

**ITTOOLS LLC MODULAR DATA CENTER PARK  
IPO SUMMARY INFORMATION**



<b>Issuer:</b>	<b>ITools LLC</b>
<b>Sector:</b>	<b>Information technology</b>
<b>Date of FRC approval:</b>	<b>27 September 2017</b>
<b>Date of MSE approval:</b>	<b>5 May 2017</b>
<b>Stock code:</b>	<b>MSE:ITLS</b>
<b>Number of total shares:</b>	<b>34,452,124</b>
<b>Public offer size:</b>	<b>13,387,980 shares or 38.86%</b>
<b>Offer price:</b>	<b>100.00 MNT</b>
<b>Offering method:</b>	<b>Fixed price method</b>
<b>Amount to raise:</b>	<b>1,338,798,000 MNT</b>
<b>Use of proceeds:</b>	<b>Modular back up data center in Darkhan</b>
<b>Order intake period:</b>	<b>November 1-10, 2017</b>

PLEASE NOTE THAT REGISTRATION OF SHARES BY THE FINANCIAL REGULATORY COMMITTEE AND THE MONGOLIAN STOCK EXCHANGE DOES NOT GAURANTEE RISK FREE INVESTMENT. IT IS **ALWAYS RISKY** TO INVEST INTO SECURITIES8 SO PLEASE THOUROUGHLY STUDY THE PROSPECTUS AND OFFERING PROCESS BEFORE PURCHASING THIS STOCK.

### **About iTools LLC**

iTools LLC was established in 2011 to operate in software development and information technology sector. The company is fully owned by ICT Group LLC, which provides management services to iTools LLC and the other 3 daughter companies: ITheme LLC, C Net LLC and IContent LLC.

iTools LLC's main service is data center service and it provides about 30 other supplementing products and services such as domain name registration, internet and e-mail provision. iTools LLC has established a small TIER II standard data center in Ulaanbaatar in 2015 and serviced more than 3,700 clientele and hosted about 4,000 websites as of 2017.

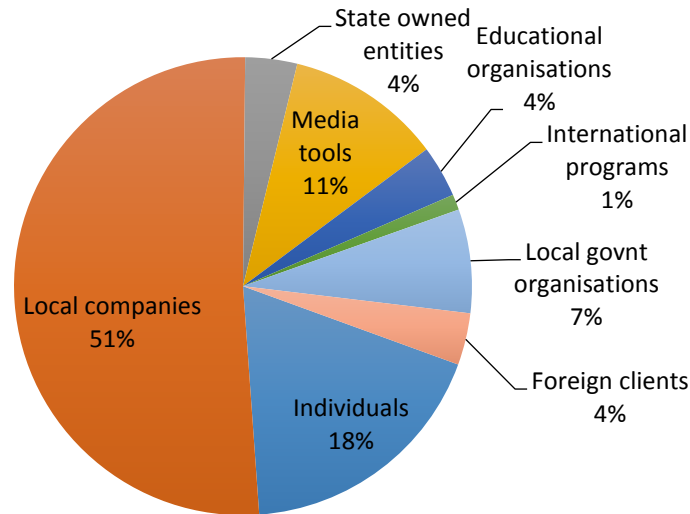
The issuer currently provides data center services with 24 hours support by a team of 10 employees. In 2015, iTools LLC was awarded "The best services" award by the Mongolian Software Industry Association. In September 2017, the company concluded agreement with the IBM corporation and became a sole distributor of IBM products in Mongolia.

Market research results showed that as of 2017, ITools LLC hosted the most number of websites domestically and its market share within domestic hosting was 41 percent, whereas the total webhosting market share was 18 percent. The company plans to expand its data center business by founding a TIER III standard Modular Data Center Park in Darkhan city.

