



GFT Technologies

An ultimate solution to stop
fuel theft and adulteration

25.10.2018 – Tel-Aviv, Sochi



“We are creating “Blue Oceans” through synergy of technologies, skills and experience to make life better”



Vadim Gavrilenko,
MBA, Managing partner



Vladimir Chaadaev,
Partner



Denis Malakhov,
Partner

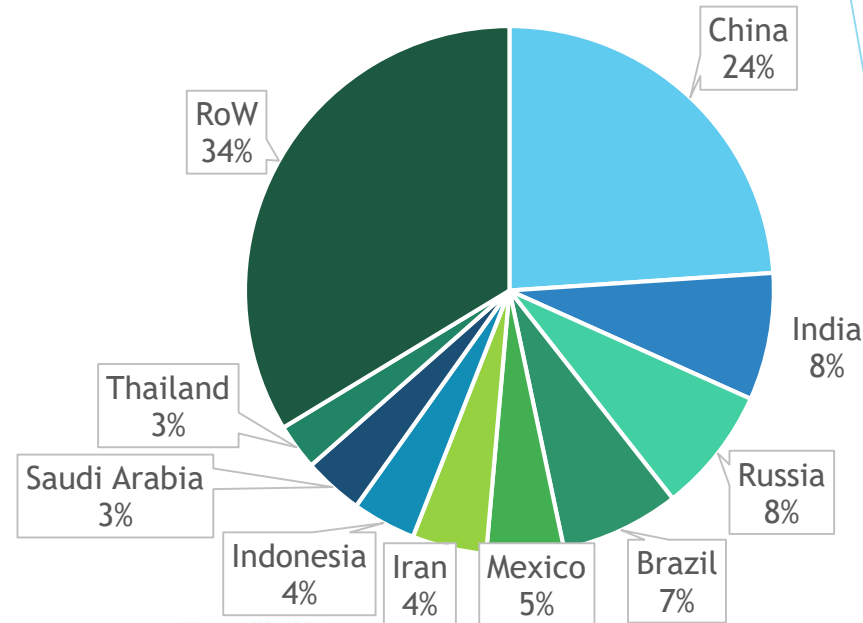
- ❑ Our team combines over 10 years of development and implementation of bespoke telematic solutions for various types of moving objects
- ❑ Over 20 years of experience in Oil & Gas industry provides deep expertise and insides of all components of value chain in this industry
- ❑ Dozens of successfully delivered projects in Strategic Planning, Business Performance Improvement, and Business Transformation

Tax evasion due to fuel adulteration and theft accounts over **\$80bn** annually

- ❑ Largest losses due to tax evasion, impact the whole society: slowdown of infrastructure development and social security reduction*
- ❑ Every average fuel delivery by road tankers leads to losses of **0.3%-1.5%** of their cargo due to syphoning of motor fuel by truck drivers or other connected to the drivers people
- ❑ This causes direct annual losses of **30-100kUSD** per tanker-trailer

*) "Stop Fuel Fraud", Authentix, 2013

Additional annual losses of retailers account over **\$30bn**



We offer the ultimate solution

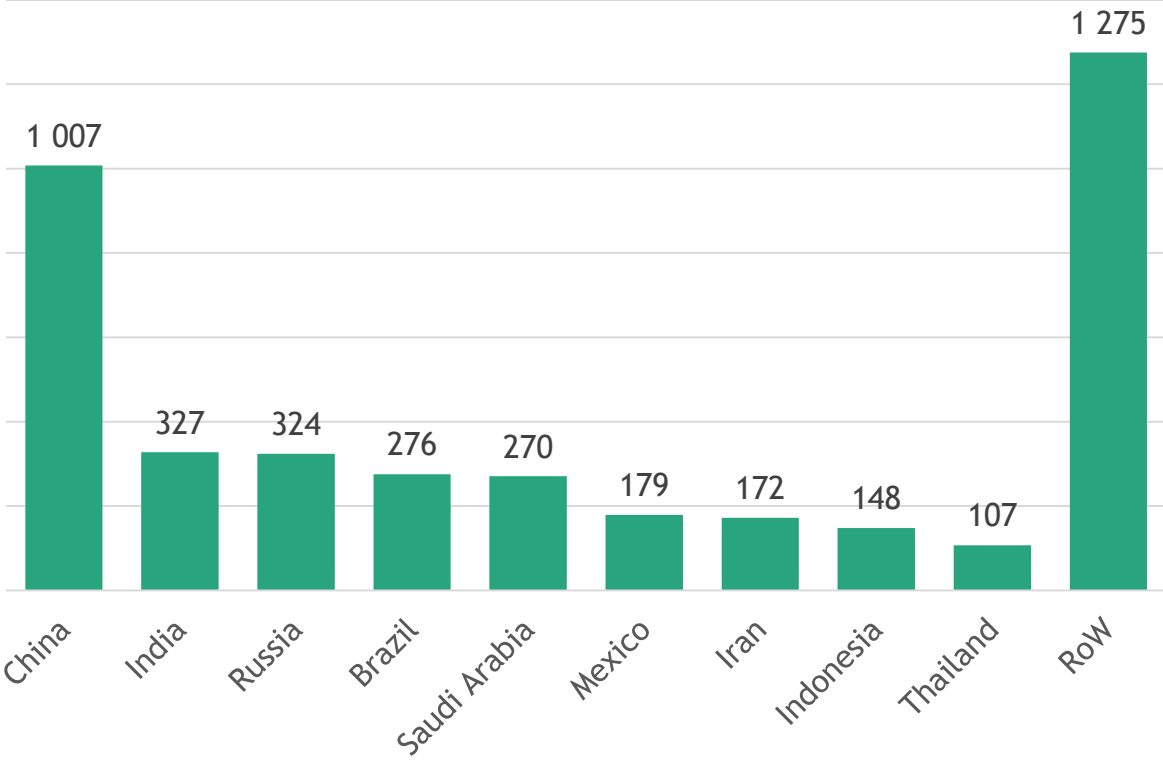
24x7 Service of Monitoring of Fuel Integrity

- ❑ We offer **real-time monitoring of fuel integrity** that provides permanent tracking of the quality, quantity and geographic position of every delivery batch
- ❑ We assure that **what is filled in the depot is delivered to the customer**, related to fuel quality and quantity
- ❑ **Acquired data make fuel theft and adulteration business vulnerable to law enforcement**

