

Safety First ♦ Quality ♦ Speed ♦ Teamwork ♦ Excellence

Yeong Guan Group (1589 TT)

September 10, 2020



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BUILDING FOUNDATIONS FOR RENEWABLE ENERGY

Safely and Responsibly

We are a 1st source supplier of ductile iron castings to Tier 1 global equipment manufacturers in the renewable energy, injection molding machine and industrial machinery industries.

Outline



1. From Taiwan to the World



2. Business Strategy



3. Sizable Wind Market



4. Yeong Guan Overview



5. Financials

From Taiwan to the World

Taichung Plant Groundbreaking in August 2020



The World is Coming to YGG

Our Taichung Plant is happening at the right time and in the right location

Located right at the port

Ease of transportation for both finished product and production inputs leads to lower costs and enhanced competitiveness.

Proximity to customers

Siemens' assembly plant is right next door and MVOW's facility is also nearby.

Targeting APAC markets

A wind energy supply chain cluster is forming in Taiwan - ideally located to supply APAC Offshore demand.

Modern plant design

Capable of producing super large castings, such as 14MW offshore products.

Advantages post COVID-19

Tariff advantage relative to China-based producers. European peers have been weakened financially.

Lower wind energy costs

Wind Energy has become one of the cheapest energy sources

Taichung Plant to Start Production in 2022

- ✦ New Offshore Capacity
- ✦ Timeline: Construction will start in 2020, targeting trial production by 2Q22.
- ✦ Capacity: 80,000-100,000 tons/year.
- ✦ 45K by 2023, 60K by 2024, 80K by 2025
- ✦ Advantages:
 - Customers nearby (Siemens/MVOW)
 - Localization requirements
 - Proximity to harbor
 - Government incentives
- ✦ Capex
 - Phase 1: NT\$ 5.22bn to reach 45k



Signed Conditional Contracts with Siemens/MVOW for the supply of castings for Taiwan's offshore wind market.
We expect 30,000 tons/year demand from Siemens Taiwan, and 50,000 tons demand from international markets.

Siemens (SGRE) to Expand Its Investment in Taichung

- ✦ Siemens Taichung Factory has 2 GW/year capacity
- ✦ Taiwan will become the first commercial market for Siemens 14 MW turbine



#SiemensGamesaTW #HaiLongAnchorProject #CleanFutureNow

👏👏👏 西門子歌美颯再生能源今天宣布將擴大台中港的機艙組裝廠的投資，與台灣在地供應商共同打造亞太區離岸風電機艙產業聚落。

我們的目標是以海龍2號風場作為「定錨專案」，將西門子歌美颯最新的離岸風機技術帶來台灣，進而供應更多未來在台灣與亞太地區的風場專案! 🇹🇼

👉 與原規劃的台中港機艙組裝廠相比：

- 1 擴增雙倍的土地面積及生產區域
- 2 雇用雙倍員工數
- 3 興建兩棟新產線廠房與一棟倉儲
- 4 擴大投資輪殼與後端在地生產

西門子歌美颯已完成5個有條件地供應商和約簽署，所有這些零組件都將交付給西門子歌美颯位於台中港的機艙組裝廠，作為本土化的機艙生產流程的一部份，包含：

★ 永冠集團: 輪殼與風機後端鑄件

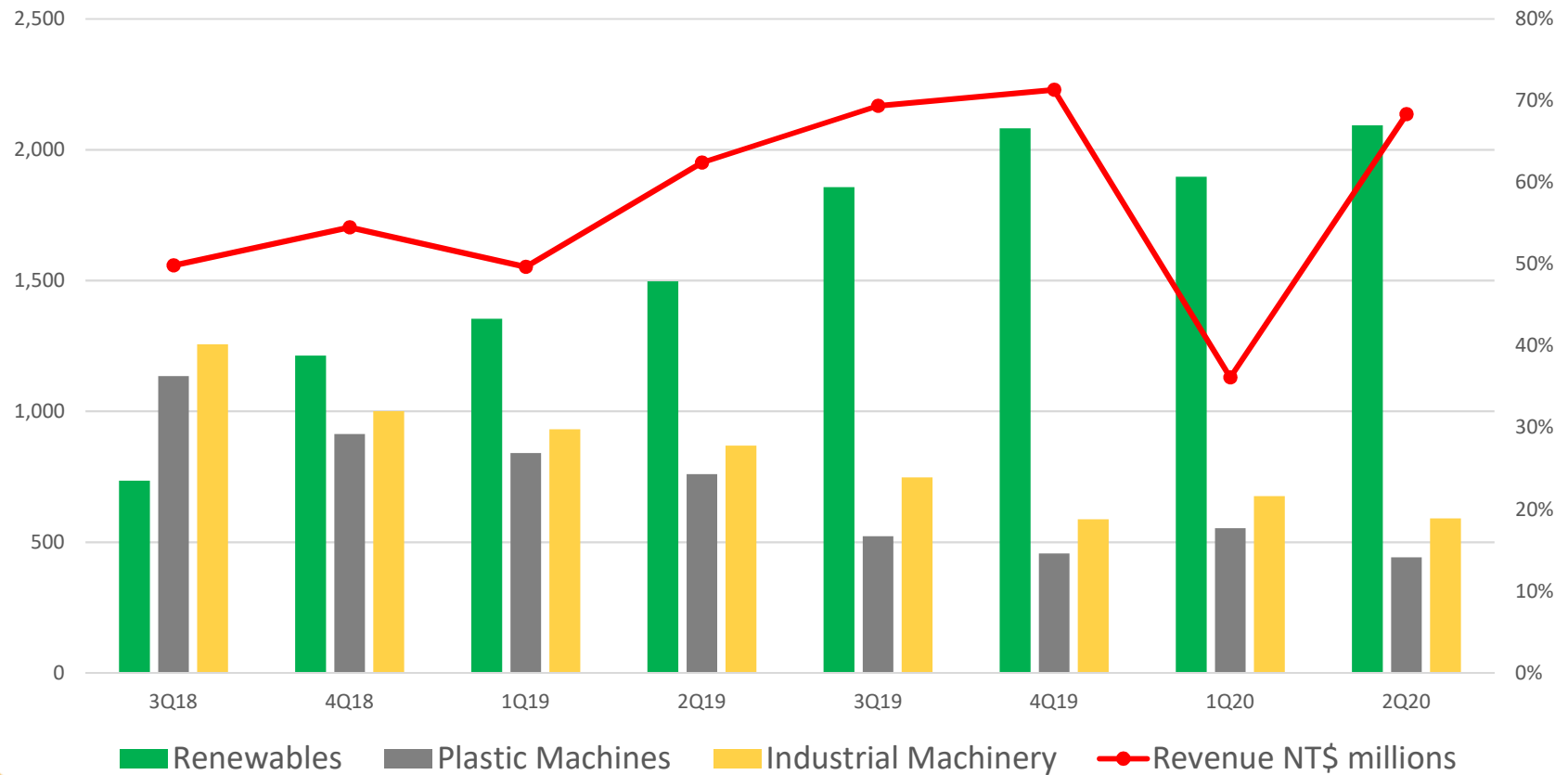


Business Strategy

Renewable Product Demand Reaches New High

- ✦ Renewable products accounted for 67% of 2Q20 Revenue.
- ✦ Yeong Guan's production can adapt to demand quickly to maximize capacity utilization

