



China Gerui Advanced Materials Group Limited  
(NASDAQ: CHOP)

# Investor Presentation

## September 2013



# Safe Harbor



**This presentation includes or incorporates by reference statements that constitute "forward-looking statements" within the meaning and protections of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements include statements with respect to our beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond our control, and which may cause the actual results, performance, capital, ownership or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through our use of words such as "may," "will," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "estimate," "continue," "plan," "point to," "project," "could," "intend," "target" and other similar words and expressions of the future. All written or oral forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary notice, including, without limitation, those risks and uncertainties described in our annual report on Form 20-F for the year ended December 31, 2012 and otherwise in our SEC reports and filings. Such reports are available upon request from the Company, or from the Securities and Exchange Commission, including through the SEC's Internet website at <http://www.sec.gov>. We have no obligation and do not undertake to update, revise or correct any of the forward-looking statements after the date hereof, or after the respective dates on which any such statements otherwise are made.**

# Capital Markets Summary



**Price (9/3/13):** \$1.58

**Revenues (LTM):** \$208.70 million

**Net Income(LTM):** \$1.11 million

**EPS (LTM):** \$0.02

**Market Capitalization:** \$94.10 million

**Price/Book Value:** 0.28x

**Book Value Per Share:** \$5.61

**Net Cash Per Share:** \$0.42

**2013E P/E <sup>(1)</sup>:** 5.1x

**2013E PEG Ratio <sup>(2)</sup>:** 0.16

LTM = last twelve months

<sup>(1)</sup> Analyst FY2013E EPS guidance of \$0.31 per share <sup>(2)</sup> Growth rate provided by Analyst estimate of 32.3%

# Company Overview



## The Leading High-Precision Steel Processing Company in China



**China Gerui is a leading niche and high-value added metal processing company that utilizes advanced technology to produce specialty, cold-rolled steel products**

- Headquartered in Zhengzhou, Henan Province, China
- Approximately 1,100 employees as of December 2012
- Annual capacity of 500K tons including 50% chromium plating capacity and 30K tons laminating capabilities
- Serves over 200 customers in China in consumer spending and construction industries
  - Began export of products to customers in Turkey and India in 2012 with additional customers expected in the U.S. and other emerging markets