#### *The issuer company's main products and services*

- Hosting services (web hosting, co-location)
- Hardware rent (physical server, virtual server)
- Backup and recovery (for ITools LLC provided products and client's own server)
- Supplementary services (business e-mail, mass distribution, etc.)
- Security services (information & data security consultation)
- Helpline (available for 24 hours)

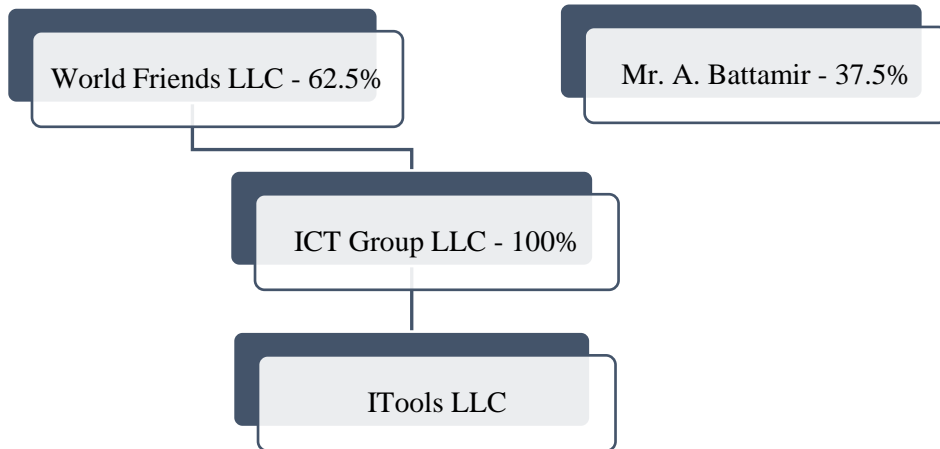
*Current clientele*



**Issuer’s Shareholders and Management**

iTools LLC is fully owned by ICT Group LLC, whereas 62.5 percent of ICT Group LLC is owned by World Friends LLC.

*iTool’s shareholder structure*



**ICT Group LLC**

ICT Group LLC, a parent company of the issuer, was established in 2013 to provide management and investment support to its daughter companies.

### Daughter companies of ICT Group LLC

Daughter companies	Share ownership	Field of operation
iTools LLC	100 percent	Information technology
ITheme LLC	100 percent	Information technology, software development
IContent LLC	100 percent	Information technology, software development
C Net LLC	100 percent	Information technology, internet provision

ICT Group's majority (62.5 percent) shareholder World Friends LLC was established in 2013 and operates in various sectors such as information technology and tourism through its daughter companies.

### The issuer's key officials

Currently, iTools LLC's top decision making body is the Shareholders Meeting.

No	Key officials	Position	Company share ownership
1	Mr. I. Altantulga	CEO	none
2	Ms. Ts. Tsatsralgerel	Accountant	none

Current CEO Mr. Altantulga Idermunkh was born in 1986 in Bayankhongor province, Mongolia. In 2003-2007, Mr. Idermunkh studied finance in Ulaanbaatar at the School of Computer Technology and Management of the University of Science and Technology and currently doing MSc in Business Administration. He holds a bachelor's degree in Financial Management and was appointed for CEO position at iTools LLC in 2014.

### The issuer's financials

As shown in below table iTools LLC financial performance has been improving over the past years.

Balance sheet items	2013.12.31	2014.12.31	2015.12.31	2016.12.31
Current assets	103,273,567	322,126,174	268,647,113	334,504,994
Non-current assets	76,417,122	530,230,833	1,348,605,474	1,283,782,504
<b>Total assets</b>	<b>179,690,689</b>	<b>852,357,007</b>	<b>1,617,252,587</b>	<b>1,618,287,498</b>
Total liabilities	81,238,360	224,164,838	152,524,012	197,788,183
Accumulated profit	-	-	-	-
Shareholders' equity	98,452,329	628,192,168	1,464,728,575	1,420,499,315
<b>Liabilities and Shareholders equity</b>	<b>179,690,689</b>	<b>852,357,007</b>	<b>1,617,252,587</b>	<b>1,618,287,498</b>

Total assets of the company risen 9 times in 2016 coming up to 1.6 billion MNT compared to 179.7 million MNT in 2013. Within three years, non-current assets increased from 76.4 million MNT to 1.2 billion MNT due to company's investment into fixed assets such as land, office accommodation and server equipment.

As of liabilities, iTools LLC had no long-term debt, held only short-term liabilities. In three years, short term liabilities of the company almost doubled from 81.2 million MNT to 197.7 million

MNT. However, majority of current liabilities over the years consisted from unearned income. For instance, as of end of 2016, 58.6 percent of current liabilities was unearned income.

