



# INVESTOR HANDOUT



Lead underwriter



Sub-underwriter



Nice to CU

EXIT

## DISCLAIMER



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## IPO PARTICIPANTS

### Lead underwriter



Golomt Capital LLC  
info@golomtcapital.com  
+976-7012 1530  
www.golomtcapital.mn

### Sub-underwriter



Apex Capital LLC  
investment@apex.mn  
+976-7510 7500  
www.apex.mn

### Auditor



BDO Audit LLC  
+976-7740 4040  
+976-7012 1530  
www.bdo.mn

### Legal advisor



Batbayar and Partners LLP  
contact@bnp.mn  
+976-7012 1530  
+976-7711 9008

### Valuation company



Gerege Estimate LLC  
gantulga@geregepartners.mn  
+976-9910 7317  
+976-7000 5000

### Environment, Social, and Governance evaluator



Resilience Consulting Service LLC  
nyamgarav@rcs.mn  
+976-8810 4587



## INVESTMENT SUMMARY

Percentage offered to the public

15%

Total issue size

MNT 24,952,940,480

Price per share

MNT 208

Securities type

Common stock

Total number of shares outstanding

679,807,674

Additional shares being issued

119,966,060

Total number of shares

799,773,734

Offering type

Fixed price

## CHAIRMAN GREETINGS



Dear Investors,

Over the past thirty years, the lifestyle of Mongolians has changed significantly and the pace of our daily lives is becoming even more busier. To suit today's lifestyle, four years ago we decided to establish a world-class convenience store chain that can be found everywhere in Mongolia and a store that is always open, has quality products and provides urbane services. Three years ago, we opened our first CU store in Ulaanbaatar once acquiring the rights of a master franchise of one of the world's best brands, the Korean CU Convenience Store. Today, we have 127 stores, serving 38,000 people every day, and have become an integral part of the daily lives of Ulaanbaatar population.

We believe that one of the foundations of any successful business is determined by the value it creates in its society. We believe that the increase in sales revenue and increase in the number of our loyal customers in the last 3 years is the assurance regarding the achievement of our objective in creating value for our society.

We endeavor to offer world-class quality products and convenient services, fill each of our store with smiles characterized by humane communication, and create a daily routine that will help our customers become healthier and happier. To this end, we strive to educate our employees the world's best customer service skills, introduce the best international know-how of customer experience to our society, and bring domestic retail sector to the next level. In addition, we are not only learning from CU's best practices, but also are opening up new opportunities for Mongolian brand products to export to more than 15,000 international CU stores and new opportunities for attracting foreign direct investment to our country.

We execute a franchise program to support small and medium-sized businesses in the essence of ensuring sustainability of such businesses. Today, we operate 23 CU branch stores in cooperation with 23 small and medium-sized businesses and assist other small and medium-sized food production businesses in developing their products and distribute and sell their products to 127 CU stores through our distribution and sales channels. In addition, more than 300 domestic suppliers deliver our products to customers using sales and distribution infrastructure we built.

We aim to develop our store chain not only as a fast and cultured service point, but also as a support and social infrastructure for the daily life of the community around us. Today, we offer to the public free access to toilets, a shelter in an emergency and a resting point in summer's heat and winter's chill. Moreover, by handling our goods distribution during off-peak hours, we believe that we make a meaningful contribution to our society and the environment by reducing traffic congestion as well as air pollution and high carbon emissions.

Since our inception, we aspired to build our workforce with highly educated, talented and enthusiastic young adults and offer a stable and long-term income, and likewise, promoting social inclusion and equality of opportunities, we provide employment for people with disabilities. We are confident that our approach towards our employees was the main foundation of our success and as such our employees are the most valuable asset of our company and are the expression of our competitive advantage.

I am pleased to offer you the shares of Central Express CVS which will continue to grow in value for many years to come and together with you, I wish to contribute to the future development of Mongolia.

WELCOME TO CU!







**ABOUT  
THE ISSUER**

## COMPANY OVERVIEW

An integral part of Ulaanbaatar's lifestyle today, the Central Express project was launched by Premium Group in 2015 introducing the concept of convenience store in Mongolia. In 2017, Central Express CVS LLC was established to provide customers' daily needs in one place in a convenient environment, and introduce chain store business model in Mongolia.

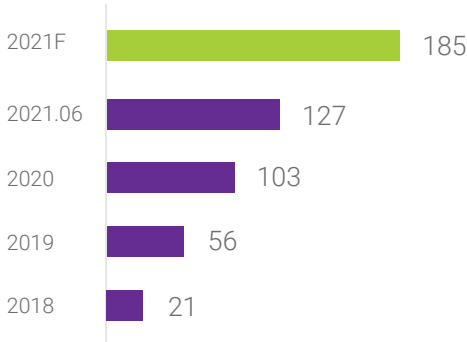
The company signed a Master Franchise Agreement with BGF Retail Co., Ltd on April 17, 2018 to introduce South Korea's largest convenience chain store brand "CU" in Mongolia's retail market.

Currently, the CU convenience store chain introduced not only the store concept, but also created a vertically integrated infrastructure that includes distribution, logistics system, food manufacturing, product development, information technology solutions, and social infrastructure.

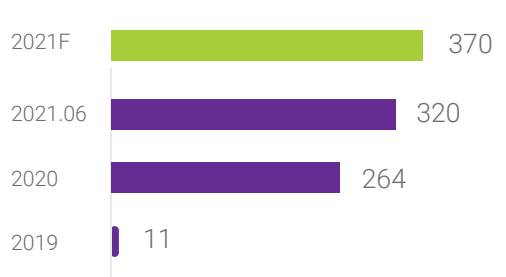


## KEY OPERATIONAL METRICS

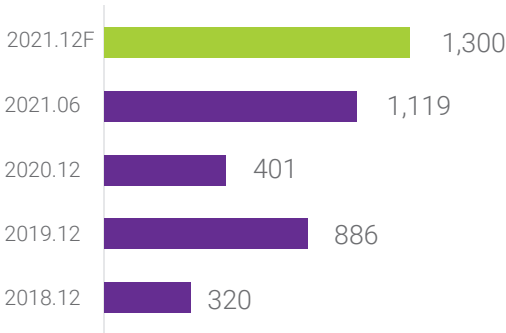
Number of stores



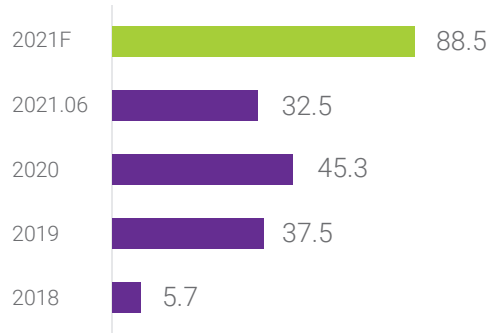
CU app users (thousand)



Number of monthly customers (thousand)



Sales revenue (MNT billion)



As of June 30, 2021



Number of Stores

127



Employees

1,200



CU app users

320,000



Daily customers

38,000



Daily sales (MNT million)

320



Daily online sales (MNT million)

8

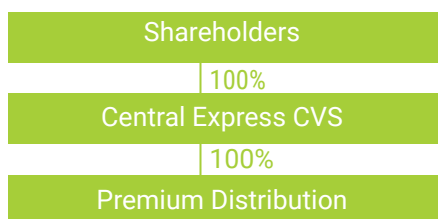
## SHAREHOLDER STRUCTURE

Premium Group LLC is the founder and initial shareholder of Central Express CVS LLC. In 2021, Premium Group transferred the ownership of Central Express CVS to its 8 beneficial shareholders. It led to the more transparent shareholder structure with good corporate governance and avoidance of potential conflicts of interest.