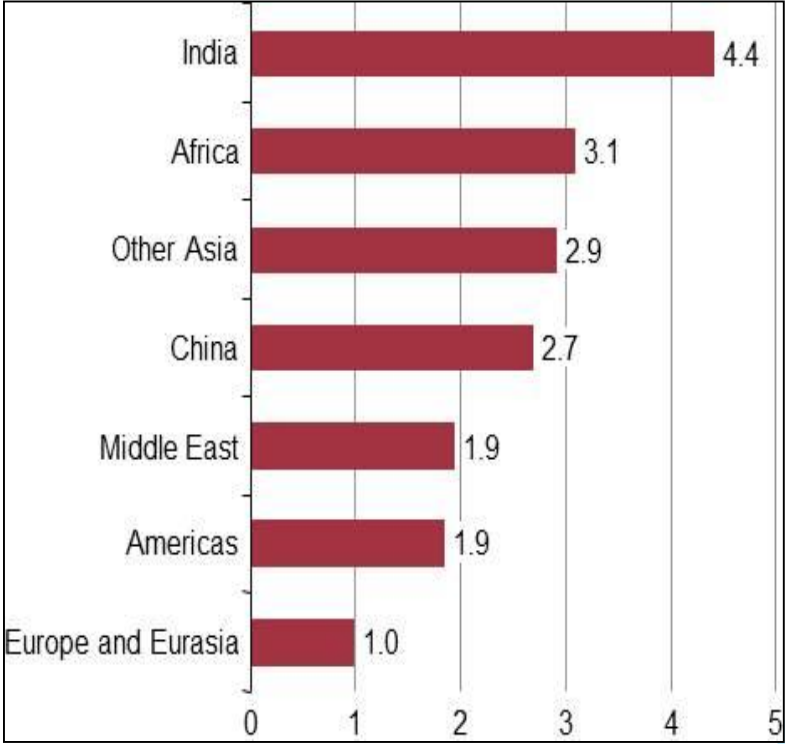


“Blue Ocean” market for fuel fraud prevention accounts of ~\$4bn, it is global and growing

