

February 2013

Equity Research / Services / Company update

MSE Ticker

SOI: MSE

Eurofeu Asia JSC**Stock Data**

Price, MNT	4,225
Historical high, MNT	5,000
Target price, MNT	9,200
Mkt cap, MNTmn	2,568 million MNT
Mkt cap, US\$m	\$1.84 million
Free float, %	45%
YTD %	--

Current Capitalization

USD

MNT

Shares Outstanding	607,809	607,809
Price per share	3.02	4,225
Mkt cap, mn	1.84	2,568.0
Debt, mn*	0.15	205.9
Enterprise Value, mn*	2.0	2,588.3
P/E 2012A (x)	4.5	4.5
P/E 2013E (x)	9.2	9.2

*As at Feb 27, 2012

Company Snapshot

Eurofeu Asia JSC is Mongolia's market leader in full service fire safety, supplying quality fire safety products including EU certified fire extinguishers and the only company in Mongolia providing full service safety risk assessments, risk management plans, fire safety product maintenance, and regulated disposal of dangerous fire extinguishers.

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Eurofeu Asia JSC (MSE:SOI), which recently listed on the MSE by way of reverse takeover, has recently signed MNT124 million (US\$90k) of contracts with a global mining company¹. Under the terms of the contract, Eurofeu will supply company's Mongolian office with alarm system on site, fire pumps, recharge and safety equipment. The contract with the company increases Eurofeu's total contracted revenue to about 40% of 2013 projected sales. We are confident that Eurofeu will keep its high growth pace (18% CAGR for last 4 years).

Moreover, several contracts are pending with foreign invested and foreign management companies which require high quality and standard products and services in Mongolia. We believe that the quality and standard of Eurofeu Asia could be on the radar of such kind of clients because of their product and service has been acknowledged by the company. Eurofeu will provide ongoing updates as further material contracts are signed.

About Eurofeu Asia JSC

Eurofeu Asia JSC is Mongolia's leader and full service provider of fire safety products, fire equipment maintenance services, fire risk assessment services, safety training and consulting with a 10-year track record in Mongolia. The company is majority owned and operated by its founders, French expat Sebastien Marneur living in Ulaanbaatar since 1999, and Eurofeu France, a company with €60 million of sales per year based in France operating in the fire safety business across Europe and North Africa.

	2011A	2012A*	2013F
Sales	593	710	888
Gross profit	414	396	577
<i>% margin</i>	<i>70%</i>	<i>56%</i>	<i>65%</i>
EBITDA	286	148	302
<i>% margin</i>	<i>48%</i>	<i>21%</i>	<i>34%</i>
Net income	174	116	261
<i>% margin</i>	<i>30%</i>	<i>16%</i>	<i>29%</i>

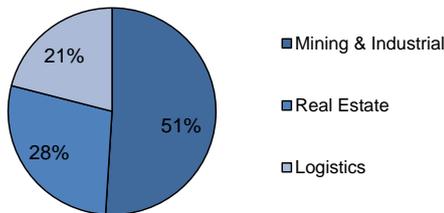
* Note: Net Income adjustments for 2012E include: 1) Salaries: recruitment costs related to CFO, Head of Marketing, retrenching costs of right-sized existing employee base, 2) Rent: expenses related to Winx LLC, Papillion LLC companies sharing office space; not included going forward, 3) Other: listing expenses: MSE (MNT 12m), legal fees (MNT5m), FRC fees (MNT 2.2m), interim audit fees (MNT4m), appraisal (MNT6m), 4) Telecomm: extraordinary costs involved Winx LLC, Papillion LLC; not included going forward

¹ The client company name is undisclosed at their own request

Company Profile

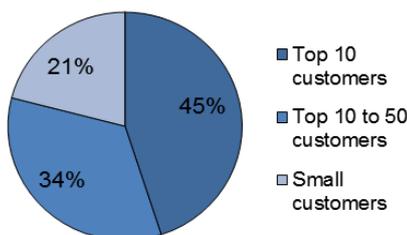
- Eurofeu France was founded in 1972, and today is one of the largest fire safety companies in Europe with an annual turnover of €60 million
- In 1999, Eurofeu started supplying the Mongolian National Emergency Agency. A rep office was opened, with Mr. Sebastien Marneur, a French firefighter, becoming the director of Eurofeu Asia LLC
- In 2003, state restrictions on the sale of fire safety equipment were lifted. Eurofeu Asia obtained licenses to import, install, test, replace and manufacture fire safety equipment in Mongolia
- Eurofeu opened its first retail store in the center of Ulaanbaatar in 2006
- In 2011, the Company reported sales of US\$420 000 and net income of US\$ 170 000 with sales in 2012 showing growth of about 20%
- Company listed on the Mongolian Stock Exchange by way of reverse takeover in 2013
- Eurofeu Asia services 99 of Mongolia’s top 100 companies...

Customer Base



Owner of the world’s largest undeveloped copper-gold project, Oyu Tolgoi LLC, is one of the biggest customers of Eurofeu Asia. In its reference letter, Oyu Tolgoi Advisor Security mentions about Eurofeu Asia’s excellent, responsive and high quality fire safety support to Oyu Tolgoi LLC. Oyu Tolgoi strongly recommends Eurofeu Asia to other international companies and organizations who are planning to do business in Mongolia.

Top 10 customers account for 45% of sales in 2011



SouthGobi Sands LLC, one of the biggest coal mining companies in Mongolia, is also a big customer of Eurofeu Asia and recommends Eurofeu Asia’s expertise in safety field to other peer companies. “Eurofeu Asia has provided us with quality products, excellent services and competitive rates”, Terry Brown, Health, Safety & Environment Manager of SouthGobi Sands LLC, mentions in his reference letter.

Management and International Partnership

As part of an internal restructuring in 2012, Eurofeu Asia built a very strong team with international experience in their respective fields. We believe that Eurofeu Asia's strong team with the company's well-built reputation and track record in the last ten years has positioned the company to be the leader in the industry going forward.

Sebastien Marneur is the founder and CEO of Eurofeu Asia. He used to work for Eurofeu France as professional fire fighter. With his 25 years of expertise in European standard fire safety field, he contributes Mongolian fire safety standards to the modernization. Sebastien received a membership of Fire Service Section, Electrical Section, and Building Fire Safety Systems Section of National fire Protection Association's (NFPA's) in Quincy, Massachusetts, USA.

Eurofeu Asia is the only company in the industry in Mongolia with not only an international expat team but also international partnerships with some of the leading global fire safety companies in the world.



Eurofeu France: Eurofeu France is one of the largest fire safety companies in Europe with €60 million annual sales. It is one of the founders of Eurofeu Asia and is a 15 percent shareholder of Eurofeu Asia JSC, sharing management skills and expertise.



DEF France: DEF France, established in 1958, is a global fire safety solution and services provider company headquartered in Massy, France and operates in more than 30 countries around the world. DEF produces, distributes and sells a full set of fire safety products and services, ranging from state-of-art fire detection system to most advanced sprinkler system, through its offices in Europe, Asia and Africa.

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