Revenue by Application

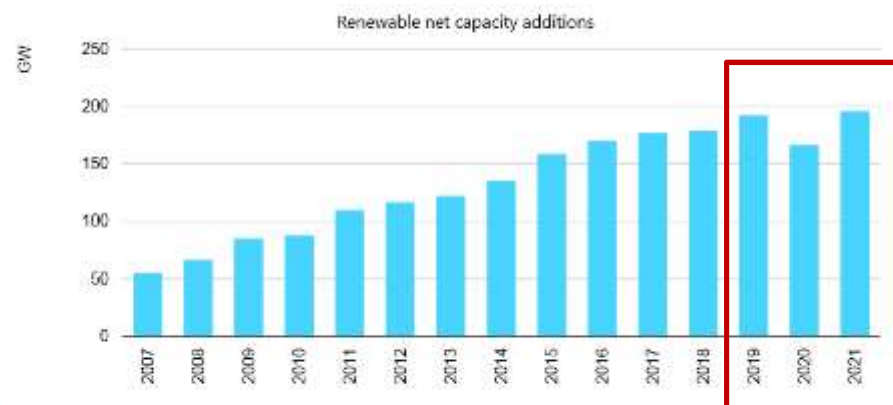


Global Renewables Market to Rebound in 2021

IEA and Bloomberg forecast COVID-19's impact will be 12-13% this year.

But the delayed projects will roll over to next year.

Covid-19 causes unprecedented renewable market dynamics



Renewables are affected by Covid-19 but they are resilient. Capacity additions decline by 13% in 2020 due to delays but they rebound in 2021.



Global quarter-on-quarter wind forecast change



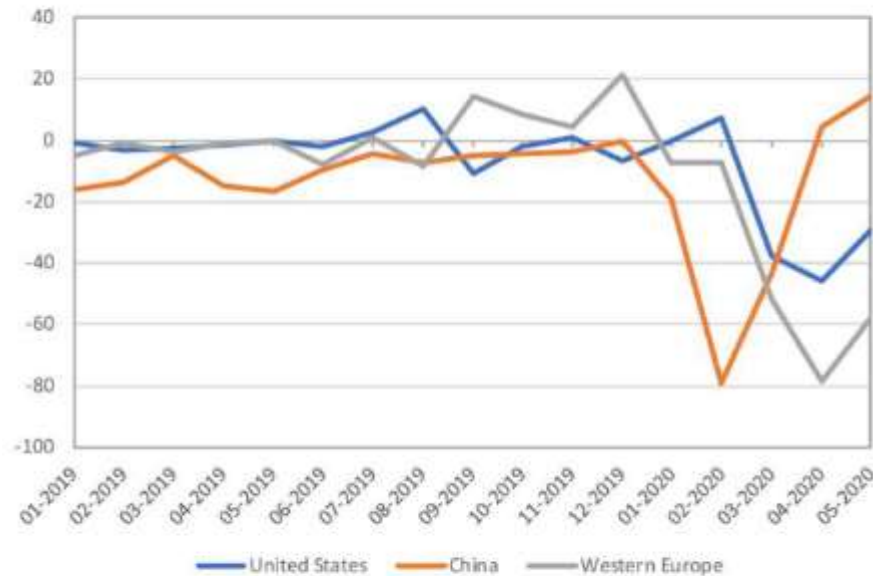
Source: BloombergNEF. Note: Previous forecast only to 2023. The Q4 2019 Market Outlook was published on December 19, 2019. The Q1 2020 Market Outlook was published on March 31, 2020.

Plastics/Industrial Machinery Demand Expected to Return

✧ US/China/EU automotive sales are climbing

Chart 5: Automobile sales in selected economies

(Year-on-year % change)



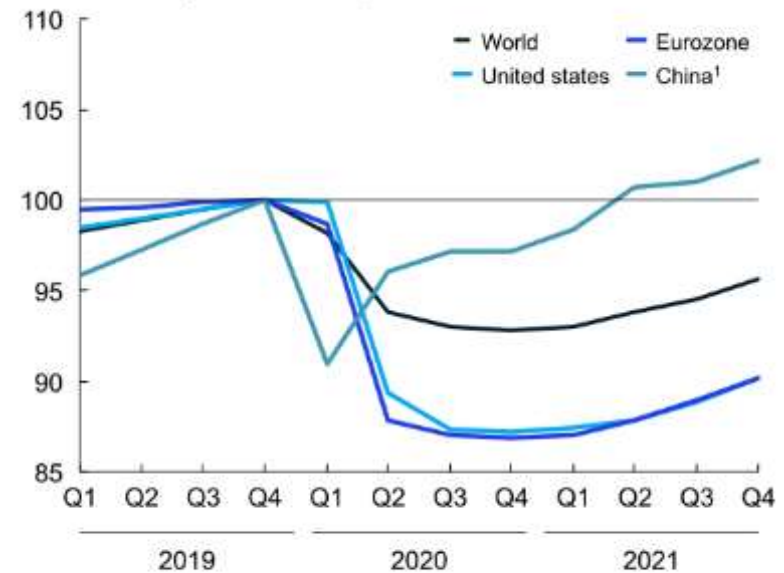
Source: Federal Reserve Bank of St. Louis, China Association of Automobile Manufacturers, European Association of Automobile Manufacturers

✧ McKinsey sees Real GDP to bottom out by Q4

Scenario A1 Muted Recovery

Real GDP, Local Currency Indexed

Real GDP Growth – COVID-19 Crisis
Local Currency Units Indexed, 2019 Q4=100



1. Seasonally adjusted by Oxford Economics

Source: McKinsey analysis, in partnership with Oxford Economics

Thailand Construction Starts in 2021

- ✦ Construction starts in 2021. Production to begin in 2023.
- ✦ 45,000 tons/yr capacity. Automated production, producing full range of products
- ✦ Advantages:
 - 968,000 m² site with industrial development potential.
 - 8 years tax-free and 5 years halved tax incentives.
 - EIA approved, can be developed in stages
- ✦ Capex: THB 1 bn (or around NT\$ 1 bn) for Phase 1



COVID-19 pandemic has tremendous impact on Thai economy this year. Thai government announced new incentives for foreign investments in April 2020. Yeong Guan has applied for new incentives in July.

