

2018 Q2 Financial and Operational Update

Key results

In MNT billions (unless otherwise stated)	Q2 2018	Q1 2018
Total Assets	51.88	50.78
Long-Term investments	40.93	41.09
Loan portfolio	7.22	2.43
Crypto-related investments	9.84 BTC	9.84 BTC
Liabilities	5.90	6.15
Accumulated tax	1.49	1.51
Long-Term	2.78	2.77
Short-Term	1.60	1.60
Equity	46.00	44.80
Dividends income (Last year ₮0.35 billion)	0.90	
Net Profit	0.95	-0.34
Total Valuation	47.50	46.30
Valuation per share	MNT2,763	MNT3,065
JIV share price	MNT1,490	MNT1,709
MNP share price	MNT578	MNT581
Bitcoin price	MNT15.9 mln	

Key ratios

	2017Q2	2017Q4	2018Q2	YoY %
Loan Portfolio to Assets	12.0%	5.1%	13.9%	15.8%
Liabilities (interest bearing) to Assets	7.70%	7.60%	7.80%	1%
Investments to Assets	69.10%	78.60%	78.90%	14.0%
Investments to Capital	74.30%	90.50%	89.00%	20%
Expenses to Assets	3.10%	5.50%	3.20%	4%
Salaries to Assets	1.40%	0.80%	0.60%	-58%
OpEx to Assets	1.30%	3.90%	2.00%	52.0%
Financial Expenses to Assets	0.40%	0.80%	0.60%	66%
ROE	-1.30%	0.20%	2.10%	-265%
ROA	-1.20%	2.10%	1.90%	-257%

Economic and Financial sector

Monetary policy committee of BoM decided to reduce the federal fund rate by 1.0 percentage point to 10.0 percent in March 2018. In May, it was decided to retain the rate going forward.

Following the above decisions, Ard Credit NBF and Ard Assets SLC are working on lowering the loan interest rates, and in return the rates for coupon payments, trust deposits and savings are expected to be decreased respectively.

On July 18, the National Statistical Office (NSO) released its Social and Economic Situation of Mongolia report on the first half of 2018. According to the report, the inflation rate reached 7.2 percent, mainly due to price hikes for vegetables, dairy products, and petroleum products. The money supply rose by MNT3.9 trillion when compared to 2017, bringing the total amount to MNT17.3 trillion. Outstanding loans at commercial banks amounted to MNT15.4 trillion as of June 2018, an increase of MNT2.5 trillion year over year. The amount of non-performing loans went up by MNT184 billion to MNT1.3 trillion. In the first six months of 2018, foreign trade turnover stood at USD6.3 billion with a net surplus of USD822.2 million, reflecting a decline of USD1.2 billion from the same period in 2017. The state budget saw a surplus of MNT12.9 billion in the first six months of 2018.

The USDMNT rate increased from MNT2,405.19 in May to 2.462.82 in June.

Stock market

Total market cap rose by MNT984.2 billion, reaching MNT2,481.8 billion, yielding 65.7 percent increase since last year.

In the first half of 2018, 384.5 million shares were sold at total of MNT49.5 billion through IPOs and secondary market, 276.0 thousand T-bills at total of MNT27.5 billion through secondary market, 6.3 thousand "Suu bonds" at MNT631.6 million, which totals to MNT77.6 billion.

During the reporting period, daily trading amounted to average of MNT616.6 million or 3.0 million securities. Out of the 20 most actively traded stocks, Jinst Uvs was listed as the 10th and Mongol Post as the 16th actively traded stock.

Operating results

Our annual shareholders' meeting were successfully held on 28th of April and made a historical decision to become a publicly listed company by merging with Jinst Uvs/Investor Nation JSC. Ard Insurance has filed for an IPO, in order to increase the equity of the company and has delivered the relevant materials to the FRC and MSE. The decision was made by the CEO of the MSE to list the company shares on Tier-1 and to impose a ticker AIC. As for Ard Credit NBF, we are in the process of finalizing the company's valuation, legal conclusions and the prospectus.