Currently, 90.01 percent of Central Express CVS is owned by 8 beneficial shareholders of Premium Group, and the remaining 9.99 percent of the company is owned by BGF Retail Co., Ltd.

Having a foreign shareholder experienced in the global convenience chain industry, the company gains significant advantage in management and operations.

### Company structure



### Shareholder information

Shareholder	Number of shares	Nominal price per share (MNT)	Total value of common shares (MNT)	Ownership percentage
A.Gankhuyag	235,408,889	100	23,540,888,900	34.64%
A.Ganbold	172,327,784	100	17,232,778,400	25.35%
Ts.Bayarjargal	88,164,258	100	8,816,425,800	12.97%
A.Odonchimeg	32,304,463	100	3,230,446,300	4.75%
A.Ganbaatar	31,248,463	100	3,124,846,300	4.60%
O.Batmunkh	19,731,751	100	1,973,175,100	2.90%
G.Bat-Erdene	19,731,751	100	1,973,175,100	2.90%
U.Munkhbayar	12,909,548	100	1,290,954,800	1.90%
BGF Retail	67,980,767	100	6,798,076,700	9.99%
<b>Total</b>	<b>679,807,674</b>	<b>100</b>	<b>67,980,767,400</b>	<b>100%</b>

## PREMIUM GROUP



Premium Group is a leader in the construction, infrastructure and retail sector in Mongolia. The group strives to create long-term value for all stakeholders by incorporating state-of-the-art technological solutions, prioritizing high standards and quality performance in all business activities. Premium Industrial and Engineering LLC, a subsidiary of the group, has been selected as the best contractor of Rio Tinto Group in 2020 for its participation in Oyu Tolgoi project in Mongolia.



**400+**  
Full-time employees



**500+**  
Customers & Partners



## BOARD OF DIRECTORS

Central Express CVS's board of directors is responsible for providing long-term value to all stakeholders by defining strategy and policy, directing executive management team, and establishing internal control and risk management systems.



### **CHAIRMAN OF THE BOARD A.GANKHUYAG**

#### **Experience**

Premium Group LLC, Founder  
Unitel LLC, MCS Coca-Cola LLC, Anungoo LLC, Total Distribution LLC, Chairman of the Board (2012-2017)  
MCS Holding LLC, Vice president, Chief Executive Officer, Chief Financial Officer (2005-2015)  
Mongolian Mining Corporation, Chief Financial Officer (2010-2011)

#### **Education**

National University of Mongolia, Bachelor of Finance and Economics



### **BOARD MEMBER A.GANBOLD**

#### **Experience**

Premium Group LLC, Founder, Chief Executive Officer  
National Developer LLC, Chief Executive Officer (2007-2011)  
Ganbros LLC, Founder and Chief Executive Officer (2003-2007)

#### **Education**

Russian Institute of Urban Development, Electrical Transport Engineer



### **BOARD MEMBER G.BAT-ERDENE**

#### **Experience**

Premium Group LLC, Vice President and Chief Finance Officer  
MCS Energy LLC, Deputy Director (2012-2016)  
Energy Resources LLC, Vice President of Finance (2008-2012)  
MCS Coca-Cola LLC, Head of Finance and Planning Division (2003-2007)

#### **Education**

Khan-Uul University, Business Administration and Applied Mathematics



### **BOARD MEMBER O.BATMUNKH**

#### **Experience**

Premium Group LLC, Vice President  
Premium Industrial Engineering LLC, CEO (2011-until now)  
CPI Card Group LLC (USA), Head of Product Quality Department (2005-2009)

#### **Education**

US National University, Business Administration

## MANAGEMENT TEAM



### **BOARD MEMBER, CHIEF EXECUTIVE OFFICER G.CHINZORIG**

#### **Experience**

Central Express CVS LLC, CEO  
Premium Group LLC, Director of Business Development Department (2017-2018)  
CITA, Head of Innovation Department (2014-2016)  
Asian Development Bank, Specialist (2009-2010)

#### **Education**

University of Louisville, Master of Business Administration



### **B.TSEVELMAA**

CHIEF OPERATIONS  
OFFICER



### **S.DASHDORJ, CFA**

CHIEF FINANCIAL  
OFFICER



### **T.BILGUUN**

CHIEF INFORMATION  
TECHNOLOGY OFFICER



### **G.SARANGEREL**

HEAD OF HUMAN  
RESOURCES



### **CH.SARAA**

HEAD OF PRODUCT  
DEVELOPMENT



### **D.NYAMSUREN**

HEAD OF PRODUCT  
SOURCING



### **M.OTGONTUNGALAG**

HEAD OF  
MARKETING AND  
ADVERTISING

## COMPANY MILESTONES

With the introduction of CU convenience chain store services in Mongolia, Central Express CVS has taken the concept of grocery stores services to a new level, delivering values to customers to purchase their needs in a clean, comfortable environment that meets international standards greatly contributing to the development of Mongolia's retail sector.



"Central Express" Mongolia's first convenience store was established.

2015



Central Express CVS LLC was founded.

2017

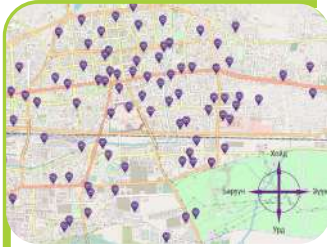


Signed "Master Franchise Agreement" with BGF Retail and Central Express CVS received master franchise rights.

Received Mongolia's First Convenience Store" MNS certification.

2018





4,200 sq.m ambient temperature distribution center operations started.

Started opening Petrovis gas-station branches.

Selected as one of Mongolia's Top-100 companies.

Introduced 30-minute "CU delivery" service.

Started CU franchise program supporting small and medium businesses.

Became the first convenience chain with 100 branches in Mongolia.

Commissioned Mongolia's first food manufacturing plant that meets GMP and HACCP standards.



CU App reached 320 thousand members.

CU brand opened its 127th branch store.

Partnered with United Nations Children's Fund (UNICEF) initiating the Environmentally Friendly Mongol Ger project.

Partnered with the Domestic Violence and Child Crime Unit of the Ulaanbaatar City Police to launch the CU Child Protection Project.

Started IPO process to become a publicly listed company.



Opened 50 CU brand stores in Mongolia.

Total daily customers reached 30,000.

Introduced Mongolia's first app based loyalty program through CU app.

