



Үндэсний Брэнд, Эко-Үйлдвэрлэгч



MONGOL BASALT JSC

IPO Teaser

April 2018

IPO Summary



Issuer name	Mongol Basalt JSC
Share type	Ordinary shares
Shares outstanding	39,491,900 shares
Additional shares offered at IPO	16,925,100 shares
Total shares outstanding post IPO	56,417,000 shares
IPO shares/Total shares outstanding	30%
IPO share price	380 MNT
Offer amount	6,431,538,000 MNT
Book building	May 14-23, 2018
Use of proceeds	Capital expenditure for capacity expansion and renewal of manufacturing facility, lowering financing costs
Listing exchange	Mongolian Stock Exchange
Lead Underwriter	Bumbat Altai LLC
Joint Underwriters	Gauli LLC, Standart Investmetn LLC

Unique product and positioning

- The only producer of Rockwool (Basaltwool) insulation products in Mongolia
- Production know-how developed and patented by founder L.Ariunbold
- Owns and operates Basalt mine with 125 years of reserves

Opportunities for export and expanding basalt fiber material market

- Fire safe, noise reducing, ecologically friendly Basaltwool insulation demand growing globally
- Opportunities to export to Russian, Chinese, and Japanese markets
- Continued innovation and product development of basalt fiber materials

Capacity expansion

- The new factory will expand capacity 1.6x and increase product range
- Better efficiency will cut production costs 20-30%, improving price competitiveness
- Increased capacity and product quality will open new markets abroad for export

Company Overview



Company highlights

- The only producer of Rockwool insulation in Mongolia
- Production capacity of 5,000 ton/year
- Owns and operates its own Basalt ore mine, with 2 million tones of reserves
- Employs 55 people

Company history

2007 – Founded as the first rock wool manufacturer in Mongolia

2009 – Increased manufacturing capacity, added product variety

2013 – Introduced Thermobasalt production line for heating pipe insulation materials

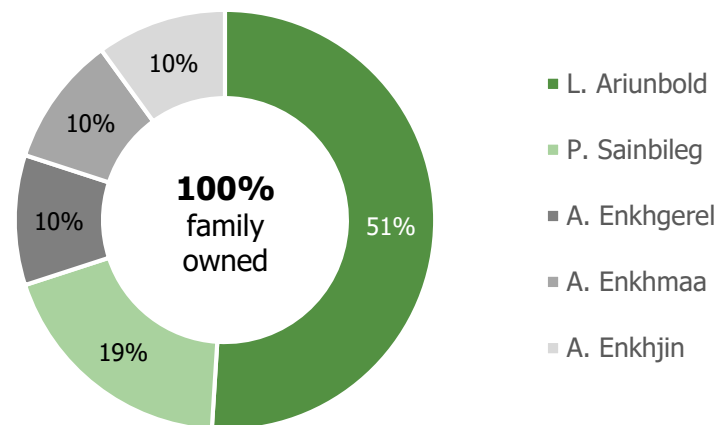
2016 – Introduced Spray Basalt product with new Japanese technology

L. Ariunbold, Founder and CEO:

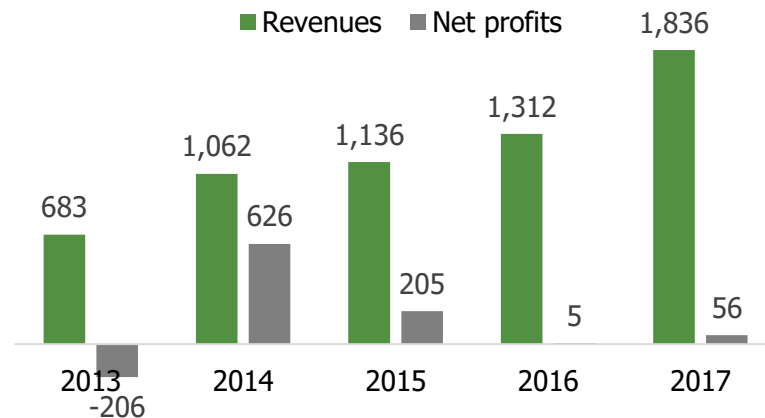


- Graduated with an engineering degree from then USSR
- Founded the first automobile windshield manufacturing company in Mongolia in 1990
- Completed the first Mongolian Rockwool manufacturing factory with his own design
- Awarded "Inventor of the Year" in 2011

Shareholders structure



Company revenues (MNT millions)



