

Safety First ♦ Quality ♦ Speed ♦ Teamwork ♦ Excellence

Yeong Guan Group (1589 TT)

2020 Financial Results

Mr. Andy Tsai (Vice Chairman)

Mr. Richard Lee (CSO)

Mr. Ching-Wu Tsai (CFO)

Ms. Lucy Chiang (AVP)

Mr. Kevin Tsai (AVP)

March 24, 2021



Disclaimer

The information contained in this document was verified by an independent third party. YG does not be responsible for the accuracy, fairness, and completeness of any information contained in this document. You should not assume any information in this document to be accurate, fair, nor complete. The information or opinions contained in this document is provided on a specified date, which YG reserves all right to update. YG has no obligation to notify you of any updates after a specific date or any development of information in the documents. YG will not accept any liability for any loss resulting from the use of this document or its contents or for other reasons related to this document.

This document does not constitute an offer or solicitation of an offer of purchase or acquisition to sell or issue shares of YG or any of its subsidiaries or related parties in any jurisdictions, does not serve as a part an offer or incentive, nor should be interpreted as such. Any part thereof or distribute the facts does not constitute the basis of any contract or commitment, and should not be relied upon in respect of any contract or commitment.

Your acceptance of this document constitutes your agreement that the information contained in the document is kept strictly confidential, securities researchers should have eligibility of the securities research and follow any relevant securities laws and regulations and restrictions of the appropriate jurisdiction before publishing research results on YG.

This document is provided for the securities researchers for use as their research reference only. Any part of the document cannot be photocopied, copied, forwarded, or in any manner, directly or indirectly transferred to any other person or for public announcement and for any other purpose.

Outline



1. Yeong Guan Overview



2. 2020 Financial Highlights



3. Market Trends



4. Development Strategy



5. Detailed Financial Figures

Yeong Guan Overview





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.

Yeong Guan Overview

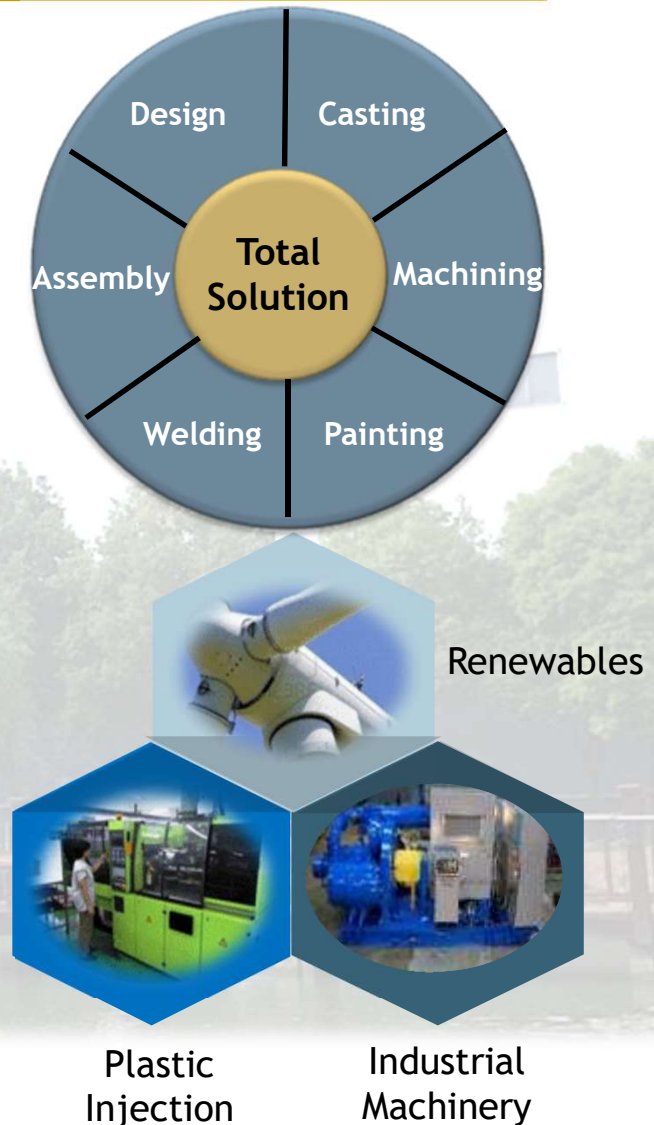
✦ Nearly half a century in the foundry industry

- Founded in Taiwan in 1971, investing in China since 1992. Now with 6 factories.
- Around 2,500 employees
- 2020 Revenue reached NT\$ 8.18 billion, with 176,000 tons of castings shipped
- Annual capacity of 200,000 tons

✦ 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

✦ Optimizing Lean Production: Improve efficiency



2020 Q3 Updates



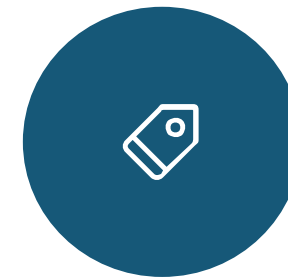
Develop New Customers

World economies are recovering from COVID-19, and thus demand for high quality casting increase as well. Increased efforts are put into new customer development, including Enercon of Germany



Expect a strong 2021 Q1

March shipment expected to
Be 15,000-16,000 tons
2021 Q1 shipment target
Is 44,000-45,000 tons