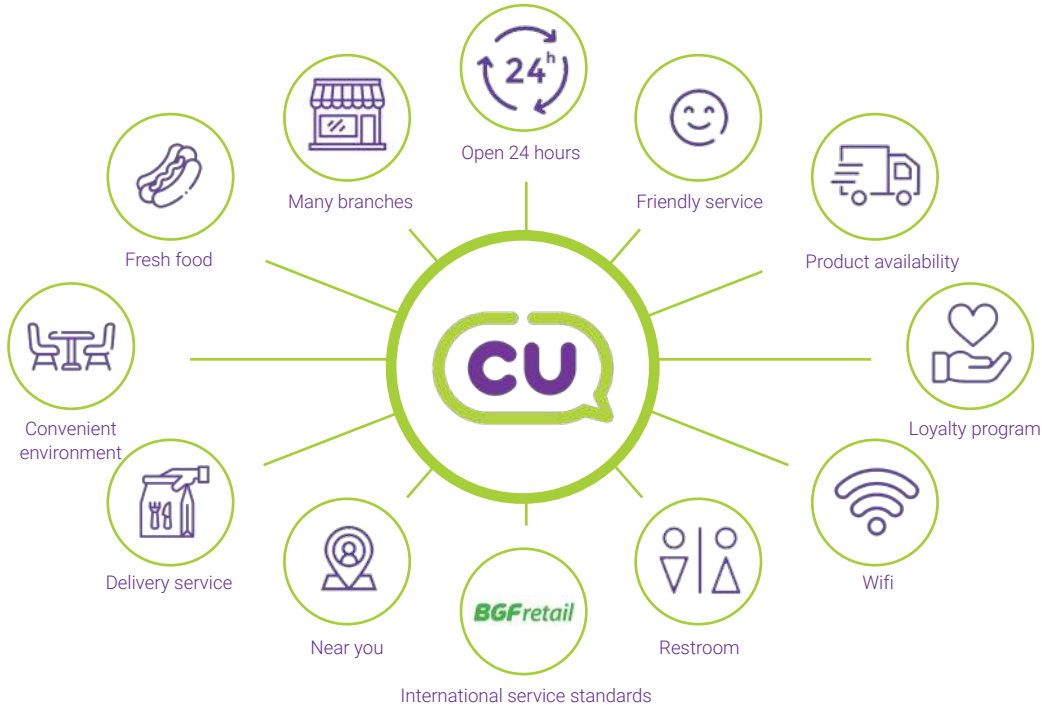
2019

2020

2021

# COMPANY OPERATIONS

Through the CU convenience store chain, Central Express CVS strives to provide products and services that satisfies customers' daily needs in close proximity, in a convenient environment, open 24 hours.



In order to maintain a consistent high level of customer satisfaction, and ensure availability of products and services, Central Express CVS has developed a comprehensive logistics and technological solutions, providing a differentiated selection of products, and have become a significant part of social infrastructure.



CU convenience store offers the following advantages compared to traditional grocery stores:

- Product differentiation
- Technological solutions
- Comprehensive logistics solutions
- Social infrastructure
- Franchise program

# PRODUCT DIFFERENTIATION

CU convenience store offers a variety of differentiated products to customers through international-standard quality service. The company offer products such as brand-name products some developed in collaboration with local manufacturers, and globally trending products.

## International-standard, quality service



Optimal space



Meets high standards



Furnished & Comfortable

In order to maintain high level of customer satisfaction, the company uses QSC system for store standards evaluation, quality control, and improvements.

## “Near you” delivery service

Central Express CVS launched 30-minute delivery service in May 2020, offering more than 2,000 different types of products to customers from all stores in the chain. The company has reached multiple milestones for its delivery service as of June 2021.



Orders taken by app (remaining by phone)

70%



Delivery service offered by

121 stores



Number of deliveries

780,000



Number of unique delivery customers

124,000



## TECHNOLOGICAL SOLUTIONS

Not only does Central Express CVS use state-of-the-art technology solutions for effective product management, it also uses data-driven analytics to identify evolving needs of customers and develop products on an ongoing basis.

### Effective product management

#### VENDOR PORTAL



Location based order

Promotions & rewards

#### LS RETAIL



Uninterrupted supply

Reconciliation

#### POWER BI

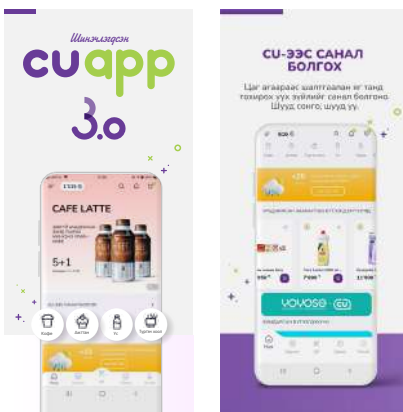


Quick exchange of price information

Effective product management

### Customer loyalty program

The customer loyalty program can increase value to customers by rewarding loyalty points, bolstering repeat purchases, and promoting products and services relevant to our customers. The company launched the loyalty program through the CU app and has reached the following milestones as of June 2021.



320,000+

CU app users



Up to  
70%  
discount

## COMPREHENSIVE LOGISTICS SOLUTIONS

### Distribution centers

The convenience store business aims to maximize sales per square meter in the most densely populated areas; thus, it operates in a relatively small space compared to traditional grocery stores. To ensure consistent product availability, the company provides integrated inventory management which includes monitoring, storage, distribution and delivery. The distribution centers receive over 3,500 types of products from over 500 suppliers to deliver to CU chain stores.



**3-4 TIMES PER DAY**

Inventory delivery  
per store

### Ambient temperature delivery center

Central Express CVS's wholly-owned subsidiary, Premium Distribution LLC, operates a 4,200 sqm Ambient temperature distribution center in the Bayangol district, and manages its operations with a Warehouse Management System.



### Cold-chain distribution center

The cold-chain distribution center operates in a 375 sqm warehouse space with a ventilation system specifically for storing, preparing, and delivering products that require a +4°C regime. The cold-chain distribution center stores all products manufactured from the food production center, receives products from local suppliers, and delivers over 55,000 products daily to CU convenience chain stores.

### Food production center

Central Express CVS commissioned a 2,960 sqm CU food production center in Khonkhor village of Bayanzurkh district in November 2020. The production center supplies packaged meals to CU convenience stores, and it is the first one-direction process food manufacturing plant in Mongolia that meets Hazard Analysis Critical Control Point (HACCP) and Good Manufacturing Practice (GMP) standards.



The food production center produces more than 8,000 packaged meals a day of over 20 types without any food extensions or stabilizers. The company also provides small and medium businesses the opportunity to develop products using production center facilities and distribute the products through CU convenience stores. The production center has a cooling room made of EPS and polyurethane panels with round corners which prevents bacterial growth ensuring a safe environment.

# SOCIAL INFRASTRUCTURE

The convenience store offers the nearest service infrastructure to customers. On top of providing necessary products, CU convenience store operates as an integrated service center, which delivers printing, postal, and delivery services, fulfilling the evolving needs of customers on daily basis.