Market size, Annual revenue potential, MUSD

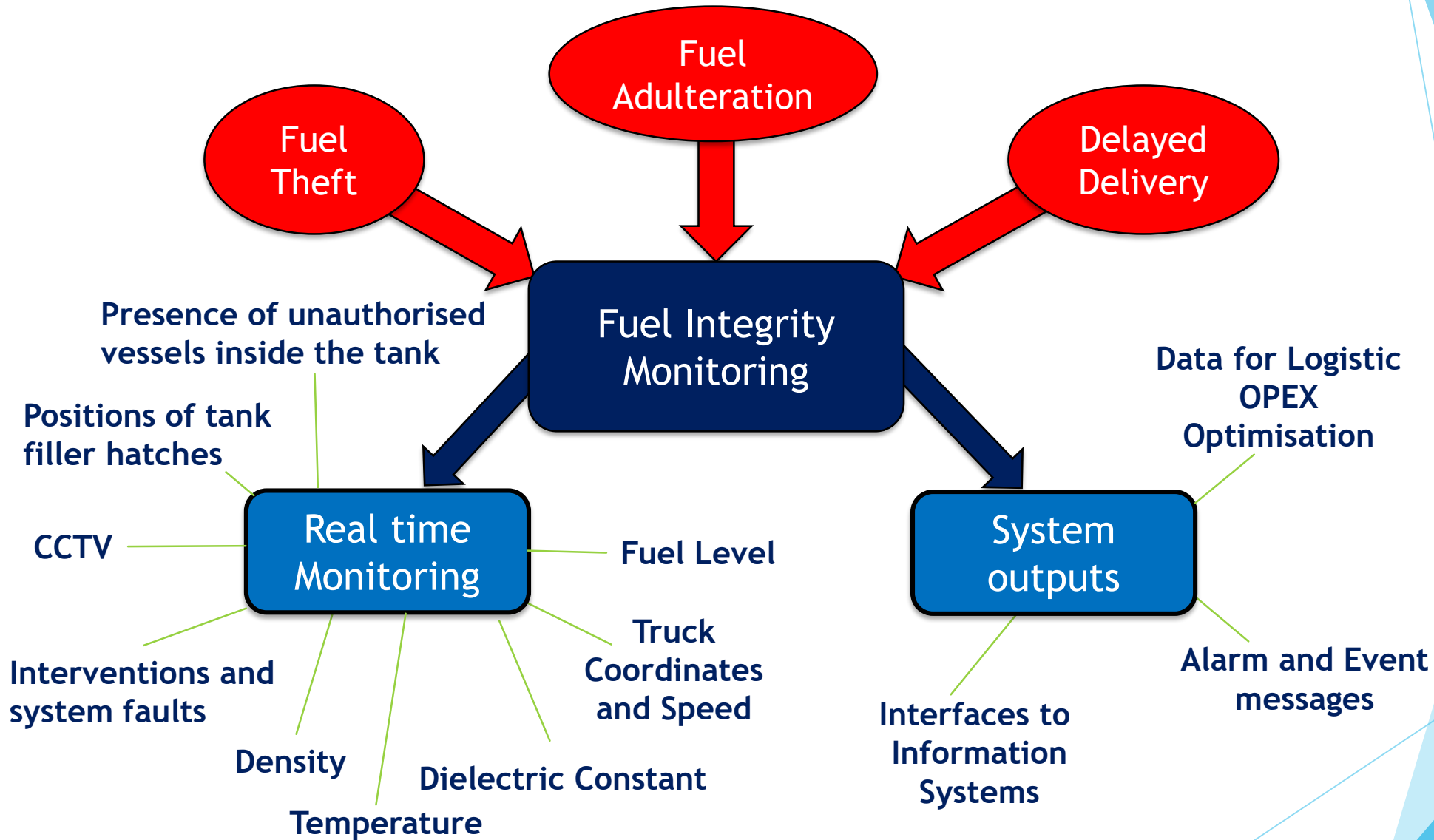


Market CAGR for 2012-2040, %

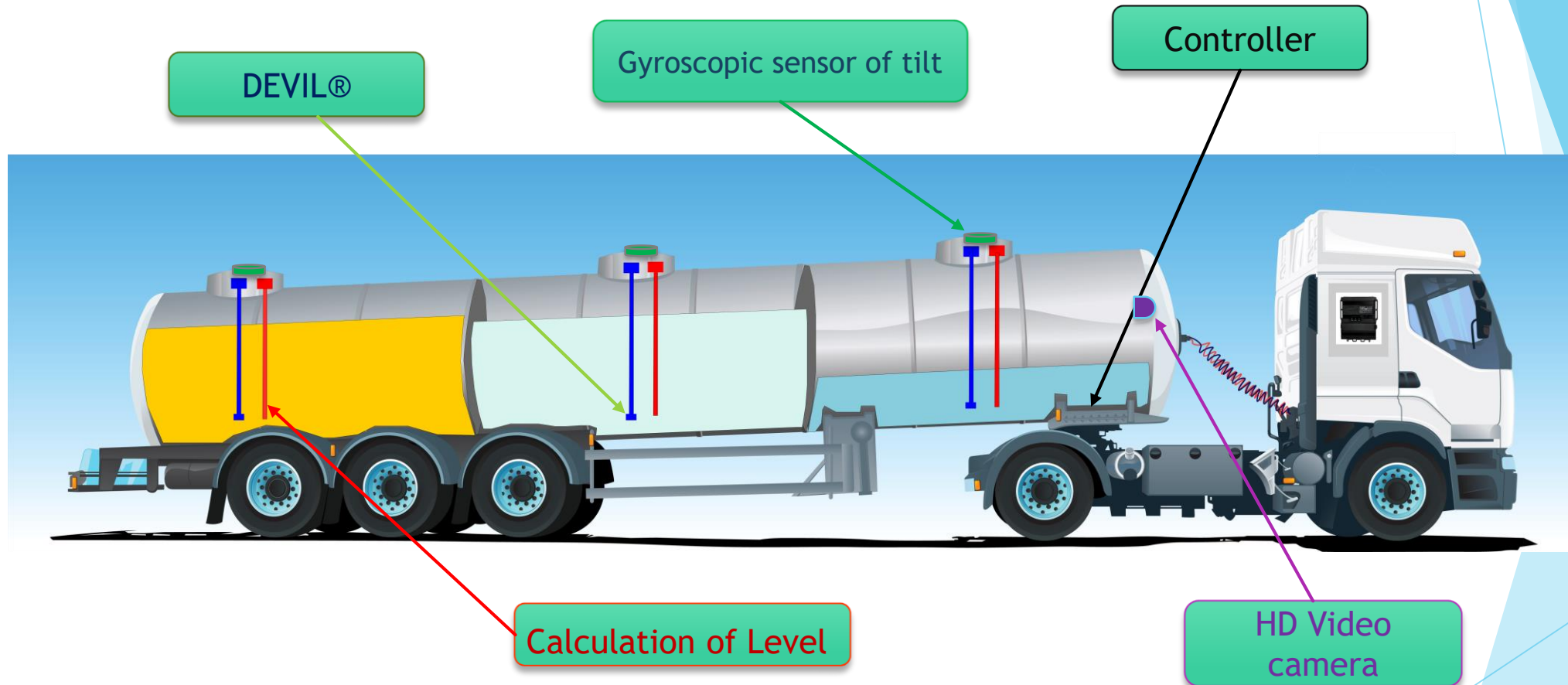


- Market assessment of global annual revenue based on subscription model, road fuel consumption and minimal available price per litre of fuel marking service

Low-level system functionality



Integration of System with AC



Keeping material values

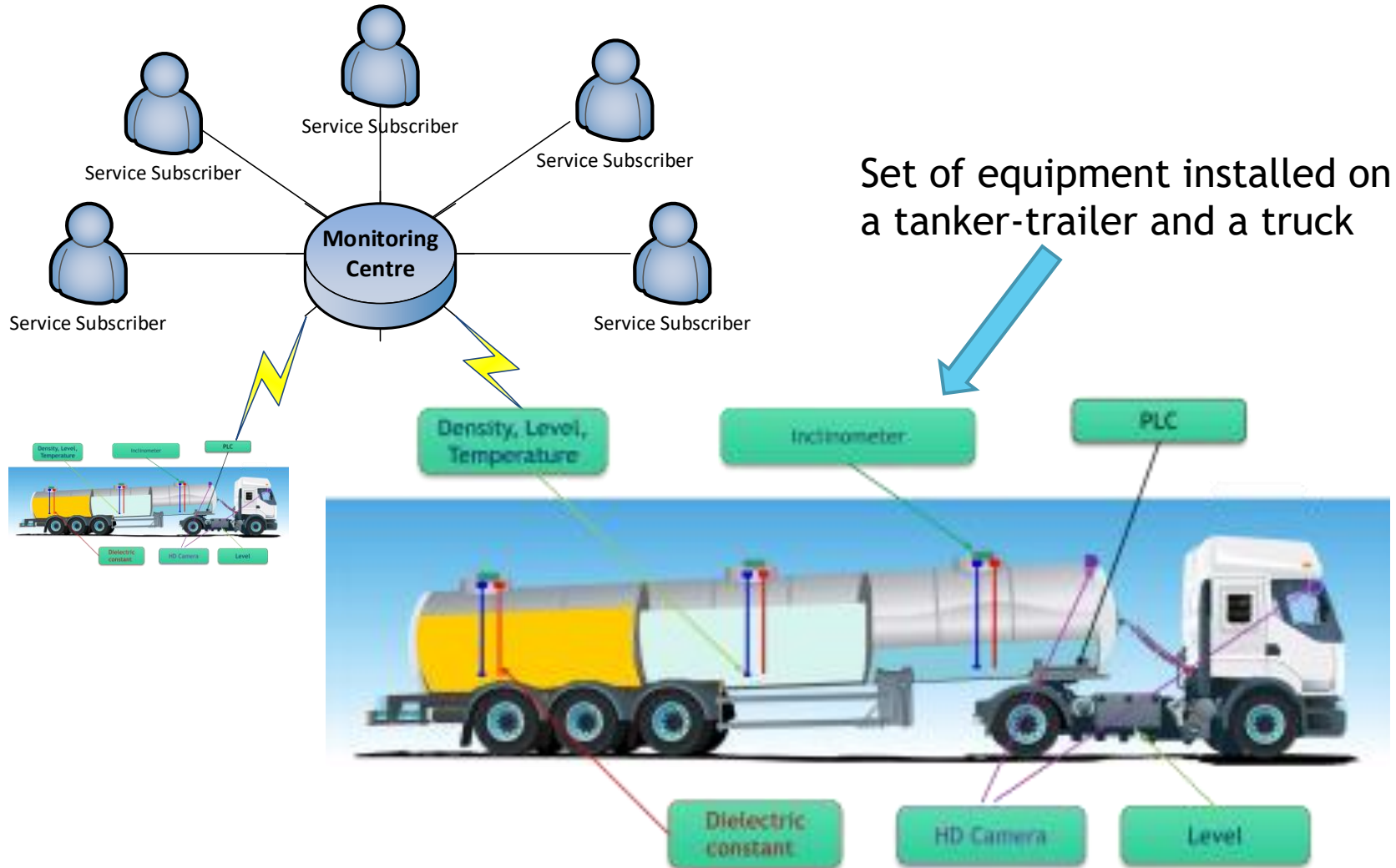
Controlled perimeters for keeping material values

- Monitoring the penetration of the inside of the AC tanks through the filling hatches
- Monitoring the deviation of the area of horizontal sections of the capacitance of the AC from the construction or reference parameters
- Monitoring of density, viscosity, temperature, level and dielectric constant of MT in AC tanks
- Monitoring the location of the AC, the parameters of its movement, as well as the visual environment around the AC

Technical Characteristics





- Density deviations, less: 0.7 kg / m³
- Viscosity deviations, less: 0.5%
- Level deviation, less: 1 mm
- Отклонение ДП: 2%
- Контроль до 8 отсеков АЦ

