

Safety First ♦ Quality ♦ Speed ♦ Teamwork ♦ Excellence

Smart Taiwan 2022

Yeong Guan-KY (1589)

January 2022



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Outline



Backgrounds & Updates



2021 Q3 Financial Highlights



Market Trends



Appendix

Background & Updates

Yeong Guan Overview

✧ Nearly half a century in the foundry industry

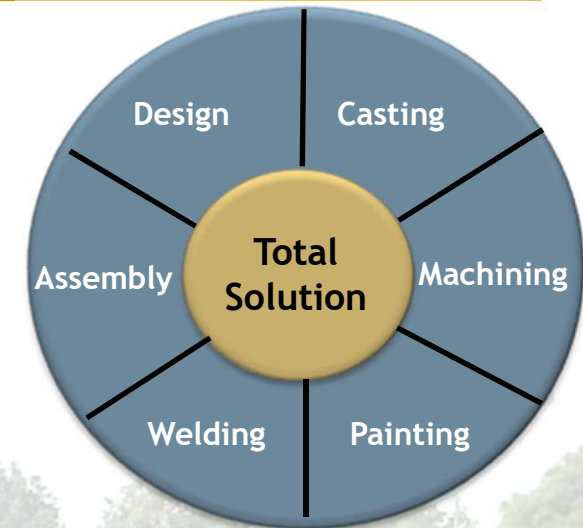
- Founded in Taiwan in 1971, investing in China since 1992. Now with 6 factories.
- Around 2,500 employees
- 2020 Revenue reached NT\$ 8.18 billion, with 176,000 tons of castings shipped
- Annual capacity of 200,000 tons

✧ Lead the Industry in Environment, Health and Safety (EHS) Best Practices

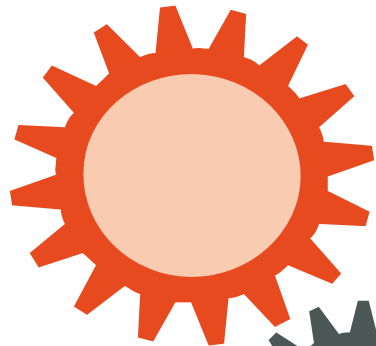
- Several of our plants have earned recognition from local regulatory authorities.
- EHS qualification is required to gain long-term order flows from Tier 1 MNCs.
- The installation of high standard, environmental friendly equipment enhances our cost-competitiveness

✧ The 7th Corporate Governance Evaluation Score

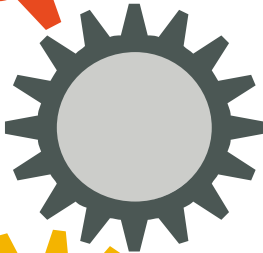
- Ranked amongst the 66%-80% percentile for listed companies.
- Amongst electrical machinery stocks with market value of NTD 5 billion to NTD 10 billion, we rank in the 61%-100% percentile.



Business Updates



- ✦ Selling Prices increased 3 times in 2021. Newest pricings in 2022
- ✦ Varying strategies for Wind, Plastic Machinery, and Other customers



- ✦ Power Restriction in China has ended by November.
- ✦ COVID-19 Outbreaks in China has no effect on YGG.



- ✦ Positives coming out of COP 26 in Glasgow, UK.
- ✦ More than a dozen new customers developed in 2021.

Taichung Plant to Start Production in 2022

- ✦ Timeline: Construction started in 2020, targeting trial production by Q3 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
 - US Supply Chain Focused
- ✦ Capex
 - Phase 1: NT\$ 5.22bn to reach 45k output



Due to COVID-19 restriction in Taiwan during Q2-Q3 2021, as well as steel shortages, Start of production will now be Q3 2022.

Construction depends on COVID-19 Situation

- ✦ Construction starts in 2022. Production to begin in 2024.
- ✦ 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
 - US Supply Chain focused
- ✦ Capex: estimated NT\$ 2.6 billion for Phase 1



Factory design being finalized, awaiting for COVID-19 situation in Thailand to stabilize.