Free internet



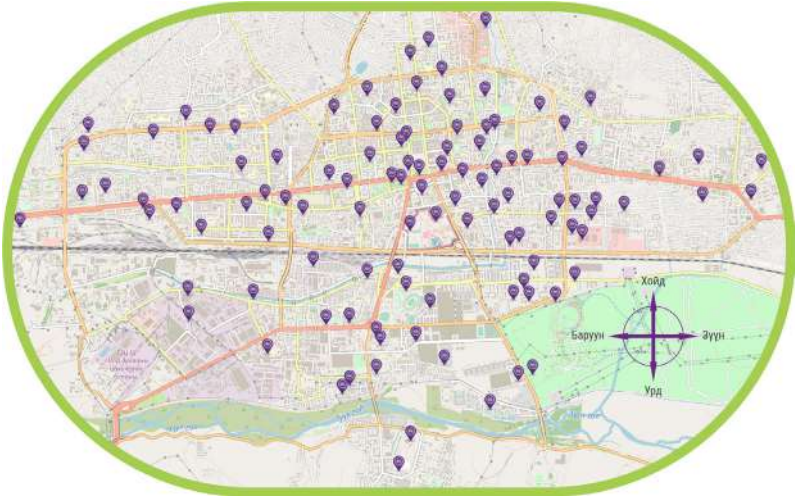
Child safety



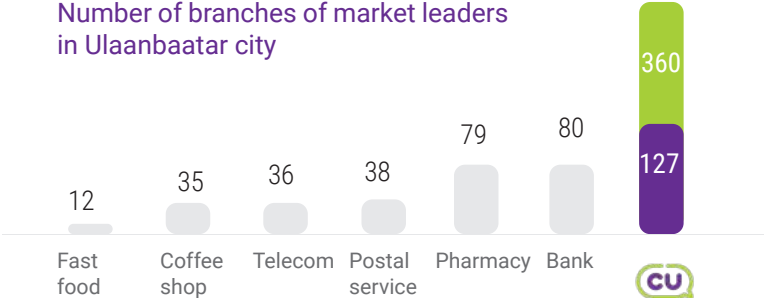
Restroom

## Nearby service

CU convenience store is located in near to customers such as residential areas, offices, hospitals, schools, bus stops, airports, and auto stations areas with the largest traffic and busiest areas of Ulaanbaatar city creating a wide-range infrastructure.



Number of branches of market leaders in Ulaanbaatar city





## FRANCHISE PROGRAM

Under the Master Franchise Agreement, Central Express CVS has the right to open subfranchise stores. Through the CU franchise program, retail business owners can get access to the company's comprehensive logistics, information technology, and management solutions. The franchisee gets training for human resources, information technology systems, and inventory management. By implementing common standards with Central Express CVS, the program enables franchisee to expand the scope of stores by creating long-term mutually beneficial partnerships.



# ENVIRONMENT, SOCIAL, GOVERNANCE EVALUATION

To create sustainable business growth and improve transparency through good corporate governance, Central Express CVS has been assessed through Environment, Social, and Governance (ESG) of all parts of its operations, including stores, distribution centers, and the food production center. Out of 182 indicators of the International Finance Corporation's ESG standards and according to relevant regulations of Mongolia, Central Express CVS fully satisfies 174 criterias. As a result, the company has scored 95.6 percent on ESG evaluation.

## CU will help you



## Eco Mongol Ger Project



Central Express CVS has partnered with the Domestic Violence and Child Crime Unit of the Ulaanbaatar City Police to launch the CU Child Protection Project, decorated lounge room of the Neurology and Cardiac Surgery Department of the PN Shastin Third National Hospital, and also partnered with the United Nations Children's Fund (UNICEF) to initiate the Eco Mongol Ger Project and implemented many other social responsibility projects.

## MARKET AND STRATEGY

### Global convenience store market

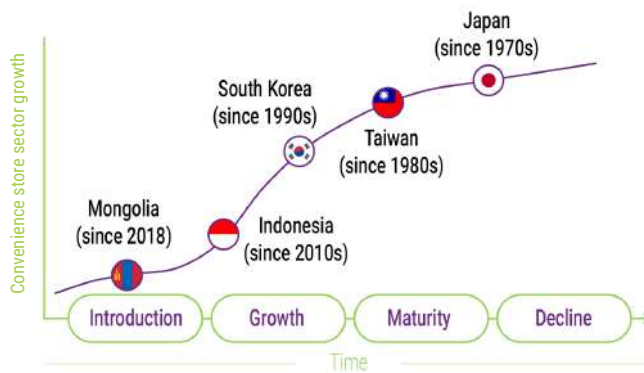
The global convenience store market is estimated to be over USD 3 trillion. Convenience store market growth is directly related to economic growth and urbanization of the country; for instance, in the rapidly growing economies, such as China, there is a booming trend in the convenience market. On the other hand, in mature markets, such as Japan, convenience store revenue has grown at an average rate of 2-4 percent per year reaching JPY 12.2 trillion or MNT 314.15 trillion. Meanwhile in Taiwan, convenience store revenue has grown at an average annual rate of 3-6 percent.

In a transitional market from the growth to mature phase, such as South Korea, convenience store revenue has reached KRW 26.5 trillion or MNT 60.95 trillion. In the South Korean market BGF Retail (CU brand) and GS Retail (GS25 brand) leads the market with around 15,000 branches respectively.

Convenience store market growth across the world is shown in the table below:

	2016	2017	2018	2019	Average
South Korea	18.4%	14.2%	9.8%	5.2%	<b>11.9%</b>
Indonesia	12.5%	11.1%	10.0%	9.1%	<b>10.7%</b>
Taiwan	0.0%	2.8%	6.3%	2.8%	<b>3.8%</b>
Japan	4.1%	2.6%	2.0%	1.7%	<b>2.6%</b>

Convenience store business concept was introduced in the 1970s in Japan, the 1980s in Taiwan, the 1990s in South Korea, and in the 2010s in Indonesia. Even after over 50 years, the convenience businesses in Japan is still growing at a stable rate.

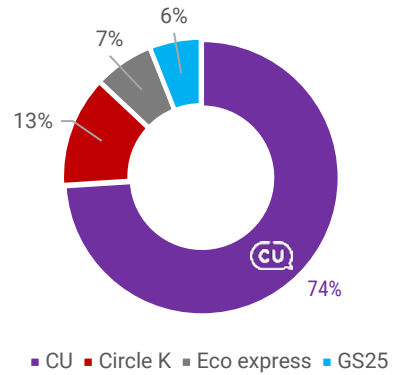


The life cycle of a given industry has four stages: introduction, growth, maturity, and declining stage. The modern convenience store sector is yet to see a declining stage indicating a long business life cycle.

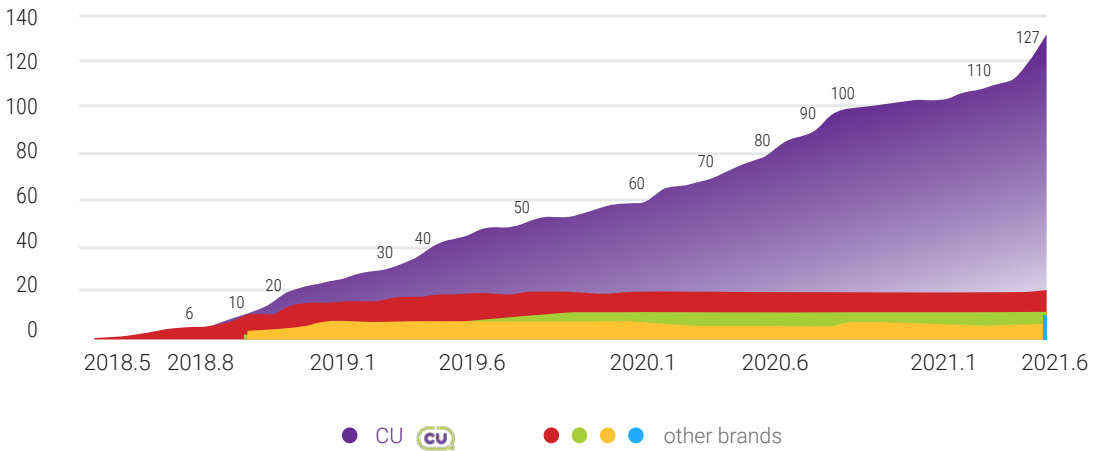
## DOMESTIC CONVENIENCE STORE MARKET

Central Express CVS LLC established the first convenience store in Mongolia in 2017. Today, the convenience store market became one of the fastest growing sectors in the retail industry.