Company Operations

Main Operations

Raw materials extracted from own basalt ore mine 158 km from the factory



Basalt ores melted at over 1,400 C and goes through high speed spinning machine to form a wool



Basaltwool is then pressed to form a shape fit for insulation material



Finished products supplied to construction sites



Current Products

Basaltwool Batts

- Fire resistant insulation material
- Main product of the company

Basaltwool Flexible

- Fire resistant flexible insulation material
- Mainly for private houses

Thermobasalt Pipe

- Insulation for heating pipes
- Reduces heat loss and improves energy efficiency

Spray Basalt

- Insulation for roof, concrete walls and other areas that are hard to reach



Notable Customers



Shangri-La Complex



Gegeenten Complex



Grand Plaza



Best Western Premier Inn



Romana Residence



Chonjin Boldog Complex



UB Department Store



Regency Residence



Zaisan Village



Basalt Wool and Basalt Fiber



Basalt Wool

Key characteristics:

Thermal efficiency

Thermal conductivity of $\lambda = 0.038\text{W/mK}$, at same level as other common insulation materials such as glass wool and foam boards

Fire safety

Basalt is sedimentary rock, therefore does not burn until $+1,400^\circ\text{C}$, while building fires reach 960°C at highest

Flexible usability

Easy to install and could be formed to any shape which leaves less gaps than normal fitting insulation materials

Acoustical comfort

Good sound absorption and noise reduction due to the space between the fibers and its porous, absorbing more than 45dB of noise

Durable and moist resistant

The fine Basalt fiber makes it moisture and solvent resistant, resulting in tough and longer-lasting insulation

Ecological and safe

Uses 97% natural mineral materials to produce



Basalt Fiber

Key characteristics:

High tensile strength

Basalt fiber materials are 4 times stronger and 3 times lighter than steel

Fire safety

Compared to carbon and aramid, Basalt fiber has the features of wider application temperature range at -369 to $+650^\circ\text{C}$

Alternative to carbon and glass fibers

Stronger than glass fiber, while being cheaper than carbon fiber materials, Basalt fiber materials have potential usages beyond high-end synthetic materials



Fibers	Density (g/cm ³)	Mechanical Strength (Mpa)	Elastic Modulus (Gpa)	Elongation (%)
Carbon	1.80	6,210	297	2.20
Basalt	2.65	4,800	110	3.3
Kevlar	1.47	3,480	41.4	3.6
E-Glass	2.60	3,450	76	4.76
Steel	7.20	1,100	200	-
Polypropylene	0.91	650	38	18

Future Potential of Basalt Materials

Hydroponic farming

- Rock wool is the most widely used medium in hydroponics



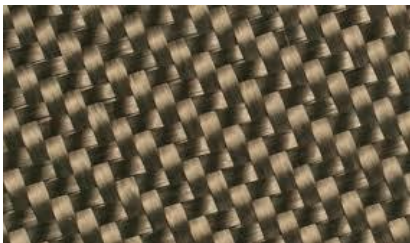
Road construction

- Skeleton frames made from Basalt fiber are more durable



Composite materials

- Basalt fiber materials are similar to carbon fiber and Kevlar fiber materials



Composite components

- Basalt fiber materials to replace carbon fiber components for premium sports cars



Key Financials



Income Statement (MNT million)	2013	2014	2015	2016	2017
Revenue	682.9	1,062.4	1,136.2	1,311.8	1,835.8
COGS	400.5	166.6	460.9	1,024.9	1,461.3
Gross profit	282.4	895.9	675.3	286.9	374.5
Operating expenses	381.9	270.0	447.9	281.9	327.6
Operating profit	154.0	261.0	447.7	182.3	171.1
Other income (expenses)	(106.7)	-	-	3.7	18.4
Profit before tax	(206.2)	625.9	227.8	8.8	65.3
Tax expenses	-	0.4	22.8	3.9	9.7
Net profit	(206.2)	625.5	205.0	4.9	55.6

Balance Sheet (MNT million)	2013	2014	2015	2016	2017
Current assets	1,075.6	1,255.0	1,821.0	1,915.4	867.3
Fixed assets	4,315.8	23,019.5	22,920.7	23,464.6	22,190.5
Total assets	5,391.3	24,274.5	24,741.7	25,380.0	23,057.8
Liabilities	1,782.7	1,347.1	1,609.2	2,242.7	1,391.2
Equity	3,608.6	22,927.4	23,132.4	23,137.3	21,666.6
Total liability and owner's equity	5,391.3	24,274.5	24,741.7	25,380.0	23,057.8