The Product: Two-layer Solution

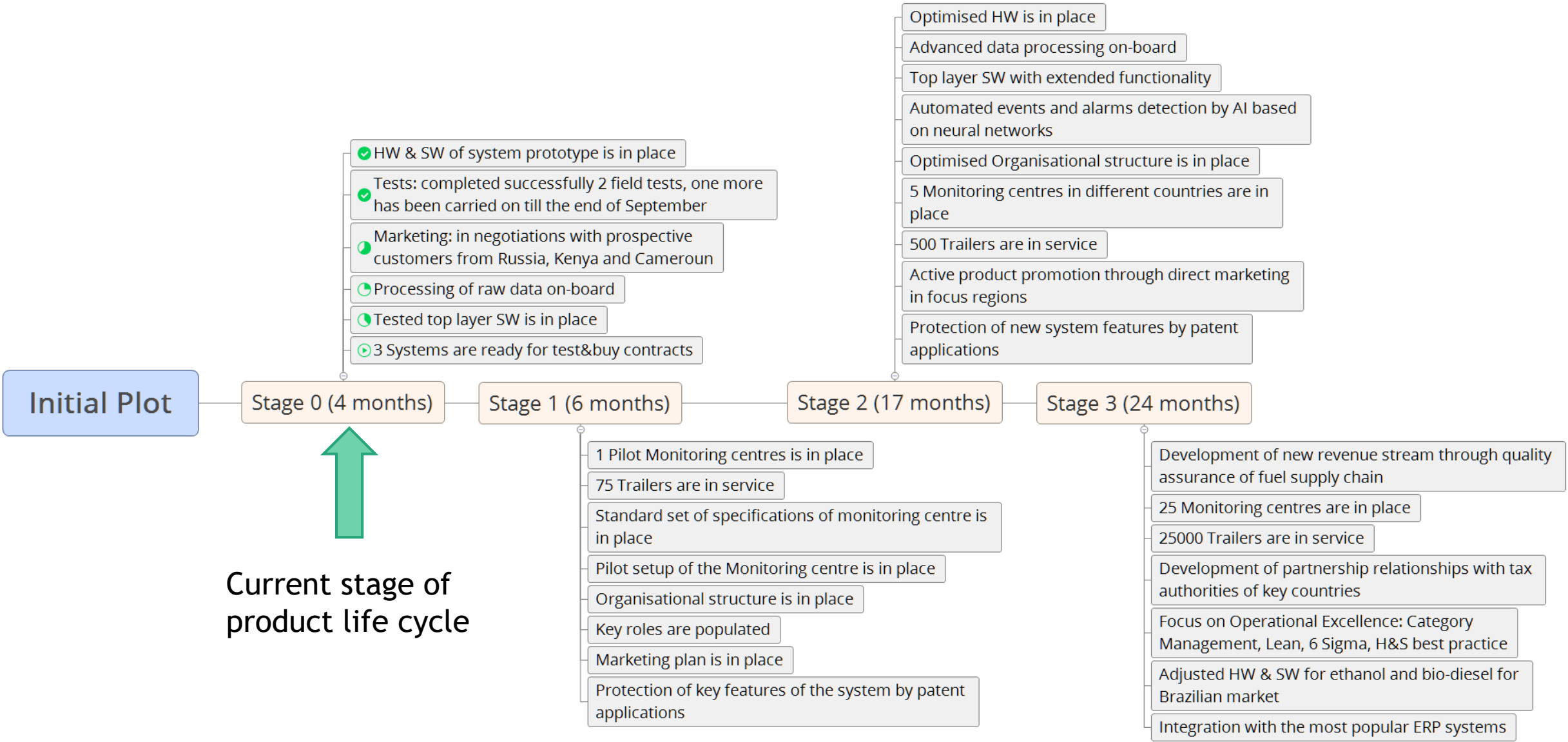


- ❑ First layer is spread across a fleet of road tankers; Second layer is a Monitoring Centre
- ❑ All data are encrypted and protected

Competitors

Name of feature	Various GPS tracking providers				
Monitoring of hatches and discharge valves of the tanker-trailer	✓				✓
CCTV of trailer area	✓				✓
Real-time monitoring of fuel integrity					✓
Real-time reporting about incidents	✓				✓
Mitigation of fuel theft					✓
Mitigation of fuel adulteration		✓	✓	✓	✓
Elimination of the ability to dispense incorrect fuel					✓
Can be used as a core for Fuel Management System					✓
Logistic performance optimisation	✓				✓
Real-time precise volume measurement of stolen fuel					✓
Fuel source traceability through fuel marking		✓	✓	✓	

Product development status and further action plan

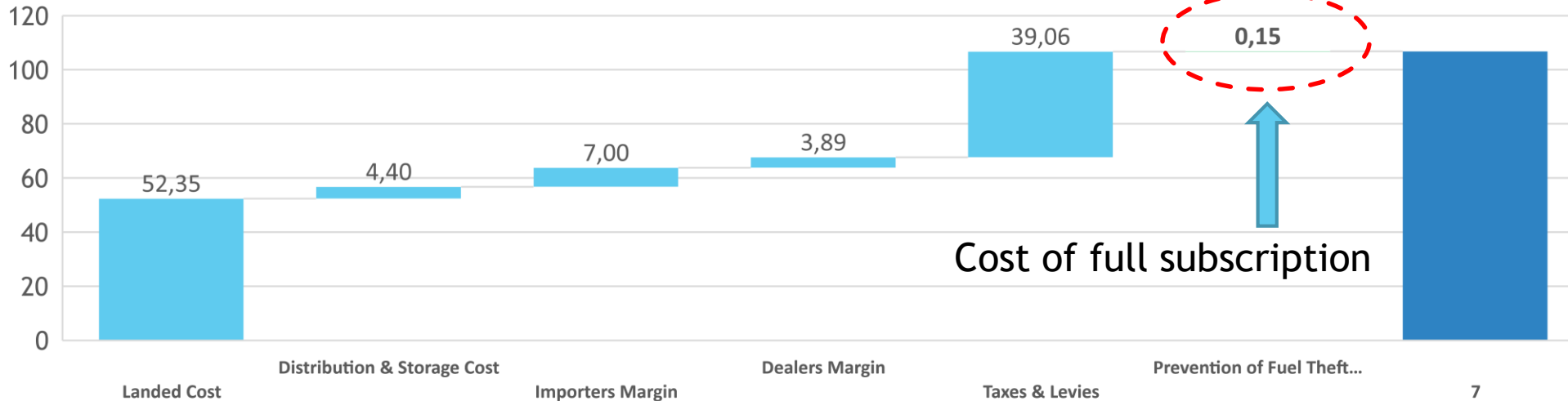


Vision

- ❑ **An ultimate goal is to create globally available set of services that will guarantee fuel integrity from fuel depots to fuel dispensers**
- ❑ **We will harness cutting edge achievements in instrumentation, IoT, Big Data and AI**
- ❑ **We will act through building long-term partnerships with local governments, key industry players and communities to decrease poverty, inequality and contamination of the nature**
- ❑ **Service business-model and localisation of not critical parts of the system should create a sustainable business-ecosystem**

How to monetise our solution?