Looking back at early development stage of South Korean and Japanese markets, many convenience store brands entered the market in a short period of time and competed fiercely to gain foothold in the market. The same pattern is likely to be repeated in the Mongolian convenience store market.



### Number of convenience stores



As of June 2021, there are 172 convenience stores from 5 brands operating in Ulaanbaatar. Central Express CVS leads the market with 127 of CU brand convenience stores, which has been continuously expanding since the Master Franchise Agreement in 2018. Following CU, Circle K brand has 22 stores, Ecoexpress has 12 stores, Vpoint brand exited the market recently falling to 0 stores and GS25 brand has 11 stores.

## MARKET CAPACITY

The convenience store market capacity in the Ulaanbaatar has been estimated based on two approaches: income and consumption, and population density.

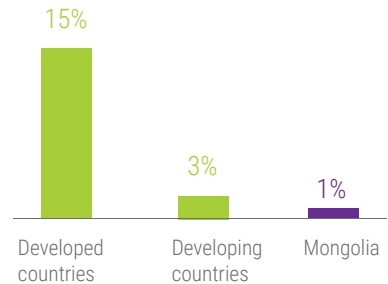
### Market capacity based on income and household consumption

There is a strong relationship between the trade sector and economic activities, including the purchasing power of population. Based on the income and household consumption level, the convenience store market size in the Ulaanbaatar is MNT 12.6 trillion, whilst it is expected to reach MNT 23.9 trillion in 2026. Central Express CVS generated a revenue of MNT 45.3 billion in 2020 which accounts for about 0.4 percent of the market.



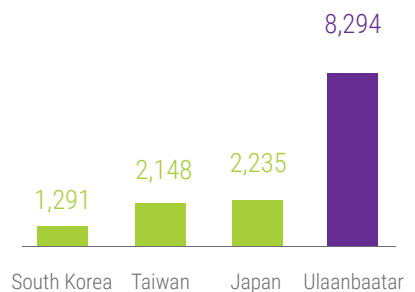
### Convenience store market share

Convenience stores account for 15 percent of the total retail market in developed countries, and 3 percent for developing countries. In Mongolia, the convenience store sector accounts for about 1 percent of the retail market. Based on global comparables, Mongolian convenience store sector has ample room for growth.



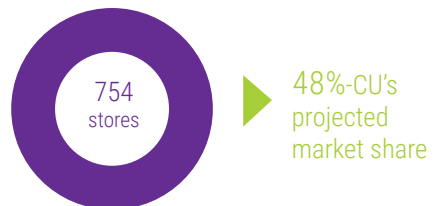
### Market capacity based on population density

As of 2020, there are 17,847 people per convenience store in Mongolia, while it is 8,294 in Ulaanbaatar city. In other Asian countries, there are 2,340 people per store in 2018, which further fell to 1,891 people per convenience store. It indicates that there is a large potential for the Mongolian convenience store market to reach global average per capita rate.



### Convenience store capacity

The population of Ulaanbaatar city excluding Bagakhangai, Baganuur, and Nalaikh districts is about 1,426,645. Based on global markets' per capita statistics, the number of convenience store capacity in Ulaanbaatar is 754 stores. Central Express CVS plans to account for about 48 percent of the convenience store market in the mid-term.

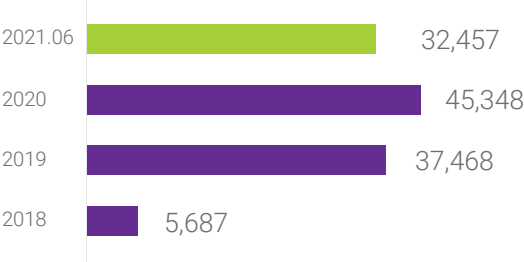


# FINANCIAL OVERVIEW

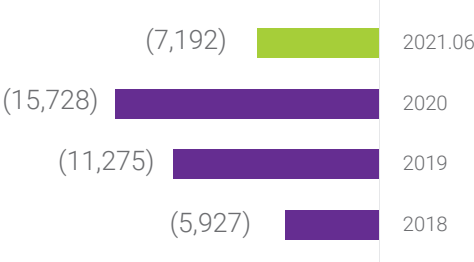
Central Express CVS's revenue grew at a CAGR of 182 percent from 2018-2020, and by 84 percent in the first half of 2021 compared to the previous year. In the first half of 2021, the net loss reached MNT 7.2 billion. Compared with the last year, total assets increased by 94.9 percent, whilst liabilities decreased by 21.1 percent.

## Revenue (MNT million)

2018-2020  
CAGR: 182%

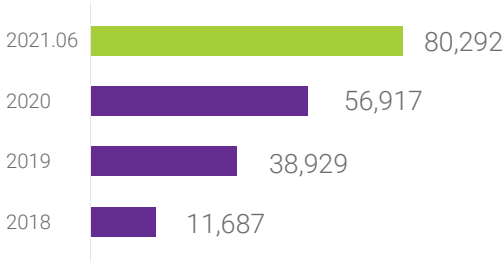


## Net profit or loss (MNT million)

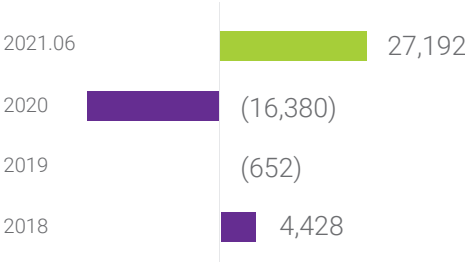


## Total assets (MNT million)

2018-2020  
CAGR: 120%

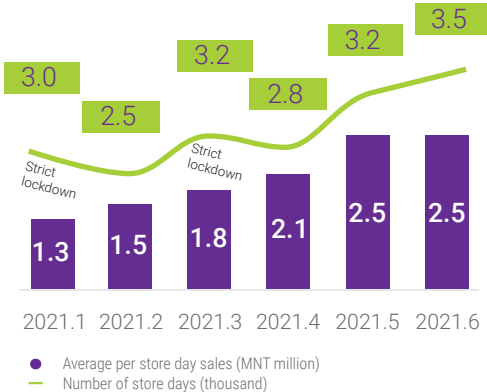


## Total equity (MNT million)



## Post-covid sales recovery

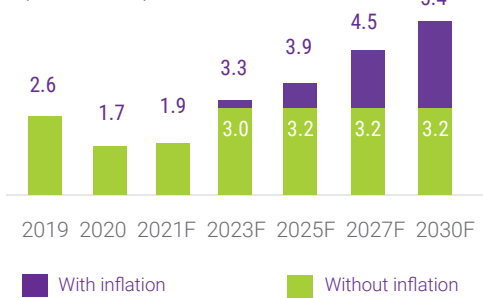
Due to government measures against the spread of Covid-19, Central Express CVS's Revenue started falling since January 2020. However, starting from April 2021, government measures became less stringent, leading to a start of sales recovery from May 2021. Average per day sales of store increased to MNT 2.5 million in May and June indicating steady recovery.