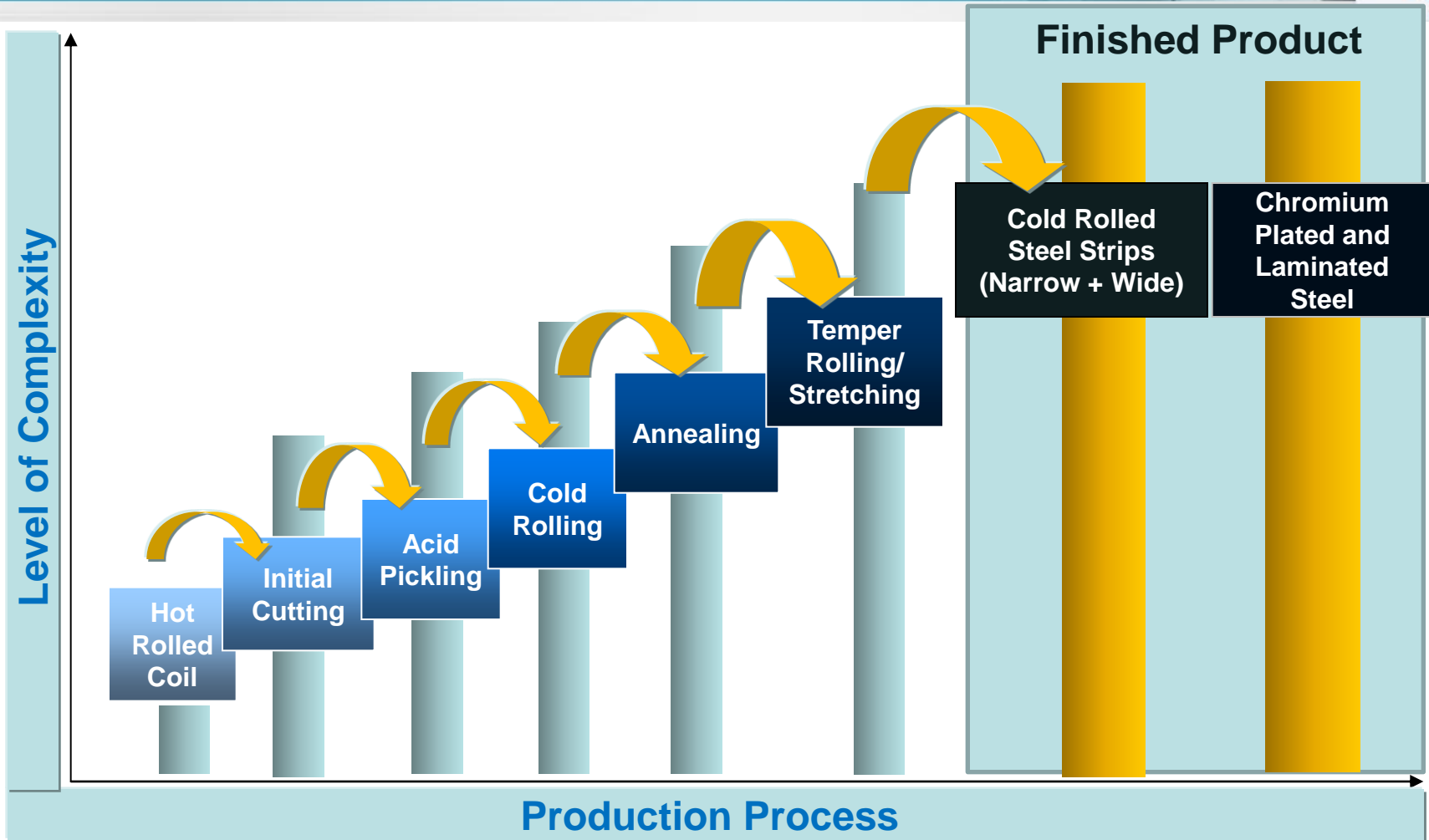
# Investment Highlights



- 1 Focus on **customized, high value-added, high-margin** steel production
- 2 **Leading** position in robust niche market in China
- 3 **Unique** business model with **defendable** barriers to entry
- 4 **Proven track record** of strong financial performance and profitability
- 5 Defined long-term **growth** strategy
- 6 **Seasoned management** with local market knowledge
- 7 **Diversification** of revenue stream via new technologies and exports



# In-House Value Chain



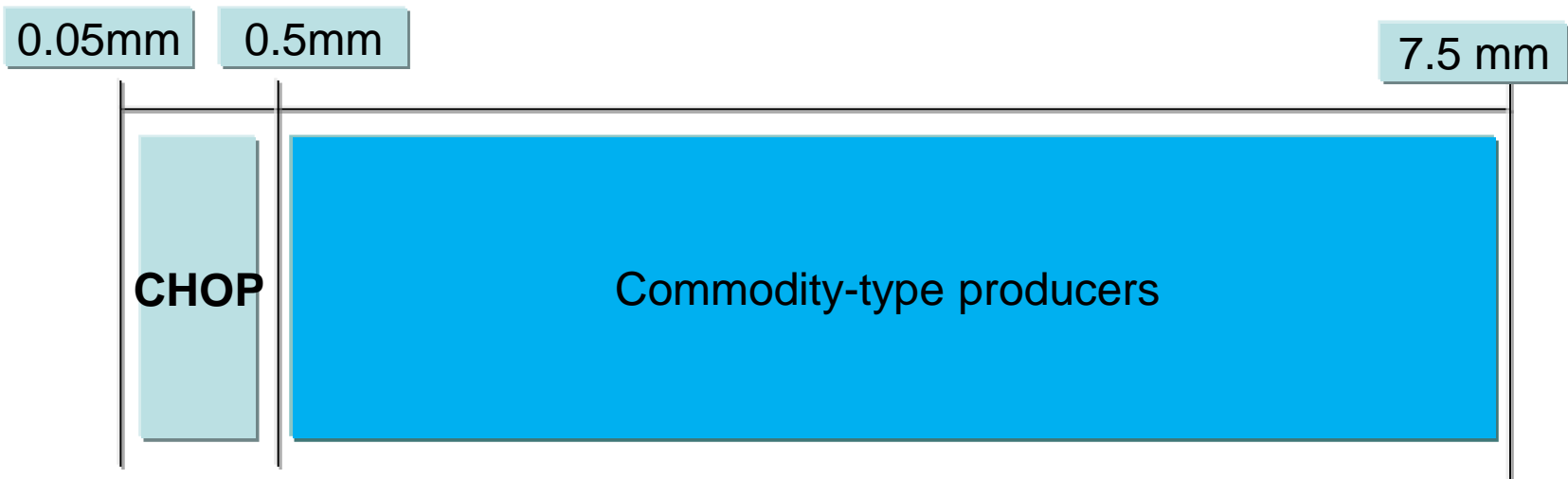
Input Factor

Value Creators

# Defining Our Market



- **China Gerui specializes in ultra-thin, high-precision products** with thicknesses mostly from 0.05mm to 0.5, widths up to 1200mm, tolerance +/- 0.003mm
- For CRS products, the thickness can range between 0.05mm up to 7.5mm
- Typical thickness of CHOP raw material HRC: 3mm
- Five series and over twenty types of high-precision strip steel products