Outlook for 2020 and Beyond

✦ Near Term (1-2 years)

- Renewables to drive shipments growth
- 2020 shipment target: 165,000-175,000 tons
- For 2021, we expect demand to increase from Wind and demand return from other industries

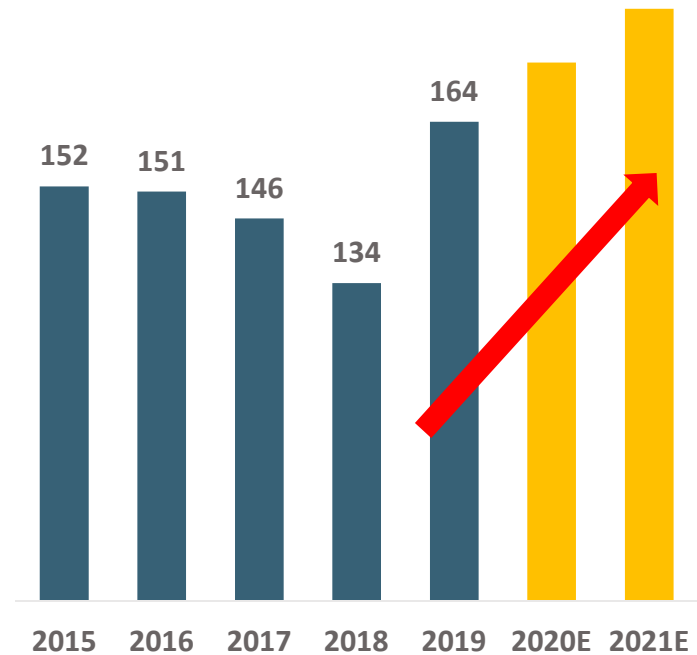
✦ Mid Term (3-5 years)

- Taichung plant: Construction starts in 2020, production by 2022.
- Thailand plant: Construction starts in 2021. Production begins in 2023.

✦ Long Term (5-10 years)

- Sustainable operations & succession planning
- Building upon ESG framework
- Corporate social responsibility

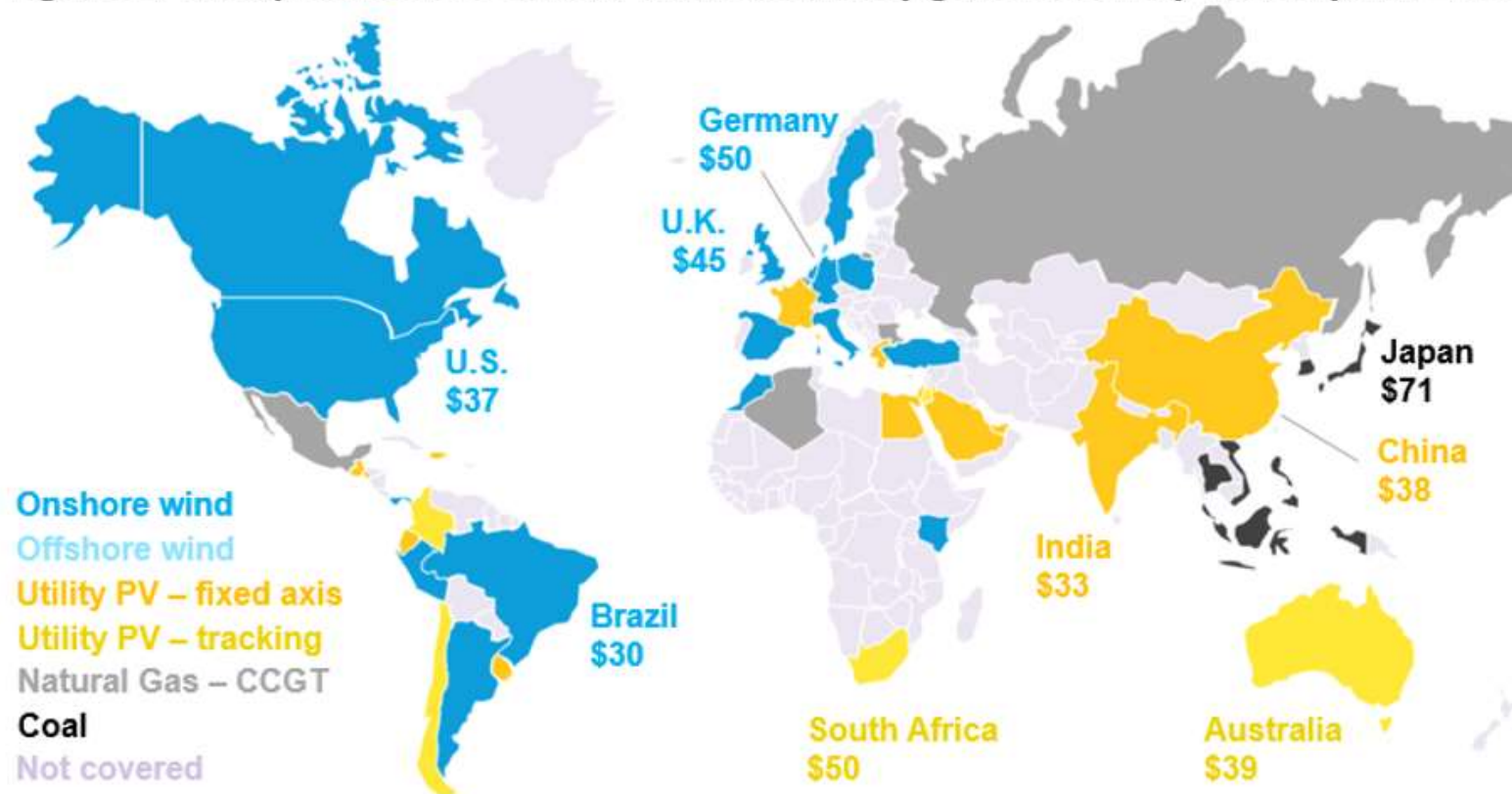
Estimated Shipments
(in 1,000 tonnes)



Sizable Wind Market

Wind is One of the Most Competitive Energy Sources

Figure 1: Cheapest source of new bulk electricity generation by country, 1H 2020



Source: BloombergNEF. Note: LCOE calculations exclude subsidies or tax-credits. Graph shows benchmark LCOE for each country in \$ per megawatt-hour. CCGT: Combined-cycle gas turbine.