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

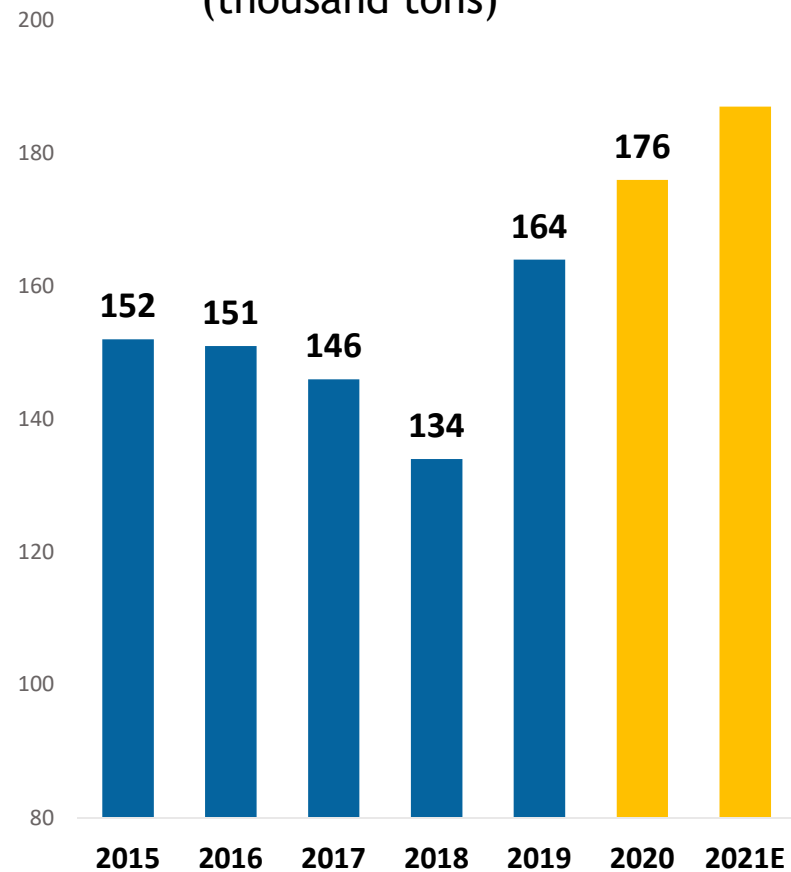
✦ Mid Term (3-5 years)

- 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)

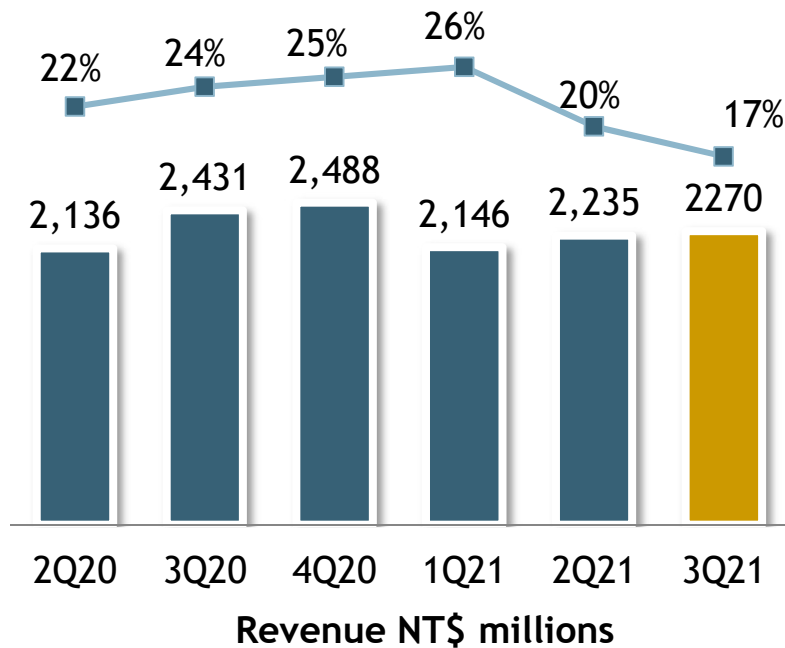


2021 Q3 Financial Highlights

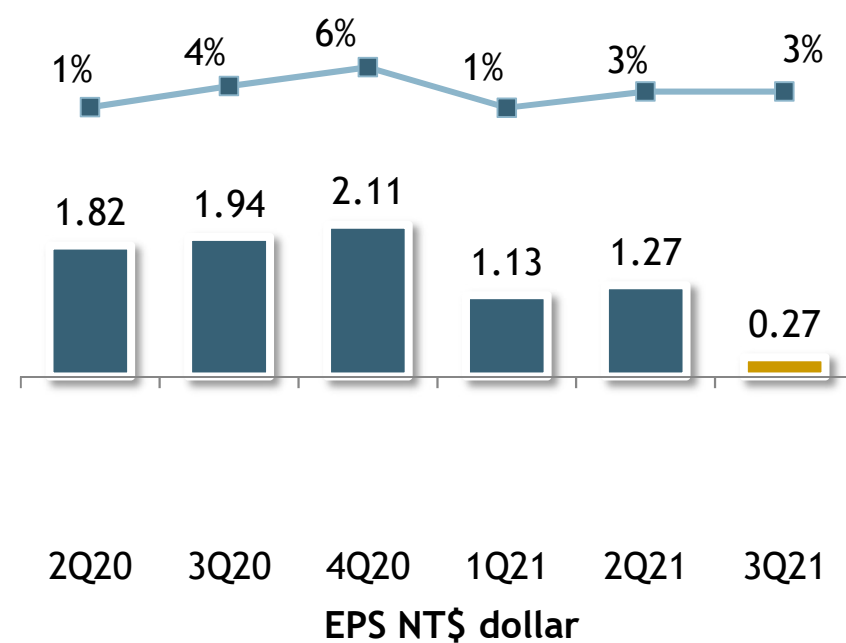
Raw Material increases affect Margin

- ✦ Plastic Injection Molding/Industrial machinery demand stable, wind energy demand cools.
- ✦ Pig Iron/Steel Scrap and consumables costs increased dramatically in Q3 2021.