After our longtime partner VenturesOne sold its 1,316,103 shares to EIT, employee investment trust, Anthony Hobrow has stepped from the Board of Directors. Luna&Luna LLC also signed a deal to exchange 1,233,154 shares of AFG for 3.6 percent shares of Mongol Post. Mrs.Oyungerel has also stepped down from the Board, as part of the deal. Hence, two new independent board members, Munhbat, CEO of SGS LLC and Sergelen, director of the IET LLC were appointed to fill these seats.

As IN/JU merger went successfully, the close-down of Investor Nation JSC was finalized in May. As a result, we have successfully closed the first ever reverse merger deal in Mongolia after two years of endless effort. Going forward, we are requesting MSE, FRC and the Securities Central Depository to change the ticker from JIV to ARD, as Ard Financial Group will be merging with Jinst Uvs in the near future.

We have successfully launched Blockchain Academy, prepared 20 students and started 5 new projects on blockchain. Furthermore, we have bought 60% of GoPay LLC, the first Bitcoin wallet of Mongolia, through which bitcoin collateralized loan issuances are being tested. At the same time, as part of the strategic partnership agreement with GrapeCity, Ard Credit, Ard Assets and Ard Life have successfully implemented core banking system into its operations and integrated their database, bringing one step closer to fulfilling our goal of imposing digital transformation. Ard Credit NBFi has introduced Ard Pay (App) mobile wallet to the public. The companies across the Group are working on transmitting all the transactions through this platform. Ard Credit has also placed share collateralized loans into the market, while we launched Ard Bazaar during shareholders meeting.

Ard Life customers number reached 1,000. As part of an agreement with MongolPost to open pension account to all its employees, the senior managers of MP has become pension fund holders. As Ard Life has implemented Polaris core banking system, their customers are now able to check their balance of retirement savings by using Ard Pay mobile wallet.

On 29th of June, we have officially opened our new branch in collaboration with Mongol Post at Central Tower, Ulaanbaatar. We are planning to offer financial services, to introduce international money transfer and to launch e-commerce platform using MP's logistics.

Financial performance

Total assets reached MNT52 billion, a MNT2.2 billion increase since the end of last year. This increase was caused by MNT1.9 billion increase in the value of our long-term investments, and also due to an increase in loans issued from MNT2.5 Billion to MNT7.2 billion.

Total liabilities decreased by MNT0.6 billion from MNT6.5 billion to MNT5.9 billion; net profit and investment appraisal increased by MNT2.9 billion bringing our shareholders' equity from MNT43.1

billion to MNT46 billion, however due to the fact that we have started circulating our own shares, value per share decreased to MNT2,763.

Our net income of MNT965 million, was mainly due to our investment profits. As previously reported, we have received MNT807.8 million dividend payments after tax from 3 different companies.

Due to the fact that the secondary market stock trading was inactive, we sold over MNT660 million worth of shares and funded our operations. Out of this, MNT246.3 million worth of shares were from Jinst-Uvs/Investor Nation JSC shares and MNT244.5 million worth of shares from Mongol Post JSC shares.

We invested MNT200 million into GoPay LLC, paid MNT120 million to MAK and MNT100 million to Trade and Development Bank, respectively. MNT236.6 million were paid for Ard Bond coupon payments and 333.4 million MNT for other debts.

Going Forward

As the privatization plan will be taking off soon, we are closely watching the events related to Mongol Post, Mongolian Stock Exchange, the State Bank and the ETT. “Privatization Fund” operations will start in the near future.

According to our plan, Ard Insurance and Ard Credit NBFi are going public in the third quarter, and the company will mobilize all of its resources to make it successful.

Ard Financial Group’s reverse merger process is still continuing and the listing on MSE is expected to be done within this year.

Currently we are negotiating with two international cryptocurrency exchanges to invest in and are aiming to close these deals within the third quarter.

The resolution was made by the Board to issue MNT4 billion or USD1.6 million worth of 1 and 2 year convertible commercial papers, with floating coupon rates. Ard Securities BDC is acting as the underwriter of the commercial paper.