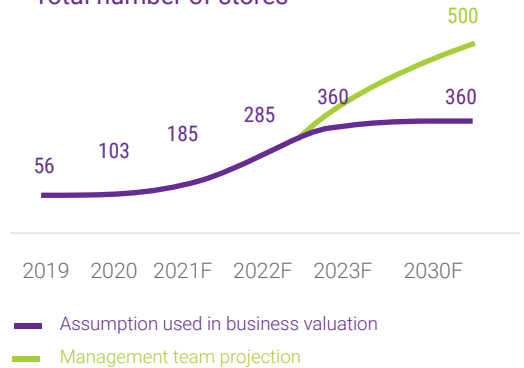
## FINANCIAL OUTLOOK

With a comprehensive logistics and information technology solutions, increased product development in collaboration with local suppliers and service providers, Central Express CVS has a large market potential to increase sales revenue by enlarging store infrastructure. The company is projected to reach MNT 390 billion of Revenue and MNT 7.7 billion of Net profit by 2023.

**Average per store day sales**  
(MNT million)

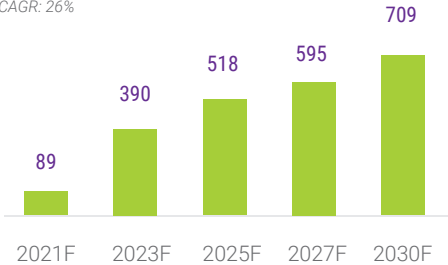


**Total number of stores**



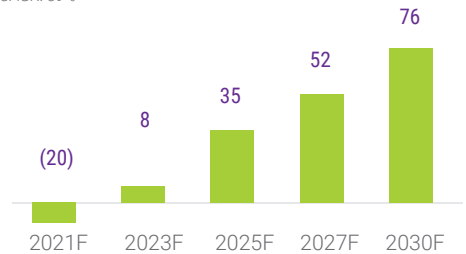
**Revenue (MNT billion)**

2021-2030  
CAGR: 26%



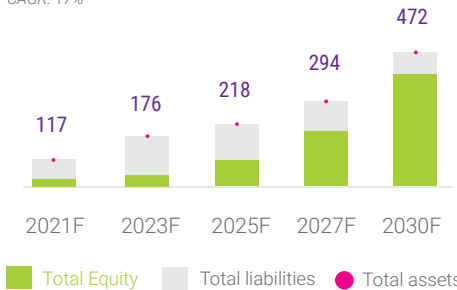
**Net profit (MNT billion)**

2023-2030  
CAGR: 39%



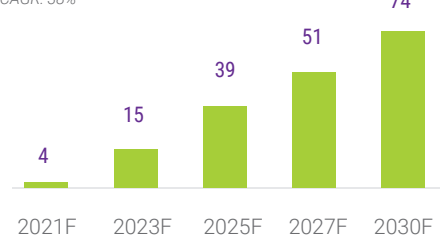
**Total assets (MNT billion)**

2021-2030  
CAGR: 17%



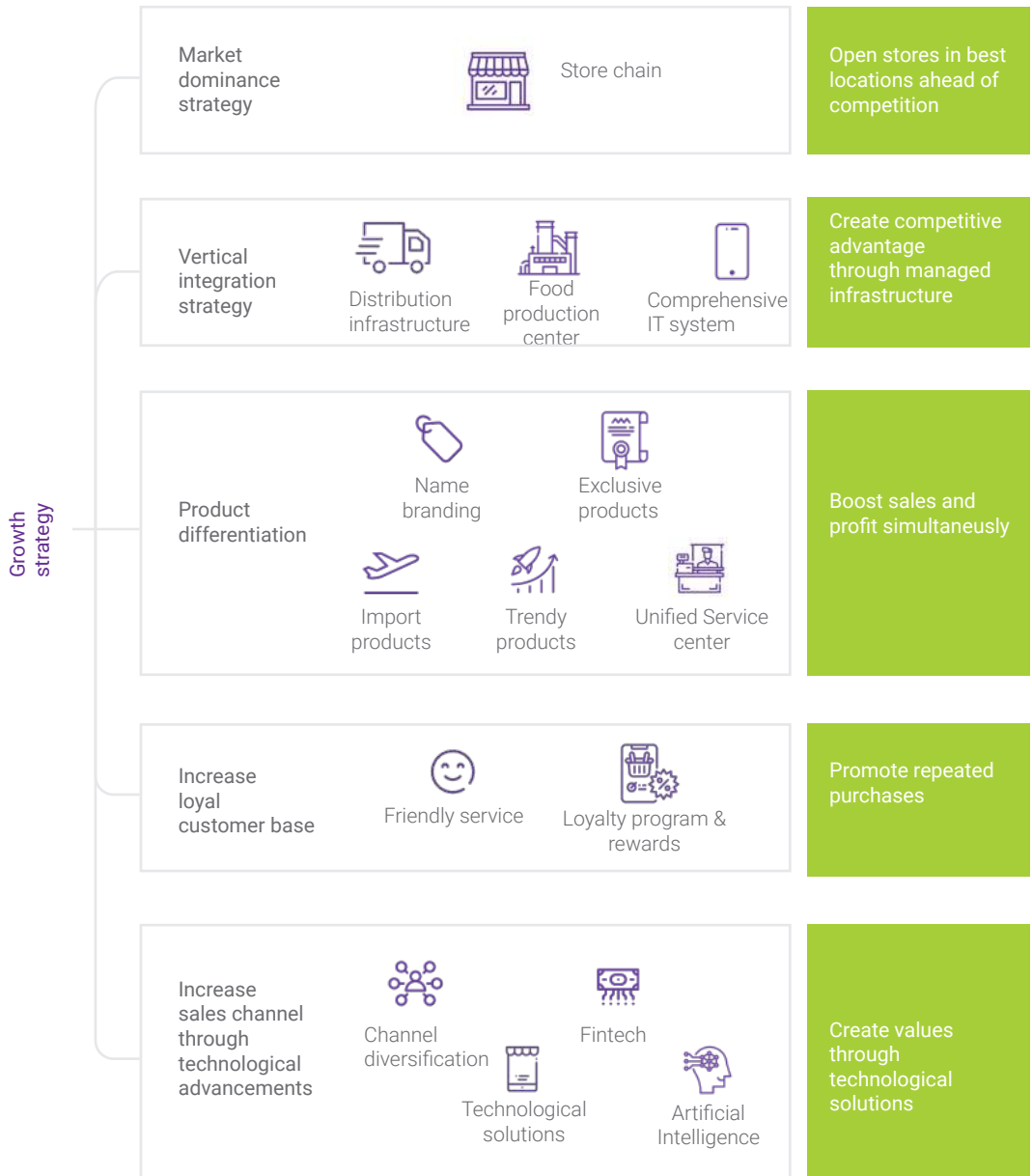
**Net cash flow (MNT billion)**

2021-2030  
CAGR: 38%



## BUSINESS PLAN, MID-TERM STRATEGY

Central Express CVS aims to bring simpler, smarter products and services to the market, open new locations and be as close as they can to their customers. The company is focusing on the following main 5 strategies in the midterm to reach its goals.