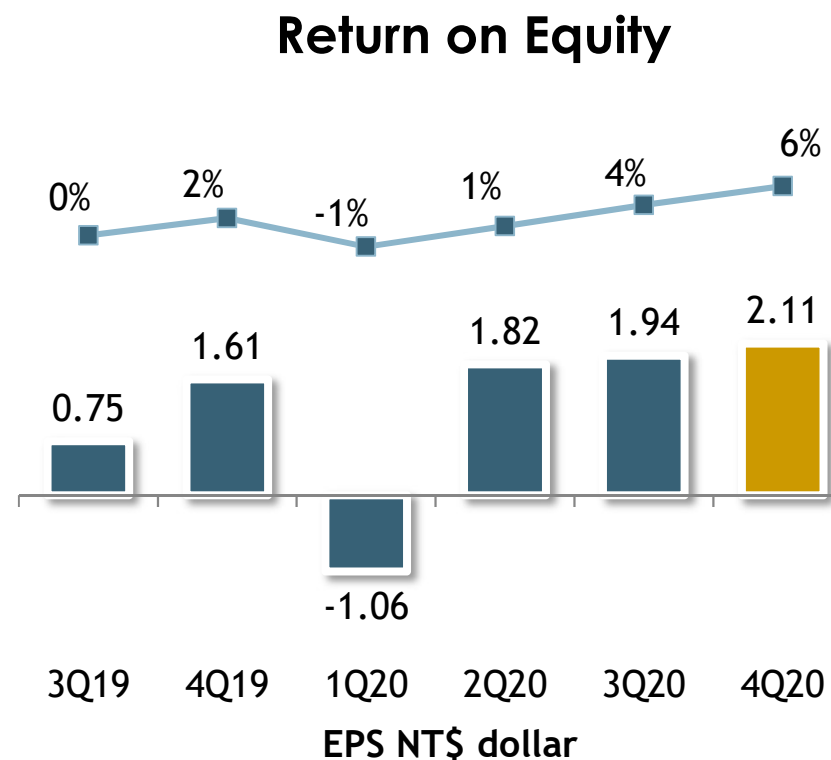
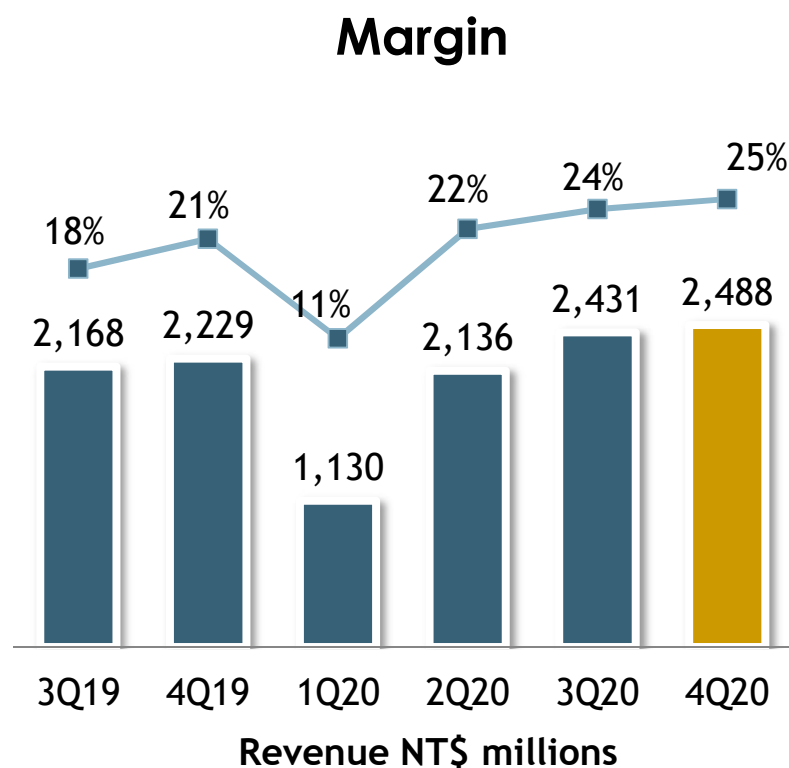
Price Adjustment

Around 57 customers with annual revenue more than 1 million NTD.
51 customers have agreed to price adjustments, the others are still in discussion.