Gross Margin

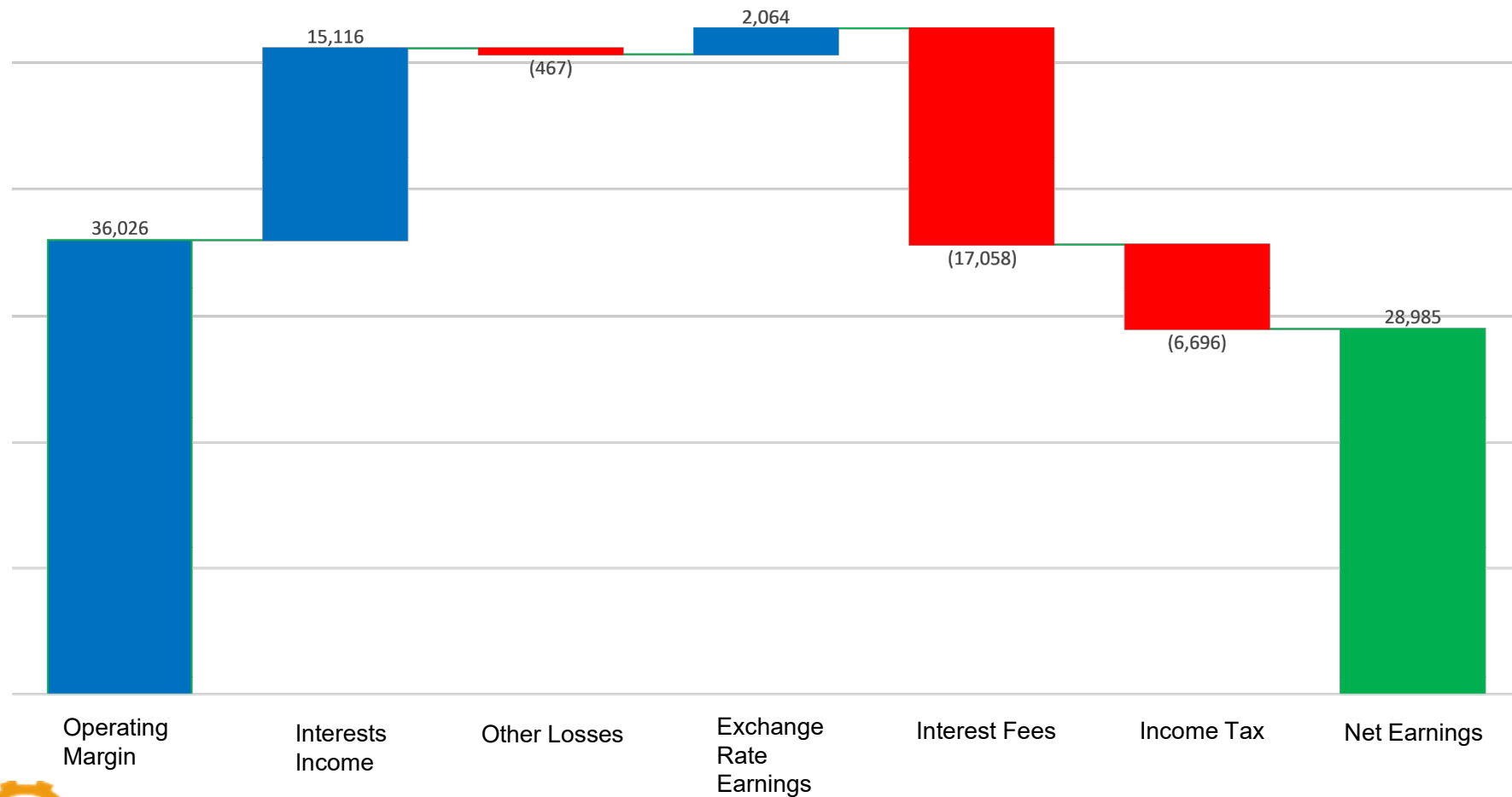


Return on Equity



2021 Q3 Net Earnings Analysis

Unit NT\$ Thousand



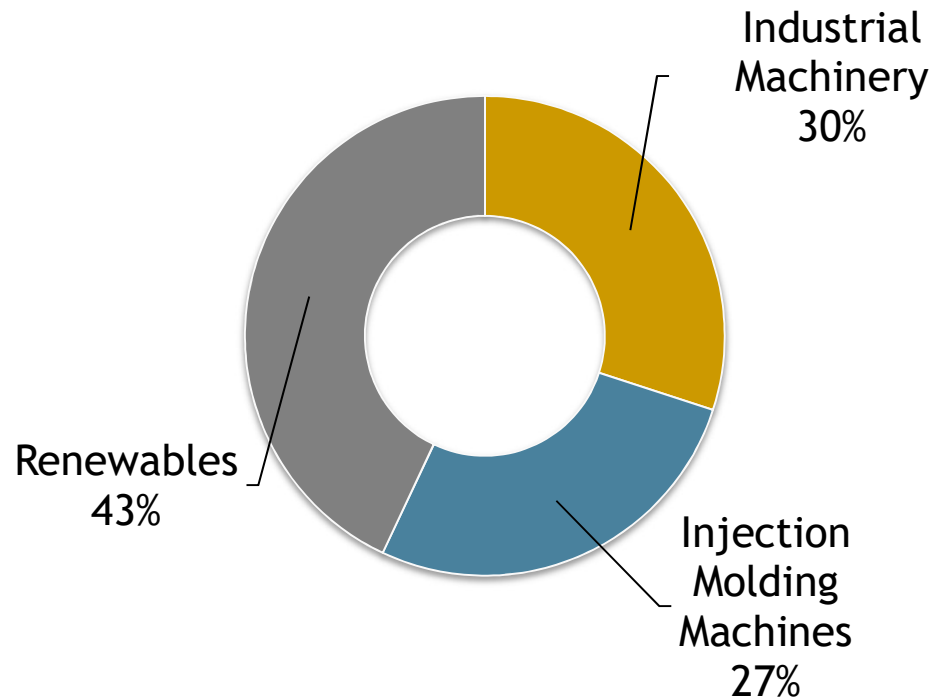
Steady Development in all 3 Major Sectors

- ✦ 2021 Q3 Revenue composition: Renewables 43.2%, Plastic Injection 26.5%, Industrial Machinery 30.3%
- ✦ Wind Energy/Plastic Injection Molding/Industrial Machineries demand remains steady.

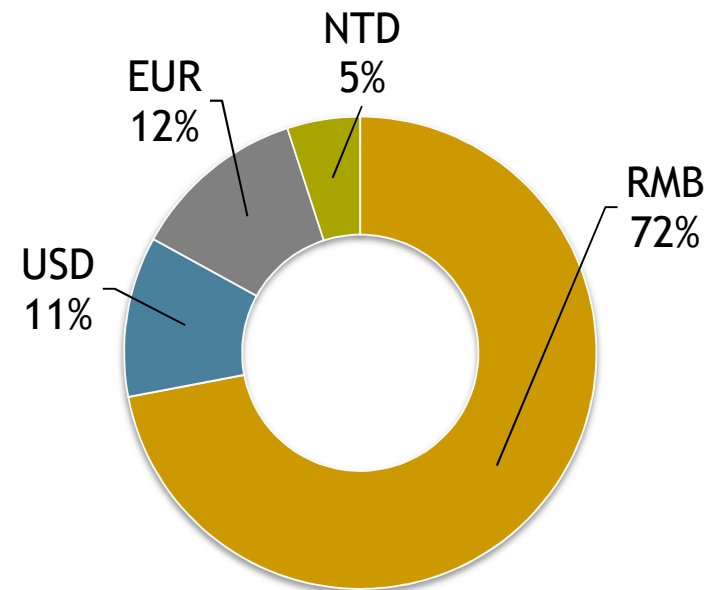


2021 Q3 Revenue Analysis

Revenue by Application (%)



Revenue by Currency (%)



2021 Q3 Income Statement

Unit: Thousand NTD	3Q 2021	2Q 2021	QoQ	3Q 2020	YoY
Revenue	2,270,470	2,234,752	1.6%	2,430,601	-6.6%
Gross Profit	400,118	450,231	-11.1%	582,178	-31.3%
Gross Margin	17%	20%	↓3%	24%	↓7%
Operating Expense	364,092	367,676	-1.0%	292,462	24.5%
Operating Income	36,026	82,555	-56.4%	289,716	-87.6%
Operating Profit Ratio	1%	3%	↓2%	12%	↓11%
Non Operating Items	(345)	40,887	-100.8%	(22,518)	-98.5%
Profit before Tax	35,681	123,442	-71.1%	267,198	-86.6%
Profit after Tax	28,985	140,978	-79.4%	206,588	-86.0%
EPS (Basic \$NTD)	0.27	1.27		1.94	

