

Safety First ♦ Quality ♦ Speed ♦ Teamwork ♦ Excellence

Yeong Guan Group (1589 TT)

2022 Q1 Financial Results

Mr. Kevin Tsai (AVP)

June 22, 2022



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Outline



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3. Market Trends



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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

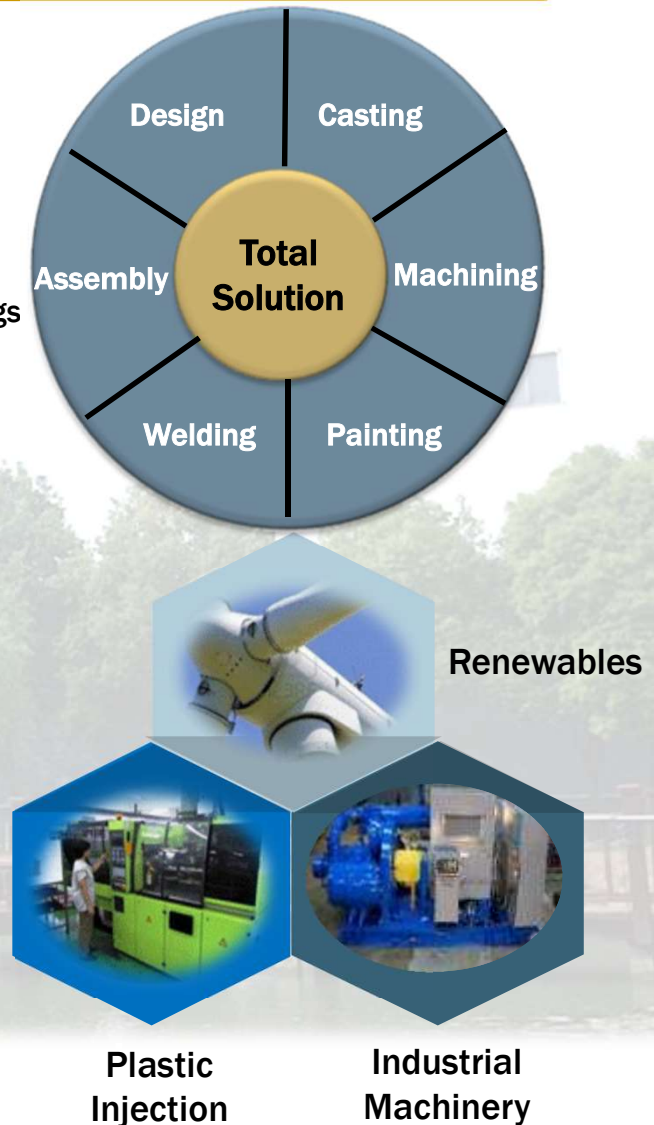
✧ Nearly half a century in the foundry industry

- Founded in Taiwan in 1971, investing in China since 1992. Now with 6 factories.
- Around 2,500 employees
- 2021 Revenue reached NT\$ 8.95 billion, with over 194,000 tons of castings shipped
- Annual capacity of 210,000 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



2022 Q2 Updates



Shanghai Lockdown Lifted

Mainland China customer's
order and delivery returning
to normal

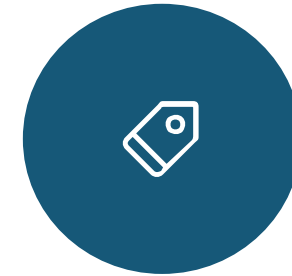
Export volume from
Shanghai Port increasing



Quarterly Output Increase

June shipment expected to
Return to normal

2022 Q2 shipment to
increase around 20% from
Q1 levels



New Business Development

Exploring Higher-Margin
markets

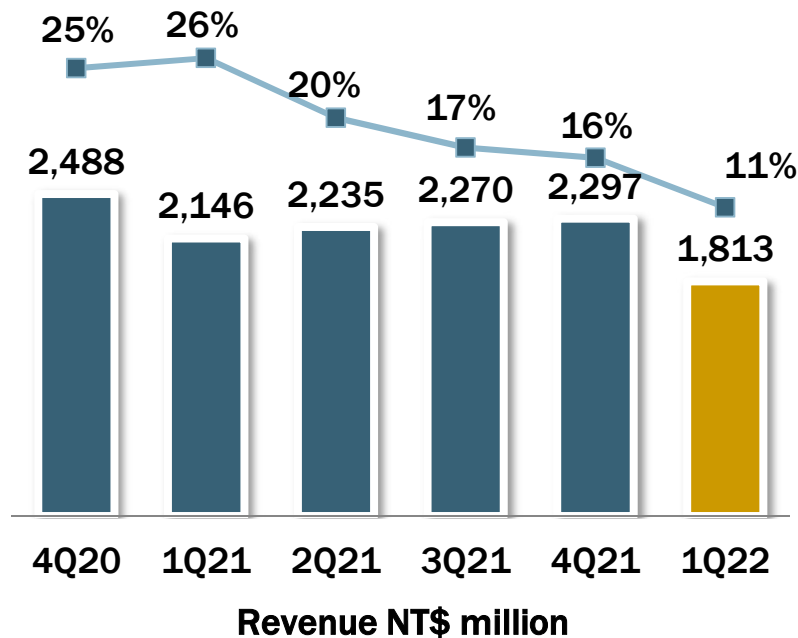
In 2022 so far, several
new customers have been
developed