Example Petrol Price Structure, Cents per litre



- ❑ We offer a paid subscriptions for 24x7 fuel integrity monitoring including provision, installation and support of necessary equipment
- ❑ Payment might be collected per tanker-trailer, in that case it will amount of **~\$500 per month**, or per litre delivered or sold - **\$1.5 per 1000 litres (0,2% of fuel price)***
- ❑ Another option is to buy a system (**~\$11 500**) and service subscription (**~\$95 per month**)*
- ❑ In next 4-6 years time the company will go for IPO or will divest part of its shares to a strategic private investor

*) Actual figures depend from a number of sections in a tanker-trailer and other local particularities

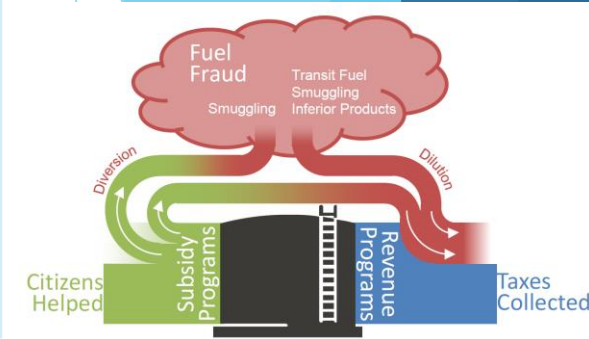
Demand is there, but “..Show me it works well...”

- ❑ **We successfully tested our pilot solution with one of Russian Oil & Gas majors in Western Siberia**
- ❑ **We completed field test of our solution fully as expected in Kenya with one of diversified energy company**
- ❑ **We are currently running another pilot test in Ural region**
- ❑ **Philippines introduced additional dedicated excise taxes and signed 5-year contract with annual value of \$39m to implement a fuel-marking programme with expected ROI of 10x; a number of countries are already using fuel-marking technology**
- ❑ **Our solution has got a lower service price per litre and can add much more value to its customers compared to fuel marking technology**



Customers and their additional revenue streams

	Tax Authorities	Fuel Transporters	Fuel Retailers
Major pain	<i>Tax evasion due to fuel frauds</i>	<i>Penalties and loss of logistic contracts due to theft and adulteration of transported cargo</i>	<i>Deterioration of customer loyalty, revenue and marginality due sale of adulterated fuel and compensation of stolen fuel at the expense of motorists</i>
How the customers are motivated?	<i>Direct losses, the highest value</i>	<i>Direct losses for cross-border transporters</i>	<i>Indirect losses - difficult to measure instantly, have a mid- and long-term negative impact</i>
Revenue streams	<i>Increased tax collection with ROI of 3x-12x</i>	<i>Reduced risk of penalties and contract losses</i>	<i>Growth of customer loyalty, sales revenue, marginality, and brand value</i>
Concerns	<i>Higher barrier to entry</i>	<i>Risk of get being caught can be mitigated through corruption</i>	<i>Requires a long-term vision from the management of the company with support from marketing team</i>

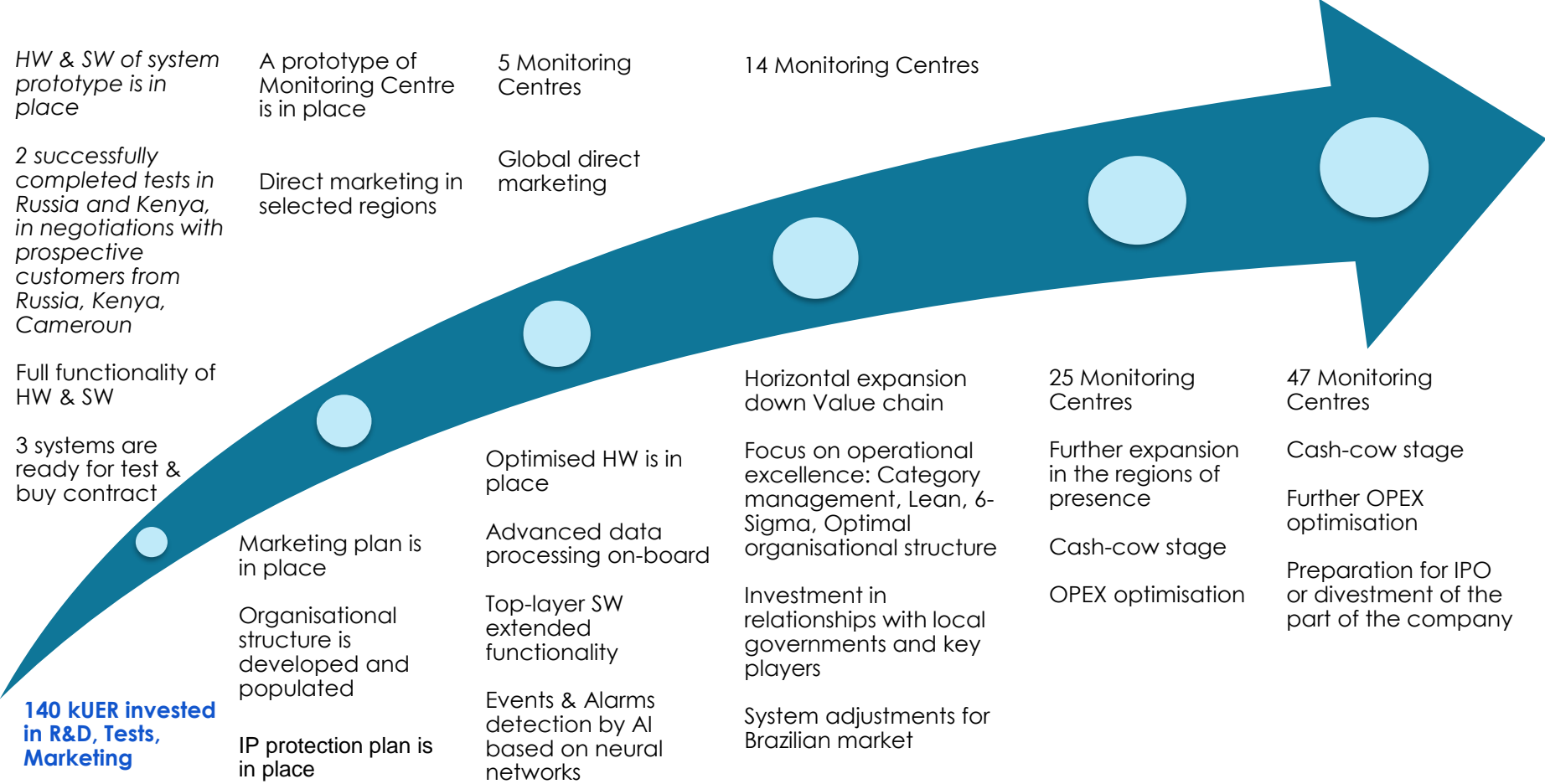


How strong is competitive power of our product?

