = typically 10% - 20% of Notional Limit depending on volatility of product traded. Loss Limit is measured against the actual MtM value of open contract positions.
 - **Accounts Receivable (A/R)** = Max amount invoiced or extended to a counterparty at any one moment. Credit terms (tenor) are also negotiable with regards to A/R.

*Limits for Futures/Swaps set by hedging needs/exposure

Rules of Thumb / Best Practices

- **Buy-Side:** StoneX requests financials (even if buying from) over certain \$\$
- **Notional Limit:** Max of 50% of customer's equity
 - Total MT contracted < 20% of annual production
 - One crop year forward, limit flat pricing to < 6mo tenor
- **Loss (MtM) Limit:** Max of 20% of Notional Limit
 - Max A/R expected if all trades are washed
- **Waiver limits:** How much are you willing to lose on one account
Parameters in place for streamlined onboarding if < certain \$\$

Rules of Thumb / Best Practices

- **Sell-Side:** StoneX requests financials if over certain \$\$
- **Notional Limit:** Max of 50% of customer's equity
 - Alternatively $\leq 25\%$ of customer's sales revenue
- **Loss (MtM) Limit:** Max of 20% of Notional Limit
 - For spot-sales (no forward contracting), Loss Limit not required
- **Accounts Receivable (A/R) Limit:** Max of 10% of Customer's equity
 - Total A/R + Loss Limit $\leq 10\%$ Customer equity
 - This is the True Risk if customer is fully utilizing limits and defaults
- **Waiver limits:** How much are you willing to lose on one account
Parameters in place for streamlined onboarding if $<$ certain \$\$

Financial Statement Analysis

- **Audited** > 3rd party attested/reviewed > Internal/managerial > Napkin
 - Locked format like a.pdf or .jpg is best - no .word or .excel files
 - Three+ years are necessary to gauge performance/trends
 - Request Notes which tell the rest of the story;
 - Clean audit with no "Going Concern" statement?
 - In compliance with banking covenants/borrowing base ratios?
 - Able to service debt, when does OLOC come due?
 - Any subsequent events which are material to the business?
 - StoneX Credit will spread the financials into internal system
 - System scores the financials which is used for trend analysis
 - Online services can do same or create your own model in Excel
 - If customer is reluctant to send - Risk only, NDA, Visit, 3rd party provider

Financial Statement Analysis

Balance Sheet

Statement Date:	12/31/2022	12/31/2021	12/31/2020
Fiscal Year:	2022	2021	2020
Period:	YR	YR	YR
Cash & Equivalents	198,800,000.00	165,700,000.00	226,600,000.00
Short Term Investments	0.00	0.00	0.00
Trade Accounts Receivable, Net	2,563,600,000.00	2,413,300,000.00	2,078,100,000.00
Other Receivables	0.00	0.00	0.00
Total Receivables, Net	2,563,600,000.00	2,413,300,000.00	2,078,100,000.00
Inventory, Total	2,626,500,000.00	1,927,200,000.00	1,804,100,000.00
Prepaid Expenses	0.00	0.00	0.00
Other Current Assets, Total	518,800,000.00	547,500,000.00	482,600,000.00
Total Current Assets	5,907,700,000.00	5,053,700,000.00	4,591,400,000.00
Property, Plant, Equipment - Gross	2,207,000,000.00	3,687,900,000.00	0.00
Accumulated Depreciation	0.00	0.00	0.00
Property, Plant, Equipment - Net	2,207,000,000.00	3,687,900,000.00	1,834,500,000.00
Long Term Investments	0.00	0.00	0.00
Note Receivable - Long Term	0.00	131,200,000.00	1,761,100,000.00
Other Long Term Assets, Total	2,894,100,000.00	657,800,000.00	7,743,400,000.00
Intangibles - Net	11,585,200,000.00	11,136,100,000.00	4,471,200,000.00
Total Assets	22,594,000,000.00	20,666,700,000.00	20,401,600,000.00
Accounts Payable	2,436,500,000.00	2,403,000,000.00	0.00
Total Short Term Borrowings	978,100,000.00	0.00	0.00
Notes Payable/Short Term Debt	600,000.00	763,500,000.00	0.00
Current Portion LTD/Capital Leases	425,300,000.00	260,600,000.00	0.00
Other Current Liabilities, Total	2,120,200,000.00	420,100,000.00	0.00
Deferred Income Tax - Current Liability	0.00	0.00	0.00
Accrued Expenses	0.00	1,872,300,000.00	0.00
Payable/Accrued	0.00	0.00	0.00
Total Current Liabilities	5,960,700,000.00	5,719,500,000.00	4,594,400,000.00

