



**Ossen Innovation Co., Ltd.**





# Safe Harbor Statement

---

This presentation contains forward-looking statements, including financial projections. In some cases, you can identify forward looking statements by terms such as “may,” “will,” “should,” “could,” “would,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “projects,” “predicts,” “potential,” and similar expressions. Forward-looking statements involve risks and uncertainties that may cause actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition expressed or implied in any forward-looking statements. Such factors include, but are not limited to the company's ability to complete product orders, coordinate product design with its customers, ability to expand and grow its distribution channels, political and economic factors in the People's Republic of China, and other factors detailed in the Company's filings with the Securities and Exchange Commission. Actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements due to numerous potential risks and uncertainties. Forward-looking statements made during this presentation speak only as of the date on which they are made, and we do not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date of this presentation.

The Company makes no expressed or implied representation or warranty as to whether it can attain the projected financial information or the accuracy of any other forward looking statements set forth in this presentation or as to the accuracy or completeness of the assumptions from which the forward looking statements are derived. The Company does not have any obligation to update or revise any forward looking statement to reflect any change in its expectations or any change in events, conditions, or circumstances on which any such statement is based.



## Company Snapshot

---

### **NASDAQ: OSN**

|  |         |
|--|---------|
| Price Per ADS (05/15/16)                         | \$2.48  |
| Fully Diluted Shares Outstanding (at 05/15/2018) | 19.8 M  |
| Equivalent ADS Number                            | 6.6M    |
| Market Cap (05/15/18)                            | \$16.4M |

### **Fiscal Year Ended December 31, 2017**

|               |           |
|---------------|-----------|
| Revenue       | \$132.4 M |
| Net Income*   | \$5.3 M   |
| EPS (per ADS) | \$0.81    |

### **Legal & Auditor**

|         |                                |
|---------|--------------------------------|
| Legal   | Ellenoff Grossman & Schole LLP |
| Auditor | BDO                            |

---

\*Net income attributable to controlling interest



## Company Overview

---

- ❖ Founded in October 2004 with headquarters in Shanghai, China – 190 employees
- ❖ Ossen Innovation manufactures and sells customized prestressed steel materials primarily used in the construction of bridges and other infrastructure projects in China and abroad
- ❖ Only company in China capable of producing rare earth coated prestressed steel wires and strands
- ❖ Two production facilities located in Anhui and Jiangxi



[www.osseninnovation.com](http://www.osseninnovation.com)



# Investment Highlights

## Leading Provider

- ❖ One of the four companies in China capable of producing coated prestressed steel wires and strands
- ❖ Only producer in China with rare earth coating technology

## Proprietary Technology / In-House R&D Capabilities

- ❖ 43 patents granted in China
- ❖ Both facilities recognized as high & New Tech companies by regional government
- ❖ Collaboration with universities and institutes on R&D

## Worldwide Brand Recognition

- ❖ Established track record by participation in hundreds of high profile projects
- ❖ The “Ossen” brand is recognized globally for its excellent quality and value

## Growth Opportunity

- ❖ One Belt One Road initiative and other infrastructure constructions in China over the next 10 years
- ❖ Coated prestressed steel materials are key components of bridges

## Experienced Management Team

- ❖ Executives on average have 15 years of industry experience
- ❖ Founders were among the first in China to introduce and promote the use of prestressed steel materials in construction of infrastructure projects



# Management Overview

**Dr. Liang Tang**  
*Chairman of Board*

- ❖ Over 20 years of experience in the prestressed steel materials industry
- ❖ Vice Chairman of China Chamber of Metallurgy Industry
- ❖ Vice Chairman of China Committee of Corporate Citizenship
- ❖ Honorable Leader of the Shanghai Municipal Government
- ❖ Top 10 Most Socially Responsible Entrepreneur in China
- ❖ Knighted and awarded the Royal Knights Medal by the King of Spain
- ❖ PhD and professor of economics at East China Normal University

**Wei Hua**  
*CEO*

- ❖ Over 25 years of experience in the prestressed steel materials industry
- ❖ Chairman of Ossen (Jiujiang) from 2007
- ❖ Vice Supervisor of the Department of Technology and Quality Supervision within Baosteel Group, a Fortune 500 company in China
- ❖ Business Management degree from Shanghai University