Valuable	Rare	Non-imitable	Non-substitutable
Fusion of unique algorithms of data processing with cutting edge sensing technology creates a product that bring value to customers with ROI 10x	Exeptional combination of data processing algorithms, sensing technology, industry knowledge and experience with business acumen	High barrier to copy: 1. Proprietary data processing algorithms 2. Restricted access to sensing technology 3. First movement advantage 4. Service business model requires significant WC	Current competitors use Fuel marking technology. This method is more costly in operations due to high labour cost. Furthermore it offers less information compared to our solution. Our solution offers the best Value/Price ratio
✓ ✓ ✓	✓ ✓	✓ ✓	✓

- ❑ **Sustainability of our competitive advantage is based on proprietary data processing algorithms and access to cutting edge sensing technologies. Our team combines experiences in fuel retail, automation, IT/IS, business management, global marketing and access to sufficient financial resources.**

We are rising: the goal is 10% of the market by Y6



3	75	500	3 500	25 000	95 000
Year 0	Year 1	Year 2	Year3	Year 4	Year 5
Number of systems installed					

Financials (P&L)

P&L items, kEUR	Y0	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8
Sales total	0,0	734,1	3 584,9	22 655,4	150 782,2	534 064,0	486 999,5	514 329,9	543 717,8
Sales of HW	0,0	237,9	649,4	4 112,7	28 182,6	77 924,3	5 844,3	6 280,7	6 756,0
Sales of Services	0,0	496,2	2 935,5	18 542,7	122 599,6	456 139,6	481 155,1	508 049,2	536 961,8
COGS total	30,1	335,6	1 432,9	7 741,6	43 970,4	140 386,2	95 675,7	100 652,4	105 037,4
Gross Margin	-30,1	398,5	2 151,9	14 913,8	106 811,8	393 677,8	391 323,8	413 677,5	438 680,4
SG&A	27,1	153,4	250,3	559,8	5 880,5	17 090,0	15 584,0	16 458,6	17 399,0
EBITDA	-57,2	245,1	1 901,6	14 354,0	100 931,3	376 587,7	375 739,8	397 218,9	421 281,5
Depreciation	0,0	128,5	908,8	6 026,8	40 933,1	153 113,4	156 514,1	130 588,3	27 397,1
EBIT	-57,2	116,6	992,9	8 327,2	59 998,2	223 474,3	219 225,7	266 630,6	393 884,4
Profit Tax (20%)	0,0	23,3	198,6	1 665,4	11 999,6	44 694,9	43 845,1	53 326,1	78 776,9
EAT	-57,2	93,3	794,3	6 661,8	47 998,6	178 779,4	175 380,6	213 304,5	315 107,5
OCF	-57,2	221,8	1 703,1	12 688,6	88 931,7	331 892,9	331 894,7	343 892,8	342 504,6
Investments	0,0	446,7	2 418,9	15 456,1	105 257,1	339 111,2	25 900,2	27 677,8	29 666,0
FCF	-57,2	-224,9	-715,8	-2 767,5	-16 325,4	-7 218,4	305 994,5	316 215,0	312 838,6