RE 100 Companies invest in Renewables

- ❖ TSMC becomes the world's first semiconductor company that joins RE100. TSMC has signed a 1.2GW renewable energy purchase contract, of which 920MW comes from the offshore wind farm developed by Orsted.
- ❖ Many Taiwan-based manufacturers are aiming to become carbon free.
- ❖ Multinationals such as Apple that have joined RE100 will require their Taiwanese suppliers to commit to using renewable energy.



Note: RE100 is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity. Led by The Climate Group in partnership with CDP, RE100's mission is to accelerate a global shift to clean energy and zero carbon grids - delivering a cleaner, healthier future for us all.

Estimated Offshore Wind Market Demand in Taiwan

Allocation Mechanism	Grid-Connect Year	Wind Farm	Developer	Capacity (MW)	Turbine Maker	Model	Sets	Casting Needs in Tons				
Selection	2020	Formosa II	Macquarie	378								
		Yunlin I	WPD	360								
	2021	Taoyuan	WPD	360								
		Greater Changhua Southeast	Orsted	605								
		Yunlin II	WPD	348								
		Greater Changhua Southwest I	Orsted	295								
	2023	Changfeng I	CIP	100								
		Changfeng II	CIP	452								
	2024	Xidao	CIP	48					MVOW	9.5MW	5	410
		Chong Neng	CSC	300					MVOW	9.5MW	31	2,542
Taipower		Taipower	300	MVOW	9.5MW	31	2,542					
Hailong II		Northland Yushan	300	SGRE	10MW	30	3,462					
2024 Subtotal							97	6,414				
Bidding	2025	Hailong II	Northland Yushan	232	SGRE	10MW	23	2,654				
		Hailong III	Northland Yushan	512	SGRE	10MW	51	5,885				
		Greater Changhua Southwest II	Orsted	337	SGRE	10MW	34	3,924				
		Greater Changhua Northwest	Orsted	583	SGRE	10MW	58	6,693				
		2025 Subtotal				5500	2025 Subtotal		166	19,156		
2023-2025 Total							263	25,570				
Zonal Development	2026~2035			10,000			1000	120,000~150,000				

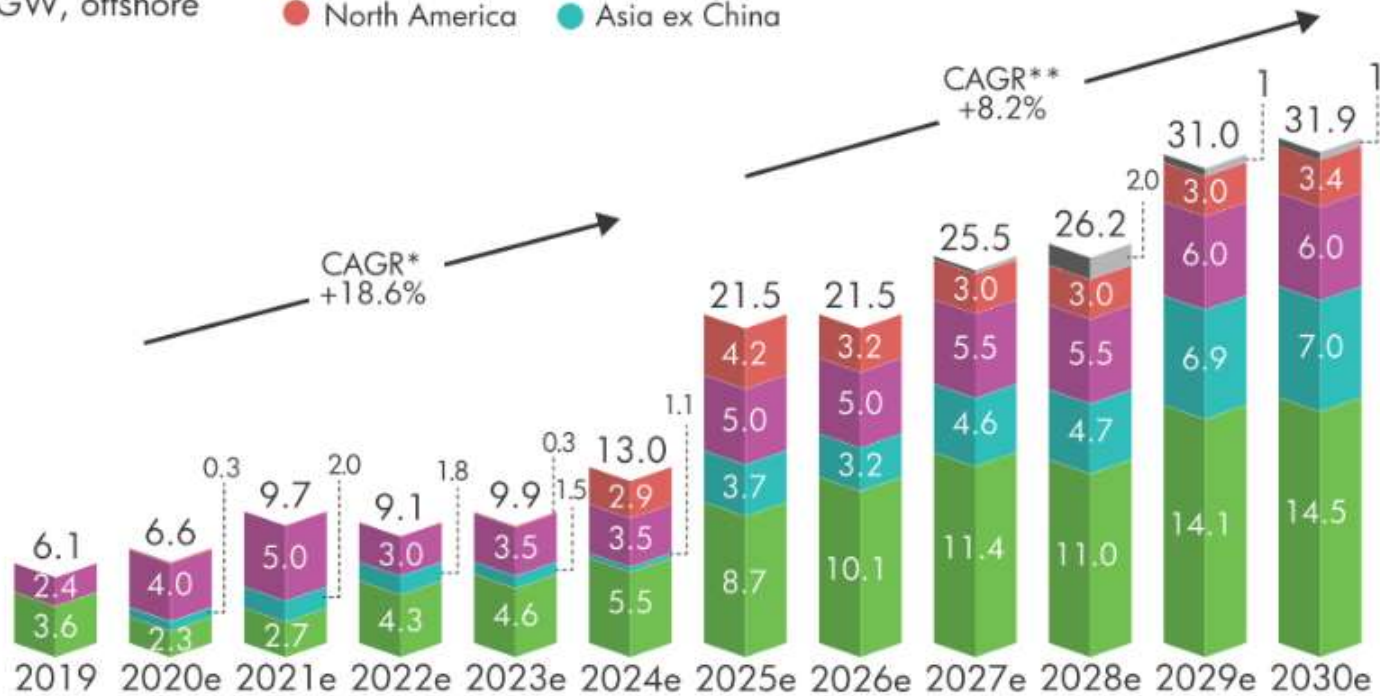
Offshore Wind Market growth forecast to 2030