# Favorable Positioning

---

## **Rare earth coated prestressed steel materials are the next evolution**

- ❖ Rare earth coated prestressed steel materials are corrosion resistant for up to 50 years, 2-3 times higher than regular zinc coated prestressed steel materials
- ❖ Corrosion resistance + high strength properties are conducive for use in large-span bridges

## **Ossen is well positioned to capitalize on a tremendous market opportunity**

- ❖ One of four companies in China capable of producing coated prestressed steel products
- ❖ Only company in China with commercial rare earth coating technology
- ❖ Close proximity to major steel manufacturers and access to low-cost river transport provide measurable cost advantage
- ❖ Established track record of large-scale project participation and ability to win majority of competitive bids



# Product Overview

## Unbonded plain surface prestressed steel strands

*Used in bridges and buildings*

- ❖ Plain surface prestressed steel strands that are coated with grease and extruded with high-density polyethylene

## Prestressed steel strands

*Used in bridge surfaces*

- ❖ Twisted prestressed steel strands are used in precast concrete

## Prestressed steel wires

*Used in buildings, railway ties and sleepers*

Three product categories:

- ❖ Plain surface
- ❖ Indented
- ❖ Helical (spiral) rib

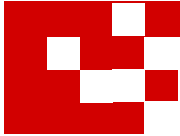
## Rare earth coated prestressed steel wire and strand

*Used in suspension and cable-stayed bridges*

- ❖ Rare earth coating includes cerium and lanthanum, mixed with zinc
- ❖ Minimal quantities of rare earth elements required by production eliminate supply risk
- ❖ Protective layer provides corrosion-resistance and a longer lifespan
- ❖ Our products meet the highest quality standards