2021 Q3 Balance Sheet

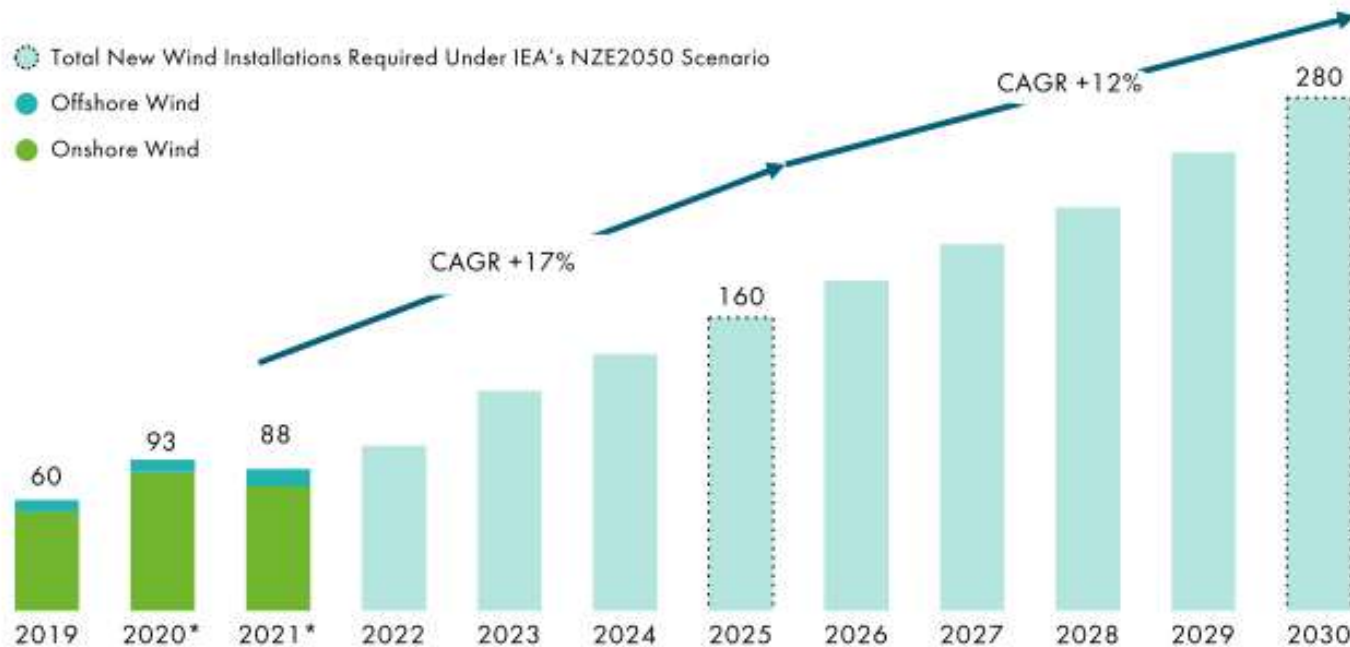
Unit: Thousand NTD	2021 Q3	2020	Δ %	2020 Q3	YoY
Total Assets	17,943,109	16,394,386	9.4%	15,136,360	18.5%
Cash	2,175,997	2,682,852	-18.9%	2,457,711	-11.5%
NR & AR	3,630,482	3,516,934	3.2%	3,549,690	2.3%
Inventory	1,671,906	1,324,434	26.2%	1,267,130	31.9%
Total Non-Current Assets	8,289,775	6,980,605	18.8%	6,496,625	27.6%
Total Liabilities	9,151,261	7,630,444	19.9%	7,130,921	28.3%
Bank Loans	4,460,947	3,498,085	27.5%	3,516,690	26.9%
NP & AP	1,898,239	1,646,381	15.3%	1,291,932	46.9%
Total Equity	8,791,848	8,763,942	0.3%	8,005,439	9.8%
Common Stock	1,106,175	1,106,175		1,056,175	

Market Trends

Carbon Neutrality by 2050

- ✧ International Energy Agency forecasts huge growth in renewables to reach 2050 goal
- ✧ If governments increase wind investments, wind market can reach 160 GW/year by 2025

Annual wind installations must increase dramatically to reach net zero by 2050
New global wind installations (GW)

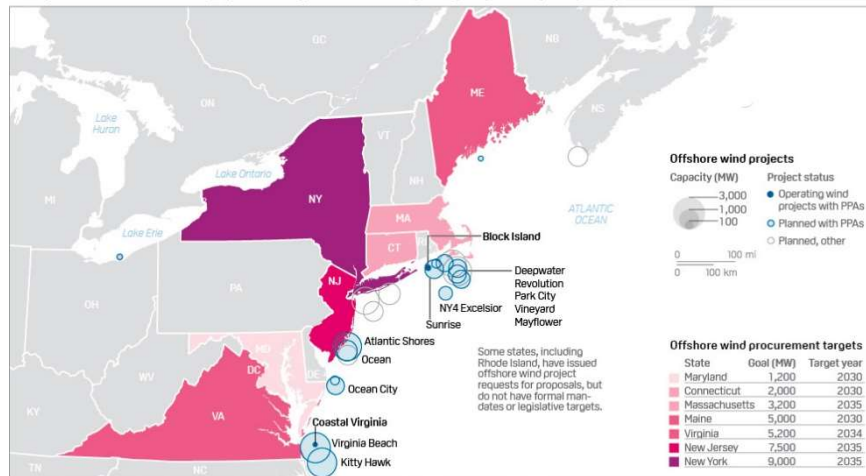


Source: GWEC Market Intelligence; IEA World Energy Outlook (2020). volume in 2022-2024 and 2026-2029 are estimates

US Wind Market Developments

US EAST COAST STATES COULD ADD MORE THAN 33 GW OF OFFSHORE WIND POWER CAPACITY BY 2035

US offshore wind power development is slowly moving forward with nearly 24 GW of project capacity in the works along the East Coast, which is an enormous increase from the 42 MW currently operating. The first large-scale projects are expected to come online in the next few years, but challenges remain including questions around ideal transmission solutions, project cost and electricity pricing. There are also a handful of less advanced projects popping up across the country and in Canada. Offshore wind projects are being pursued in Louisiana, Hawaii, Ohio, California, Texas, Illinois, as well as Nova Scotia and British Columbia.