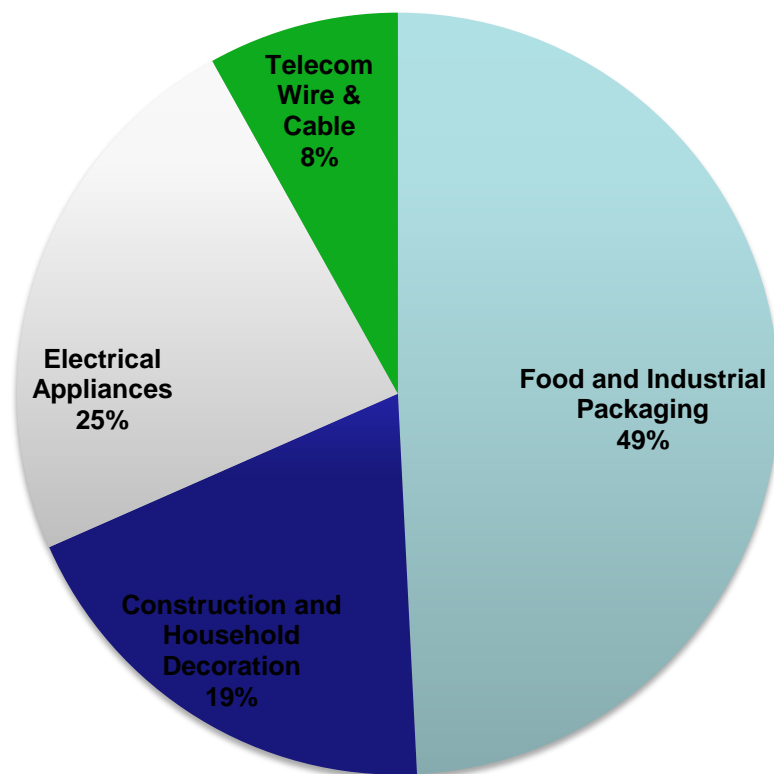


# Revenue by Industry Application

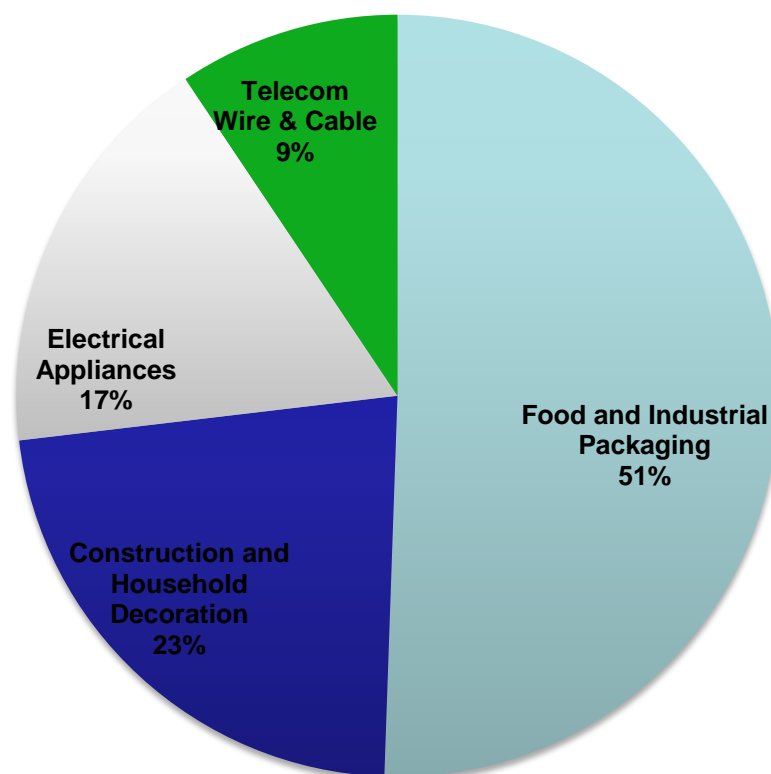


China Gerui produces high-precision steel products tailored to meet exact customer specifications