Long Term Debt	9,591,000,000.00	8,590,900,000.00	0.00
Capital Lease Obligations	1,512,900,000.00	0.00	0.00
Total Long Term Debt	11,103,900,000.00	8,590,900,000.00	0.00
Minority Interest	0.00	0.00	0.00
Deferred Income Tax - LT Liability	681,600,000.00	768,200,000.00	0.00
Other Liabilities, Total	1,745,700,000.00	3,150,900,000.00	0.00
Total Liabilities	19,491,900,000.00	18,229,500,000.00	16,790,800,000.00
Preferred Stock	0.00	0.00	0.00
Redeemable Preferred Stock	0.00	0.00	0.00
Preferred Stock - Non Redeemable	0.00	0.00	0.00
Common Stock, Total	0.00	90,800,000.00	0.00
Treasury Stock	0.00	2,869,900,000.00	0.00
Additional Paid-In Capital	0.00	0.00	0.00
ESOP Debt Guarantee	0.00	0.00	0.00
Unrealized Gain (Loss)	0.00	-35,900,000.00	0.00
Retained Earnings / Accum Deficit	0.00	2,121,700,000.00	0.00
Other Equity	0.00	3,058,700,000.00	0.00
Total Equity	3,102,100,000.00	2,437,200,000.00	3,610,800,000.00
Total Liabilities & Shareholder's Equity	22,594,000,000.00	20,666,700,000.00	20,401,600,000.00



Financial Statement Analysis

Income Statement

Statement Date:	12/31/2022	12/31/2021	12/31/2020
Fiscal Year:	2022	2021	2020
Period:	YR	YR	YR
Total Revenue	22,148,900,000.00	19,944,600,000.00	18,361,700,000.00
Cost of Revenue, Total	12,823,800,000.00	11,401,900,000.00	9,679,100,000.00
Gross Profit	9,325,100,000.00	8,542,700,000.00	8,682,600,000.00
Selling, General & Admin Expenses, Total	6,014,500,000.00	5,572,500,000.00	5,477,900,000.00
Research & Development	0.00	0.00	0.00
Depreciation	0.00	309,500,000.00	0.00
Amortization of Intangibles	317,100,000.00	0.00	0.00
Other Operating Expenses, Total	62,500,000.00	430,200,000.00	343,400,000.00
Total Operating Expenses	6,394,100,000.00	6,312,200,000.00	5,821,300,000.00
Other Operating Income (Expense)	24,900,000.00	0.00	5,300,000.00
Operating Income	2,955,900,000.00	2,230,500,000.00	2,866,600,000.00
Interest Expense, Net Non-Operating	390,800,000.00	0.00	340,400,000.00
Interest/Investment Income, Non-Operating	8,000,000.00	8,100,000.00	3,600,000.00
Interest Income (Expense), Net Non-Operating	-382,800,000.00	8,100,000.00	-336,800,000.00
Interest Income, Non-Operating	0.00	0.00	0.00
Gain (Loss) on Sale of Assets	0.00	0.00	0.00
Other Income	0.00	10,000,000.00	0.00
Other Non-Operating Income (Expense)	0.00	0.00	0.00
Other Expense	0.00	0.00	0.00
Deferred Taxes	0.00	0.00	0.00
Income Before Tax	2,573,100,000.00	2,248,600,000.00	2,529,800,000.00
Income Tax - Total	553,000,000.00	384,200,000.00	488,800,000.00
Income After Tax	2,020,100,000.00	1,864,400,000.00	2,041,000,000.00
Minority Interest (IS)	0.00	0.00	0.00
Net Income Before Extra Items	2,020,100,000.00	1,864,400,000.00	2,041,000,000.00
Accounting Change	0.00	0.00	0.00
Tax on Extraordinary Items	0.00	0.00	0.00
Net Income - IS	2,020,100,000.00	1,864,400,000.00	2,041,000,000.00