Source: S&P Global Platts Analytics, S&P Global Market Intelligence, Bureau of Ocean Energy Management, NYSERDA

- ✦ 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



Denmark's Ørsted owns the first offshore wind project in the U.S., the 30-MW Block Island wind farm. The industry is now bracing for exponential growth.

Source: Scott Eisen/Stringer via Getty Images

- ✦ Biden Administration: Achieve net zero greenhouse gas emissions by 2050. By 2030, reduce greenhouse gas emissions by at least 50% compared to 2005 levels
- ✦ Build 30 GW of Offshore Wind by 2030
- ✦ US Department of Energy to spend USD 3 billion on offshore wind development

EU Wind Market Developments

- ✦ EU announces Fit for 55 Plan (reduce GHG emissions 55% by 2030)
- ✦ Plan includes raising renewable energy in the overall electricity mix from 32% to 40%
- ✦ EU current renewables is 180 GW, but 451 GW is needed by 2030. Growth is 30 GW/year.

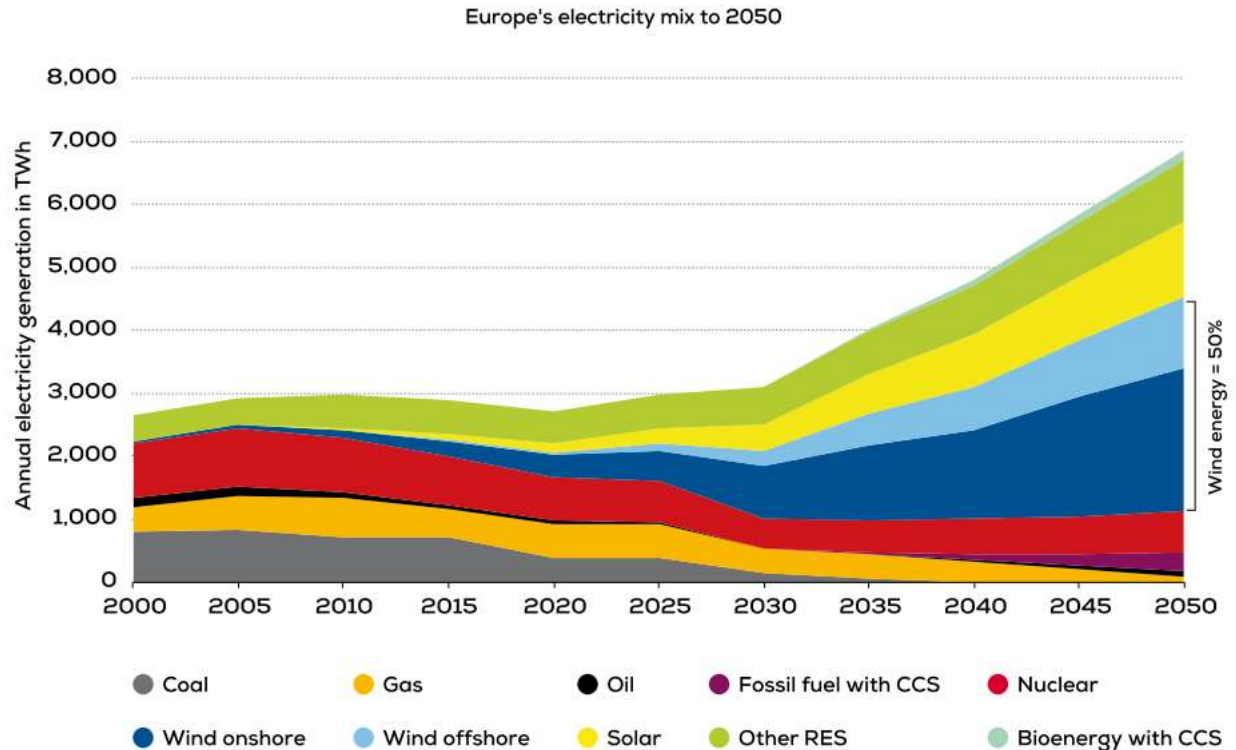
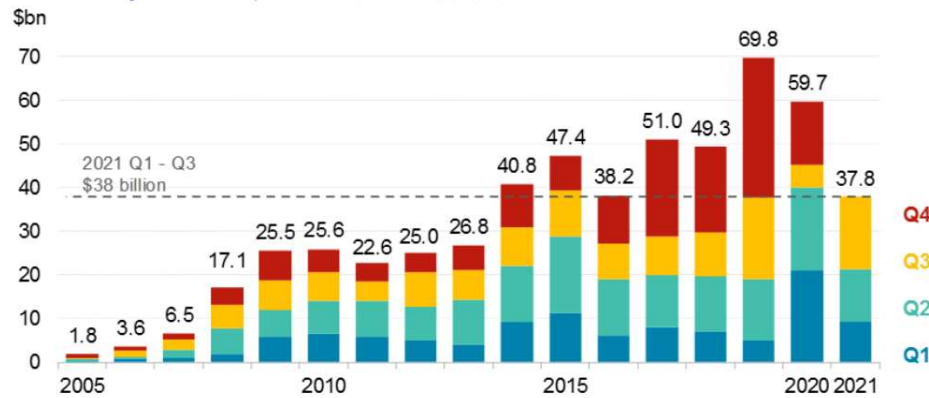