2022 Q1 Financial Highlights

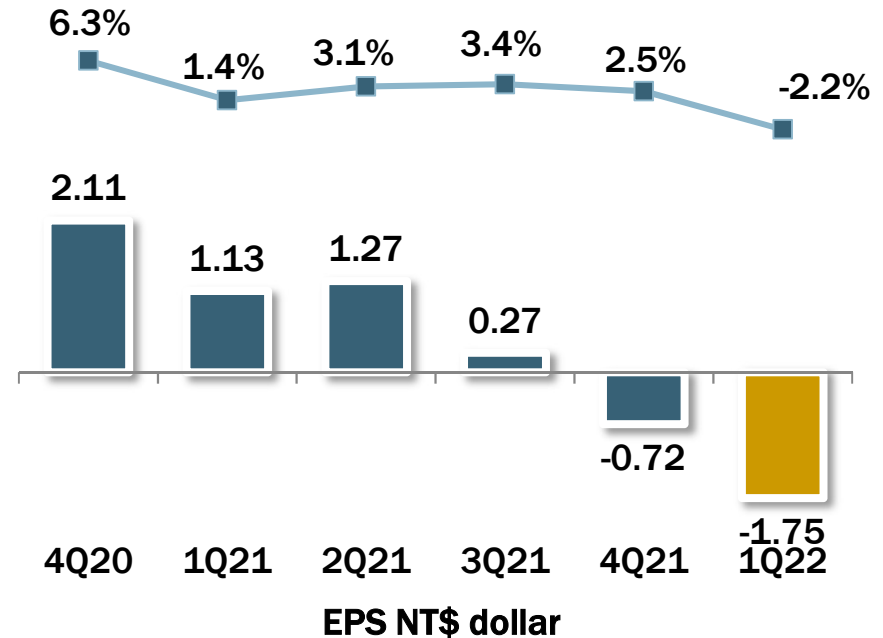
2022 Q1 Revenue & EPS

- ✦ In 2022 Q1, Chinese New Years and Shanghai Lockdowns impacted shipment volume
- ✦ Pig Iron/Steel Scrap market pricing rose after war in Ukraine broke out in late February.