Income Statement	2013.12.31	2014.12.31	2015.12.31	2016.12.31
Sales	155,719,573	268,486,227	312,663,010	474,905,307
Cost of sales	39,895,117	168,908,674	84,679,757	95,126,634
<b>Gross profit/loss</b>	<b>115,824,456</b>	<b>99,577,553</b>	<b>227,983,253</b>	<b>379,778,673</b>
Non-operating income	178,166	25,705	4,742,366	14,178,670
Operating cost	125,335,528	109,603,488	220,836,286	367,961,232
Non-operating cost	6,435,210	10,865,527	-	-
Profit/loss before tax	(15,768,116)	(20,865,757)	11,889,333	20,613,937
Taxation	-	-	781,685	2,285,306
Profit/loss after tax	(15,768,116)	(20,865,757)	11,107,648	18,328,631
Dividend	-	-	-	-
<b>Net profit/loss</b>	<b>(15,768,116)</b>	<b>(20,865,757)</b>	<b>11,107,648</b>	<b>18,328,631</b>

The company's sales income has been growing each year, which shows expansion of its operation. In 2013, total sales was 155.7 million MNT, in 2014 sales increased to 268.4 million MNT, in 2015 sales reached 312.6 million MNT and in the end of 2016 it was 474.9 million MNT, showing an average of 46 percentage growth each year. In 2015, the company introduced a new service - data center, therefore operating costs were comparatively higher than previous years. Also, in 2015 the company reported net profit for the first time, which was increased in 2016 by 65% due to introduction of new data center service.

### The company's key strengths and opportunities

STRENGTHS	OPPORTUNITIES
<ul style="list-style-type: none"> <li>- The issuer owns its office building, data center accommodation in Ulaanbaatar and the land in Darkhan for building the new modular data center.</li> <li>- Uses good quality brand equipment and hardware.</li> <li>- Has a strong team of professionals and good governance.</li> <li>- Financial indicators of the company had improved each year, and it has no long term liabilities.</li> <li>- The issuer started developing new products in order to reduce foreign product reselling.</li> <li>- Started data center services in Ulaanbaatar in 2015.</li> <li>- The company is well recognized among users and the IT sector. In 2015, the company was</li> </ul>	<ul style="list-style-type: none"> <li>- Information technology is speedily developing along with wider usage of internet and IT in everyday life. Number of IT product users and practice of online service provision is growing.</li> <li>- Private companies started to value importance of having a website and online services. However, compared to other developed countries online service provision in Mongolia is only at the start line.</li> <li>- Government of Mongolia fully supports IT integration and development. It had successfully introduced "Cyber Government" program to make public services transparent and accessible online.</li> <li>- State Mid-term Policy on Development of Information and Communication Technology (2016-2025) is to be discussed and approved by the Parliament. The policy focuses on</li> </ul>

awarded the “Best service” for its new data center services.

- The company became IBM’s official distributor in September 2017.

information security as one of the strategic objectives.

- The main clients, business entities, started paying greater attention towards information security.
- There is currently little or no competition in the market. No modular data services established yet.
- International level standards for safekeeping information and data will be applied in near future for strategic organizations such as banks, financial institutions, etc.
- As information technology enables global networking and doing global business from anywhere, international market is open for Mongolia as well. Mongolia is politically stable, has low risk of natural or manmade disasters, hence geographically suitable for developing global data centers.