✧ 206 GW of new Offshore Wind capacity to be added from 2020 to 2030

Global offshore wind growth to 2030

New installations GW, offshore

- Other
- China
- Europe
- North America
- Asia ex China

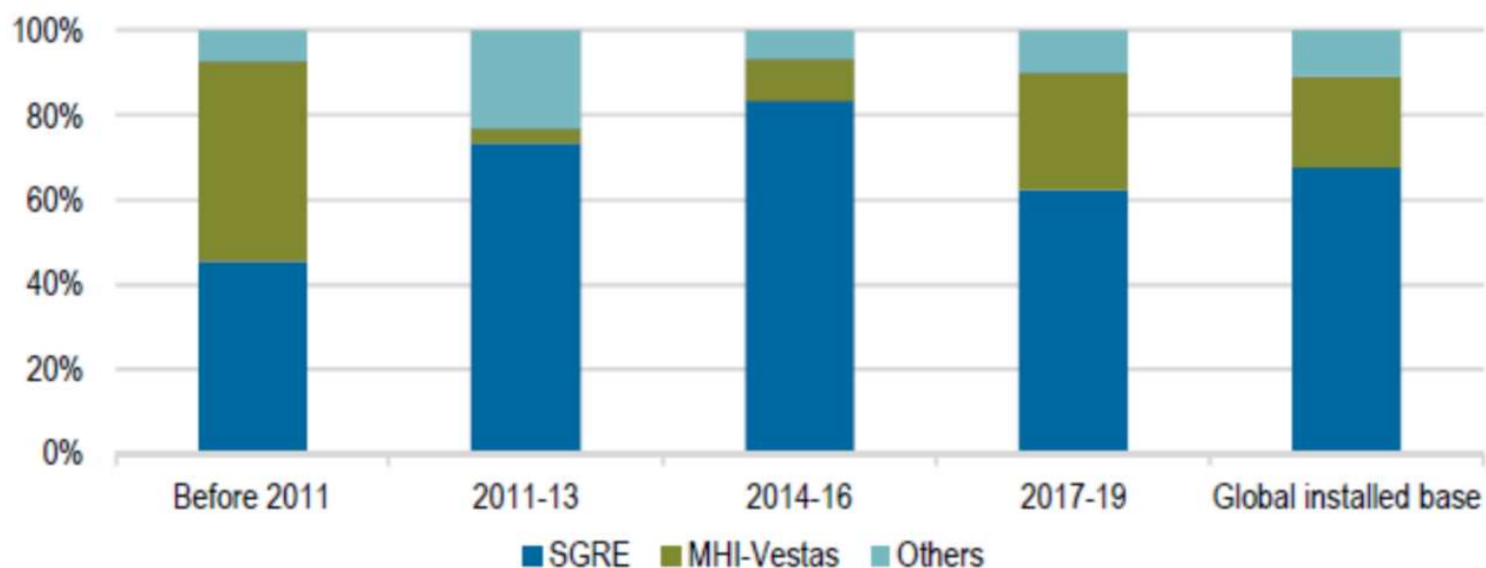


* CAGR = Compound Annual Growth Rate
 Source: GWEC Market Intelligence, June 2020

Yeong Guan Partners with Leading Turbine Makers

- ✦ Siemens (SGRE) and MHI-Vestas combined account for over 80% market share.

Global (ex-China) offshore wind turbine market share

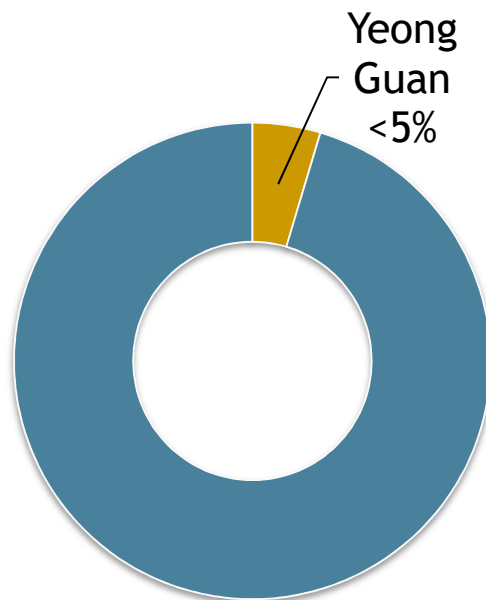


Source: Wood Mac, JPM

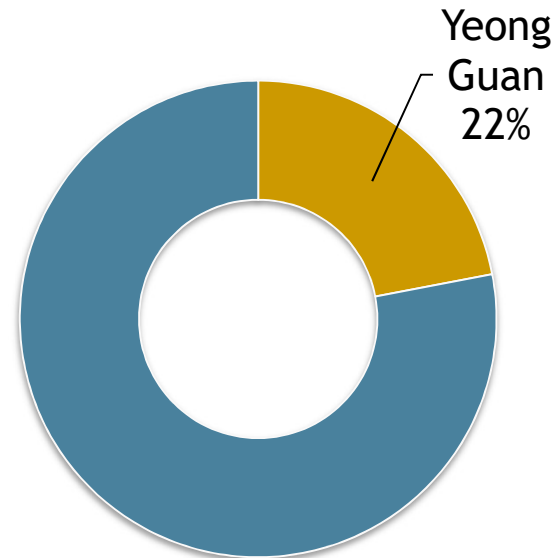
Sizable Global Offshore Market for Yeong Guan

- ✦ Yeong Guan expects its share of the offshore wind turbine market to increase from less than 5% now to 22% once the Taichung plant reaches its 80,000-tonne total annual capacity.

2019 Offshore Market Share (%)



2030e Offshore Market Share (%)



Note: Assuming 1GW of Offshore Wind demand equals to 12,000 tonnes of castings.

Yeong Guan Overview

Yeong Guan Overview

1971

Nearly half a century in the foundry industry
Founded in Taiwan in 1971
Investment in China since 1992

6

Production facilities

6 Production facilities with over 2,200 employees
Casting, Machining, Painting
Assembly capabilities

NT\$ 7.9 bn
Annual Sales

2019 Revenue was NT\$7.9bn, or US\$270mn. We shipped over 160,000 tons and 134,000 in 2018 and 2019.

Tier 1
Customers

Top Customers are industry leading multinationals.
Strategic Partnerships

Product Categories and Customers



Renewables

SIEMENS Gamesa

NORDEX
We've got the power.

acciona
Windpower

ENVISION



上海电气
SHANGHAI ELECTRIC

MHI VESTAS OFFSHORE WIND



Plastic Injection
Molding Machine

KraussMaffei

ENGEL
be the first.