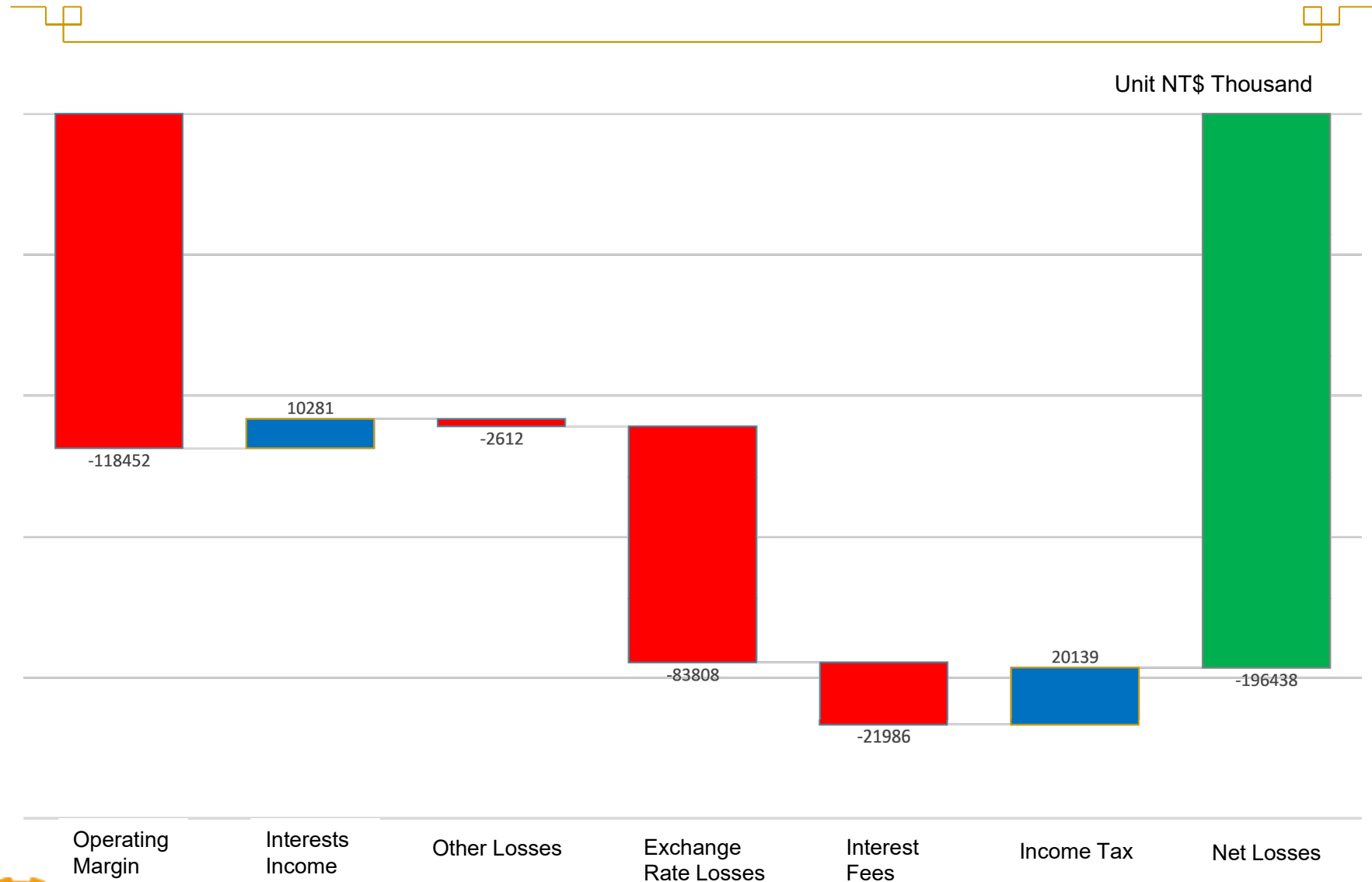
Gross Margin



Return on Equity

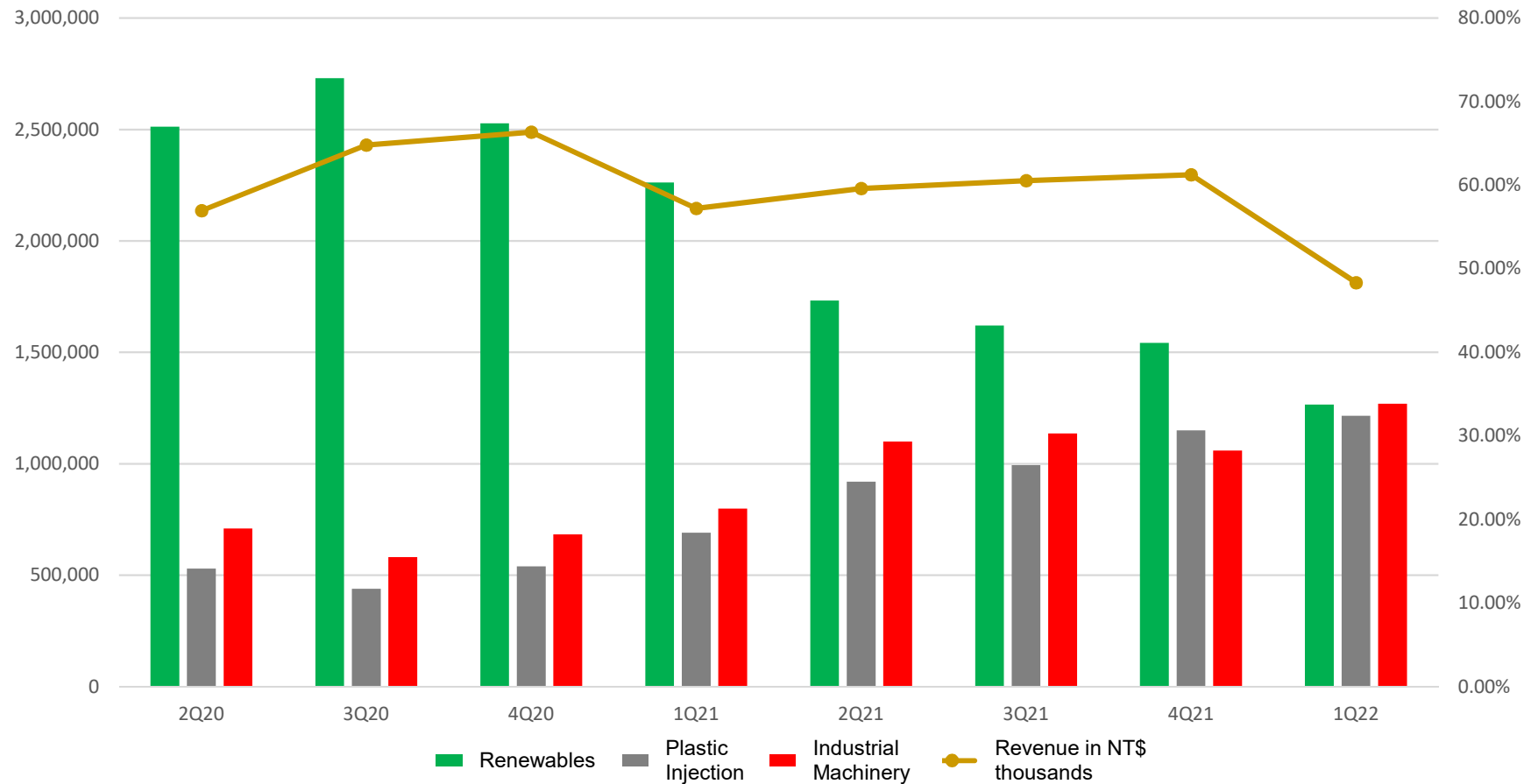


2022 Q1 Net Losses Analysis



Even Growth amongst Main Market Sectors

- ✦ 2022 Q1 Revenue composition: Renewables 33.8%, Plastic Injection 32.4%, Industrial Machinery 33.8%
- ✦ Plastic Injection Molding/Industrial Machineries demand grows, while Renewables demand slows.