In pursuant with the collaboration agreement with Mongol Post, we will be joining and testing the Eurogiro system.

We are exploring opportunities to raise funds from international capital markets and are planning to present the proposal at September Board meeting.

Shareholders' structure

#	Shareholders	Q1 2018		Q2 2018	
1	EIT LLC	125,277	0.83%	3,087,902	18.00%
2	Bathishig H.	1,689,415	11.18%	1,689,415	9.80%
3	Bruno Raschle	1,317,337	8.71%	1,317,337	7.70%
4	Luna and Luna LLC	1,233,154	8.16%	1,233,154	7.20%
5	Investor Nation	1,020,210	6.75%	1,049,170	6.10%
6	Ganhuyag Ch.	746,389	4.94%	746,389	4.30%
7	Ard Securities	896,532	5.93%	735,498	4.30%
8	Altan Horomsog	743,436	4.92%	629,035	3.70%
9	Ard Life	625,117	4.14%	597,047	3.50%
10	Uyanga G.	597,047	3.95%	452,000	2.60%
11	Gereltuya S.	452,000	2.99%	305,697	1.80%
12	Ronoc Limited	305,697	2.02%	272,656	1.60%
13	Soronzonbold L.	272,656	1.80%	248,945	1.40%
14	Zoljargal M.	248,945	1.65%	152,830	0.90%
15	Erdenechimeg D.	152,830	1.01%	134,474	0.80%
	Top 15 Shareholders	10,426,042	68.97%	12,651,549	73.60%
	2,148 shareholders	4,691,432	31.03%	4,542,815	26.40%
	Total shares	15,117,474	100.00%	17,194,364	100.00%

Valuation

	2017 (Audited)	Q1 2018	Q2 2018
Strategic Investments	33,711,082,500	35,752,986,421	35,587,751,318
Mongol Post	16,064,720,393	16,401,516,622	16,306,642,870
Investor Nation	295,470,308	310,477,448	29,116,090
Ard Insurance	9,527,681,799	9,527,681,799	9,527,681,799
Ard Credit	4,557,999,178	4,557,999,178	4,557,999,178
Ard Securities	2,126,210,823	2,126,210,823	2,126,210,829
Ard Management	100,000,000	365,333,106	365,333,106
Ard Assets	29,000,000	37,726,429	47,726,429
Ard Life	1,010,000,000	2,426,041,017	2,426,041,017
Ard Bit			200,000,000
GoPay			1,000,000
Non-strategic investments	5,340,741,000	5,340,741,000	5,340,741,000
TenGer Systems	273,507,789	273,507,789	273,507,789
Nomyn Hishig	1,780,000,000	1,780,000,000	1,780,000,000
IET	2,337,233,211	2,337,233,211	2,337,233,211
CryptoNation fund	950,000,000	950,000,000	950,000,000
Others	5,372,994,959	5,236,573,869	6,574,397,878
Short-term investments	1,310,269,897	1,269,241,975	1,268,063,338
Non-current assets	873,219,663	838,854,611	785,775,144
Cash	689,066,355	1,909,684	2,857,907
Net receivables	2,500,439,044	3,126,567,599	4,517,701,489
Total valuation	44,424,823,637	46,330,306,467	47,502,890,195
Outstanding shares	15,033,874	15,117,474	17,194,364
Value per share	2,955	3,065	2,763