**2011**

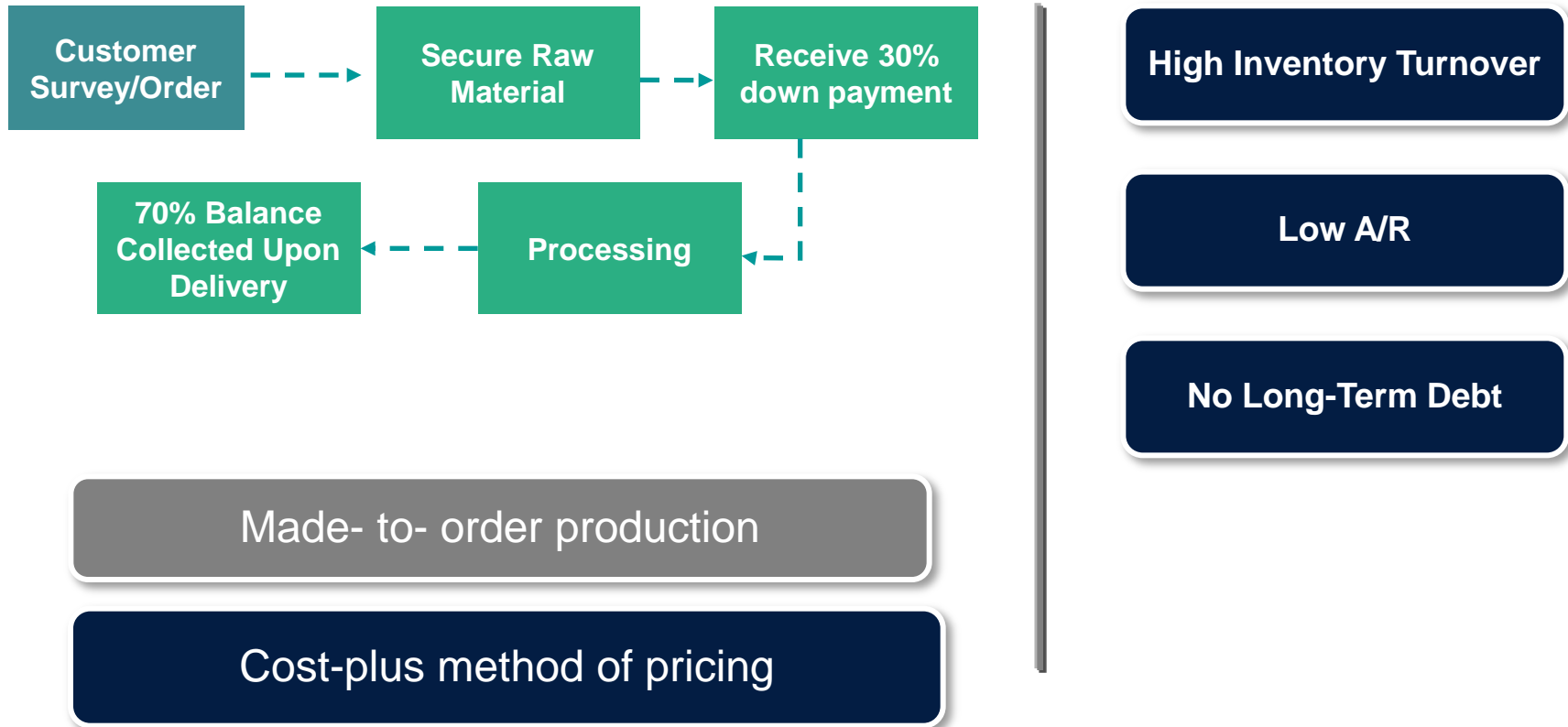


**2012**





# Economics of CHOP's Business Model



- **Not a commodity business: focused on customized high-margin steel production**
- **Products meet stringent performance and specification requirements**
- **Supplier of choice when our existing customers develop new products**