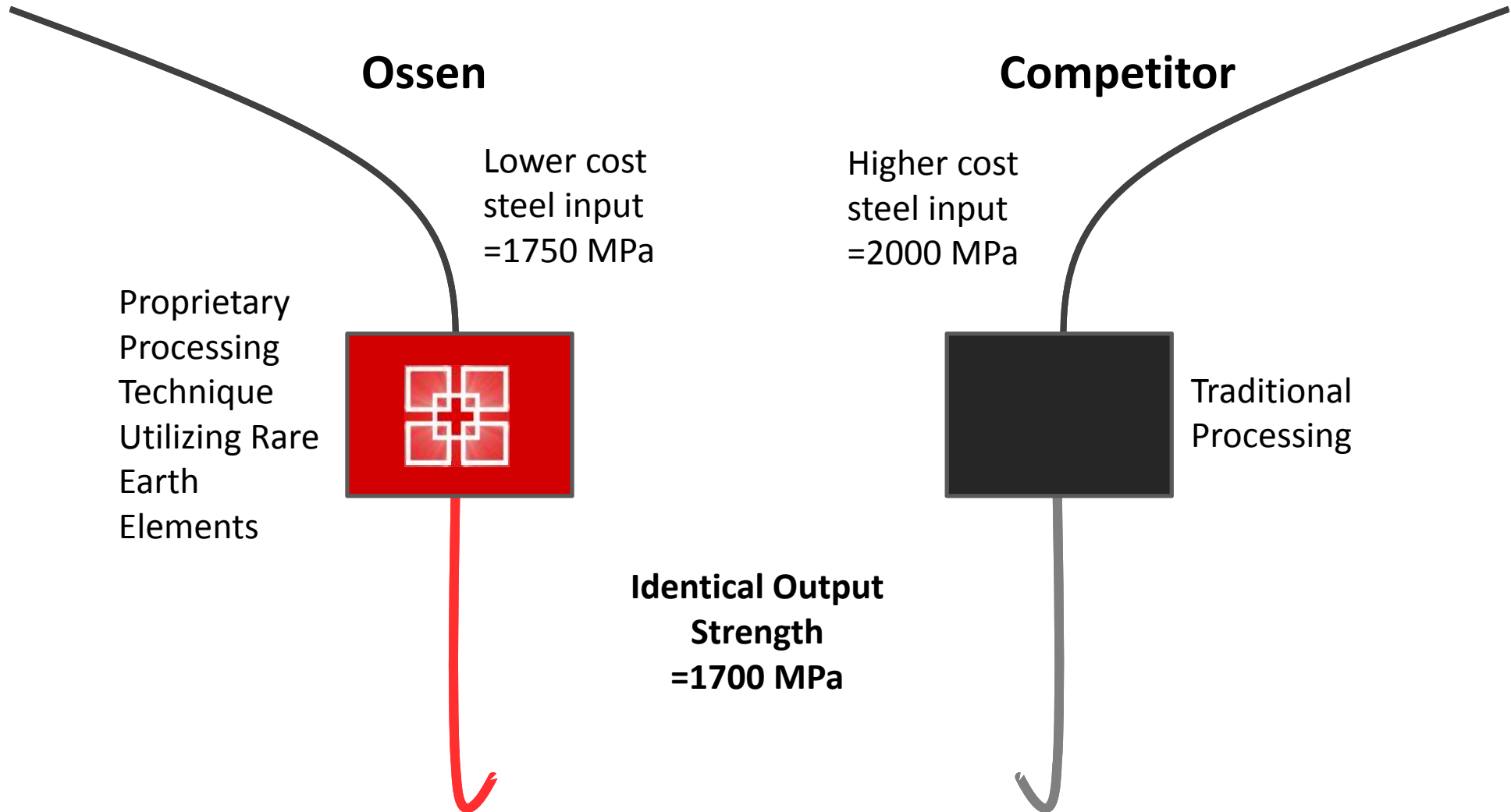






# Product Strength

---

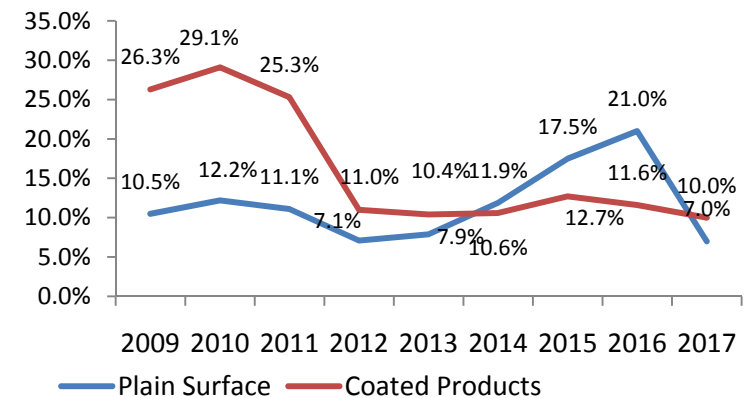


# Revenue Composition

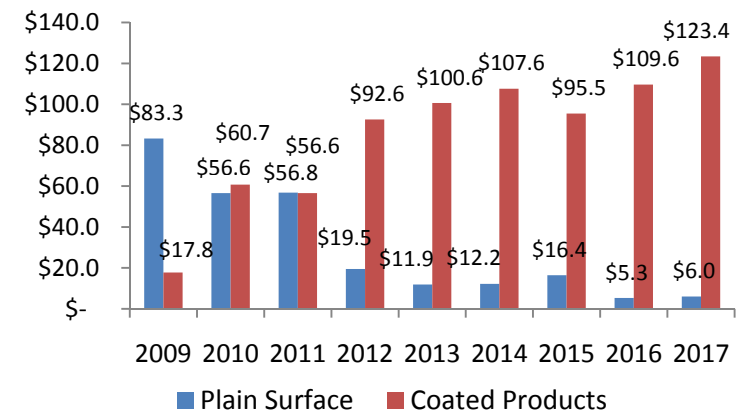
## ❖ Strategic shift in product sales

- High strength coated products are priced at >10% premium over traditional uncoated products
- High strength coated products have an average gross margin of 15-20%, compared to average 10-15% gross margin for plain surface products
- Focused on the significant growth opportunities in China
- In 2015 approximately 81% of revenues were derived from coated products

### Gross Margin Comparison



### Revenue by Product Type (million \$)





# Proprietary Technology and R&D

---

## ❖ 43 patents granted in China:

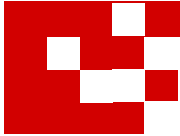
- Special device designed for prestressed steel products production
- Production method for plain surface prestressed steel wires and strands
- Production method for coating