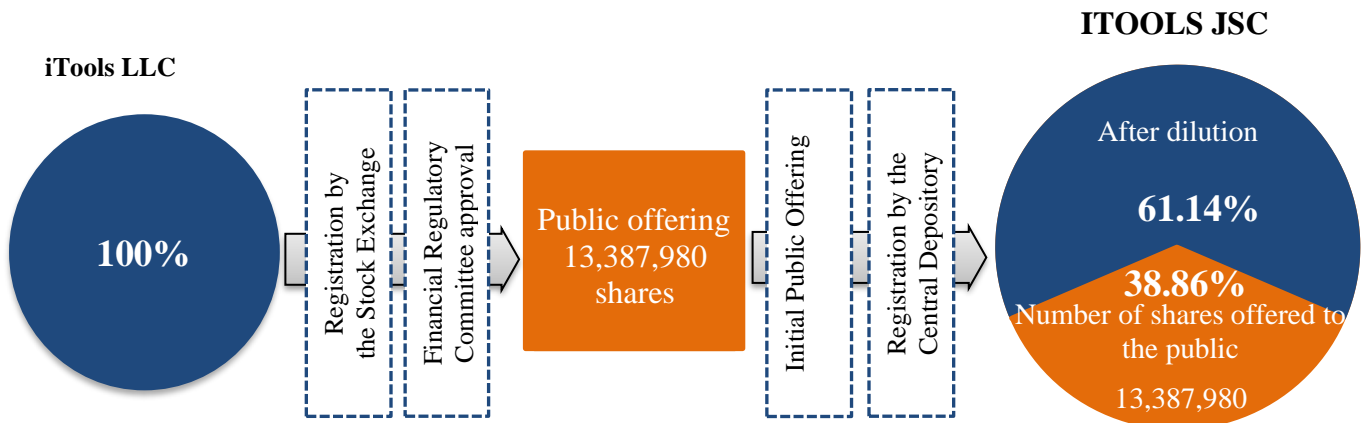
### Public offering

Decision to raise 1.3 billion MNT capital for construction of Modular Data Center Park in Darkhan city through public offering of shares was made by the company’s Shareholder Meeting of November 10, 2016. In March 2017, further decision was made to offer 38.86 percent of its shares, i.e. 13,387,980 shares for public at fixed price of 100 MNT per share. The offer price is lower than the business valuation price by 22 percent.

The company’s current shareholders will not exercise their preemptive rights. In order to promote mixed investor base, in case the demand exceeds the supply, orders below 50 million MNT will be fully allocated and the rest will be allocated on pro rata basis.

### Stock dilution

In conjunction to iTools LLC public offering of 13,387,980 shares or 38.86 percent, the shareholders’ equity of ICT Group LLC will come down from 100 to 61.14 percent after dilution.



## Intended use of IPO proceeds

IPO proceeds will be used for creation of Modular Data Center Park in Darkhan city located 220 km away from Ulaanbaatar. A modular data center can be defined as an innovative approach to data center design that incorporates contained units, many times in the form of prefabricated modules or containers.

The total size of the Modular Data Center Park will be 900 m<sup>2</sup> with capacity to accommodate up to 30 modules, i.e. container data centers. A container data center is a shipping container especially pre-engineered incorporating customized infrastructure to support power and cooling infrastructure, and racks of IT equipment.



### *Expenditure of IPO proceeds, in MNT*

No	Expenditure	Unit	Unit price	Total price	Percentage
1	Park building	900 m <sup>2</sup>	550,000	495,000,000	37.0%
2	Power system	1	120,000,000	120,000,000	9%
3	Cooling system	1	80,000,000	80,000,000	6%
4	Equipment	1	119,000,000	119,000,000	8.9%
5	Outer infrastructure	1	151,900,000	151,900,000	11.3%
6	Data center container/module	1	345,000,000	345,000,000	25.8%
7	Office furniture	1	27,898,000	27,898,000	2.1%
<b>Total</b>				<b>1,338,798,000</b>	<b>100%</b>

## Expected outcome

The new Modular Data Center will meet international TIER III standards and will provide comprehensive quality data center services for both domestic and foreign users. Mongolia has strategically advantageous geographical location, has low risk of natural and manmade disasters and comparatively lower price for internet and communication services, thus has a competitive edge for developing global scale data centers.

For local users it would be a standard backup recovery data center. One user may rent one container data center, or put its own container data center in the park for professional maintenance and safekeeping. The user may easily transport the container, scale up or put down its capacity according the need. The container is fire, sand and water resistant and enables the users to keep their data safe and physically separate from others.

As our country's development is concentrated in the capital city, most banks, organizations and companies keep their data in Ulaanbaatar. If an earthquake or any other disaster happens in



Ulaanbaatar, all data may be lost, causing operational failure or even affecting national security. Therefore, to avoid such risk and facilitate disaster recovery and business continuity, it's getting vital for companies to store their data in a recovery site.