2020 Financial Highlights

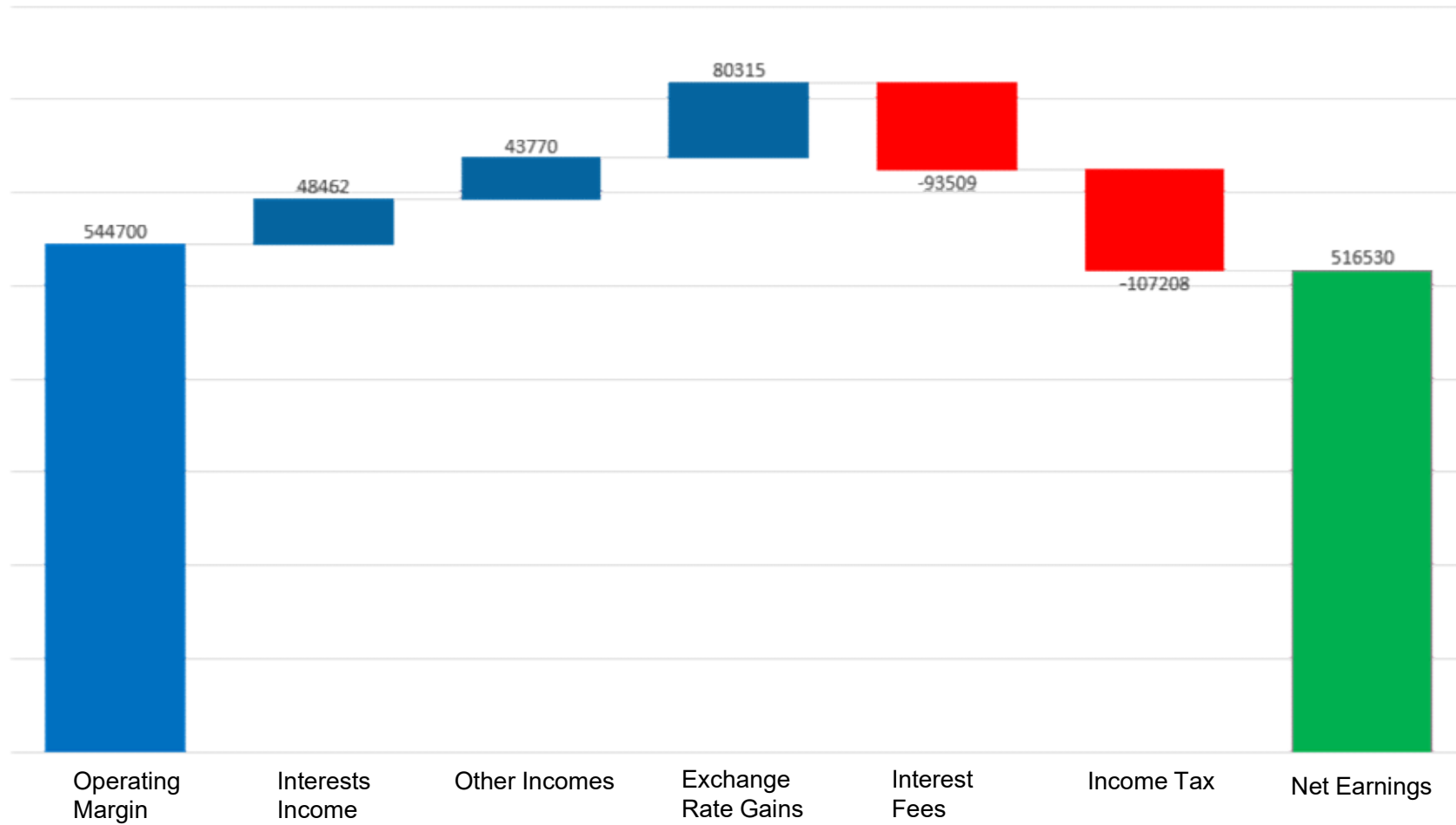
Increased Wind demand drives Revenue & Margin

- Due to strong demand from wind market, 2020 Q4's revenue and shipment volume reaches new heights since 2012.