Figure 2. EU27 Electricity production mix to 2050. Source: WindEurope based on European Commission Impact Assessment, COVID MIX scenario, 2020.

Wind Investments in China

China ramps up investment in Q3 2021, second highest on record
 三季度投资开工加速，达历史第二高水平

China wind monthly investment, 2005- 21 中国风电季度投资额



Source: BloombergNEF

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BloombergNEF

- ✦ In Chinese market, 2021 is expected to add 36 GW of solar power and 35-40 GW of wind, for a total of 70 GW.
- ✦ Per Eknower's research, the consolidated "14th Five Year Plan" green energy investment volume from the 14 largest energy developers and 3 largest oil & gas producers can be as high as 670 GW, which translates to 134 GW per year.



序号	企业	2025年目标	十四五新能源新增装机规划 (万千瓦)	备注
1	国家能源	尚未公布	12000	规划值
2	国家电投	2023年实现碳达峰, 2025年实现清洁能源占比60%	8000	预测值
3	华能集团	2025年实现清洁能源占比50%以上	8000	公布值
4	华电集团	2025年实现碳达峰, "十四五"末非化石能源装机占比达到50%, 清洁能源装机占比接近60%	7500	公布值
5	大唐集团	2025年实现碳达峰, 清洁能源占比50%以上	5000	预测值
6	三峡集团	2023年实现碳达峰, 2040年实现碳中和	6000	规划中值
7	中国广核	"十四五"新能源装机量不低于2000万千瓦, 其中光伏装机不低于1200万千瓦	2000	公布值
8	中核集团	根据中核汇能战略规划, 到2025年新能源装机规模将达到2200万千瓦	2000	预测值
9	华润电力	到2025年可再生能源装机占比超过50%	4000	公布值
10	中国节能	尚未公布	1000	预测值
11	国投电力	到2025年, 国投电力规划境内外控股装机容量将突破5000万千瓦, 其中清洁能源装机占比达72%。	1500	预测值
12	中国绿发	"十四五"初步目标是完成3000万千瓦的新能源投资	3000	公布值
13	中国能建	预计到2025年, 控股新能源装机容量力争达到2000万千瓦以上	2000	公布值
14	中国电建	公司"十四五"预计新增新能源装机约3000万千瓦, 其中风电占70%, 光伏占30%, 新增水电装机约100万千瓦。	3000	公布值
15	中国石化	"十四五"期间, 新增光伏及风电装机规模各200万千瓦	400	公布值
16	中国石油	仅吉林油田"十四五"期间就规划分两期规划建设600万千瓦新能源。	1000	预测值
17	中国海油	"十四五"对陆上光伏、陆上风电的发展目标为不低于500万千瓦, 对新能源业务的投资比例是每年占总资本支出的5%-10%。	600	预测值
合计			67000	

Wind Turbine Pricing

Race of wind turbines 风机竞赛

Global and China onshore wind turbine pricing
全球及中国陆上风电风机价格



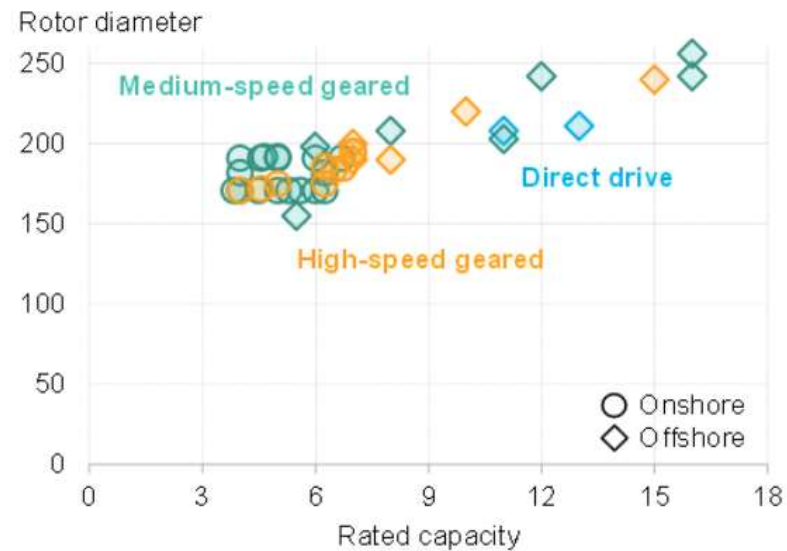
Source: BloombergNEF. Note: Price include towers.