Financial Statement Analysis

- Customer may have strong cash flow-but still carry crippling debt, OR -- may have poor payment history but still maintain substantial financial reserves
 - Are you selling to large conglomerate that *chooses* to pay slow
 - Is customer paying well and *loading up* before filing BK
- Creditors use ratios to analyze, standardize, and compare peer data
 - Five Categories: Liquidity, Activity, Leverage, Profitability, & Market
- No Key or Uniform set of ratios; differ by industry, commodity, region, type of customer (Trade-House vs. Cooperative vs. Crusher) for example
 - Ratios reveal financial health, efficiency, and trajectory of your customer

Financial Statement Analysis

- Liquidity - Ability to meet cash needs as they arise
 - Current Ratio (current assets/current liabilities)
- Activity - Evaluate Liquidity & Efficiency of specific assets
 - A/R Turnover (how many times they collect on receivables)
 - Inventory Turnover (efficiency in managing/selling stocks)
- Leverage - Capture extent of financing debt to equity and cover interest charges
 - If they can't repay bank, what is likelihood they can repay you
- Profitability - Overall performance managing assets, liabilities
 - Gross Profit Margin (profit generated after COGS)
 - Operating Profit Margin (profit generated after Ops Expense)
- Market - Returns to Shareholders / Street-value on a company's stock
 - Earnings/Share or Price/Earnings metrics and trends

Financial Statement Analysis

Key Ratios

Statement Date:	12/31/2022	12/31/2021	12/31/2020			
Fiscal Year:	2022	2021	2020			
Period:	YR	YR	YR			
Peer Group:	RMA (SIC)	RMA (SIC)	RMA (SIC)			
Year:	2022	2020	2020			
Code:	5198 - Non-Dur Gds-Paints	5198 - Non-Dur Gds-Paints	5198 - Non-Dur Gds-Paints			
Financial Score:	5.18	5.26	4.92			
	Value	Score	Value	Score	Value	Score
Coverage		4.00		6.00		3.00
EBIT/Interest Expense	7.72	4.00	-275.37	6.00	8.51	3.00
Net Profit+DDA/CurPortion LTD	5.50	0.00	8.34	0.00		0.00
Liquidity		4.98		4.82		4.79
Cost of Sales/Inventory	4.88	5.00	5.92	4.00	5.37	4.00
Cost of Sales/Payables	5.26	5.00	4.74	5.00		0.00
Current Ratio	0.99	5.00	0.88	5.00	1.00	5.00
Days' Inventory	74.80	0.00	61.66	0.00	67.97	0.00
Days' Payables	69.39	0.00	77.00	0.00		0.00
Days' Receivables	0.00	0.00	0.00	0.00	0.00	0.00
Quick Ratio	0.46	5.00	0.45	5.00	0.50	5.00
Sales/Trade AR, Net	8.64	4.00	8.26	4.00	8.84	4.00
Sales/Working Capital	-417.90	6.00	-29.96	6.00	-6,120.57	6.00
Leverage		6.00		6.00		6.00
Net Fixed Assets/TNW	-0.26	6.00	-0.42	6.00	-2.13	6.00
Total Liabilities / TNW	-2.30	6.00	-2.10	6.00	-19.52	6.00
Profitability		5.36		5.05		5.05
EBIT/TNW	-34.84	0.00	-25.64	0.00	-333.17	0.00
Income Before Tax/TNW	-30.33	6.00	-25.85	6.00	-294.03	6.00
Income Before Tax/Total Assets	11.39	4.00	10.88	3.00	12.40	3.00
Sales/Net Fixed Assets	10.04	0.00	5.41	0.00	10.01	0.00
Sales/Total Assets	0.98	6.00	0.97	6.00	0.90	6.00
Other		0.00		0.00		0.00
Bankruptcy Z Score Manuf Model	1.14	0.00	1.13	0.00	1.32	0.00
Bankruptcy Z Score Whsl/Retail	0.41	0.00	0.35	0.00	0.89	0.00