# Outpacing the Competition



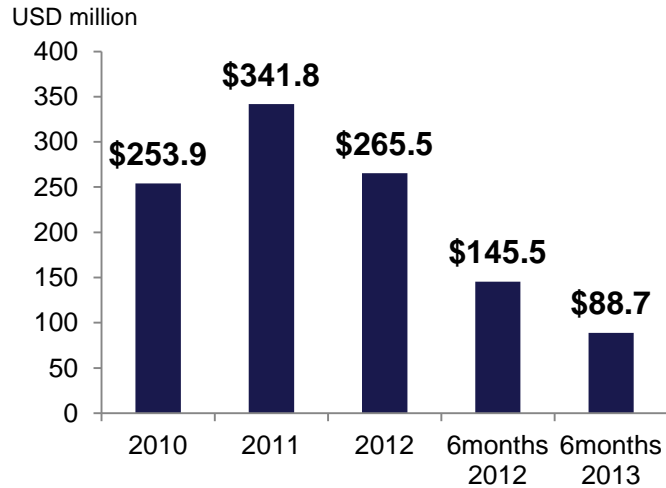
- Limited domestic supply because PRC manufacturers lack the equipment and expertise to produce high-end specialty cold rolled steel
- Steel industry is highly capital intensive: Capital requirements prevent newcomers or smaller players without sufficient funds from entering the market

|                         | CHOP | International Companies | Domestic Companies |
|-------------------------|------|-------------------------|--------------------|
| Strategic Focus         | ●    | ◐                       | ◐                  |
| First Mover Advantage   | ●    | ◐                       | ◐                  |
| Brand Recognition       | ●    | ◐                       | ◐                  |
| Nationwide Distribution | ●    | ◐                       | ◐                  |
| Local Market Knowledge  | ●    | ◐                       | ●                  |
| High Product Quality    | ●    | ●                       | ◐                  |
| Financial Resources     | ◐    | ●                       | ◐                  |