NISSEI

Sumitomo
SHI DEMAG

MILACRON
Manufacturing Technologies

Wittmann Battenfeld

YIZUMI



Industrial
Machinery

BÜHLER

Atlas Copco

MAN

WÄRTSILÄ

ROLLS
ROYCE

CATERPILLAR

Elektro

BOBST

TAI

FLSMIDTH

MAAG GEAR

SCHULER
Member of the ANDRITZ GROUP

DMG MORI
AKTIENGESELLSCHAFT

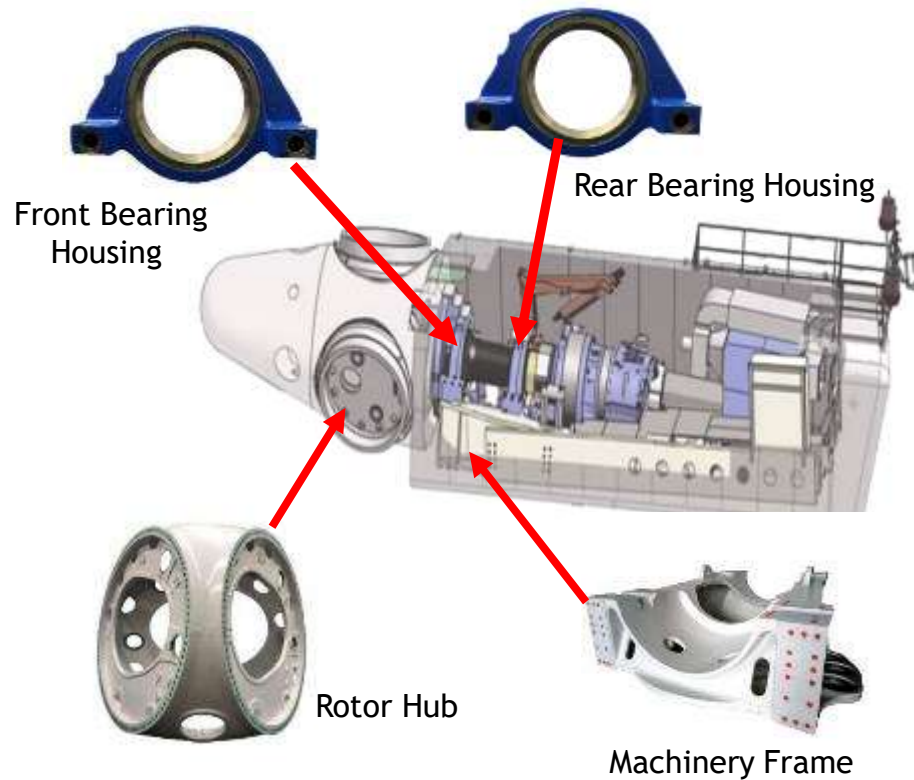
MAG

三菱重工

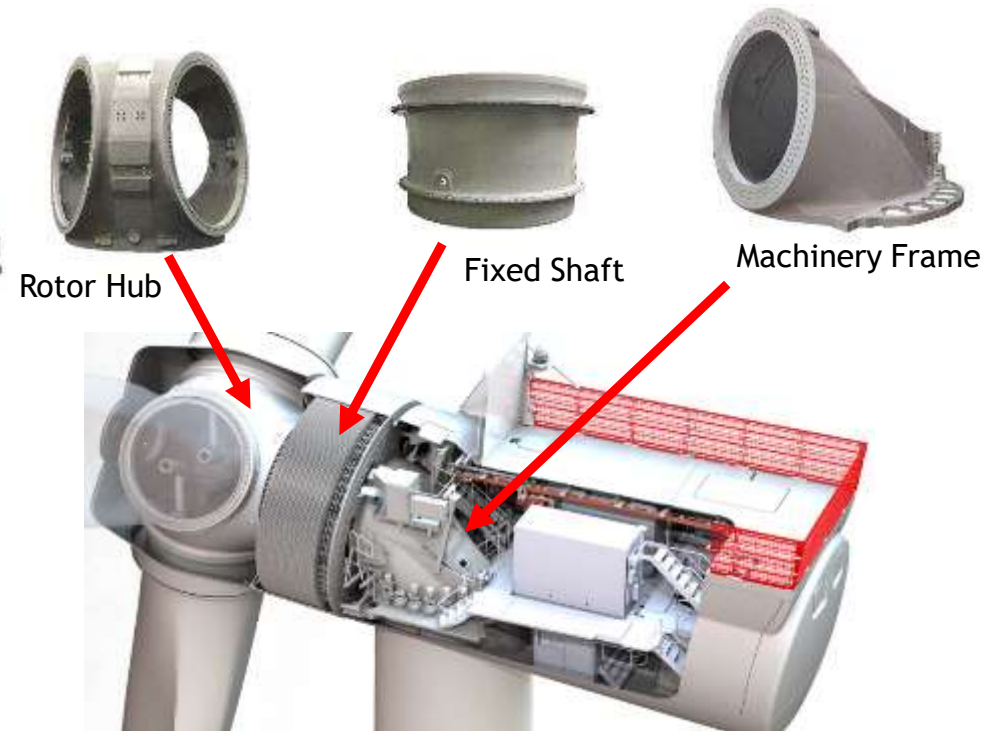
HNAS

Renewable Energy

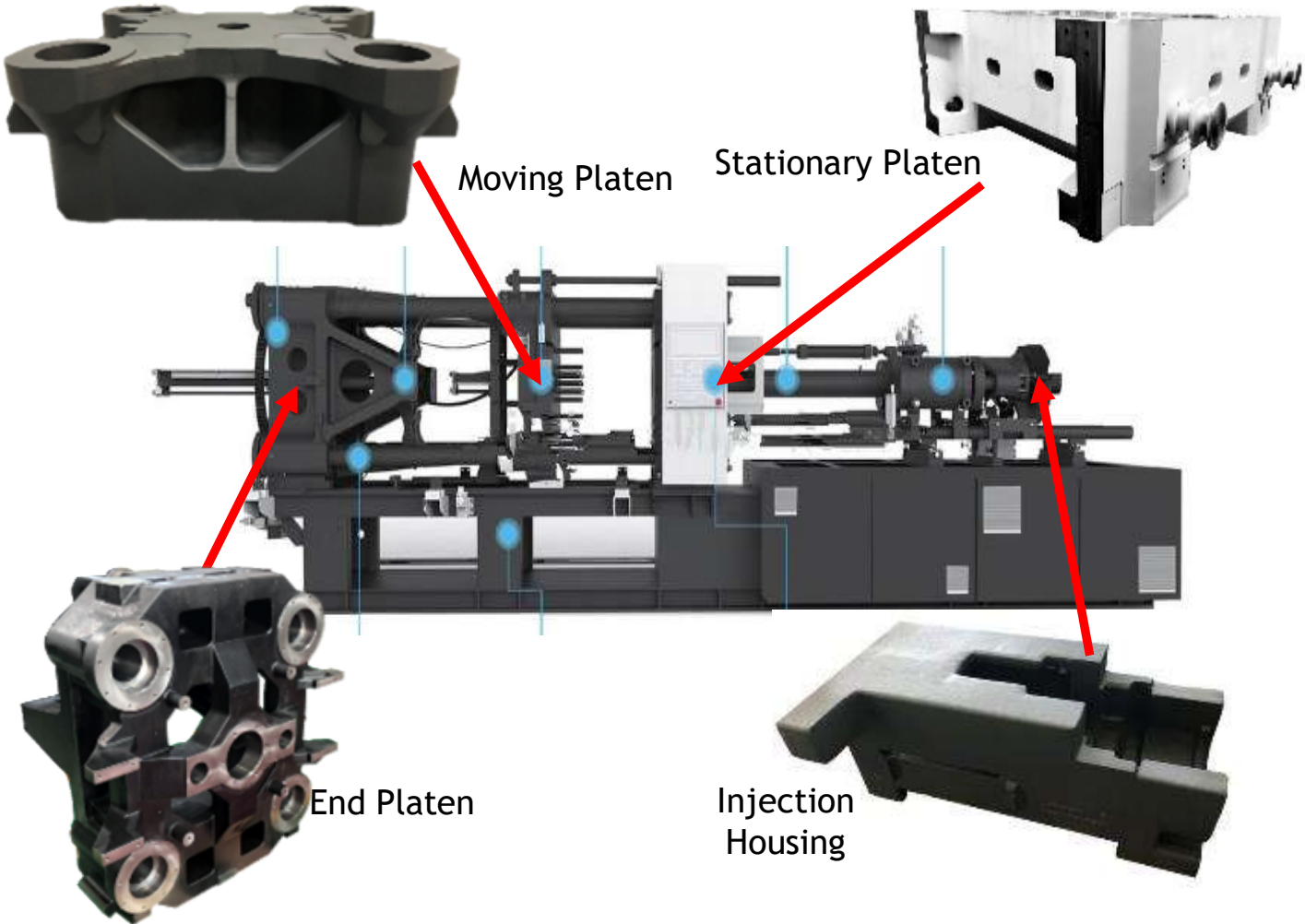
Gearbox Design



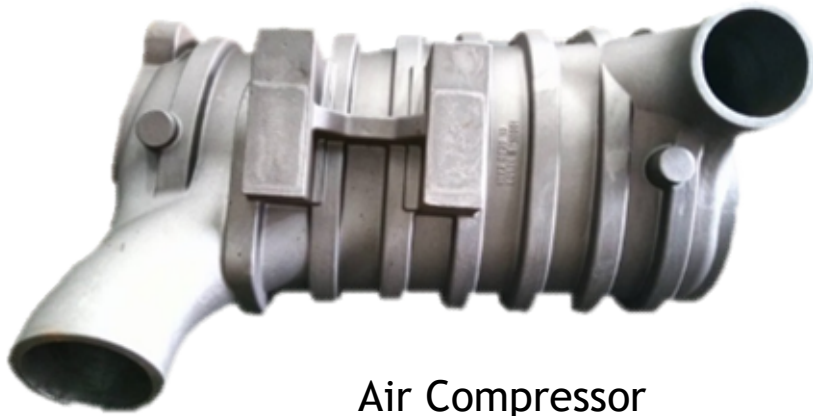
Direct Drive Design