Financial Statement Analysis

- At a high level, do the financials make sense
 - If a trade-house, would expect very limited Fixed Assets
 - If a roaster, does AR vs AP align with inventory
- Does revenue growth come from volume or price
 - Are Hedge/FX line items mentioned
 - Are unrealized gains or losses called out
- Coffee Trading Gross margins ~6-7% and EBITDA ~2-4% are typical
 - However, need to understand what is behind these margins including operating costs, depreciation, sg&a, etc.

Additional Qualitative Data

- StoneX utilizes 3rd party Credit Providers
 - Financials on listed companies
 - Suits/Liens/Judgments
 - UCC Filings
 - Payment History
 - Trend Analysis

The logo for creditrisk monitor, with "credit" in black, "risk" in red, and "monitor" in black with a registered trademark symbol.The logo for S&P Capital IQ PRO, with "S&P Capital IQ" in white on a dark grey background and "PRO" in white on a red background.The logo for dun & bradstreet, with "dun" in blue, "&" in a stylized blue font, and "bradstreet" in blue.

- StoneX is a member of several Trade Groups
 - Peer networking
 - A/R Trade reporting



Account Scoring Model



Traditional	Proprietary	Financial	Predictive	
Name	Value	Scale	Weight	Score
Payment History to Your Firm	Slow 1 to 30	1-6	0.20	3.00
3rd Party Pay History	Slow 1 to 30	1-6	0.20	3.00
Suits	Suit Over \$3000	1-6	0.10	6.00
Tax Liens	One or More, Any \$	1-6	0.10	6.00
Judgements	One or More, Any \$	1-6	0.20	6.00
Prior Bankruptcies	None	1-6	0.10	1.00
Control Years	Over 15 Years	1-6	0.10	1.00

Traditional	Proprietary	Financial	Predictive	
Name	Value	Scale	Weight	Score
Customer Type	PM:Producer/Merchant = 4	1-6	0.08	4.00
Credit Analyst Opinion	B:Good = 2	1-6	0.12	2.00
Audit Quality	1 - Audit no exceptions	1-6	0.22	1.00
Financing Available	B:Credit Line>\$50mm	1-6	0.16	2.00
External Credit Reporting	2:9	1-6	0.14	2.00
Ext. Credit Rating	No Rating	1-6	0.16	6.00
Equity Size	2:\$1B - \$5B	1-6	0.12	2.00

Traditional	Proprietary	Financial		
Name	Value	Scale	Weight	Score
Income Before Tax/Total Assets	1.53	1-6	0.07	4.00
Cost of Sales/Inventory	3.32	1-6	0.07	4.00
Cost of Sales/Payables	6.44	1-6	0.07	5.00
Current Ratio	1.18	1-6	0.08	5.00
EBIT/Interest Expense	-0.71	1-6	0.11	5.00
Net Fixed Assets/TNW	0.17	1-6	0.11	2.00
Quick Ratio	0.75	1-6	0.08	4.00
Sales/Trade AR, Net	3.87	1-6	0.08	5.00
Sales/Total Assets	0.54	1-6	0.07	6.00
Sales/Working Capital	12.25	1-6	0.07	4.00
Total Liabilities / TNW	0.81	1-6	0.11	3.00
Income Before Tax/TNW	3.14	1-6	0.08	4.00
Ratio Categories				
Name	Weight	Score		
Coverage	0.11	5.00		
Liquidity	0.45	4.51		
Leverage	0.22	2.50		
Profitability	0.22	4.64		
Other	0.00	0.00		