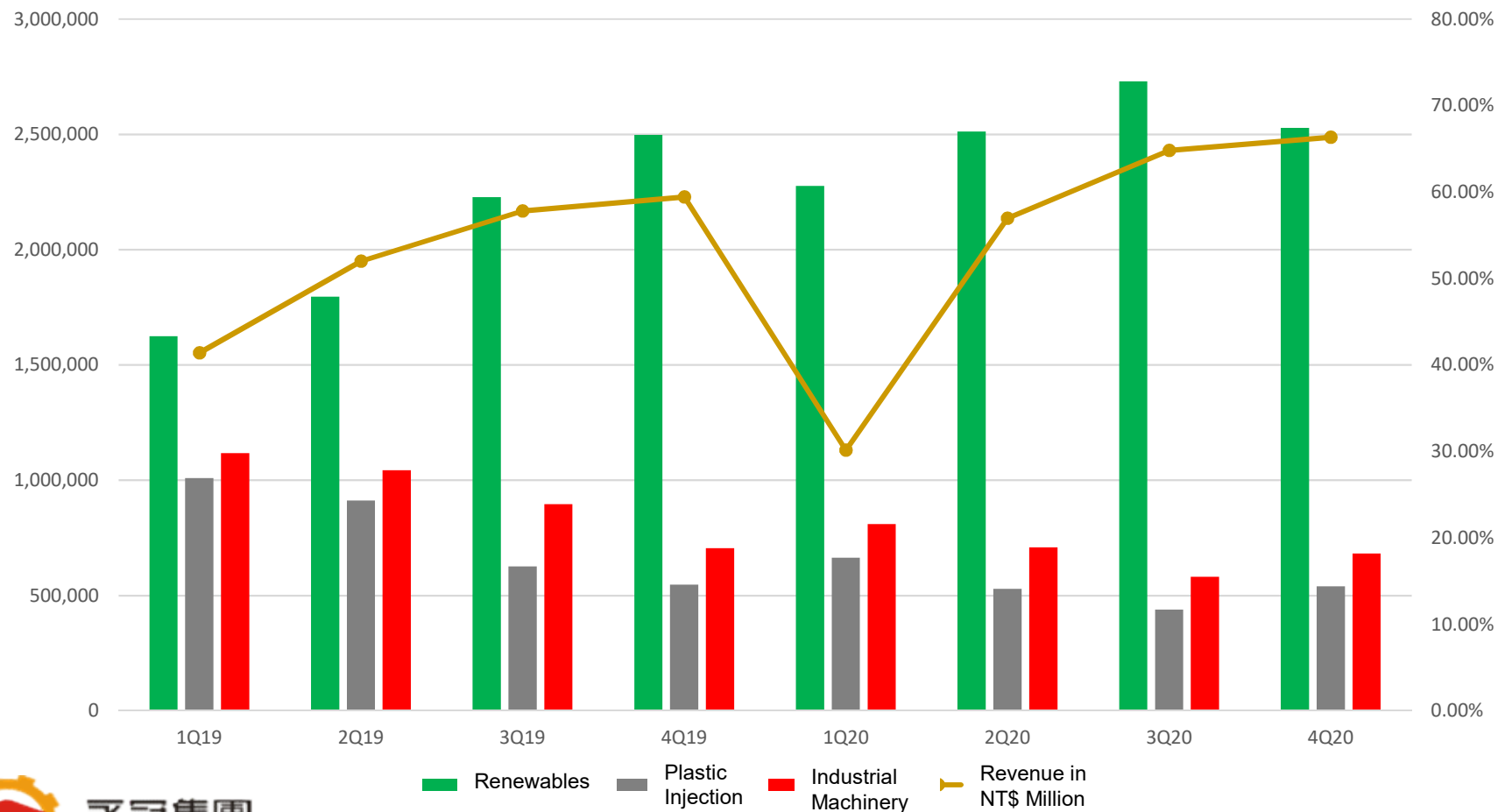
2020 Net Earnings Analysis

Unit NT\$ Thousand



Plastics/Industrial Machinery Industries Rebound

- ✦ 2020 Q4 Revenue composition: Renewables 67.4%, Plastic Injection 14.4%, Industrial Machinery 18.2%
- ✦ Plastic Injection Molding/Industrial Machineries demand grows, while Renewables output sets new record.



2020 Income Statement

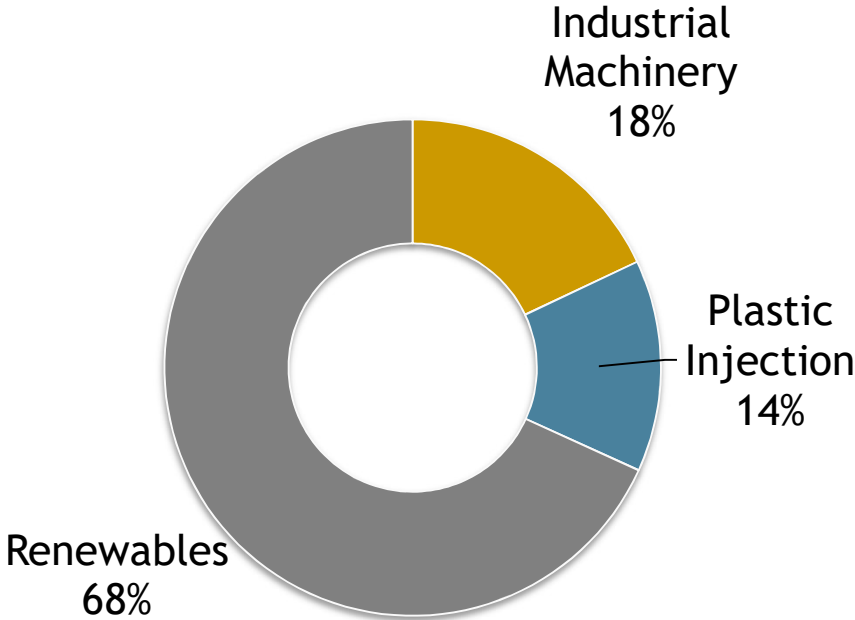
Unit: Thousand NTD	2020	2019	YoY
Revenue	8,184,273	7,899,986	3.6%
Gross Profit	1,789,787	1,371,353	30.6%
Gross Margin	22%	18%	↑4PP
Operating Expense	1,245,087	1,158,893	7.4%
Operating Income	544,700	212,460	156.4%
Operating Profit Ratio	6%	3%	↑3PP
Non Operating Items	79,038	8,868	791.3%
Profit before Tax	623,738	221,328	181.8%
Profit after Tax	516,530	163,526	215.9%
EPS (Basic \$NTD)	4.81	1.54	

2020 Balance Sheet

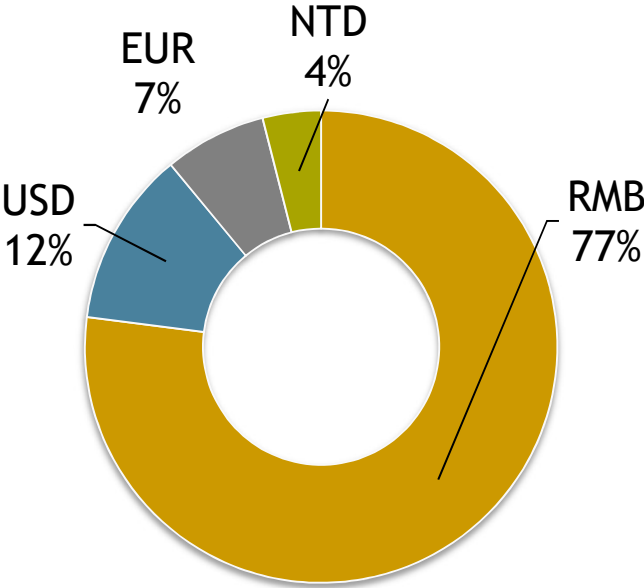
Unit: Thousand NTD	2020	2019	YoY
Total Assets	16,394,386	13,521,005	21.3%
Cash	2,682,852	1,450,683	84.9%
NR & AR	3,516,934	2,946,597	19.4%
Inventory	1,324,434	1,225,756	8.1%
Total Non-Current Assets	6,980,605	6,737,520	3.6%
Total Liabilities	7,630,444	5,698,938	33.89%
Bank Loans	3,498,085	3,858,326	-9.3%
NP & AP	1,646,381	990,180	66.3%
Total Equity	8,763,942	7,822,067	12.0%
Common Stock	1,106,175	1,056,175	

2020 Revenue Analysis

Revenue By Application (%)



Revenue by Currency (%)