## RISK MANAGEMENT



With the rapidly changing business environment at Central Express CVS, the Board of Directors and Executive management team constantly identifies potential risks, mitigates it through necessary measures, and implements risk management system that accounts for key risks in long-term strategic decisions. The four main risks to Central Express CVS operations are stated below.

Competition risk	Supply-chain risk
Due to high competition in the retail market, increased number of stores in a small area may lead to split traffic between stores and decrease average per store day sales. By effectively using market dominance strategy, Central Express CVS can place itself in high traffic areas far from own stores with average distance of 150-200 meters between chain stores resulting in increased competitive advantage and reduced risks.	There is a risk that the supplier will not be able to deliver goods in accordance to order, creating interruptions and reducing product availability, which could lead to loss of potential sales. Through its integrated distribution center CU convenience store can provide unified inventory management, manage supply-chain risks based on inventory stock, and fulfill orders on an individual store basis.
Covid-19 risk	Reputational risk
Due to the Covid-19 pandemic, there is a risk of sales decline caused by government restrictions such as limiting working hours and number of customers per store. Central Express CVS has successfully introduced the fastest delivery service in Mongolia, which could mitigate and reduces risks associated with Covid-19 restrictions.	As an international franchisee, risks of reduced service quality due to mistakes on standard implementation could result in loss of brand reputation and customer trust. In order to manage such risks, Central Express CVS conducts regular QSC service standard training and operates customer service center that accepts open feedback, and resolves customer complaints.





# INVESTMENT OVERVIEW

## CU IPO HIGHLIGHTS

### Defensive growth stock

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The company is in its growth stage which could deliver higher growth than the market average

### Long-term stable dividend policy

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With low debt levels and high free cash flow, the company has the potential to offer stable dividends in the long-term

### Discounted offering

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The stock price is offered to the public with 21.5 percent discount

### Price stabilization program

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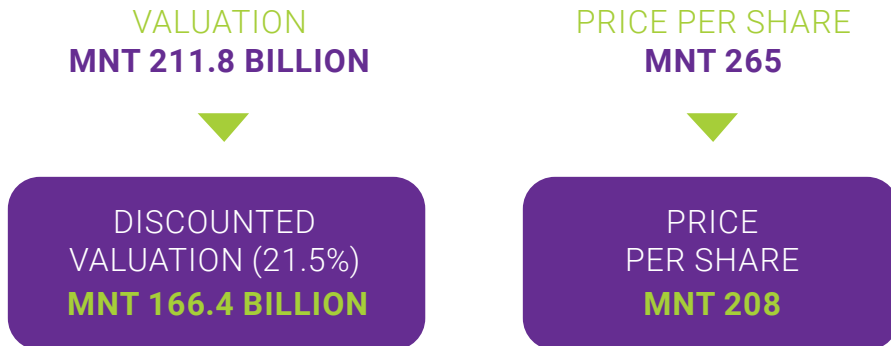
Stock price stabilization program will be implemented to ensure stock liquidity and price stability

### Firm commitment

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48 percent of the total amount to be raised has been guaranteed by the underwriters

## VALUATION SUMMARY



Gerege Estimate LLC, an experienced appraisal company, performed an independent business valuation of Central Express CVS using the discounted cash flow method.

Based on the Central Express CVS's market potential and competition advantage, the valuation company concluded that the company is capable of developing 360 stores by 2023. Due to the nature of business, as the company expands its infrastructure, it gains significant bargaining power allowing it to purchase products at discounted prices. Internally, the company has the potential to reduce unit cost of products through its vertically integrated structure, including the food production center and distribution center.

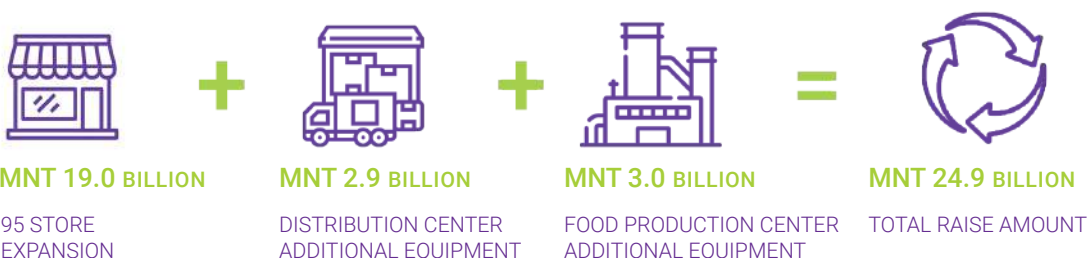
The company is projected to steadily reduce the current COGS ratio of 103%, to 82-83% by 2030 which can increase net profit significantly. With growth in sales and net profit margin, the cash flow of the company is estimated to increase considerably. Using the appropriate discount rates as of June 2021, company valuation is estimated at MNT 211.8 billion. The valuation is based on 10 years of forecasted cash flow and a weighted average cost of capital (WACC) of 18 percent.

Based on the current market situation and to offer customers capital gain opportunities, Central Express CVS and the underwriters decided to offer shares at a 21.5 percent discount price.

Note: In the event of oversubscription, Central Express CVS has decided to issue up to 17,994,909 additional shares and increase total raise amount to MNT 28.7 billion.

## USE OF PROCEEDS

Central Express CVS aims to reach a total of 360 convenient stores by 2023. Capital raised from public funds, equivalent to MNT 24.9 billion, is intended to be invested in the store expansion and infrastructure development that has the utmost return.



### Store expansion (MNT 19.0 billion)

Historically, total investment per store ranges from MNT 110-400 million with an average of MNT 200 million. 76 percent of the amount raised, equivalent to MNT 19.0 billion, is planned for store expansion of 95 new stores.

### Distribution center additional equipment (MNT 2.9 billion)

In order to ensure continuous supply of goods and effective management of distribution center, operations need to be improved on automation and efficiency. A total of MNT 2.9 billion or 12 percent of funds is intended to be invested in the enhancement of distribution center equipment.

### Food production center additional equipment (MNT 3.0 billion)

In order to develop new products at the food production center and also increase capacity to account for the store expansion, additional equipment investment of MNT 3.0 billion is needed for the food production center.

By making these investments, the CU convenience store chain would maintain its leading position in the market, fulfilling its mid-term business plan.

## FIRM COMMITMENT

### Firm commitment

From the Central Express CVS's public offering of 24.9 billion MNT, lead underwriter Golomt Capital LLC has committed to finance MNT 10 billion and Apex Capital LLC has committed to finance MNT 2 billion. As a result, the underwriters has committed to finance 48% of the total capital to be raised in the IPO.




 + 
 
 = 
 **12** MNT billion

### Price stabilization program

In order to protect against sudden price falls, to increase liquidity, and ensure price stability, Mr. Gankhuyag, a principal shareholder of the issuer, has signed a price stabilization contract worth MNT 3 billion with Golomt Capital LLC.