2022 Q1 Income Statement

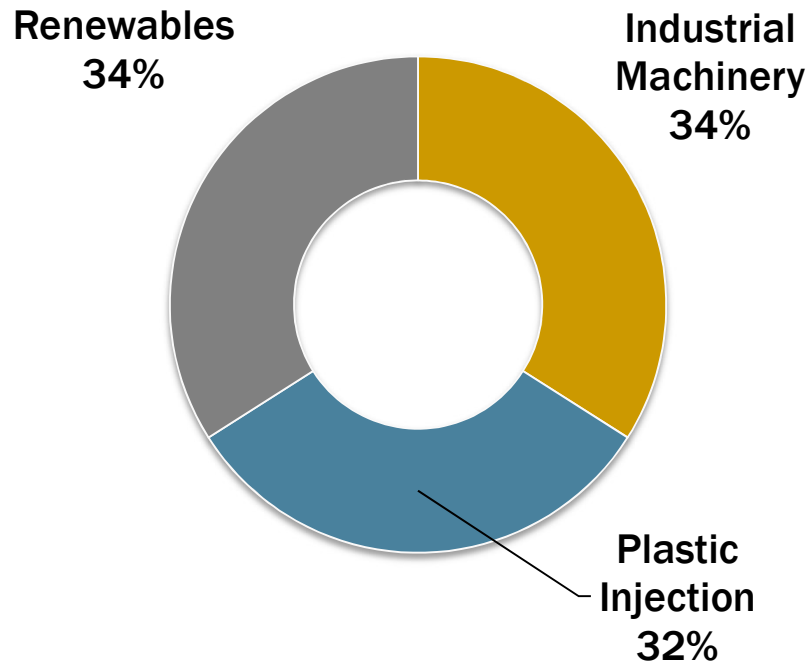
Unit: Thousand NTD	1Q 2022	4Q 2021	QoQ	1Q 2021	YoY
Revenue	1,813,099	2,296,281	-21.0%	2,145,708	-15.5%
Gross Profit	195,745	368,865	-46.9%	550,607	-64.4%
Gross Margin	11%	16%	↓5%	26%	↓15%
Operating Expense	314,197	370,908	-15.3%	351,088	-10.5%
Operating Income	-118,452	-2,043	-5697.9%	199,519	-159.4%
Operating Profit Ratio	-7%	0%	↓7%	9%	↓16%
Non Operating Items	-98,125	6,547	-1598.8%	-42,526	130.7%
Profit before Tax	-216,577	4,504	-4908.5%	156,993	-238.0%
Profit after Tax	-196,438	-81,695	140.5%	125,705	-256.3%
EPS (Basic \$NTD)	-1.75	-0.72		1.13	

2022 Q1 Balance Sheet

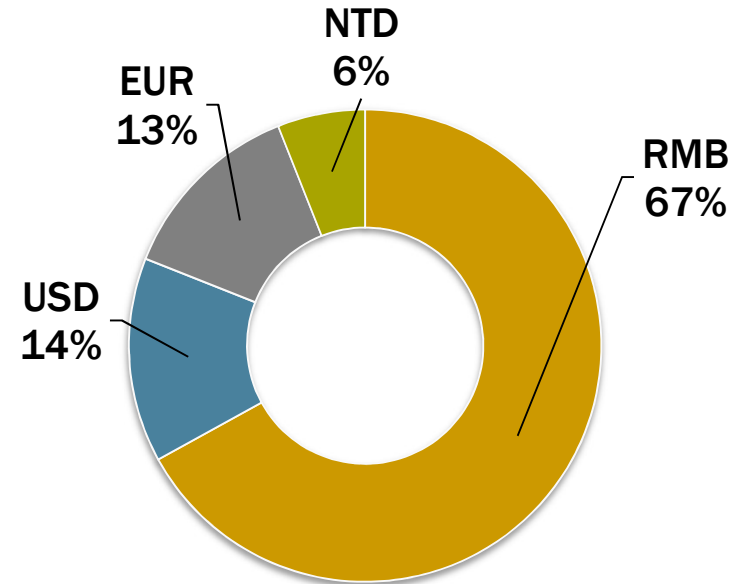
Unit: Thousand NTD	1Q 2022	4Q 2021	QoQ	1Q 2021	YoY
Total Assets	19,669,239	18,469,856	6.5%	16,599,842	18.5%
Cash	2,252,133	1,993,773	13.0%	1,935,231	16.4%
NR & AR	2,812,273	3,241,509	-13.2%	3,540,410	-20.6%
Inventory	1,885,516	1,660,444	13.6%	1,430,904	31.8%
Total Non-Current Assets	10,167,716	9,164,800	10.9%	7,673,787	32.5%
Total Liabilities	10,635,865	9,635,241	10.4%	7,677,845	38.5%
Bank Loans	6,243,868	4,734,620	31.9%	3,680,693	69.6%
NP & AP	2,083,852	2,422,313	-14.0%	1,708,879	21.9%
Total Equity	9,033,374	8,834,615	2.2%	8,921,997	1.2%
Common Stock	1,106,175	1,106,175		1,106,175	

2022 Q1 Revenue Analysis

Revenue By Application (%)



Revenue by Currency (%)