Thank you attention

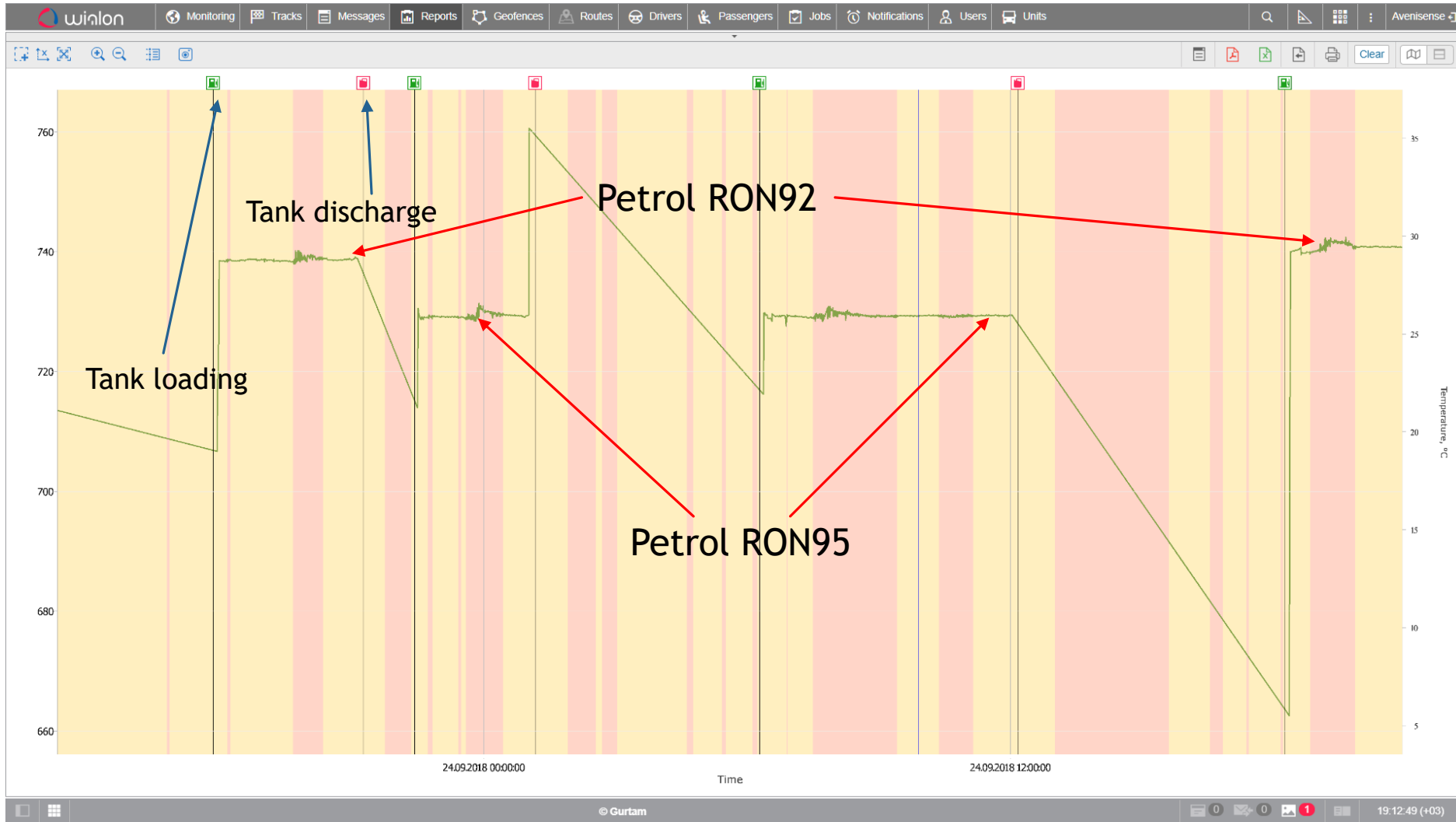


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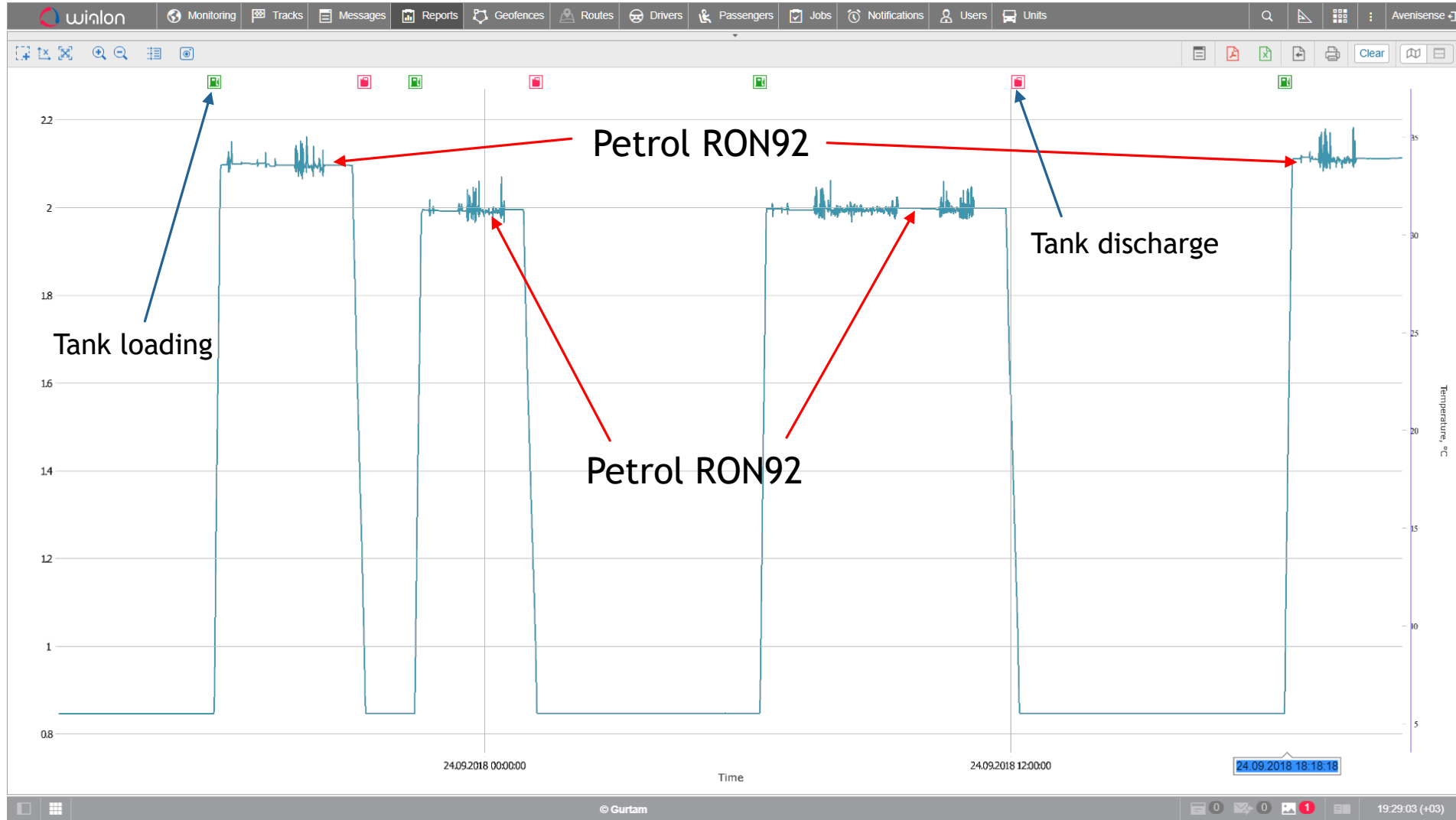