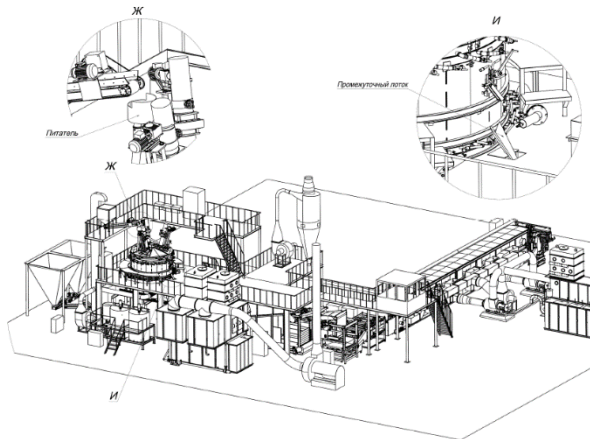
Cash Flow Statement (MNT million)	2013	2014	2015	2016	2017
Cash flow from operations	254.0	146.2	(40.0)	379.4	401.4
Cash flow from investing	(0.7)	(2.6)	(0.2)	(250.8)	(20.1)
Cash flow from financing	3.6	(182.0)	(26.4)	278.1	(867.3)
Net cash flow	256.9	(38.3)	(66.5)	406.7	(486.0)
Opening balance	42.6	299.4	261.1	194.6	601.3
Closing balance	299.4	261.1	194.6	601.3	115.3

IPO Proceeds

Capital Expenditures

- The company will spend the IPO proceeds on capital expenditures to increase manufacturing capacity from 5,000 tons/year to 8,000 tons/year

Capital Expenditures			
	Purpose	Amount (MNT)	Percentage
1	Factory expansion	2,525,000,000	39.3%
2	Power substation	1,100,000,000	17.1%
3	Factory building	680,000,000	10.6%
4	Factory equipment and machinery	330,000,000	5.1%
5	Basalt rock mine equipment	490,976,700	7.6%
6	Basalt rock mine machinery	210,000,000	3.3%
7	Working capital	599,013,800	9.3%
8	Refinancing	496,547,500	7.7%
TOTAL		6,431,538,000	100%



Financial Projections (2018-2022)



Income Statement (MNT million)	2018	2019	2020	2021	2022
Revenue	2,450.0	3,785.3	6,757.9	11,298.7	14,828.7
COGS	953.5	1,502.7	2,709.1	4,529.4	5,944.5
Gross profit	1,496.5	2,282.6	4,048.8	6,769.3	8,884.2
Operating expenses	1,413.6	1,277.9	1,501.6	1,777.3	2,117.4
EBITDA	810.5	1,004.7	2,547.3	4,992.0	6,766.9
Depreciation	649.7	649.7	646.3	646.3	646.3
EBIT	160.7	354.9	1,901.0	4,345.7	6,120.6
Interest expenses	119.2	119.2	119.2	119.2	0.0
Profit before tax	41.5	235.8	1,781.8	4,226.5	6,120.6
Tax expenses	4.2	23.6	178.2	606.6	1,080.1
Net profit	37.4	212.2	1,603.6	3,619.9	5,040.4

Balance Sheet (MNT million)	2018	2019	2020	2021	2022
Current assets	2,793.8	3,935.2	6,784.8	11,955.7	18,345.8
Fixed assets	26,780.3	26,130.6	25,484.2	24,837.9	24,191.5
Total assets	29,574.2	30,065.8	32,269.0	36,793.6	42,537.4
Liabilities	1,438.6	1,718.0	2,317.7	3,222.4	3,925.7
Equity	28,135.5	28,347.7	29,951.3	33,571.2	38,611.7
Total liability and owner's equity	29,574.2	30,065.8	32,269.0	36,793.6	42,537.4

Cash Flow Statement (MNT million)	2018	2019	2020	2021	2022
Cash flow from operations	(1,085.6)	1,571.6	1,160.1	2,599.1	4,390.7
Cash flow from investing	(5,239.6)	0.0	0.0	0.0	0.0
Cash flow from financing	6,431.5	0.0	0.0	0.0	0.0
Net cash flow	106.4	1,571.6	1,160.1	2,599.1	4,390.7
Closing balance	221.6	1,793.3	2,953.4	5,552.5	9,943.2



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