#### ZK International Group Co., Ltd. (NASDAQ: ZKIN)

Investor Presentation February 2019

# Safe Harbor Statement



This presentation includes statements that are, or may be deemed, "forward-looking statements." In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "plans," "intends," "may," "could," "might," "will," "should," "approximately," potential" or, in each case, their negative or other variations thereon or comparable terminology, although not all forward-looking statements contain these words. By their nature, forward-looking statements involve risks and uncertainties because they relate to events, competitive dynamics, and healthcare, regulatory and scientific developments and depend on the economic circumstances that may or may not occur in the future or may occur on longer or shorter timelines than anticipated. Although we believe that we have a reasonable basis for each forward-looking statement contained in this presentation, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from the forward looking statements contained in this presentation, as a result of, among other factors, the factors referenced in the "Risk Factors" section of our Form F-1 filed with the Securities and Exchange Commission. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate are consistent with the forward-looking statements contained in this presentation, they may not be predictive of results or developments in future periods. Any forward-looking statements that we make in this presentation speak only as of the date of such statement, and we undertake no obligation to update such statements to reflect events or circumstances after the date of this presentation. You should read carefully our "Cautionary Note Regarding Forward-Looking Information" and the factors described in the "Risk Factors" section of our Form F-1.

Supplying the next generation in China with clean water through innovative, high-quality water piping infrastructure and proprietary technologies.

# **Company Overview**



- Manufacturer and designer of high-performance stainless steel piping and fittings for the water and gas sector
- Proprietary technology through wholly-owned subsidiary, Xsigma Corp.,
  - Ability to develop solutions to support its core operations with innovations such as distributed ledgers, supply chain management, and other efficiencies
- Record revenue for the fiscal year ending September 30, 2018:
  - Revenue: \$54.9M, +22.1% YOY
  - Gross Profit: \$18.3M, +39.5% YOY
  - Gross Profit Margin: 33.3% vs. 29.2% YOY
  - Net income: \$7.1M, +19.71% YOY
  - EPS: \$0.52 per share based on 13,610,046 weighted average number of shares outstanding
  - Net book value totaled \$37.3 million or \$2.25 per share based on 16,528,037 shares outstanding as of September 30, 2018

# **Urbanization of China**



- China is home to 20% of the global population yet only has 7% of the world's freshwater resources.
- China is projected to move roughly 250 million people (more than the total U.S. urban population) into cities — some of which have not been built yet — within just the next 10-20 years.<sup>2</sup>
- This will bring total urban population to approximately 900 million people, or roughly 13% of the world's population.<sup>2</sup>
- In less than ten years, China will have almost one quarter of the world's 400 largest cities.<sup>2</sup>
- In addition to supporting urban growth, China will need to provide water for 400 million rural residents and meet the tremendous demands from agriculture, energy, and manufacturing sectors.<sub>3</sub>

1 UN WATER Water and Energy Sustainability Available from: http://www.un.org/waterforlifedecade/pdf/01\_2014\_sustainability\_eng.pdf 2 The New York Times – "China's Great Uprooting: Moving 250 Million into Cities" 3 The Nature Conservancy - https://blog.nature.org/conservancy/2013/07/03/a-thirst-for-growth-fueling-chinas-urban-expansion/



# Clean Water is a Top Priority in China





- The seismic shift in population is having a significant impact on China's urban infrastructure.
- 61.5% of ground water and 28.8% of key rivers are classified as unfit for human contact.<sup>4</sup>
- Over 20% of water supply is so polluted that it cannot be used for industrial or agricultural use — much less for human consumption (a factor that, combined with air pollution, causes an estimated 6% reduction in annual GDP, according to the World Bank).4
- The Chinese Government has recognized this and has set aside \$610 billion, to spend on water infrastructure between 2011 – 2030.5
- In fact, one of the world's most costly capital projects is the \$68 billion North to South Water Diversion Project, which will link China's four main rivers via more than 1,800 miles of pipeline, and divert water from the south of China to population centers in the north.6

6 UN WATER Water and Energy Sustainability Available from: http://www.un.org/waterforlifedecade/pdf/01\_2014\_sustainability\_eng.pdf