Market Trends

US Wind Market Developments



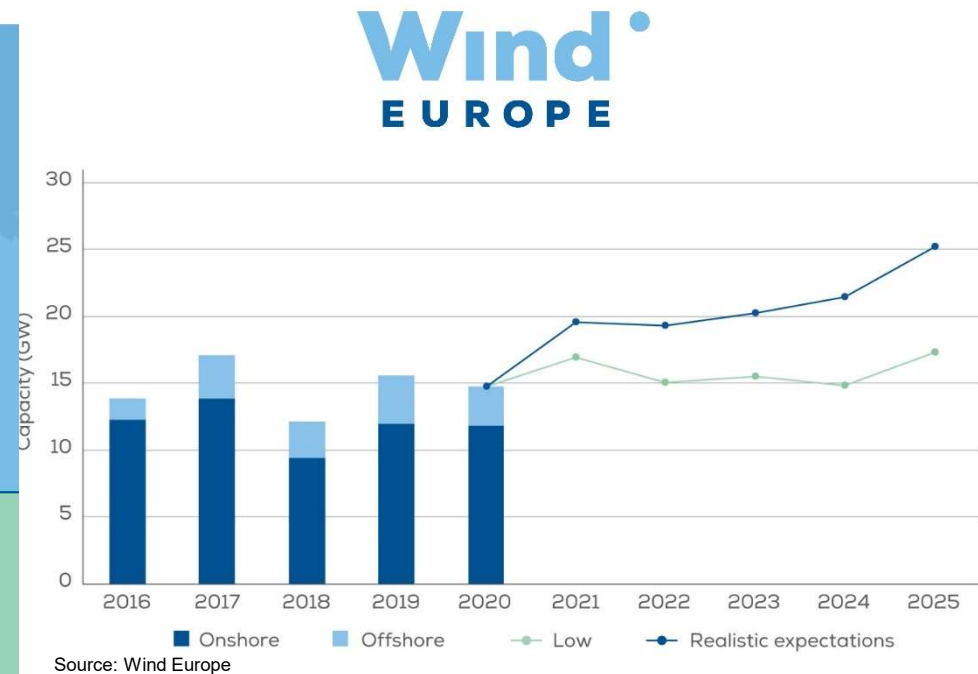
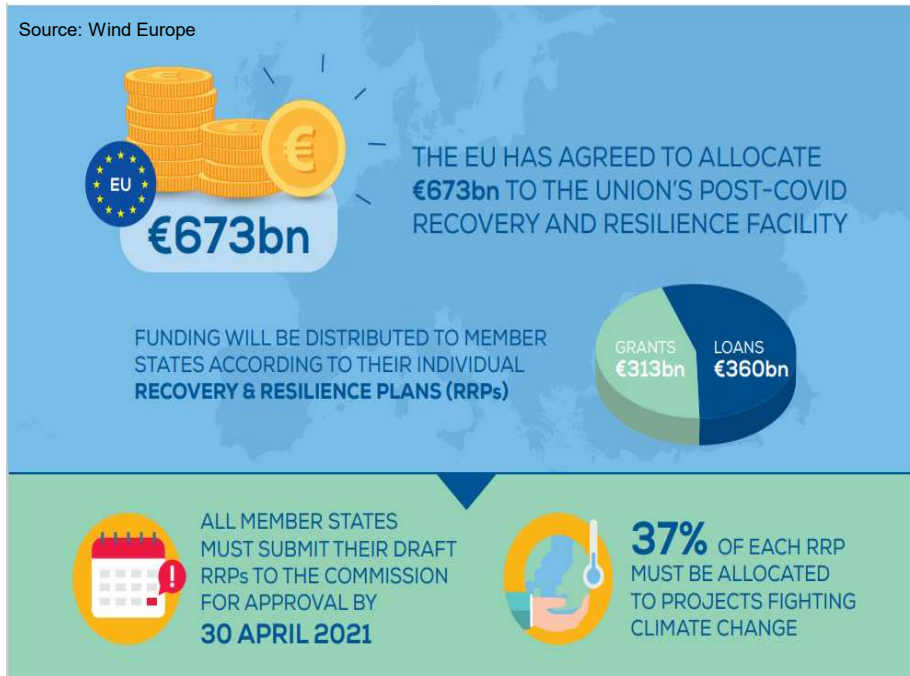
- ✧ In 2020, US installed 17 GW of new wind energy, expects to add 21 GW more in 2021
- ✧ Various States declares 2030 wind energy installation targets: New York 30 GW, California 30 GW, Virginia 12 GW, New Jersey 12 GW, Maryland 12 GW

- ✧ U.S. House of Representatives Energy and Commerce Committee proposes the CLEAN Future Act on March 2nd.
- ✧ Biden Administration: Achieve net zero greenhouse gas emissions by 2050. By 2030, reduce greenhouse gas emissions by at least 50% compared to 2005 levels
- ✧ Backed by 25 governors supporting the Paris Climate Agreement



Source: World Resource Institute. Photo by Darren Halstead/Unsplash

EU Wind Market Developments



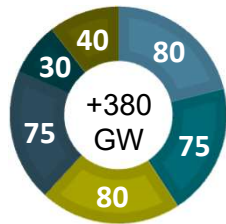
- ✦ EU's economic recovery package is as high as 6.73 trillion Euros, and member states are required to submit their national budget plans by the end of April.
- ✦ EU requires member states to invest 37% of their budget in projects that can combat climate change.