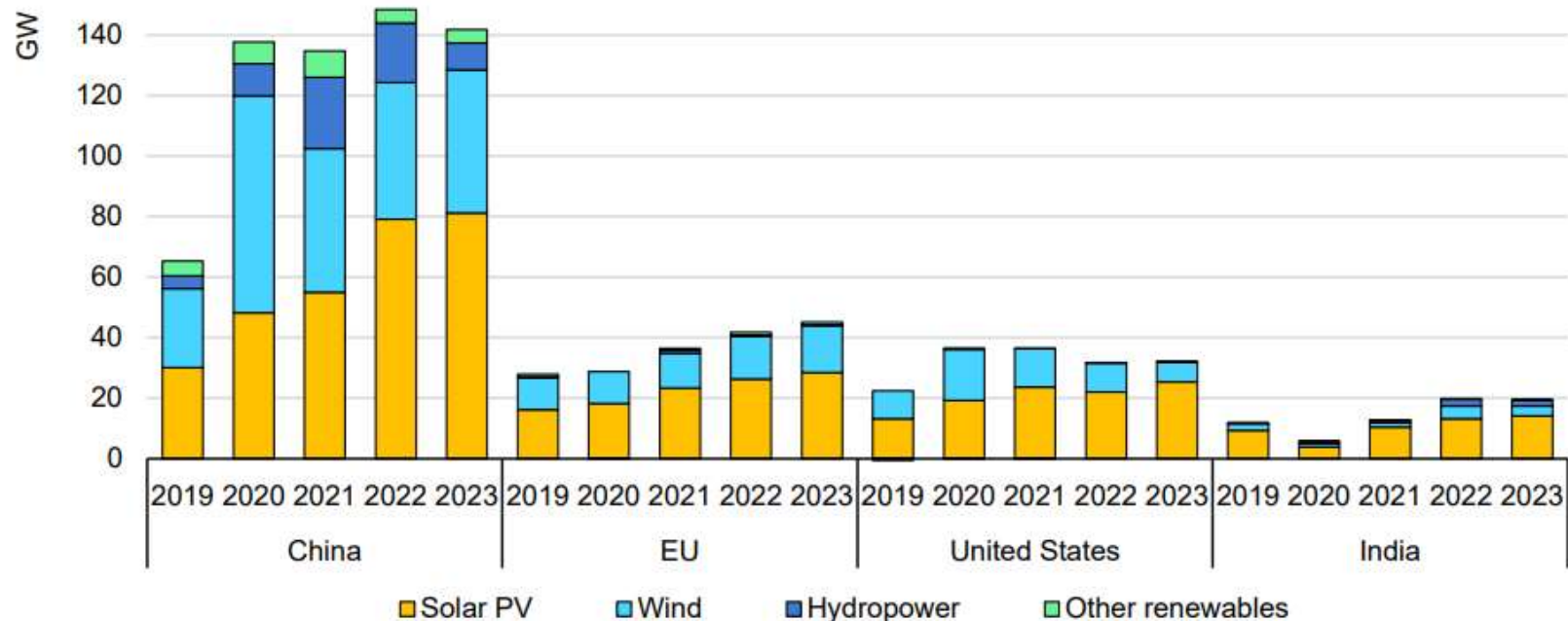


Market Trends

Wind Energy Market Trends

- ✦ According to the renewables report released by the IEA in May 2022: Mainland China, Europe, the United States, and India are the top four green energy investment regions.
- ✦ Wind Energy demand will grow year by year in Mainland China, Europe and India

Renewable capacity additions in China, European Union, the US and India, 2019-2023

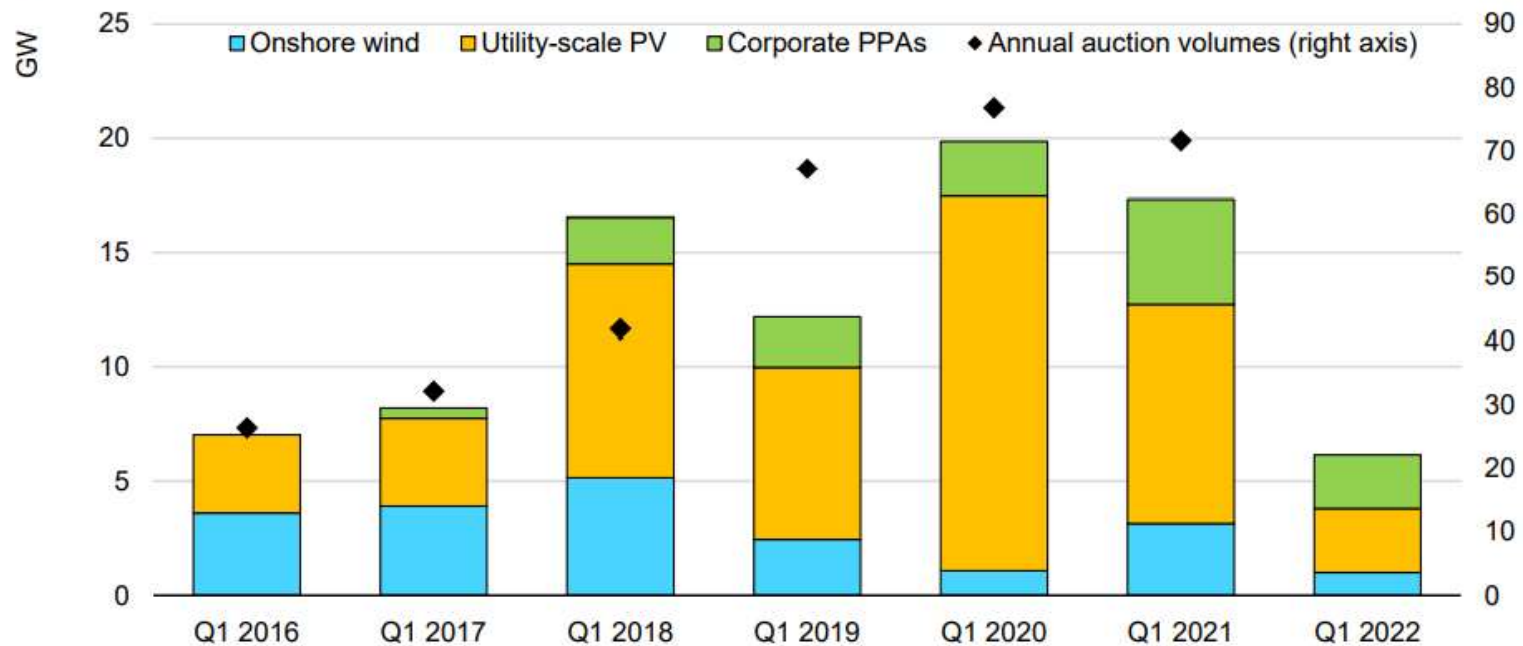


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Wind Energy Market Trends

- ✦ Global auctions for renewables in the first quarter of 2022 were at their lowest level since 2016, as higher commodity prices in the wake of the Ukrainian-Russian war led to higher investment costs for wind and solar PV.

Utility-scale solar PV and onshore wind auction capacity and corporate PPAs for first quarters, 2016 to 2022



IEA. All rights reserved.