<sup>4</sup> The Nature Conservancy - https://blog.nature.org/conservancy/2013/07/03/a-thirst-for-growth-fueling-chinas-urban-expansion/ 4 According to the latest report from the Chinese Ministry of Environmental Protection

<sup>5 (</sup>REUTERS (2013) After China's multibillion dollar clean-up, water still un t to drink Available from: http://www.reuters.com/ article/2013/02/20/ us-china-pollution-water-idUSBRE91J19N20130220

# CO2 Reduction is Driving Natural Gas Infrastructure



- Considering the massive latent demand potential, China's growing inability to meet its own gas needs is one of the most important developments in any energy market.<sup>7</sup>
- China has over 4x the population of the U.S., but consumes just 25% of the natural gas. As regional markets become more integrated, the entire globalizing gas market will quake as China becomes more developed and starts to consume gas like the West.<sup>7</sup>
- Gas is China's fastest growing major fuel, with demand quadrupling in the past decade.8
- Gas is now about 6-7% of China's energy demand, double the market share in 2007 (China government seeks gas to be 10% of energy by 2020).8
- Cleaner, more efficient natural gas use is integral to China's 5-year plan (The 13th Five-Year Plan 2016-2020) which calls for the replacement of coal in non-power sectors either with natural gas and/or electricity. This is a very realistic and important evolution in China's energy demand structure because power generation, which is the desired and highest form of coal use, only accounts for 55% of China's coal use, compared to 95% in the U.S. today.8
- China's coal use is eroding air quality and making fuel switching from coal to natural gas more urgent but also easier.<sup>8</sup>



# **Our Products**



- Products consist of:
  - Cold-rolled stainless steel stripes,
  - Regular carbon and stainless steel pipe,
  - Light gauge stainless steel pipe, and
  - Connections and fittings
- Specifications of piping are tailored based on design of clients' piping system architecture
- End users are provided with environmentally friendly and safe water and gas pipeline network







## **Corporate Capabilities**



Integrated Supply Chain: We have necessary production lines and machinery allowing us to achieve higher margins and ensure superior quality and consistency.

Extensive Sales Network: 27 regional offices and 80 sales representatives in major urban hubs in China. Solution-Oriented Products and Services: Intimately engage in client projects to understand their needs and quickly manufacture high quality products.

Our competitive advantages will enable us to maintain and further increase our market position in the pipe and fitting manufacturing industry. Technical and Engineering Capability: Our technical teams regularly consult and develop solutions that best cater to our clients' objectives. And we collaborate with construction teams to deliver the best service experience.

Rigorous Quality Control Benchmark: ISO 9001:2008, DVGW, ISO14001: 2004, Global Manufacturer Certificate (GMC), and German DVGW

#### XSIGMA

Empowering the Supply Chain with Blockchain Technology

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XSigma I Empowering the Supply Chain with Blockchain

# XSigma Corp.





"This technology is the future. The pioneers and innovators, who embrace it and deploy it, will clearly have the sustainable competitive advantage." David Christensen, President of XSigma

# Facility





# Significant Contracts



- Selected by China Railway First Bureau Group Construction and Installation Engineering to supply its premium thin-walled, stainless steel products for the second phase of Beijing's Rail Transit Line 7
- Selected by Zhuhai Water Environment Holding Group as a leading supplier of stainless steel piping for updating the water supply infrastructure in Zhuhai, China
- Selected as major supplier by Changsha Water Group to help spearhead update of Changsha water supply infrastructure with all new stainless steel piping
- Renewed contract with Towngas China Company Limited , one of Asia's largest gas and utility suppliers
- Entered into an agreement with Shenzhen Water Group to replace the aging water supply infrastructure within its city
- Entered into \$1.2 million contract with The XingRong Group, one of the largest water treatment and supply companies in Western China

# Significant Projects





Beijing National Aquatics Center ("The Water Cube")

Beijing National Stadium ("The Bird's Nest")