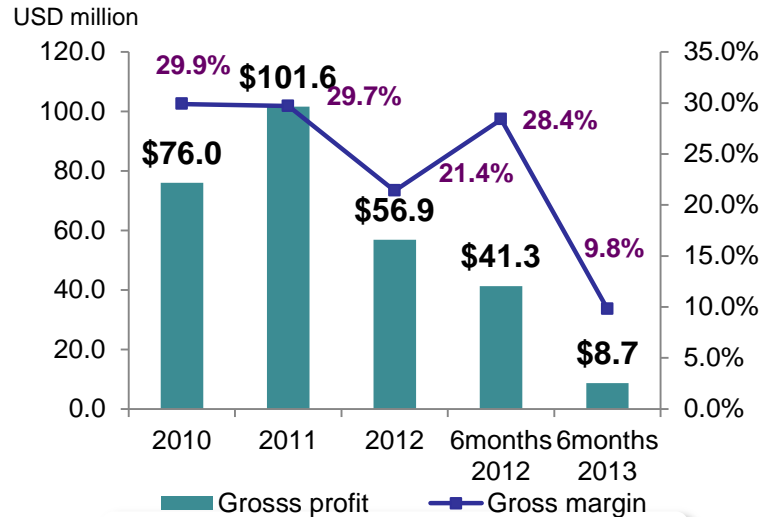
# Financial Performance



## Total Revenue



## Gross Profit

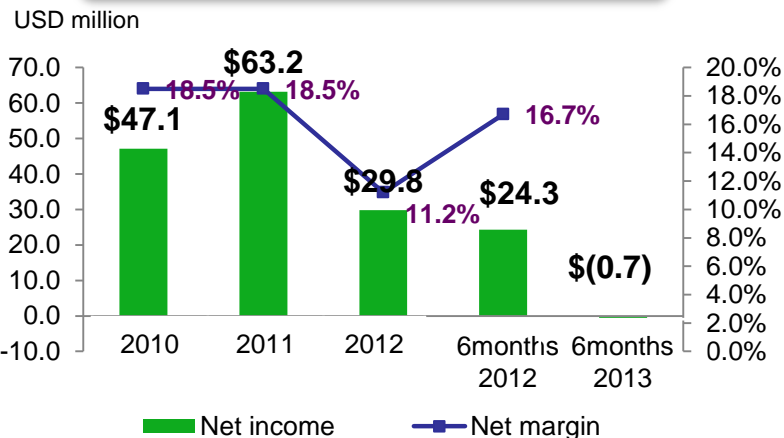


## FYE 2013 Guidance

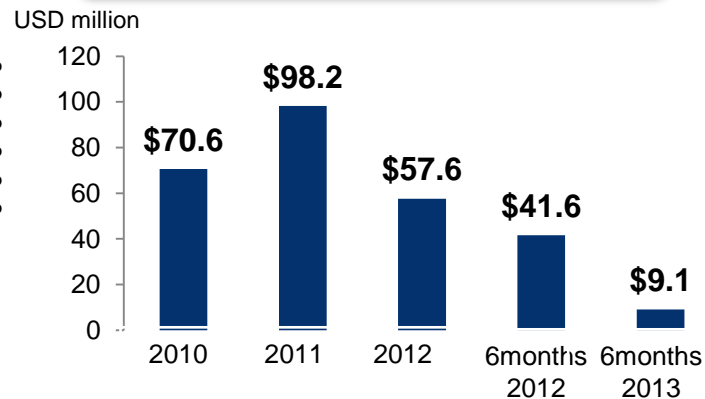
### Revenue

\$165 MM to  
to  
\$170 MM

## Adjusted Net Profit/Loss



## Adjusted EBITDA



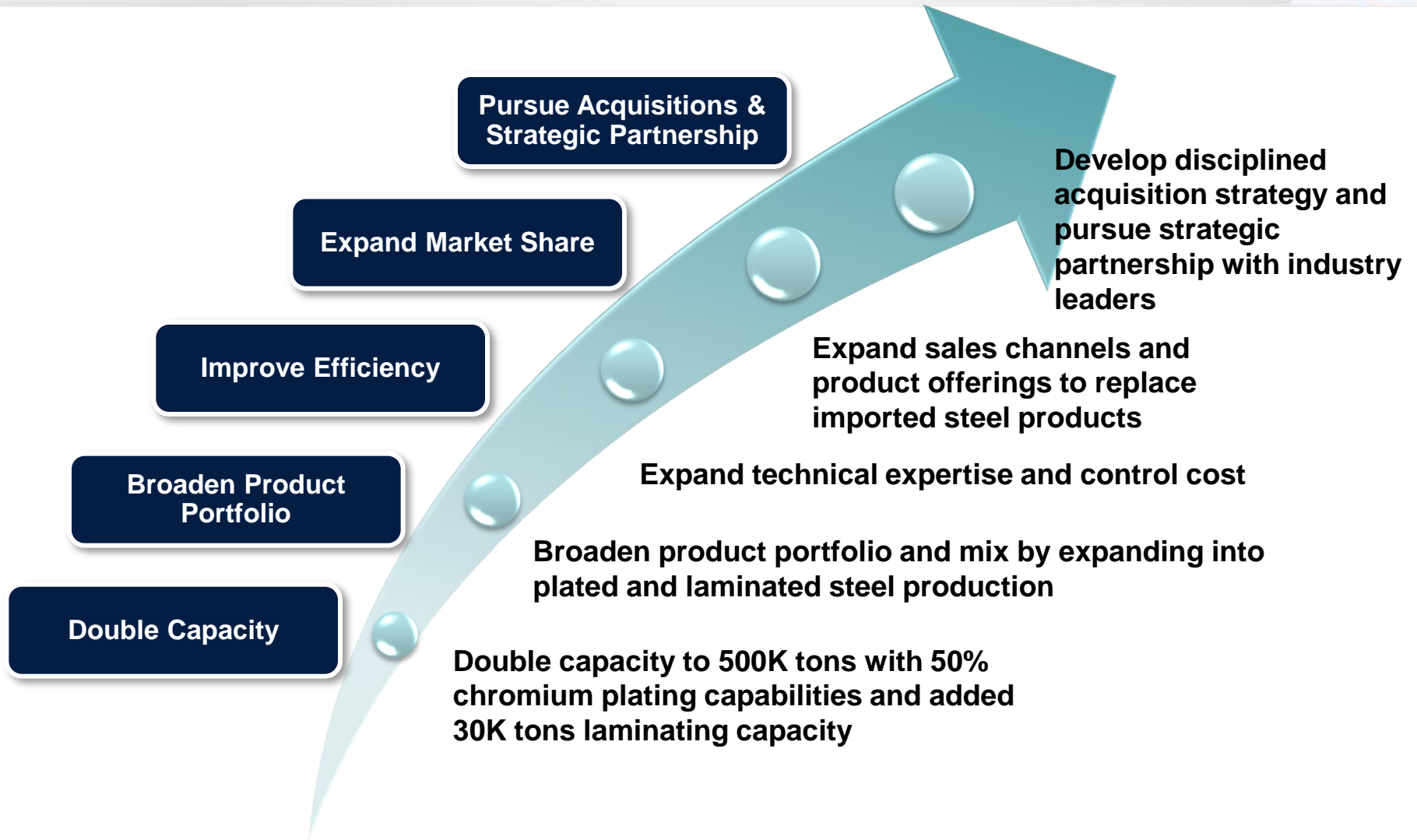
Note: Net Profit/Loss and EBITDA is adjusted for one-time warrant expenses of \$5.7mm in 2011 and, stock-based compensation expense of \$3.7mm in 2012, stock-based compensation expense of \$0.33mm in 1Q 2013