Annex

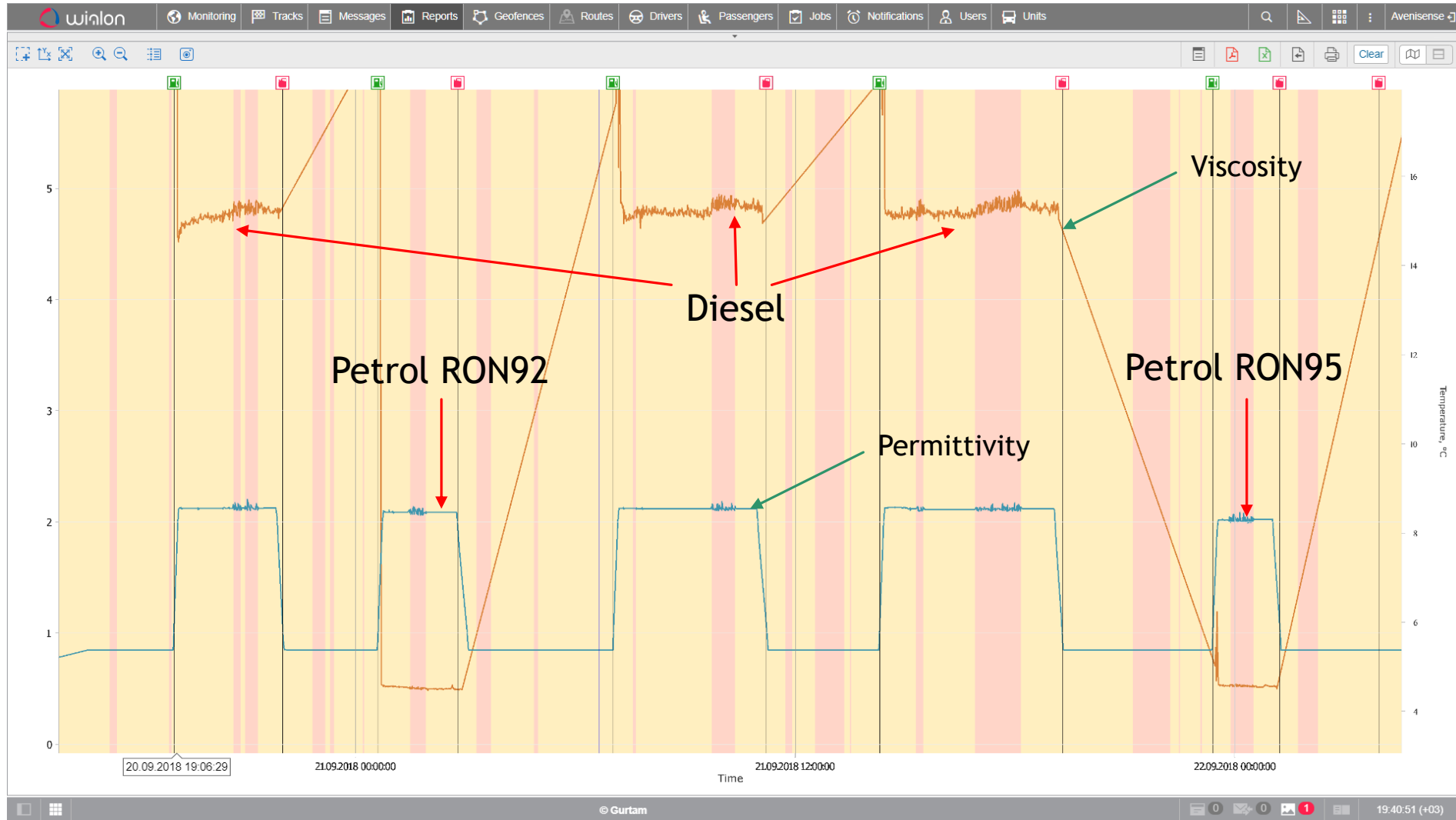
Test Results: Density at 15C



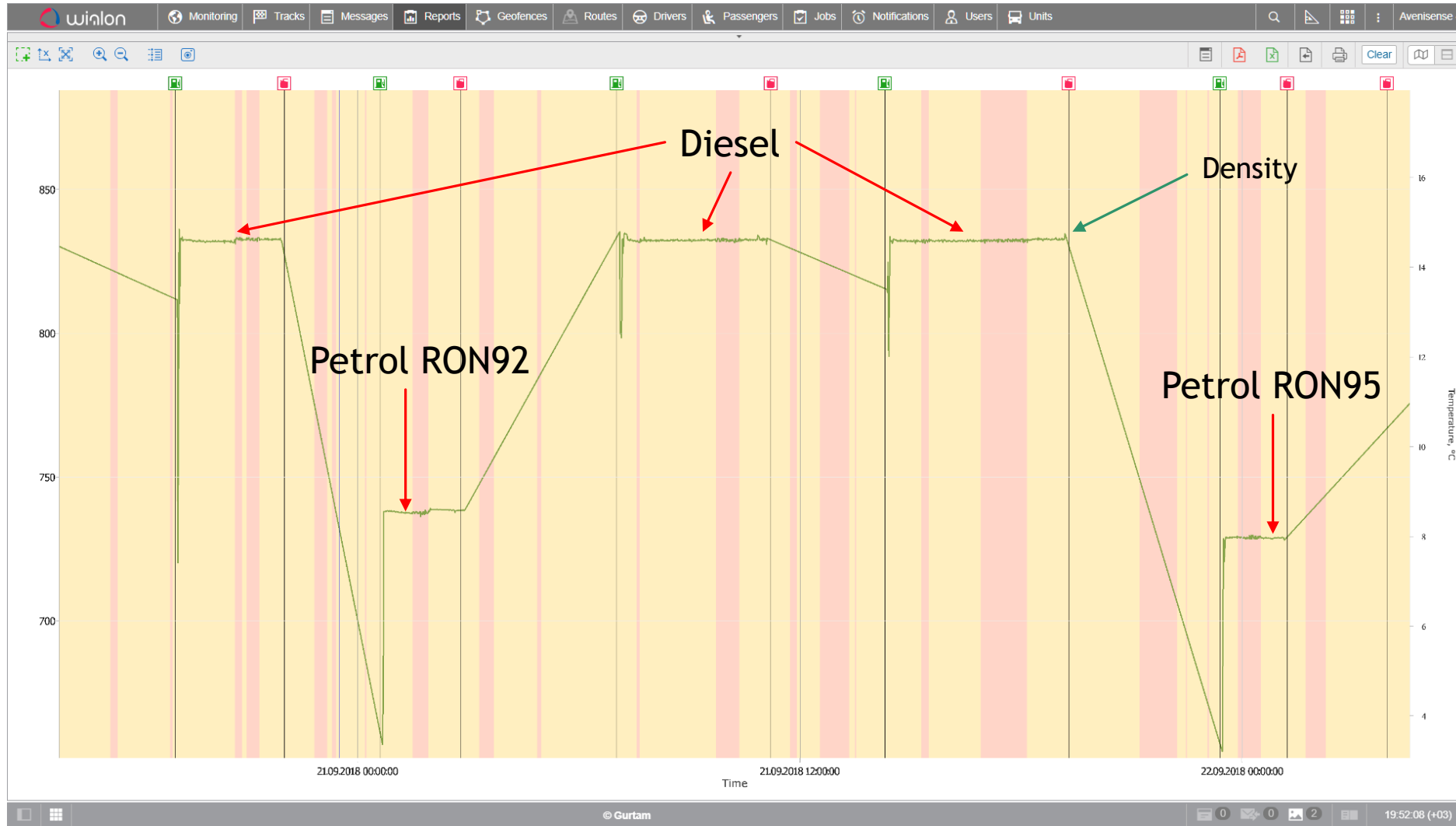
Test Results: Permittivity



Test Results: Viscosity & Permittivity



System identifies types of the fuel through learning



❑ 3-week test found an average siphoning of 470 l per delivery or 14 full trailers p.a.

Автоматическое информирование о нештатных ситуациях

Рейс	Статус	Маршрут	Водитель	ТС	Прицеп	Выезд (план)	Выезд (факт)	Возвр. (план)	Возвр. (факт)	Посл. Пункт	Текущ. груз	Пробег (план)	Пробег (факт)	Оц. вып.1
001	Завершен	АЗС 7-АЗС 39	Иванов	T001ET41	C100MC41	25.09.2017 7:00	25.09.2017 7:15	25.09.2017 12:00	25.09.2017 12:30	Гараж	0	279,80	280,30	Норма
002	Завершен	АЗС 8	Толмачев С.Д.	E683УУ68	ББ 5757 86	25.09.2017 8:00	25.09.2017 8:06	25.09.2017 13:00	25.09.2017 13:33	Гараж		153,50	153,70	Допустимо
003	Выполняется	База, АЗС 10, База, АЗС 5, АЗС 1, БП	Лукьянов	T001ET41	C100MC41	25.09.2017 12:00	25.09.2017 12:10	25.09.2017 14:36		АЗС 4	49 522	97,43	74,80	Допустимо
						25.09.2017 17:05	25.09.2017 22:00			Гараж		127,00		Норма
						26.09.2017 0:50					0	366,60		

Фиксация снижения уровня во время незапланированной стоянки
Вероятен Слив топлива

Конеч. положение	Длительность	Пробег	Ср. скорость	Макс. скорость
0-25 07:51:34 Когалым, Ноябрьская ул.	0:05:03	0.16 км	2 км/ч	7 км/ч
0-25 08:57:14 Когалым, Ноябрьская ул.	0:35:45	1.11 км	2 км/ч	24 км/ч
0-25 09:29:12 Когалым, Ноябрьская ул.	0:12:28	0.19 км	1 км/ч	7 км/ч
0-25 17:07:56 Когалым, Ноябрьская ул.	5:21:50	233 км	43 км/ч	83 км/ч

Объем, л