To serve such a need, the new Modular Data Center will be located in a recovery site - Darkhan city, 220 km away from Ulaanbaatar, in a region with lower earthquake risk and stable socio-political climate.

#### *Advantages of Modular Data Center*

- Container data centers are highly durable, wind, fire, sand, earthquake resistant.
- Containers can be filed on top of each other, hence capacity of the data center can be increased based on the need.
- A customer may use a container data center for solo use, hence keeping its information and data secure and physically separate.
- Can easily be integrated into the customer's main data center for disaster recovery purpose.
- Highly cost effective. Delays capital costs but also eliminates the unused capacity as the data center is filling up.
- Energy and material conservation high, hence eco-friendly compared to traditional data center.
- Prefabricated and pretested modules prevent operational errors after installation. Manufacturer provides guarantee and data center container is accredited at once.
- Easily transported across the globe. Easy installation and integration.

iTools LLC will implement the 'Modular Data Center Park' project in 2017-2021. In these 5 years, the company will make total sales of 10.6 billion MNT and accumulate profit of 4.99 billion MNT.

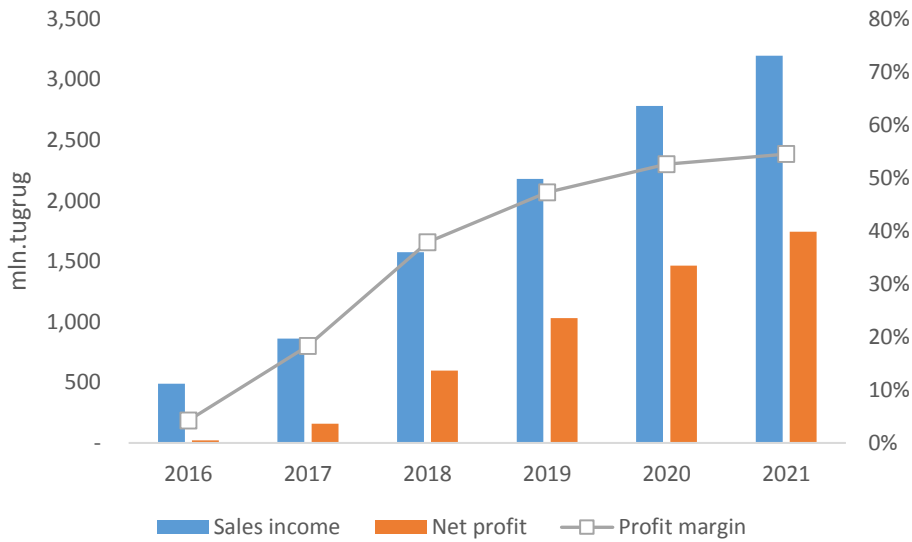
#### *The company's income estimation for 2017-2021, in thousand MNT*

<b>Income statement</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Total</b>
Main operations	616,821	832,708	1,082,521	1,380,214	1,725,268	5,637,532
Modular data center services	246,000	743,400	1,098,090	1,403,042	1,473,194	4,963,725
<b>Total sales</b>	<b>862,821</b>	<b>1,576,108</b>	<b>2,180,611</b>	<b>2,783,256</b>	<b>3,198,461</b>	<b>10,601,257</b>
Cost of sales	108,578	146,580	190,554	242,956	303,695	992,363
<b>Total profit (loss)</b>	<b>754,243</b>	<b>1,429,528</b>	<b>1,990,057</b>	<b>2,540,299</b>	<b>2,894,766</b>	<b>9,608,894</b>
Operational cost	578,769	766,324	844,338	913,513	957,101	4,060,043
Operational profit (loss)	175,475	663,205	1,145,719	1,626,787	1,937,665	5,548,851
Taxation, 10%	17,547	66,320	114,572	162,679	193,767	554,885
<b>Net profit (loss)</b>	<b>157,927</b>	<b>596,884</b>	<b>1,031,147</b>	<b>1,464,108</b>	<b>1,743,899</b>	<b>4,993,966</b>
Accumulated profit (loss)	157,927	754,811	1,785,959	3,250,067	4,993,966	-