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# Significant Projects





**Beijing International Airport** 

China Pavilion of 2010 Shanghai Expo

# **Growth and Innovation**



Technology	Smart Piping System Leveraging the Company's IoT/Track-n-Trace/Blockchain capabilities, the Company is exploring a smart pipe with capability to monitor water quality and pressure ensuring the delivery of safe water, a reliable product and customer peace of mind.
R&D	Through in-house R&D, ZK is positioned to maintain its position as innovator high-quality products.
Global Expansion	Revenue today is predominately concentrated in China, however the Company has incorporated in Uganda and begun the registration process to do business in Africa in order to continue to support China's Silk Road Initiative. ZK is in the process of bidding to supply the estimated \$18.46 billion Ugandan Upstream Oil and Gas Development Project.
Emerging Applications	Siphonic Roof Drainage Systems (SRDS): Drainage system with ability to drain any water accumulation on the roof under heavy storm with very high efficiency and prevention of excessive rainfall from damaging roof structure. Subway Station Pipe Network: Conventional materials utilized in the rapid development of subway infrastructure is not sustainable.

# Financial Highlights / Key Milestones



Stock Symbol: NASDAQ: ZKIN Feb. 4, 2019 ZK Internotion of \$54.9 m
Current Share Price \$1.69 Year, for
(As of 2/4/2019): Dec. 11, 2018 ZK Intern
Shares Outstanding (As of 9/30/2018):16,528,037\$580,000 into China Transport
Market Capitalization: \$27.9 Million Oct. 9, 2018 ZK Intern Up to \$31
Revenue*:\$54.9 Million, +22.1% YOYChina's To
Gross Profit*: \$18.3 Million, +39.5% YOY Holding G
Gross Profit Margin*: 33.3% vs. 29.2% YOY Sept. 18, 2018 ZK International Increase
Net Income*:     \$7.1 Million, 19.71% YOY     of \$26.6 I       2018     2018
Net Book Value**:\$37.3 Million or \$2.25/shareSept. 13, 2018ZK Internation
* for the Fiscal Year Ended September 30, 2018 ** based on 16,528,037 shares outstanding as of September 30, 2018 in Nairob

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### Income Statement/Balance Sheet



Balance Sheet	September 30, 2018	September 30, 2017
Total Current Assets:	\$64,347,173	\$54,478,551
Total Assets:	\$76,398,563	\$61,173,069
Total Current Liabilities and Total Liabilities:	\$39,130,971	\$39,806,123
Total Equity:	\$37,267,592	\$21,366,946
Total Liabilities and Equity:	\$76,398,563	\$61,173,069
Income Statement (for Year Ended September 30,)	September 30, 2018	September 30, 2017
Revenues:	\$54,884,381	\$44,951,740
Gross Profit:	\$18,290,589	\$8,079,847
Gross Profit Margin:	33.3%	29.2%
Income from Operations:	\$9,617,636	\$8,079,847
Income Before Income Taxes:	\$8,501,267	\$6,928,693
Net Income:	\$7,103,057	\$5,933,688
Earnings Per Share (Basic):	\$0.52	\$0.56
Earnings Per Share (Diluted):	\$0.51	\$0.56
Weighted Average Number of Shares Outstanding (Basic):	13,610,046	10,970,000
Weighted Average Number of Shares Outstanding (Diluted):	13,629,517	10,973,674

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### Management Team





Jiancong Huang, Chairman and President: Mr. Huang has extensive experience in manufacturing industry and held president position in two companies before Zhengkang was founded. He earned his EMBA from Renmin University of China and Engineering Professional Title, and was awarded as Top10 Wenzhou Entrepreneurship and appointed to be the Vice Director of China Construction and Building Standard and Safety Committee. He is also members of National Pipe Standard Committee and National Building Water Supply and Waste Standard Committee.



Hanjun Wang, Vice President: Worked as General Manager in Ball Star Bearing Group and Shandong Hengdian Group before he joined Zhengkang. He brought his extensive executive experience to his role in Zhengkang as Vice President and now is in charge of company's strategy executive and administration. He graduated from Nanjing University with MBA degree.



**Guolin Wang, Co-Founder and General Manager**: Mr. Wang held various positions in research and management since 1983 until he co-founded Zhengkang. He has extensive experience in manufacturing industry with EMBA from Renmin University of China and designation of Professional Engineer. He is a member of National Building Water Supply and Waste Standard Committee.