Source: For corporate PPAs: Bloomberg New Energy Finance.

Wind Energy Market Trends

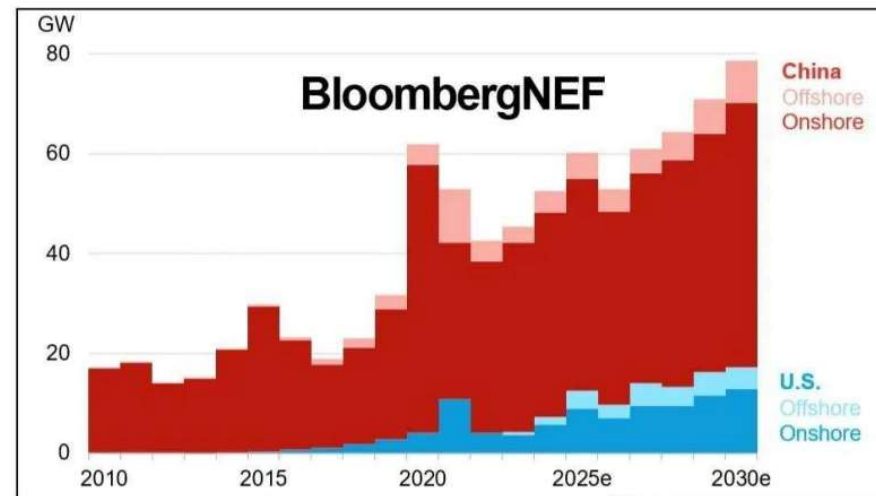
- ✦ Mainland China's "14th Five-Year" Renewable Development Plan was recently released: by 2025, renewable energy power generation will account for more than 50% of the electricity consumption in mainland China.
- ✦ Li Chuangjun, Director of the New Energy Department of the China Energy Administration: In 2020, China's renewable energy power generation will be 2.2 trillion kWh, from 2.2 trillion (kWh) to 3.3 trillion (kWh), an increase of exactly 50%.



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自然资源部 生态环境部 住房和城乡建设部
农业农村部 中国气象局 国家林业和草原局
关于印发“十四五”可再生能源发展规划的通知

发改能源〔2021〕1445号

2010-2030年中国和美国年风电装机容量



来源：彭博新能源财经（注：2021年装机容量系基于彭博新能源财经的估计值。）

Wind Energy Market Trends

- ✦ Germany, Belgium, the Netherlands and Denmark have pledged to build at least 150 GW of offshore wind capacity in the North Sea by 2050, creating a "green power plant" for Europe.
- ✦ The European Commission aims to increase offshore wind power to 300 GW by 2050, up from the roughly 16 GW currently installed.
- ✦ EU seeks to reduce its energy dependence on Russia, forecasts 23GW of wind power to be added every year between 2022 and 2026
- ✦ The European Commission also unveiled a 210 billion euro plan to end reliance on Russian fossil fuels by 2027

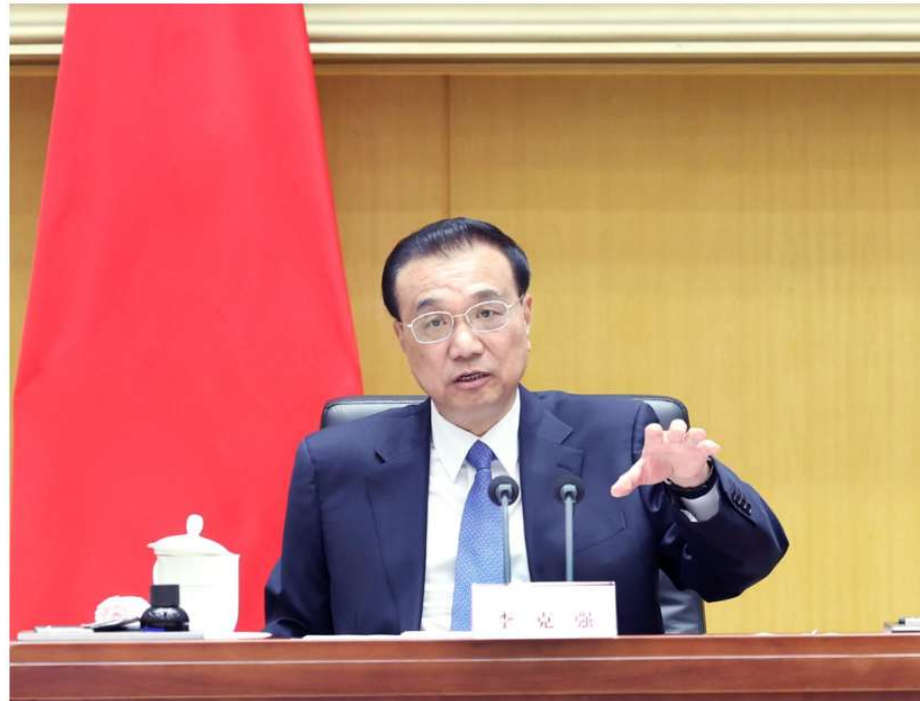


German Chancellor Olaf Schultz and European Commission President Ursula von der Leyen talk to each other at the North Sea Offshore Wind Summit in Esbjerg, Denmark, on May 18, 2022.