*Note: above calculations assumed the project will start in 2017, hence the numbers may differ to outcomes.*



*iTools LLC, sales income, net profit 2016-2021*



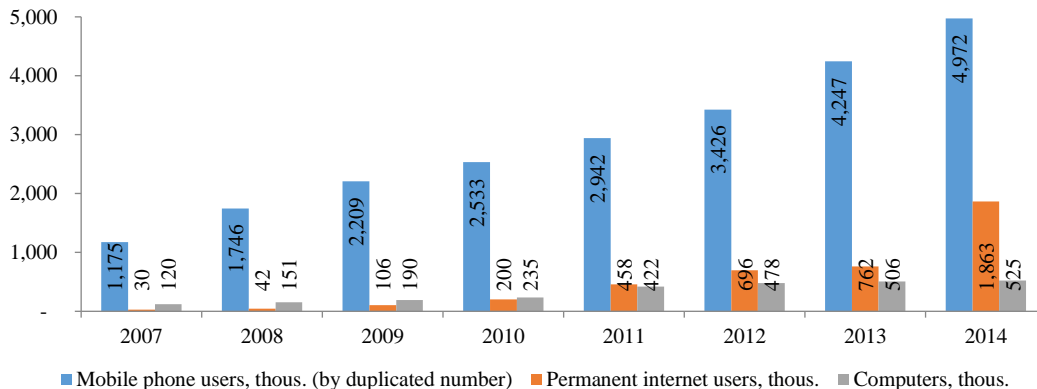
*Note: above calculations assumed the project will start in 2017, hence the numbers may differ to outcomes.*

**Market briefing**

In Mongolia, usage of mobile phones, computers and internet is rapidly growing each year. As end of 2014, population of Mongolia reached 3 million, whereas number of mobile phone users reached 4.9 million, which indicates that there are 1.6 mobile phones per person. As of June 2015, more than 90 percent of internet users used GPRS, 3G, EVDO, EDGE technology, which again shows increased use of smart phones.

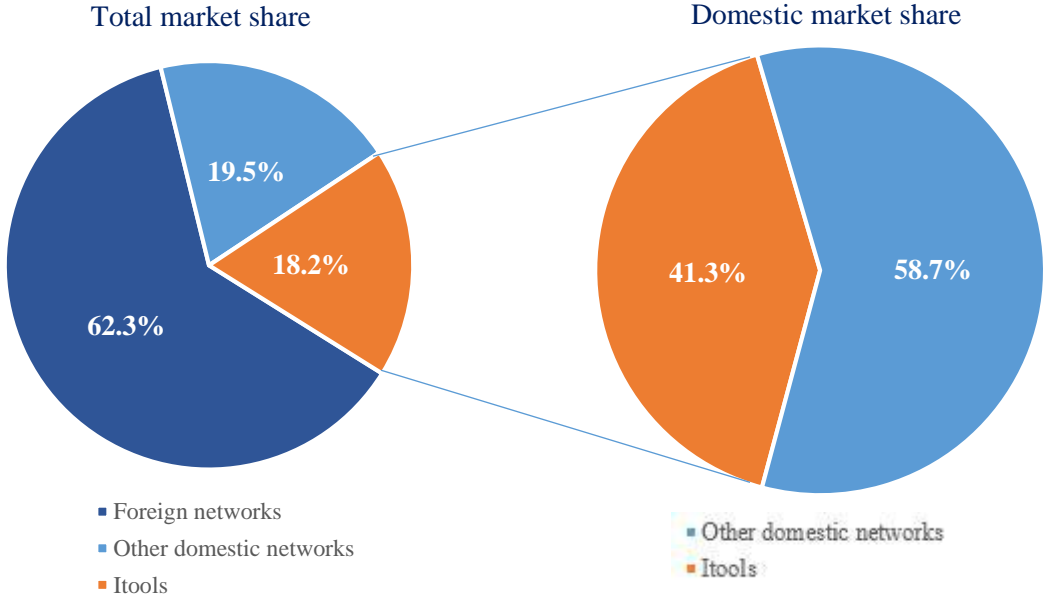
In February 2016, major Mongolian phone service providers got permission to introduce 4G LTE/LTE-A technology into their services. 4G technology is 5-7 times faster than current 3G technology and will enable users to enjoy fast broadband internet from their cell phones, tablets or computers that support 4G. Moreover, in March 2016, internet speed and price in rural areas of Mongolia got the same as in the capital city. Therefore, rural residents now use 3 times speedier internet at twice cheaper price, which will increase further internet use.