## ❖ R&D professionals focused on improving production technology, quality and safety, and new product development

- Actively collaborating with research institutions and universities
- Ability to produce a wide array of customized prestressed steel materials

## ❖ Ossen is the only producer of 15.20mm, 1,860 megapascal rare earth coated prestressed steel strand\*

- Higher strength prestressed steel strand replaces traditional cable used on bridges, simplifying construction and saving on overall cost
- Market preference is toward higher strength, higher performance materials which improve construction quality



# Production Facilities

- ❖ Two facilities with 18 production lines
- ❖ High quality machinery meets international production standards
- ❖ Production process is automated through enhanced technology and ERP system

**Maanshan Facility**



|                  |                               |
|------------------|-------------------------------|
| Location         | Maanshan City, Anhui Province |
| Production Lines | 7                             |

**Jiujiang Facility**



|                  |                                 |
|------------------|---------------------------------|
| Location         | Jiujiang City, Jiangxi Province |
| Production Lines | 11                              |



# Sales and Distribution

---

## ❖ Bidding process

- Contracts are awarded based on experience, delivery time, technical merit and price
- Historical win rate of over 90% illustrates brand recognition

## ❖ Utilizes direct-sales and distributors

- Use distributors in both domestic and international markets
- Domestic sales network covers 24 provinces, administrative regions and municipalities

## ❖ International Sales

- Plain surface products are actively sold in other Asian countries
- Coated products target global markets

## ❖ Distribution Advantages

- Located in Anhui and Jiangxi province, our effective sales radius covers Southern China where most of our existing clients are located
- Strategically located close to the Yangtze River, railways, national highways and airports, which provide flexible and low cost transportation



# Customer Base

---

## ❖ **Products are sold to agents or project companies**

- In 2017, domestic sales accounted for 95.9% of total revenue
- Top 6 customers accounted for over 74.8% of revenue

## ❖ **Emerging markets in Asia and Africa and developing markets represent new opportunities for future growth**

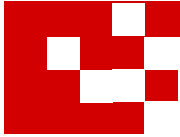
- In 2017, international sales accounted for 4.1% of total revenue
- Established track records in international markets
- Certifications and accreditations include the Japanese Industrial Standards (JIS) certification, United Kingdom Accreditation Service (UKAS), the Korean Standards Association (KS) certification from South Korea and an ISO 9001 certification



## Competition

---

- ❖ Competition among manufacturers of plain surface products in China is fragmented, with both large and small companies competing with each other
- ❖ Primary competitors for plain surface products are Baosteel Group Shanghai Ergang Co. Ltd., Jiangyin Fasten Steel Products Co., Ltd., Jiangyin Walsin Steel Cable Co. Ltd., Jiangxi Xinhua Steel Cable Co. Ltd. and Silvery Dragon Co., Ltd.
- ❖ Competition among PRC manufacturers of zinc coated prestressed products in China is limited to only four companies. Our main competitors for these products are Baosteel Group Shanghai Ergang Co. Ltd., Shuangyou Eaststeel and Jiangyin Walsin Steel Cable Co. Ltd.
- ❖ We are one of four PRC companies that manufacture zinc coated prestressed steel products and the only company in China capable of producing rare earth coated prestressed steel wires and strands



# Current High-Profile Projects

Products are used in numerous major infrastructure projects under construction:



**Balimiao Canal Bridge**  
Shandong Province, China



**Ningbo Yongjiang Grand Bridge**  
Zhejiang Province, China



**Taohuayu Yellow River Bridge**  
Henan Province, China



**Aizhai Suspension Bridge**  
Hunan Province, China



**Lishui Grand Bridge**  
Hunan Province, China



**Nanjing South Railway Station**  
Jiangsu province, China





# Income Statement

| Financials<br><i>(in million USD)</i>     | Fiscal Year Ending Dec 31 |              |              |              |              |              |              |
|---|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|   | FY11                      | FY12         | FY13         | FY14         | FY15         | FY16         | FY17         |
| <b>Total Revenue</b>                      | \$118.6                   | \$122.4      | \$113.9      | \$123.6      | \$117.9      | \$117.0      | \$132.4      |
| <b>Gross Profit</b>                       | \$22.0                    | \$10.8       | \$11.5       | \$13.3       | \$15.7       | \$16.1       | \$14.7       |
| <i>Gross Margin</i>                       | 18.6%                     | 8.8%         | 10.1%        | 10.8%        | 13.3%        | 13.8%        | 11.1%        |
| <b>Operating Income</b>                   | \$18.1                    | \$5.9        | \$7.4        | \$6.2        | \$10.2       | \$9.0        | \$8.1        |
| <i>Operating Margin</i>                   | 15.2%                     | 4.8%         | 6.5%         | 5.0%         | 8.7%         | 7.7%         | 6.1%         |
| <b>Income Before Tax</b>                  | \$15.2                    | \$3.3        | \$5.3        | \$4.7        | \$7.8        | \$6.2        | \$6.6        |
| <i>EBT Margin</i>                         | 12.8%                     | 2.7%         | 4.6%         | 3.8%         | 6.6%         | 5.3%         | 5.0%         |
| <b>Tax</b>                                | \$2.1                     | \$0.6        | \$1.2        | \$0.6        | \$1.2        | \$0.9        | \$0.7        |
| <i>Minority Interest</i>                  | \$1.5                     | \$0.3        | \$0.4        | \$0.3        | \$0.7        | \$0.5        | \$0.6        |
| <b>Net Income after Minority Interest</b> | <u>\$11.5</u>             | <u>\$2.4</u> | <u>\$3.6</u> | <u>\$3.9</u> | <u>\$5.9</u> | <u>\$4.8</u> | <u>\$5.3</u> |
| <i>Net Income Margin</i>                  | 9.7%                      | 1.9%         | 3.2%         | 3.1%         | 5.0%         | 4.1%         | 4.0%         |



# Balance Sheet

| Selected Balance Sheet Items      | Fiscal Year Ending Dec 31 |              |              |              |              |              |              |
|-----------------------------------|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                   | (in million USD)          | FY11         | FY12         | FY13         | FY14         | FY15         | FY16         |
| Cash and cash equivalents         | 1.6                       | 2.0          | 1.1          | 0.7          | 0.8          | 0.2          | 1.0          |
| Restricted cash                   | 19.8                      | 25.4         | 31.8         | 17.6         | 8.8          | 6.7          | 7.2          |
| Accounts receivable               | 48.0                      | 45.7         | 48.2         | 53.8         | 43.2         | 37.3         | 51.7         |
| Inventories                       | 17.2                      | 9.8          | 18.8         | 20.1         | 27.3         | 26.0         | 13.5         |
| PP&E                              | 11.0                      | 9.7          | 8.5          | 7.2          | 5.6          | 4.4          | 4.0          |
| <b>Total Assets</b>               | <b>168.6</b>              | <b>187.0</b> | <b>182.0</b> | <b>170.8</b> | <b>154.2</b> | <b>140.4</b> | <b>152.5</b> |
| Notes Payable*                    | 24.8                      | 36.9         | 51.0         | 26.5         | 12.5         | 9.6          | 10.3         |
| Short Term Bank Loans             | 48.0                      | 50.7         | 27.3         | 18.7         | 17.7         | 16.9         | 13.9         |
| Accounts Payable                  | 0.9                       | 0.6          | 0.5          | 3.2          | 1.9          | 1.5          | 0.4          |
| Due to Related Parties            | -                         | -            | 0.02         | 0.07         | 0.07         | 0.04         | -            |
| <b>Total Liabilities</b>          | <b>79.3</b>               | <b>94.2</b>  | <b>83.5</b>  | <b>67.4</b>  | <b>50.1</b>  | <b>38.0</b>  | <b>37.6</b>  |
| <b>Total Shareholders' Equity</b> | <b>89.4</b>               | <b>82.6</b>  | <b>87.9</b>  | <b>92.5</b>  | <b>92.5</b>  | <b>102.4</b> | <b>115.0</b> |



# Contacts

---

## Company:

Ossen Innovation Co., Ltd.

Email: [int.tr@ossengroup.com](mailto:int.tr@ossengroup.com)

Phone: +86 (21) 6888-8886

Web: [www.osseninnovation.com](http://www.osseninnovation.com)

## Investor Relations:

Golden Communication International Inc.

Phone: +1-917-226-1501

Email: [info@goldenir.com](mailto:info@goldenir.com)