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Number of turbine models launched in CWP
风能展发布风机机型数目



Wind turbine models launched in CWP 2021
2021风能展发布风机机型



Source: BloombergNEF

BloombergNEF

Appendix

Historical Income Statement

NT\$ Million	2016	2017	2018	2019	2020	2021 Q3	2020 Q3	YoY (%)				
								2017	2018	2019	2020	2021 Q3 vs 2020 Q3
Sales Revenue	7,374	6,404	6,196	7,900	8,184	2,270	2,431	-13.2	-3.2	27.5	3.6	-6.6
Gross Profit	2,419	1,432	831	1,371	1,790	400	582	-40.8	-42	65	30.6	-31.3
Operating Profit	1,144	295	-245	212	545	36	290	-74.2	-183.1	186.5	157.1	-87.6
Income before Tax	1,325	342	-232	221	624	36	267	-74.2	-167.8	195.3	182.4	-86.5
Net Income	997	258	-274	164	517	29	207	-74.1	-206.2	159.9	215.2	-86
EPS (NT\$)	8.5	2.28	-2.48	1.54	4.81	0.27	1.94	-73.2	-208.8	162.1	212.3	-86.1
Key financial ratio (%)												
Gross Margin	33	22	13	18	22	17	24					
Operating Margin	16	4	-4	3	6	1	12					
Net Margin	13	4	-4	2	6	1	9					
OPEX ratio	17	18	17	15	16	16	12					

Historical Balance Sheet

NT\$ Million	2016	2017	2018	2019	2020	2021 Q3	2020 Q3	YoY(%)				
								2017	2018	2019	2020	2021 Q3 vs 2020 Q3
TOTAL ASSETS	15,052	14,483	14,531	13,521	16,394	17,943	15,136	-3.8	0.3	-7	21.2	26.2
Cash	4,241	3,316	3,153	1,451	2,683	2,176	2,458	-21.8	-4.9	-54	84.8	21.6
NR & AR	2,186	2,026	2,103	2,947	3,517	3,630	3,550	-7.3	3.8	40.1	19.3	30.3
Inventory	1,261	1,256	1,368	1,226	1,324	1,672	1,267	-0.4	8.9	-10.4	8	24.8
Fixed Asset	5,701	6,279	5,920	5,735	5,756	6,520	5,534	10.1	-5.7	-3.1	0.4	16.5
TOTAL LIABILITIES	4,974	4,768	6,250	5,699	7,630	9,151	7,131	-4.1	31.1	-8.8	33.9	34.7
Bank Loans	619	612	4,584	3,858	4,087	4,855	3,517	-1.1	649	-15.8	-9.3	-1.8
NP & AP	1,098	1,136	1,050	990	1,646	1,898	1,292	3.5	-7.6	-5.7	66.3	71.8
TOTAL EQUITY	10,078	9,715	8,281	7,822	8,764	8,792	8,005	-3.6	-14.8	-5.5	12	19.4
Common Stock	1,188	1,188	1,116	1,056	1,106	1,106	1,056	0	-6.1	-5.4	4.7	4.7
Book value per share	82.3	79.3	72.9	72.5	79.2	80	76					
A/R turnover days	116	121	123	117	145	149	157					
Inventory turnover days	98	99	97	78	76	80	80					
A/P turnover days	82	82	74	57	75	92	69					
ROE (%)*	9.8	2.8	-3.2	2.1	6.3	3.4	3.7					

Quarterly Income Statement

NT\$ Million	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Sales Revenue	1,951	2,168	2,229	1,130	2,136	2,431	2,488	2,146	2,235	2,270
Gross Profit	304	390	459	127	465	582	616	551	450	400
Operating Profit	47	105	99	(111)	154	290	212	200	83	36
Income before Tax	35	101	186	(128)	223	267	262	157	123	36
Net Income	19	80	172	(113)	193	207	230	126	141	29
EPS (NT\$)	0.18	0.75	1.62	(1.06)	1.82	1.94	2.12	1.13	1.27	0.27
Revenue by Application (%)	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21
Renewable Energy	47.9	59.4	66.6	60.7	67.0	72.8	67.4	60.3	46.2	43.2
Injection Molding Machine	24.3	16.7	14.6	17.7	14.1	11.7	14.4	18.4	24.5	26.5
Industrial Machinery	27.8	23.9	18.8	21.6	18.9	15.5	18.2	21.3	29.3	30.3

Thank you for your consideration!



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