Bo Amstrup/Ritzau Scanpix/via REUTERS

Plastic Injection/Industrial Machinery Market Trends

- ✧ On May 25, the Chinese State Council held a "National Video and Telephone Conference on Stabilizing the Economic Market"
- ✧ Increasing tax rebates by more than 1.4 trillion yuan; relax restrictions on car purchases and reduce the purchase tax of some passenger vehicles by 60 billion yuan; Double the amount of support tools and support ratio for Inclusive Small and Micro Loans in 2022
- ✧ Social security premiums exemptions will be extended to the end of 2022 for financially stressed industries, including small, medium and micro enterprises, individual industrial and commercial households, and catering.
- ✧ RMB 300 Billion of Railway Construction Bond will be issued.



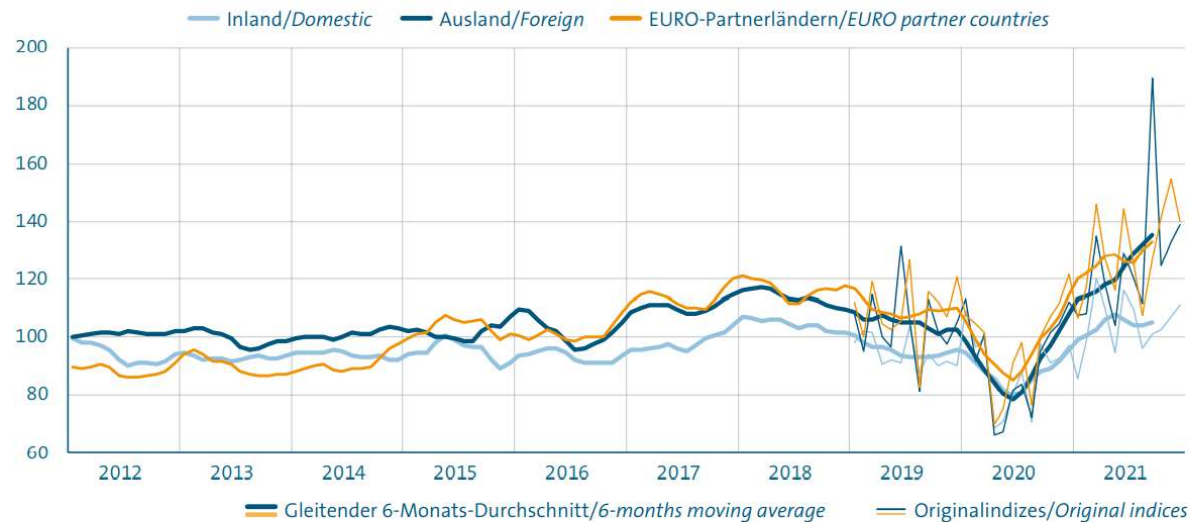
Mr. Li, Ke-Qiang by Xin Hua News Agency

Plastic Injection/Industrial Machinery Market Trends

- ✦ The German Mechanical Engineering Association (VDMA) predicts that German industrial machinery production will only grow by 1% this year (6.4% in 2021)
- ✦ Reasons for orders decline: the slowdown of economic growth in mainland China, global supply chain disruptions, and the Ukrainian-Russian war (75% of German machinery manufacturers plan to reduce their participation or withdraw from the Russian market in the next six months)

Auftragseingang im Maschinenbau in Deutschland Incoming orders in mechanical engineering in Germany

Preisbereinigte Indizes, Basis Umsatz 2015 = 100/Volume index, turnover 2015 = 100



Quelle/Source: VDMA

Development Strategy

Taichung Factory Investment

- ✦ **Timeline:** Construction started in 2020, targeting trial production by Q4 2022.
- ✦ **Capacity:** 80,000-100,000 tons/year.
- ✦ **25K by 2023, 50K by 2024, 75K by 2025**
- ✦ **Advantages:**
 - Customers nearby (Siemens/Vestas)
 - Localization requirements
 - Proximity to harbor
 - Government incentives
- ✦ **CAPEX**
 - Phase 1: NT\$ 8.3bn to reach 45k output



Steel Structure installations near completion. The transportation of production equipment has been delayed due to COVID Lockdowns in mainland China.

Plans to enter production in Q4 2022

Thailand Factory Investment

- ✦ 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
- ✦ CAPEX: estimated NT\$ 2.6 billion for Phase 1



Factory design being finalized.
Construction scheduled for H2 2022.

Outlook for 2022 and Beyond

✦ Near Term (1-2 years)

- Develop new customers/meet increased wind demand from China.
- For 2022, we expect steady demand from all other sectors, translating to 195,000-200,000 tons output.
- Taichung factory for wind castings: production in 2022