Minghao Wang, Co-Founder and Deputy General Manager: Mr. Wang held various positions in trading and marketing in other companies before he co-founded Zhengkang. With rich experience in marketing and negotiation, and an extensive network with water/gas supply companies, he now holds an important role in marketing. He earned EMBA from Renmin University of China and a designation of Professional Engineer.



**David Christensen, President of XSigma**: Mr. Christensen is a recognized expert in Global Strategy Deployment including unique expertise in Global Supply Chain, POS Systems and Security, Logistics, Freight, Distribution, Inventory, Service Repairs, CRM, Customer Service and Call Center. He has previously worked for companies such as Compaq, HP, Cal Cartage, Qualcomm, Wal-Mart International, Rexnord Carlyle, Hypercom, and Verifone.



**Shaochai Yang, Chief Financial Officer:** Ms. Yang has more than 10 years experience in accounting and financial management. Prior to joining the company, she worked as the CFO at Kaidishi Industrial from 2009 to 2016, a company focuses on developing and manufacturing electrical lock and biometric fingerprint scanner, where she oversaw the day-to-day operations of accounting department. She worked as CFO at Weiduli Valve from 2002 to 2009, a company manufacturing valve and piping products. Through years of career in accounting and management, she has acquired extensive experience in manufacturing industry from her past career in various medium to large enterprises. Ms. Yang received her Bachelor degree in business administration from China Computer Science College with the major in Accounting.







**Di Chen, Secretary:** Prior to joining the company at 2017, Mr. Chen served as the Senior Associate at Pacific Seaboard Investment, a corporate advisory firm based in Canada that focuses on guiding clients through IPO, M&A and private placement investments, for two years. His position focuses on leading the team to conduct industry research, due diligence, financial consulting, and preparing regulatory reporting. From 2012 to 2014 he worked as the accounting manager in Azizmalco, a property management company in Canada, where he oversaw the accounting department of Azizmalco's subsidiaries.

# **Board of Directors**



Jiancong Huang, CEO and Chairman of the Board:

**Guolin Wang**, Director:

**Min Ni, Independent Director and Chairman of the Audit Committee:** Currently serving as the partner of CAN Partners LLP, a public accounting firm with offices in both Canada and China since 2013, and as the director of Bluehill CPA, an accounting advisory firm based in China since 2011, focusing on providing auditing and financial services to both private and public companies, and assist companies going public to improve internal control and compliances to meet regulatory requirements. Prior to his current positions, he worked as senior auditing manager at MNP LLP from 2008 to 2011 and Duffy & Associates in Toronto from 2006 to 2008, where he focused on financial auditing, internal control assessment, financial consulting and SEC filings review. Mr Ni has extensive experience in both US GAAP and IFRS reporting frameworks, Sarbanes-Oxley compliance, and regulatory compliances. Mr Ni was designated with CA, CPA in Canada and CPA in Illinois, US and he received his MBA from Toronto University – Rotman Business School.

Lie Cao, Director: Currently the Deputy Secretary General of National Water Supply & Sewerage Standard Committee, a regulatory body setting standard to water supply & sewerage industry, and Director of China Construction Metal Structure Association - Water Supply & Sewerage Division, a national trade association representing the technology and products of Chinese water supply & sewerage industry. Mr. Cao works closely with the government to oversee the water supply and sewerage industry, review and draft industrial technical standard, promote new materials and technology, organize anti-dumping and anti-trust investigation, and organize international communication conferences for the industry. His current and previous positions have provided him with a perspective and understanding on Chinese piping industry, and his management experience offered him a broad leadership and executive experience.

**Linge Zhou, Director:** Currently is the General Manager of Zhejiang Bestware, a marketing and consulting company based in Hong Kong since 2016, where she focuses on guiding clients to expand business to international markets, including America and European Union. Prior to her current position, she was the General Manager of 121 E-Commerce, a children's fashion company, from 2013 to 2016 where she oversees the operations, branding, and supply chain of the company. Ms. Zhou possesses outstanding experience in marketing, business development and operations.

#### **PRESENTATION BY:**

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