*Number of information and communication technology users*



According to statistics, about 70 percent of organizations in Mongolia have a website. The companies now increasingly recognize importance of having a website and online services. On the other hand, the Government of Mongolia sees development of information, communication technology sector as an important accelerator for national development. Over the past years, it has been successfully implementing special programs such as cyber government, smart ID card, online education and cyber health. A new mid-term (2016-2025) policy on development of information and communication sector was drafted by the Government to be discussed by Parliament.

As internet usage, IT data and systems increase, information security, reliable storage of data becomes increasingly important. In order to set an appropriate legal environment, a new Law on Information Security was submitted for Parliament discussion as well. It's now inevitable for companies, particularly those heavily relied on IT systems and possessing clients' data, to safely store data and keep the information secure. Therefore, data centers will serve this need. Currently, there are only a few data centers in Mongolia, e.g. National Data Center, Mobinet Data Center. Most organizations have data centers, but just for their own use. National Data Center is fully state owned and mostly provides services for state organizations. Mobinet Data Center is used by Mobicom, the largest cellular phone service provider.



**Investing**

- To purchase MSE:ITLS shares you must have a securities account with a brokerage company in Mongolia. Please see list of MSE member brokerage companies at <http://mse.mn/content/list/78/0#>.
- Full prefunding including commission costs is required for inputting your order. Please cash in your account according **below instructions**. (Since an old primary market system is used, settlement system is different from the usual secondary market trading.)

- Orders will be executed at fixed price of 100 MNT. In case of oversubscription orders below 50.0 mln MNT will be fully filled. If total number of the orders below 50.0 mln will exceed the total offering, then 1.0 mln MNT of all orders will be fully filled and the rest will be allocated on pro rata basis.
- After primary market trade completion, secondary market will be opened with permission of the Financial Regulatory Committee.

### ***Prefunding your account***

#### **1. From Mongolia**

Beneficiary Name: *Your name*

Beneficiary's Account No: 0\*\*\*\* 000\* \*\*\*\*\*

Brokerage  
Company's code

Your account number generated by the  
Central Depository of Mongolia.

It's your securities account number at the Central Depository. It should be a 12 digit number. For example if your account is 100-1111 then it should be written as **0100 0000 1111**.

Please ask your broker for assistance.

Beneficiary bank: Securities Settlement Clearing House

*(in Mongolian: Арилжааны төлбөр тооцооны төв)*

Description: Stock money (*pls write your phone number*)

#### **2. From abroad**

Beneficiary: Securities Settlement Clearing House

Beneficiary's Account No: 1021 0055 0293

Beneficiary Bank: State Bank of Mongolia

SWIFT Code: STBM MN UB

Description: Your full name, registration number & account number

These are your registration and account number at the Central Depository. Please ask your broker for these numbers.

### **Underwriter's commitment**

Standard Investment is the underwriter and shall provide best efforts underwriting services. Standard Investment LLC is a related party to the issuer. However, the main independent reports and analysis such as auditing report, business and assets valuation report and legal opinion on the issuer's activities and business plan were conducted by fully independent and not interdependent companies, acknowledged by the Financial Regulatory Committee of Mongolia. Those were Suld-Audit LLC, Aten LLC and Mongol Zarga Legal Partnership.

### **Risk factors**

As investment in the ordinary shares involves a high degree of risk, prospective investors should carefully consider the risk factors as well as the other information contained in the Prospectus before making a decision whether to invest in the shares. Please note that the risks described below are not the only risks that the issuer faces. Additional risks and uncertainties may also impair the company's operations.

- Change in the Government or in the political climate
- Change in policies and legal environment
- Risks relating to the industry and economy
- Risks relating to the issuer's operations
- Change in technology
- Risks relating to competitors and market
- Financial risks
- Human resource related risks
- Securities market related risks
- Natural disasters, force majeure
- Safety and security issues

**The Underwriter**

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