- ✦ During 2020, new orders for wind turbines increased 73%
- ✦ Onshore turbine orders increased 13% to 8.2 GW
- ✦ Offshore turbine orders increased 6 folds to 6.4 GW

China announces Carbon Neutral targets in UN address

2021-2025 GREEN ENERGY INVESTMENT

- CEIC ■ SPIC ■ CHNG
- CTG ■ CGN ■ CR-Power



✧ China's major energy developers have successively announced their respective 14th Five-Year Plan with green energy investment goals. When combined it has an average annual new install rate of over 76 GW (wind power + solar)

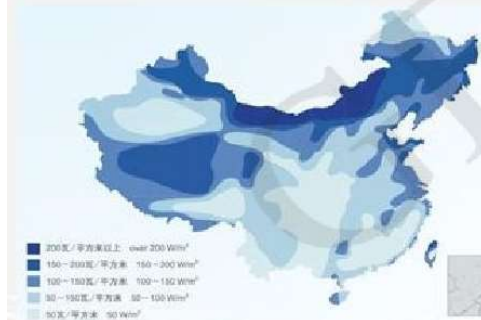
2025年清洁能源装机成为主导电源

- **2025年**，我国电源总装机达到29.5亿千瓦，其中清洁能源装机17亿千瓦、占比57.5%，清洁能源发电量3.9万亿千瓦时、占比41.9%。煤电达到峰值11亿千瓦，风、光装机分别达到5.4亿、5.6亿千瓦。
- **2025~2030年新增电力需求全部由清洁能源满足**。2030年，我国电源总装机38亿千瓦，其中清洁能源装机25.7亿千瓦、占比67.5%，清洁能源发电量5.8万亿千瓦时、占比52.5%。煤电装机10.5亿千瓦，风、光装机分别为8亿、10.25亿千瓦。

2020~2060年我国电源装机总量及结构 (单位: 亿千瓦)

	2020年		2025年		2030年		2050年		2060年	
	容量	占比	容量	占比	容量	占比	容量	占比	容量	占比
风电	2.8	12.7%	5.36	18.2%	8	21%	22	29.4%	25	31.2%

我国风资源分布示意图



风电装机规划及布局 (单位: 亿千瓦)

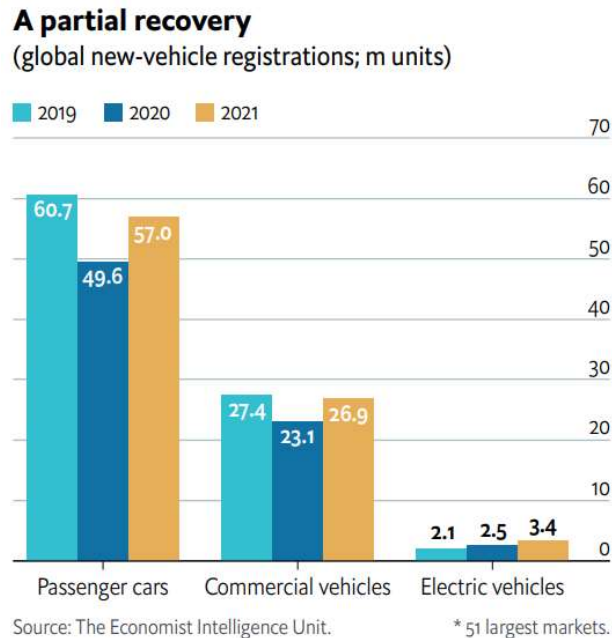
	2025年	2030年	2050年	2060年
装机总量	5.4	8	22	25
开发方式				
陆上风电	97.2%	94.4%	94.1%	93.6%
海上风电	2.8%	5.6%	5.9%	6.4%
区域分布				
西部、北部	58.8%	60.3%	56.1%	57.3%
东中部	41.2%	39.7%	43.9%	42.7%

✧ China forecasts total wind installation to reach 536 GW by 2025, meaning 51.2 GW/year

✧ 2020 new wind installation was 52 GW

Plastic Machinery Industry Optimistic on 2021

- ✦ Plastic Injection Molding industry serves: automotive, consumer electronics, appliances, food packaging etc.
- ✦ VDMA data shows 7% growth in revenue for plastic/rubber machinery
- ✦ Growth in passenger/commercial vehicles, food packaging, appliances sales