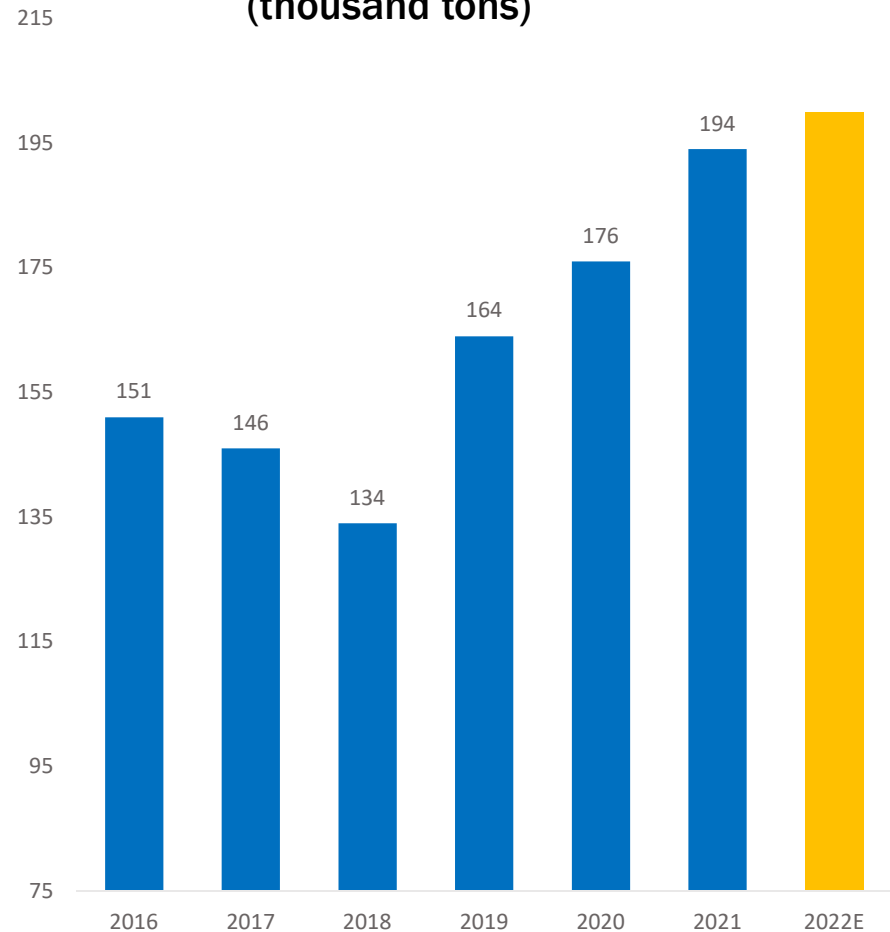
✦ Mid Term (3-5 years)

- Thailand plant: Construction starts in 2022. Production begins in 2024.
- 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	2018	2019	2020	2021	2022 Q1	2021 Q1	YoY(%)				
							2018	2019	2020	2021	2022 Q1 VS 2021 Q1
Sales Revenue	6,196	7,900	8,184	8,948	1,813	2,146	-3.2	27.5	3.6	9.3	-15.5
Gross Profit	831	1,371	1,790	1,770	196	551	-42	65	30.6	-1.1	-64.4
Operating Profit	-245	212	545	316	-118	200	-183.1	-186.5	-157.1	-42	-159
Income before Tax	-232	221	624	321	-217	157	-167.8	-195.3	-182.4	-48.6	-238.2
Net Income	-274	164	517	214	-196	126	-206.2	-159.9	-215.2	-58.6	-255.6
EPS (NT\$)	-2.48	1.54	4.81	1.95	-1.75	1.13	-208.8	-162.1	-212.3	-59.5	-254.9

Key financial ratio (%)

Gross Margin	13	18	22	20	11	26
Operating Margin	-4	3	6	3	-7	9
Net Margin	-4	2	6	2	-11	6
OPEX ratio	17	15	16	17	18	17

Historical Balance Sheet

NT\$ Million	2018	2019	2020	2021	2022 Q1	2021 Q1	YoY(%)				
							2018	2019	2020	2021	2022 Q1 VS 2021 Q1
TOTAL ASSETS	14,531	13,521	16,394	18,470	19,669	16,600	0.3	-7	21.2	12.7	18.5
Cash	3,153	1,451	2,682	1,994	2,252	1,935	-4.9	-54	84.8	-25.7	16.4
NR & AR	2,103	2,947	3,517	3,242	2,812	3,540	3.8	40.1	19.3	-7.8	-20.6
Inventory	1,368	1,226	1,324	1,660	1,886	1,431	8.9	-10.4	8	25.4	31.8
Fixed Asset	5,920	5,735	5,756	7,239	7,864	6,461	-5.7	-3.1	0.4	25.8	21.7
TOTAL LIABILITIES	6,250	5,699	7,630	9,635	10,636	7,678	31.1	-8.8	33.9	26.3	38.5
Bank Loans	4,584	3,858	3,498	4,344	6,244	3,681	649	-15.8	-9.3	24.2	69.6
NP & AP	1,050	990	1,646	2,422	2,084	1,709	-7.6	-5.7	66.3	47.1	21.9
TOTAL EQUITY	8,281	7,822	8,764	8,835	9,033	8,922	-14.8	-5.5	12	0.8	1.2
Common Stock	1,116	1,056	1,106	1,106	1,106	1,106	-6.1	-5.4	4.7	0	0
Book value per share	72.9	72.5	79.2	79.9	81.7	80.7					
A/R turnover days	123	117	145	139	154	151					
Inventory turnover days	97	78	76	77	103	80					
A/P turnover days	74	57	75	103	127	96					
ROE (%)*	-3.2	2.1	6.3	3	-2.2	1.4					

* ROE: Parent company Net income / average common equity

Quarterly Income Statement

NT\$ Million	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Sales Revenue	2,229	1,130	2,136	2,431	2,488	2,146	2,235	2,270	2,296	1,813
Gross Profit	459	127	465	582	616	551	450	400	369	196
Operating Profit	99	(111)	154	290	212	200	83	36	(2)	(118)
Income before Tax	186	(128)	223	267	262	157	123	36	5	(217)
Net Income	172	(113)	193	207	230	126	141	29	(82)	(196)
EPS (NT\$)	1.62	(1.06)	1.82	1.94	2.12	1.13	1.27	0.27	(0.72)	(1.75)
Revenue by Application (%)	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22
Renewable Energy	66.6	60.7	67.0	72.8	67.4	60.3	46.2	43.2	41.1	33.8
Injection Molding Machine	14.6	17.7	14.1	11.7	14.4	18.4	24.5	26.5	30.7	32.4
Industrial Machinery	18.8	21.6	18.9	15.5	18.2	21.3	29.3	30.3	28.2	33.8

Thank you for your consideration!



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