**3** MNT billion





## I CENTRAL EXPRESS CVS

# HOW TO PARTICIPATE IN CENTRAL EXPRESS IPO?

THE INVESTOR CAN PARTICIPATE IN CENTRAL EXPRESS CVS IPO BY FOLLOWING THIS GUIDE



### OPEN A SECURITIES ACCOUNT

Choose a brokerage company with license to operate on the Mongolian Stock Exchange and open a securities account (Copy of passport, account opening fee is required)

1

### PLACE BUY ORDER

Place an order to invest in Central Express CVS shares through your chosen brokerage.



2

3



### DEPOSIT FUNDS

Transfer the needed funds according to the instructions by your brokerage

4

### CONGRATULATIONS!

You are now a shareholder & owner of Central Express CVS



#### UNDERWRITERS:

Golomt Capital LLC  
Apex Capital LLC

7012-1530  
7510-7500





# APPENDIX

## FINANCIAL STATEMENTS

Statement of Profit or Loss (MNT million)	2018	2019	2020	2021.II
Revenue	5,687	37,468	45,348	32,457
Cost of sales	(7,335)	(43,356)	(50,707)	(36,255)
<b>Gross profit, loss</b>	<b>(1,648)</b>	<b>(5,888)</b>	<b>(5,359)</b>	<b>(3,798)</b>
General, administrative and selling expenses	(2,012)	(4,190)	(5,102)	(2,703)
Other expense/income	(2,269)	1,988	(34)	343
<b>Operating profit, loss</b>	<b>(5,929)</b>	<b>(8,090)</b>	<b>(10,495)</b>	<b>(6,158)</b>
Finance income	4	7	159	192
Finance cost	-	(3,191)	(5,588)	(2,481)
<b>Profit, loss before income tax</b>	<b>(5,925)</b>	<b>(11,274)</b>	<b>(15,924)</b>	<b>(8,447)</b>
Income tax expense	(0)	(1)	196	1,254
<b>Profit, loss after tax</b>	<b>(5,926)</b>	<b>(11,275)</b>	<b>(15,728)</b>	<b>(7,192)</b>

Statement of Financial Position (MNT million)	2018	2019	2020	2021.II
<b>Non-current assets</b>				
Property, plant and equipment	5,685	13,613	17,916	33,115
Right-of-use assets	-	15,617	16,813	19,033
Intangible assets	2,468	2,913	2,808	2,897
Other non-current assets	460	384	3,078	9,161
<b>Current assets</b>				
Inventories	2,507	4,025	6,711	7,475
Other current assets	430	1,725	3,486	4,648
Cash and cash equivalents	188	652	6,104	3,962
<b>TOTAL ASSETS</b>	<b>11,737</b>	<b>38,929</b>	<b>56,917</b>	<b>80,292</b>
Share capital	10,951	17,145	17,145	67,981
Accumulated profit or deficits	(6,522)	(17,797)	(33,525)	(40,718)
<b>TOTAL EQUITY</b>	<b>4,428</b>	<b>(652)</b>	<b>(16,380)</b>	<b>27,263</b>
<b>Non-current liabilities</b>				
Long term lease liabilities	-	15,321	19,571	24,334
Long term borrowing	-	12,551	10,520	12,570
Long term financial liabilities	2,038	-	-	-
<b>Current liabilities</b>				
Trade and other payables	5,271	7,422	25,218	14,725
Short term borrowing	-	3,282	16,361	103
Short term lease liabilities	-	1,005	1,628	1,293
<b>TOTAL LIABILITIES</b>	<b>7,309</b>	<b>39,581</b>	<b>73,297</b>	<b>53,029</b>

## FINANCIAL PROJECTIONS

Statement of Profit or Loss (MNT billion)	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
Revenue	89	238	390	475	518	561	595	631	669	709
Cost of sales	(95)	(230)	(357)	(424)	(450)	(476)	(503)	(531)	(560)	(591)
<b>Gross profit, loss</b>	<b>(6)</b>	<b>8</b>	<b>33</b>	<b>51</b>	<b>68</b>	<b>86</b>	<b>92</b>	<b>100</b>	<b>109</b>	<b>118</b>
General, administrative and selling expenses	(7)	(10)	(11)	(11)	(12)	(12)	(13)	(13)	(14)	(14)
<b>Operating profit, loss</b>	<b>(13)</b>	<b>(2)</b>	<b>22</b>	<b>40</b>	<b>57</b>	<b>74</b>	<b>80</b>	<b>87</b>	<b>96</b>	<b>104</b>
Net finance expenses	(2)	(2)	(2)	(2)	(2)	(1)	(1)	(0)	-	-
Interest expense on lease liability	(5)	(9)	(12)	(14)	(13)	(12)	(12)	(10)	(8)	(8)
<b>Profit, loss before income tax</b>	<b>(20)</b>	<b>(12)</b>	<b>10</b>	<b>26</b>	<b>44</b>	<b>62</b>	<b>68</b>	<b>77</b>	<b>87</b>	<b>96</b>
Income tax expense	(0)	-	(1)	(3)	(7)	(14)	(16)	(17)	(19)	(21)
<b>Profit, loss after tax</b>	<b>(20)</b>	<b>(12)</b>	<b>8</b>	<b>22</b>	<b>35</b>	<b>47</b>	<b>52</b>	<b>59</b>	<b>68</b>	<b>76</b>

Statement of Financial Position (MNT billion)	2021F	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F
<b>Non-current assets</b>										
Property, plant and equipment	44	61	67	57	50	45	41	37	31	28
Right-of-use assets	39	57	67	66	56	47	46	35	26	28
Intangible assets	3	3	3	3	2	2	2	1	1	1
Other non-current assets	4	4	4	3	3	3	3	3	3	3
<b>Current assets</b>										
Inventories	10	16	13	13	14	15	16	16	17	18
Other current assets	7	6	6	5	5	5	5	5	5	5
Cash and cash equivalents	11	2	17	48	87	133	183	244	316	390
<b>TOTAL ASSETS</b>	<b>117</b>	<b>149</b>	<b>176</b>	<b>196</b>	<b>218</b>	<b>249</b>	<b>294</b>	<b>342</b>	<b>399</b>	<b>472</b>
Share capital	91	91	91	91	91	91	91	91	91	91
Accumulated profit or deficits	(52)	(64)	(57)	(35)	1	48	100	159	227	303
<b>TOTAL EQUITY</b>	<b>39</b>	<b>27</b>	<b>35</b>	<b>57</b>	<b>92</b>	<b>139</b>	<b>191</b>	<b>250</b>	<b>319</b>	<b>394</b>
<b>Non-current liabilities</b>										
Long term lease liabilities	42	63	77	80	74	66	67	56	43	38
Long term borrowing	17	25	22	18	14	9	3	0	0	0
<b>Current liabilities</b>										
Trade and other payables	20	32	39	37	34	30	29	30	32	34
VAT payables	-	2	3	4	4	5	5	5	6	6
<b>TOTAL LIABILITIES</b>	<b>78</b>	<b>122</b>	<b>141</b>	<b>139</b>	<b>126</b>	<b>110</b>	<b>104</b>	<b>91</b>	<b>81</b>	<b>78</b>

WELCOME TO



Issuer



+976 77330101  
www.cumongol.mn  
info@cumongol.mn

Lead underwriter



+976 70121530  
www.golomtcapital.com  
info@golomtcapital.com

Sub underwriter



+976 75107500  
www.apex.mn  
Investment@apex.mn