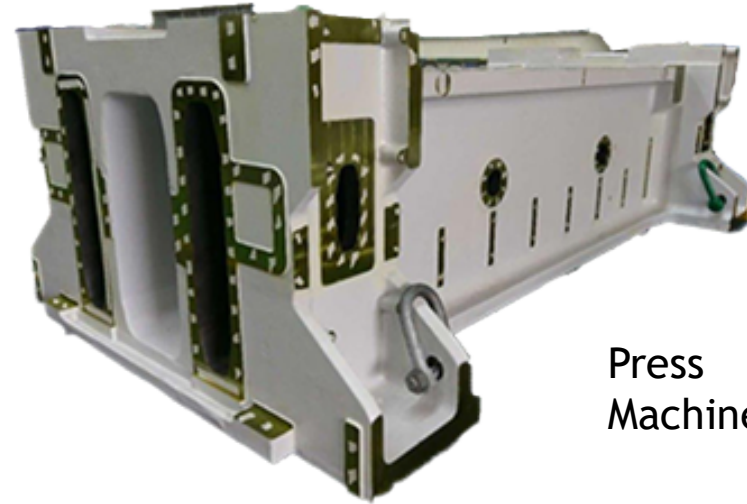
Plastic Injection Molding Machine



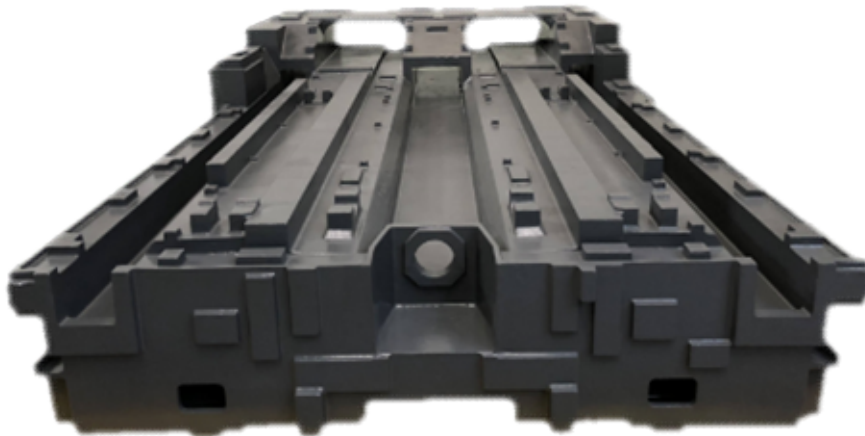
Industrial Machinery



Air Compressor



Press Machine



Machine Tools - Bed



Machine Tools - Column

Industrial Machinery



Automotive
Stamping
Mold



Water
Valves



Marine
Engines
(coolant housing)



Gas
Turbines
(turbo charger)

Total Solution Provider

Vertical and Horizontal Integration

- We provide one-stop shopping for customers
- Our services include mold design, casting, welding, painting, machining and assembly.