# Healthy Balance Sheet

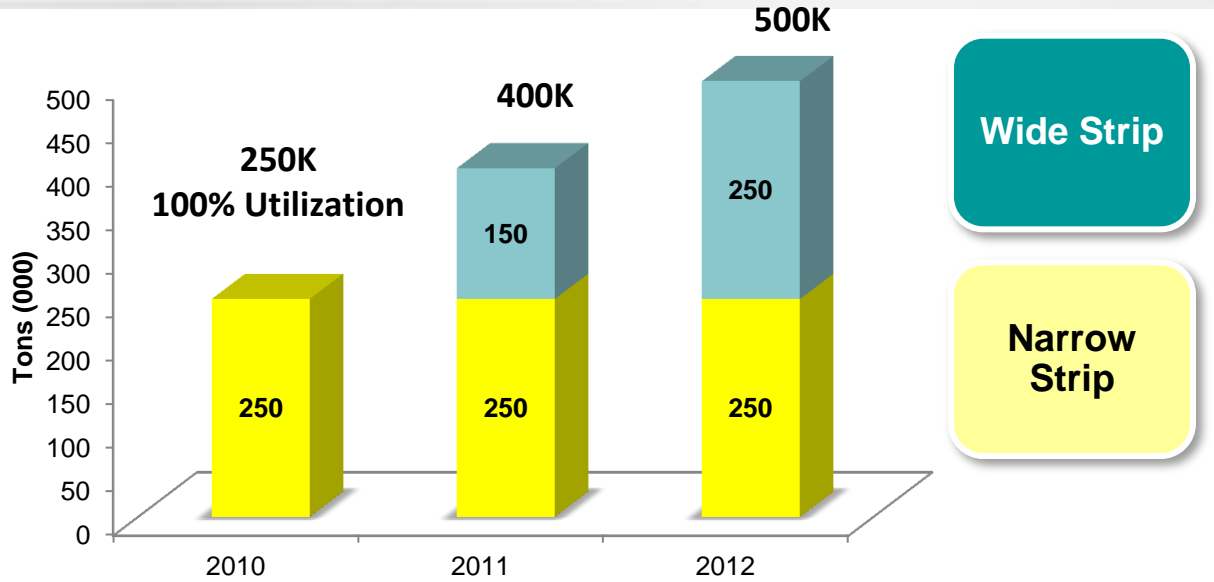


| <u>Condensed Balance Sheet</u><br>(USD 000's) | <u>Jun-30-2013</u><br>(Unaudited) | <u>December-31-2012</u><br>(Unaudited) |
|---|-----------------------------------|--|
| Cash  | \$203,573                         | \$228,861                              |
| Certificates of Deposit                       | 27,971                            | 16,372                                 |
| Restricted cash                               | 169,845                           | 145,413                                |
| Accounts receivable                           | 7,528                             | 2,276                                  |
| Inventories                                   | 24,599                            | 22,763                                 |
| <b>Current assets</b>                         | <b>555,972</b>                    | <b>495,040</b>                         |
| <b>Total assets</b>                           | <b>759,390</b>                    | <b>673,370</b>                         |
| Notes Payable                                 | 315,878                           | 259,546                                |
| Term Loans                                    | 61,590                            | 57,463                                 |
| <b>Current liabilities</b>                    | <b>425,001</b>                    | <b>343,302</b>                         |
| <b>Total liabilities</b>                      | <b>425,001</b>                    | <b>343,302</b>                         |
| <b>Total stockholders' equity</b>             | <b>334,389</b>                    | <b>330,067</b>                         |
| Working capital                               | 130,971                           | 151,738                                |
| Inventory turnover per year                   | 4.8                               | 9.2                                    |
| Days sales in inventory                       | 76.0                              | 39.8                                   |