Stand-alone Balance sheet

Balance (in MNT thousands)	2017Q4 A	2018Q1 B	2018Q2 C	C-A	C-B
Cash and cash equivalents	689,066	1,844	2,858	-100%	55%
Short-term investments	86,909	49,242	48,063	-45%	-2%
Receivables	4,799,347	4,752,479	625,133	-87%	-87%
Loan	2,505,964	2,423,593	7,224,542	188%	198%
Inventory	23,176	24,671	19,933	-14%	-19%
Prepaid expenses	423,914	379,682	1,020,259	141%	169%
Assets held for sale	1,220,000	1,220,000	1,220,000	0%	0%
Non-Current assets	859,821	824,977	767,255	-11%	-7%
Intangible assets	14,217	13,877	18,520	30%	33%
Investments	39,033,913	41,093,727	40,928,492	5%	0%
TOTAL ASSETS	49,656,326	50,784,093	51,875,056	4%	2%
Accounts payable	1,265,008	502,798	169,637	-87%	-66%
Tax liability	67,354	8,775	82,466	22%	840%
Interest liability	57,744	51,771	70,412	22%	36%
Short-term liability	1,080,073	1,121,276	1,311,836	21%	17%
Deferred tax liability	1,292,211	1,510,153	1,491,361	15%	-1%
Bond payables	2,781,782	2,769,192	2,779,433	0%	0%
TOTAL LIABILITIES	6,544,172	5,963,966	5,905,146	-10%	-1%
SHAREHOLDERS EQUITY	43,112,154	44,820,126	45,969,910	7%	3%
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	49,656,326	50,784,093	51,875,056	4%	2%

Stand-alone Income Statement

in MNT thousands	2017Q4 A	2018Q1 B	2018Q2 C	C-A	C-B
Net investment income	2,601,160	52,469	1,131,792	-56%	2,057%
Rent income	230,344	146,891	291,282	26%	98%
Mgmt fee income	88,000	89,455	211,817	141%	137%
Interest income	529,602	78,189	170,550	-68%	118%
Dividend income	356,851	-	897,654	152%	100%
Other income	145,217	31,227	39,734	-73%	27%
Total income	3,951,174	398,231	2,742,830	-31%	589%
Sales and marketing expenses	201,182	36,451	147,736	-27%	305%
HR expenses	918,407	148,778	307,055	-67%	106%
Operating expenses	1,208,511	393,533	866,261	-28%	120%
Financial expenses	394,026	158,555	315,966	-20%	99%
Other expenses	10,339	8,752	19,829	92%	127%
TOTAL EXPENSES	2,732,466	746,069	1,656,846	-39%	122%
ForEx gain (loss)	-76,259	-8,568	11,886	-116%	-239%
Other gain (loss)	-11,367	-	-	-100%	
Profit before tax	1,131,082	-356,406	1,097,869	-3%	-408%
Income tax	107,278	7,819	146,487	37%	1,773%
Profit after tax	1,023,805	-364,225	951,382	-7%	-361%
Investment gain (loss)	4,642,382	2,072,197	1,906,374	-59%	-8%
Total Comprehensive income	5,666,187	1,707,972	2,857,756	-50%	67%

Quarterly sales

Quarter	Amount	Cost	Total	Change QoQ	Change YoY
Q1 2017	60,940	2,148	130,926,300.00		
Q2 2017	68,622	2,289	157,095,740.00	0.1261	
Q3 2017	62,996	2,042	128,637,100.00	-0.082	
Q4 2017	428,013	2,418	1,034,763,200.00	5.7943	
Q1 2018	202,547	2,530	512,355,662.00	-0.5268	232.37%
Q2 2018	228,409	2,726	622,605,684.00	0.1277	232.85%

Share buybacks

Date	Amount	Cost	Total	
2017 January		128,875	1,306	168,348,500.00
2017 February		71,470	1,310	93,616,600.00
2017 March		30,090	1,500	45,135,000.00
2017 April		-	-	-
2017 May		11,510	1,527	17,571,000.00
2017 June		-	-	-
2017 July		167,647	1,670	279,999,900.00
2017 August		-	-	-
2017 September		873,000	2,406	2,100,001,500.00
2017 October		118,280	1,613	190,796,000.00
2017 November		-	-	-
2017 December		125,277	1,900	238,026,300.00
2018 January		556,914	1,642	914,322,500.00
2018 February		101,000	1,701	171,800,000
2018 March		3,828	2,300	8,804,400.00
2018 April		720	1,861	1,340,000.00
2018 May		-	-	-
2018 June		658,051	2,100	1,381,907,100.00
		5,409,816	1,953	10,562,688,300.00