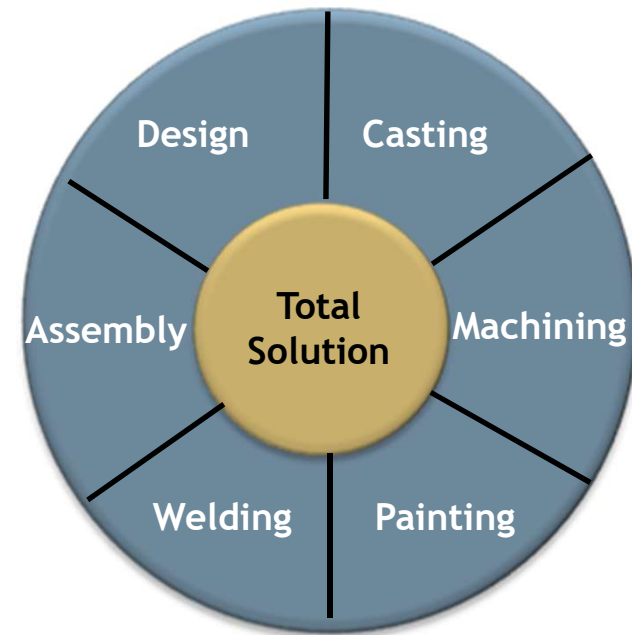
Scale advantage

- Our production capacity is close to 200,000 tpa, allowing customers to use a single supply source

Regional advantage

- Located closer to customers, enhancing logistics

We continue to enhance and expand our back-end processing capabilities - such as machining and assembly. Additionally, the completion of the Taichung plant will provide geographic diversification of our production base, extend our advantages in scale & customer proximity.



Investing in State-of-the-Art Production Facilities

- ✦ **Lead the Industry in Environment, Health and Safety (EHS) Best Practices**
 - Several of our plants have earned recognition from local regulatory authorities.
 - EHS qualification is required to gain long-term order flows from Tier 1 MNCs.
 - The installation of high standard, environmental friendly equipment enhances our cost-competitiveness
- ✦ **The Green Supplier Initiative (GSI) :** We aim to be one step ahead of new national & global standards for emissions reduction, environmental protection, and energy efficiency
- ✦ **Optimizing Lean Production:** Improve efficiency

As the bar for EHS standards is lifted higher, Yeong Guan will be able to further differentiate ourselves from 2nd and 3rd tier players.

Financials

Income Statement

NT\$ Million	2015	2016	2017	2018	2019	1H20	YoY(%)				
							2016	2017	2018	2019	1H20
Sales Revenue	8,122	7,374	6,404	6,196	7,900	3,266	(9.2)	(13.1)	(3.2)	27.5	(6.8)
Gross Profit	2,668	2,419	1,432	831	1,371	592	(9.3)	(40.8)	(42.0)	65.0	13.2
Operating Profit	1,516	1,144	295	(245)	212	43	(24.5)	(74.2)	-	-	340.0
Income before Tax	1,789	1,325	342	(232)	221	95	(25.9)	(74.2)	-	-	-
Net Income to Parent	1,351	1,008	270	(279)	163	80	(25.4)	(73.2)	-	-	-
EPS (NT\$)	12.24	8.50	2.28	(2.48)	1.54	0.75	(30.6)	(73.2)	-	-	-

Key financial ratio (%)

Gross Margin	33	33	22	13	18	18
Operating Margin	19	16	4	(4)	3	1
Net Margin	16	13	4	(4)	2	2
Opex ratio	14	17	18	17	15	17

Balance Sheet

NT\$ Million	2015	2016	2017	2018	2019	1H20	YoY(%)				
							2016	2017	2018	2019	1H20
TOTAL ASSETS	15,590	15,052	14,483	14,531	13,521	13,637	(3.4)	(3.8)	0.0	(6.9)	(5.4)
Cash	5,408	4,241	3,316	3,153	1,451	1,582	(21.6)	(21.8)	(5)	(54.0)	(26.5)
NR & AR	2,483	2,186	2,026	2,103	2,947	2,707	(11.9)	(7.4)	3.8	40.1	6.9
Inventory	1,304	1,261	1,256	1,368	1,226	1,354	(3.3)	(0.4)	9.0	(10.4)	(15.1)
Fixed Asset	5,252	5,701	6,279	5,920	5,735	5,534	8.5	10.1	(5.8)	(3.1)	(8.2)
TOTAL LIABILITIES	4,935	4,974	4,768	6,250	5,699	6,119	0.8	(4.2)	31.1	(8.8)	(3.4)
Bank Loans	500	617	611	4,584	3,858	4,160	23.9	(1.0)	746.6	(15.8)	(5.0)
NP & AP	1,134	1,098	1,136	1,050	990	1,070	(3.2)	3.5	(7.6)	(5.7)	(6.8)
TOTAL EQUITY	10,654	10,078	9,715	8,281	7,822	7,518	(5.4)	(3.6)	(14.8)	(5.5)	(7.0)
Common Stock	1,180	1,188	1,188	1,116	1,056	1,056	0.7	0.0	(6.0)	(5.4)	0.0
Book value per share	89.4	82.3	79.3	72.9	72.5	69.7					
A/R turnover days	101	116	121	123	117	131					
Inventory turnover days	91	94	92	89	73	94					
A/P turnover days	78	82	82	74	57	77					
ROE (%)*	14.6	9.9	2.8	(3.2)	2.1	1.9					

Quarterly Income Statement

NT\$ Million	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Sales Revenue	1,273	1,662	1,558	1,703	1,552	1,951	2,168	2,229	1,130	2,136
Gross Profit	147	201	216	266	218	304	390	459	127	465
Operating Profit	(77)	(96)	(43)	(29)	(38)	48	105	98	(111)	154
Income before Tax	(50)	(105)	(26)	(51)	(102)	35	101	186	(128)	223
Net Income to Parent	(43)	(128)	(46)	(62)	(107)	19	79	171	(112)	192
EPS (NT\$)	(0.37)	(1.15)	(0.41)	(0.55)	(1.00)	0.18	0.75	1.62	(1.06)	1.82
Revenue by Application (%)	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Renewable Energy	23.6%	22.2%	23.5%	38.8%	43.3%	47.9%	59.4%	66.6%	60.7%	67.0%
Injection Molding Machine	40.8%	38.7%	36.3%	29.2%	26.9%	24.3%	16.7%	14.6%	17.7%	14.1%
Industrial Machinery	35.6%	39.1%	40.2%	32.0%	29.8%	27.8%	23.9%	18.8%	21.6%	18.9%

Thank you for your consideration!



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