Additional Credit Mitigants

- Corporate Guarantee from parent entity
 - Confirm ownership structure
 - Evergreen vs expiry; Capped vs Uncapped
- Promissory Note or Personal Guarantee from individual owner
 - Personal Financial Statements
 - May streamline collection process
- Other Securities / pledged collateral
 - UCC-1 filing, Warehouse receipts
 - Standby Letter of Credit
 - Cash on account / prepay
- Trade Credit insurance and Factoring (not a guaranty of recovery)
 - Premiums, Deductibles, Exclusions, Red-tape
 - Insurers still expect to review your Credit approval process

Account Monitoring

[Redacted Name]

Report Date
2/18/2026

Counterparty

farm to Clear All

2/18/2026

Data Shown As Of

Notional Limit	Loss Limit	AR Limit	Payment Terms	SCS Business Lines
\$1,000,000.00	\$100,000.00	\$500,000.00	Net 14	[Redacted]

Onboarding Date	Onboarding Status	Limit Expiration Date	Sell Side Limits	Buy Side Limits
10/25/2025	Completed	Sunday, November 30, 2025	✓	✓
Financials Date:	Assets (\$MM):	Net Worth (\$MM):	Profit (\$MM):	Revenue (\$MM):

Notional Exposure vs Limit

\$1,138,953.64

[114%]

MTM Exposure vs Limit

(\$255,822.37)

[256%]

AR Exposure vs Limit

(\$0.01)

[2E-6%]

Location & Related Entities

Entity Status ● Primary

LT Debt Ratings

(Blank)

Agency	Rating	Rating Date
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Trade Credit Metrics

High Credit Extended: \$339,106.44

Largest Past Due (USD): \$300,962.00

Longest Past Due (Days): 8

Special Condition	Description	Active Date	Expiration Date



Account Monitoring



Limit Overages

2/18/2026
Data Shown As Of

Report Date
2/18/2026

Overage Type
All

Comment Status
All

StoneX

Counterparty	Exposure	Limit	Overage Amount	Comments	FO Commenter	Comment Date
Notional						
[REDACTED]	\$1,759,747.70	\$1,000,000.00	\$759,747.70	[REDACTED] from	Drew D.	2/19/2026
[REDACTED]	\$610,987.50	\$300,000.00	\$310,987.50	[REDACTED]	Mac M.	1/6/2026
[REDACTED] (ACTINTL)	\$5,026,295.01	\$4,000,000.00	\$1,026,295.01	[REDACTED] on	Joao T.	2/19/2026
[REDACTED] (OOD)	\$1,509,051.00	\$500,000.00	\$1,009,051.00	[REDACTED]	Drew D.	2/19/2026
[REDACTED]	\$3,736,251.00	\$2,100,000.00	\$1,636,251.00	[REDACTED]	Mac M.	1/6/2026
[REDACTED] (T)	\$1,138,953.64	\$1,000,000.00	\$138,953.64	[REDACTED]	Drew D.	2/19/2026
[REDACTED]	\$619,850.00	\$500,000.00	\$119,850.00	[REDACTED]	Drew D.	2/19/2026
[REDACTED]	\$397,519.83	\$300,000.00	\$97,519.83	[REDACTED] looking	Sydney S.	2/19/2026
Loss						
[REDACTED]	\$246,157.25	\$200,000.00	\$46,157.25	[REDACTED] om	Drew D.	2/19/2026
[REDACTED] office	\$131,411.25	\$120,000.00	\$11,411.25	[REDACTED]	Sydney S.	2/19/2026
[REDACTED]	\$15,790.89	\$15,000.00	\$790.89	[REDACTED]	Sydney S.	12/22/2025
[REDACTED]	\$378,377.53	\$150,000.00	\$228,377.53	[REDACTED]	Drew D.	2/19/2026
[REDACTED]	\$287,180.76	\$150,000.00	\$137,180.76	[REDACTED]	Drew D.	2/19/2026



Annual Review

- Best practice is annual review for large accounts
- Request most recent FYE financials
 - Rolling 18-month calendar basis
 - Similar process as described earlier
- Ad-hoc as needed based on customer Credit Score/Risk profile
 - Alerts from third-party services or market news
- Credit keeps open line of communication with F/O
 - Weekly Risk meetings/team chats
 - Monthly full Risk Management Committee meetings

Questions?

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