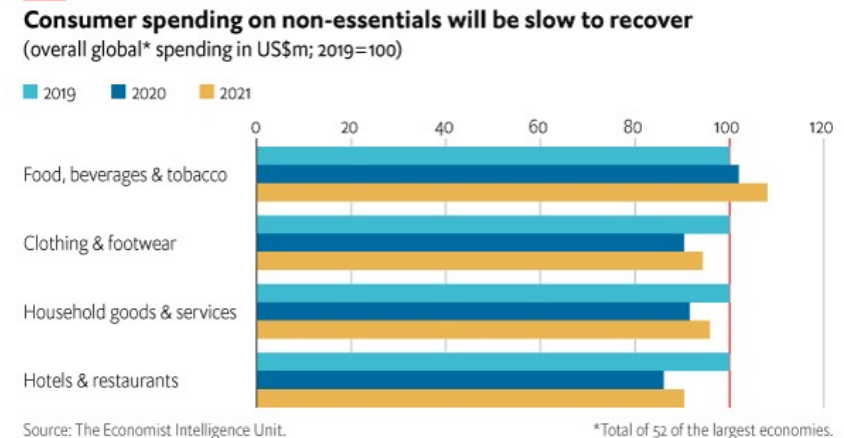
VDMA Mechanical Engineering Industry

The VDMA Topics For members

10.03.2021

Optimism in plastics and rubber machinery industry continues in 2021

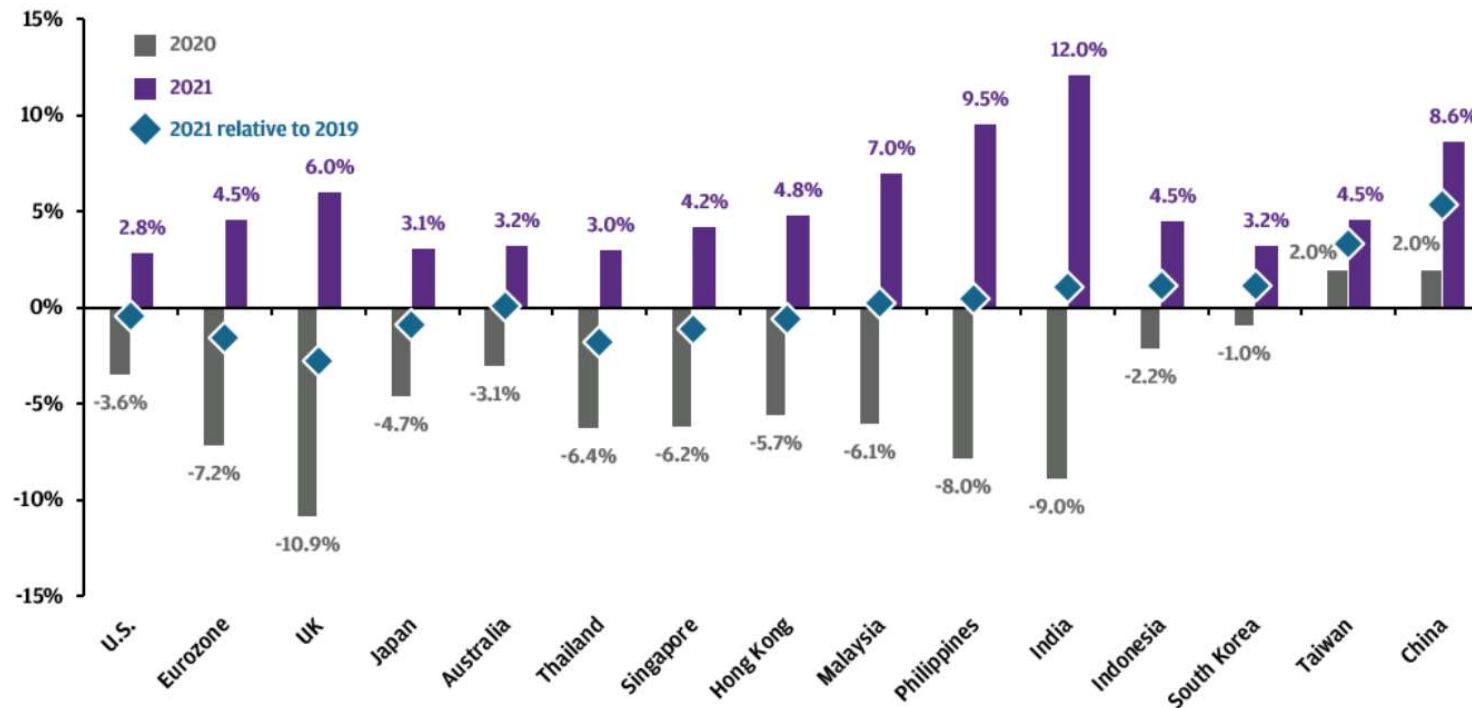
-Increasing order intake and sales expected for 2021-Increases in personnel planned-Initiation of the turnaround in order intake as early as the end of 2020



Asia Pacific Region Leads The Economic Recovery

- Some Asian countries are expected in 2021 to achieve GDP growth from 2019 levels
- During 2020, 75% of Yeong Guan' sales came from the Asia-Pacific region

EXHIBIT 1: REAL GDP GROWTH FORECAST
% GROWTH, ANNUALIZED



Source: J.P. Morgan Economic Research, J.P. Morgan Asset Management.
Data reflect most recently available as of 31/10/20.

Development Strategy

Taichung Plant to Start Production in 2022

- ✦ Timeline: Construction started in 2020, targeting trial production by Q2 2022.
- ✦ 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 output



Received Construction License in mid January 2021.
Foundation being laid per original plans.

Thailand Construction Starts in H2 2021

- ✦ Construction starts in 2021. Production to begin in 2023.
- ✦ Phase 1: 60,000 tons/year capacity. Onshore Wind, Plastic/Industrial machineries.
- ✦ 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: estimated NT\$ 2.6 billion for Phase 1



Thailand's Board of Investment is reviewing Yeong Guan's application in due process. Factory design being finalized.

Outlook for 2021 and Beyond

✦ Near Term (1-2 years)

- Develop new customers with the global economic recovery
- For 2021, we expect steady demand from Wind and growth from other industries, translating to a 5-10% growth of 185,000-194,000 tons output.
- Taichung factory for wind castings: production in 2022