# Disciplined Growth Strategy

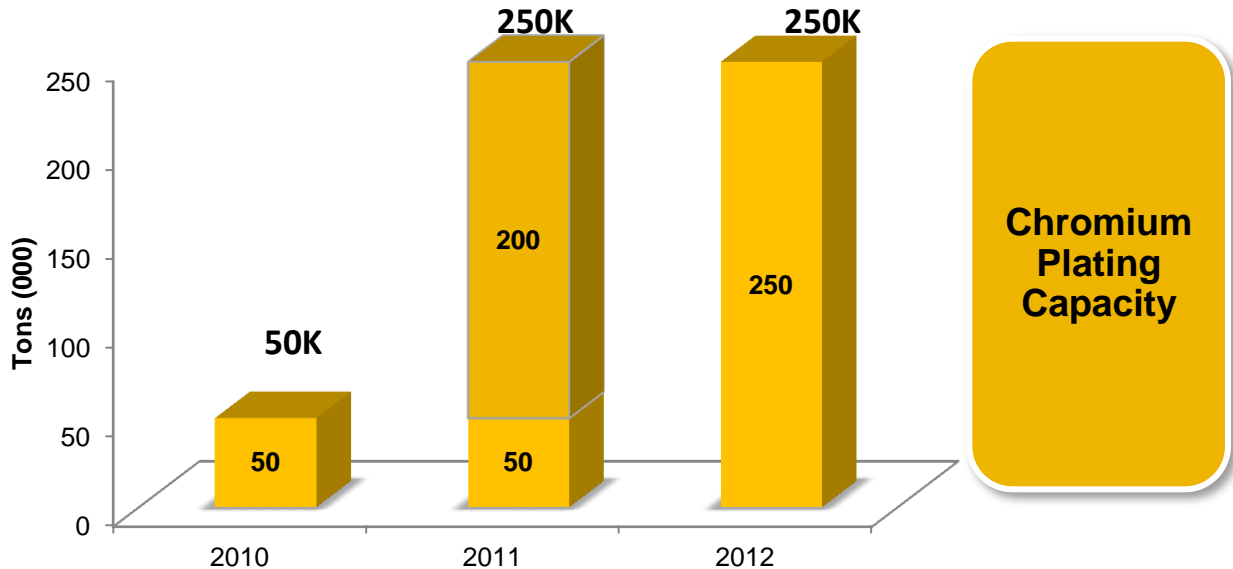


# Production Capacity Doubled in 2012



Wide Strip

Narrow Strip



Chromium Plating Capacity

- Added 30K tons of laminated production capacity in 2013

# Seasoned Management Team



- **Mingwang Lu, Chairman of the Board and Chief Executive Officer**
  - Over 20 years of steel industry experience
  - CEO of the Company since 2000
  - Held various management positions at Zhengzhou No.2 Steel Plant from 1995 to 2000
  - Elected as a member of the 9th, 10th and 11th National People's Congress in Henan Province
  - Awarded Excellent Director/Manager in Henan Province, National Excellent Township Entrepreneur and Expert in Steel Industry of Henan Province
  
- **Edward Meng, Chief Financial Officer**
  - Joined China Gerui in April 2009, residing in Zhengzhou, China
  - Former CFO/Director of the Board of a number of U.S.-listed companies
  - Former CFO of MNCs in China (Shell/Koch/Terex)
  - Georgetown University MBA, U.S. CPA, experienced in PRC & U.S. GAAP

# Investment Highlights



1 Focus on **customized, high value-added, high-margin** steel production

2 **Leading** position in robust niche market in China

3 **Unique** business model with **defendable** barriers to entry

4 **Proven track record** of strong financial performance and profitability

5 Defined long-term **growth** strategy

6 **Seasoned management** with local market knowledge

7 **Diversification** of revenue stream via new technologies and exports



# Contact Information



## Company Contact:

Email: [investors@geruigroup.com](mailto:investors@geruigroup.com)

Website: [www.geruigroup.com](http://www.geruigroup.com)

## Grayling:

Vivian Chen, Managing Director

Phone: 1-646-284-9427

Email: [vivian.chen@grayling.com](mailto:vivian.chen@grayling.com)

This Presentation of China Gerui Advanced Materials Group Limited was developed by the Company and Grayling and is intended solely for informational purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy the Company's stock. This presentation is based upon information available to the public, as well as other information from sources which management believes to be reliable, but is not represented by China Gerui Advanced Materials Group Limited or Grayling as being fully accurate nor does it purport to be complete. Opinions expressed herein are those of management as of the date of publication and are subject to change without notice.



China Gerui Advanced Materials Group Limited  
(NASDAQ: CHOP)

# Investor Presentation

## September 2013