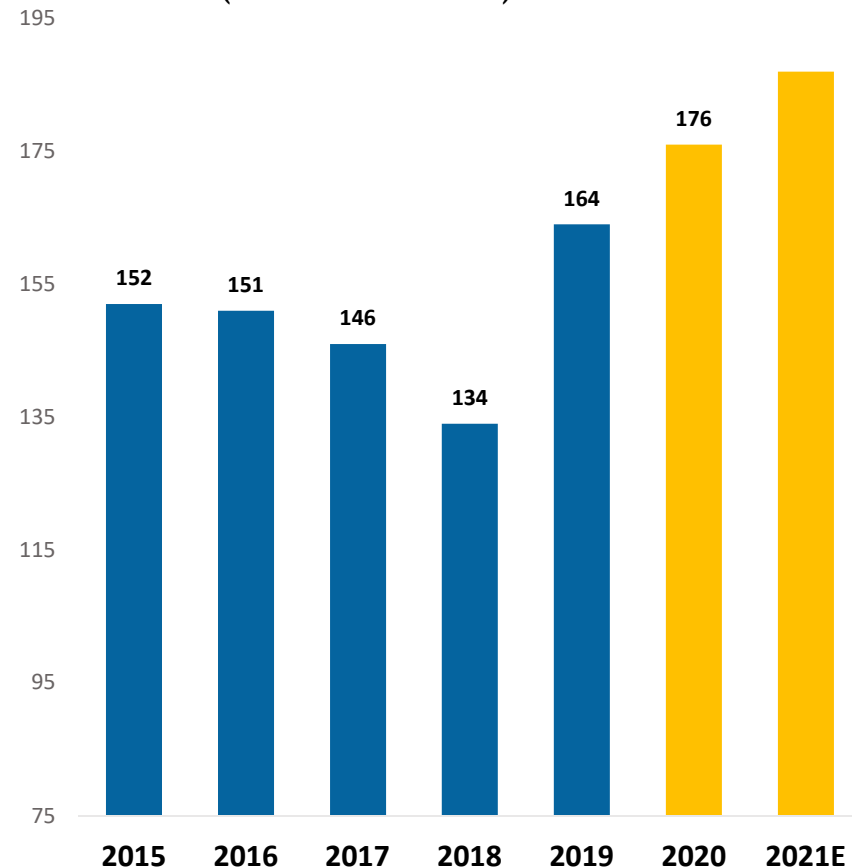
✦ Mid Term (3-5 years)

- Thailand plant: Construction starts in 2021. Production begins in 2023.
- Capacity reaches 250,000 tons/yr.

✦ Long Term (5-10 years)

- Sustainable operations & succession planning
- Building upon ESG framework
- Corporate social responsibility
- Capacity reaches 300,000 tons/yr

Estimated Shipments
(thousand tons)



Detailed Financial Figures

Historical Income Statement

NT\$ Million						YoY(%)				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Sales Revenue	7,374	6,404	6,196	7,900	8,184	-9.2	-13.1	-3.2	27.5	3.6
Gross Profit	2,419	1,432	831	1,371	1,790	-9.3	-40.8	-42	65	30.6
Operating Profit	1,144	295	-245	212	545	-24.5	-74.2	-183.1	186.5	157.1
Income before Tax	1,325	342	-232	221	624	-25.9	-74.2	-167.8	195.3	182.4
Net Income	997	258	-274	164	517	-26.1	-74.1	-206.2	159.9	215.2
EPS (NT\$)	8.5	2.28	-2.48	1.54	4.81	-30.6	-73.2	-208.8	162.1	212.3
Key financial ratio (%)										
Gross Margin	33	22	13	18	22					
Operating Margin	16	4	-4	3	6					
Net Margin	13	4	-4	2	6					
OPEX ratio	17	18	17	15	16					

Historical Balance Sheet

NT\$ Million	2016	2017	2018	2019	2020	YoY(%)				
						2016	2017	2018	2019	2020
TOTAL ASSETS	15,052	14,483	14,531	13,521	16,394	-3.5	-3.8	0.3	-7	21.2
Cash	4,241	3,316	3,153	1,451	2,683	-21.6	-21.8	-4.9	-54	84.9
NR & AR	2,186	2,026	2,103	2,947	3,517	-12	-7.3	3.8	40.1	19.3
Inventory	1,261	1,256	1,368	1,226	1,324	-3.3	-0.4	8.9	-10.4	8
Fixed Asset	5,701	6,279	5,920	5,735	5,755	8.5	10.1	-5.7	-3.1	0.3
TOTAL LIABILITIES	4,974	4,768	6,250	5,699	7,630	0.8	-4.1	31.1	-8.8	33.9
Bank Loans	619	612	4,584	3,858	3,498	23.8	-1.1	649	-15.8	-9.3
NP & AP	1,098	1,136	1,050	990	1,646	-3.2	3.5	-7.6	-5.7	66.3
TOTAL EQUITY	10,078	9,715	8,281	7,822	8,764	-5.4	-3.6	-14.8	-5.5	12
Common Stock	1,188	1,188	1,116	1,056	1,106	0.7	0	-6.1	-5.4	4.7
Book value per share	82.3	79.3	72.9	72.5	79.2					
A/R turnover days	116	121	123	117	145					
Inventory turnover days	98	99	97	78	76					
A/P turnover days	82	82	74	57	75					
ROE (%)*	9.8	2.8	-3.2	2.1	6.3					

* ROE: Parent company Net income / average common equity

Quarterly Income Statement

NT\$ Million	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Sales Revenue	1,558	1,703	1,552	1,951	2,168	2,229	1,130	2,136	2,431	2,488
Gross Profit	216	266	218	304	390	459	127	465	582	616
Operating Profit	(43)	(29)	(38)	47	105	99	(111)	154	290	212
Income before Tax	(26)	(51)	(102)	35	101	186	(128)	223	267	262
Net Income	(46)	(60)	(106)	19	80	172	(113)	193	207	230
EPS (NT\$)	(0.41)	(0.55)	(1.00)	0.18	0.75	1.62	(1.06)	1.82	1.94	2.12
Revenue by Application (%)	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Renewable Energy	23.5	38.8	43.3	47.9	59.4	66.6	60.7	67.0	72.8	67.4
Injection Molding Machine	36.3	29.2	26.9	24.3	16.7	14.6	17.7	14.1	11.7	14.4
Industrial Machinery	40.2	32.0	29.8	27.8	23.9	18.8	21.6	18.9	15.5	18.2

Thank you for your consideration!



Investor Relations
Kevin Tsai
Office : +886 02 27917198 ext: 17
E-mail : ir@ygget.com



www.ygget.com

