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Cathay Securities Taiwan Symposium - YGG (1589 TT)

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Outline



1. Business Updates & Strategy



2. 2021 Q1 Financial Highlights



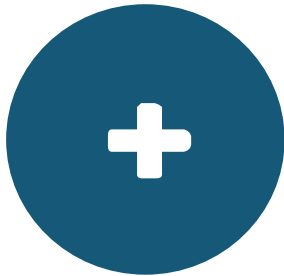
3. Market Trends



4. Appendix

Business Updates & Strategy

2021 Q1 Updates



COVID-19 in India

COVID-19 new cases surging in India and Southeast Asian countries

Indian market is less than 6% of revenue, shipments to India is normal



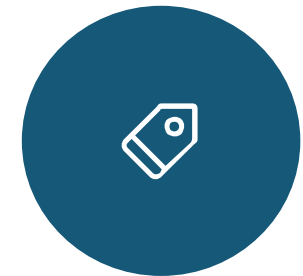
New Customers

World economies are recovering from COVID-19, and thus demand for high quality casting increase as well. New customers are developed in all sectors, including Enercon of Germany



Record Breaking 2021 Q1

Q1 shipment reached 45,622 tons
Q2 shipment targets 47,500-50,000 tons



Raw Material Increase & 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.

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
 - US Supply Chain Focused
- ✦ Capex
 - Phase 1: NT\$ 5.22bn to reach 45k output



Received Construction License in mid January 2021.
Construction underway 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
 - US Supply Chain focused
- ✦ 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

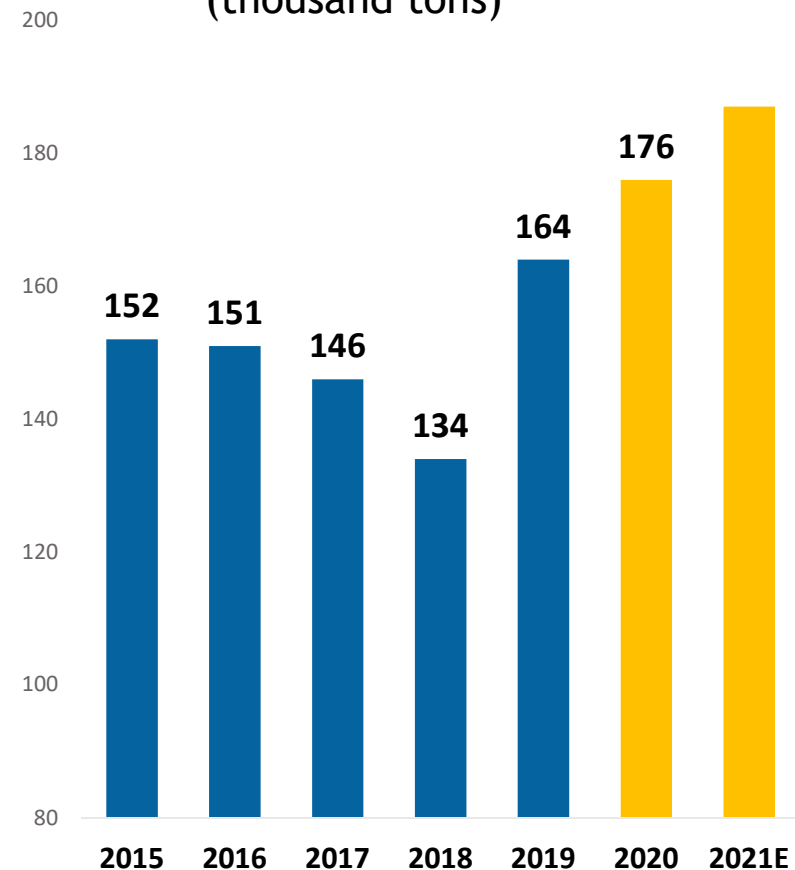
✦ Mid Term (3-5 years)

- 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)

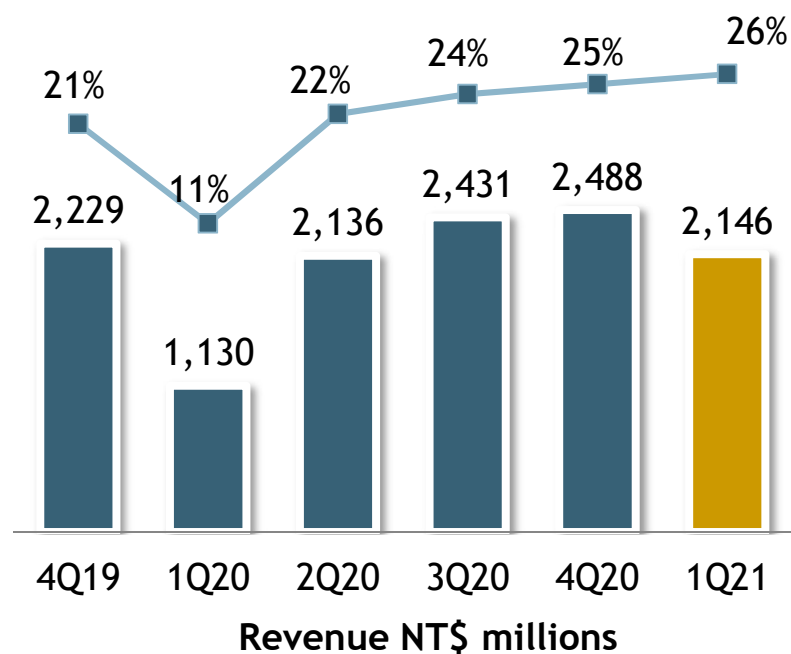


2021 Q1 Financial Highlights

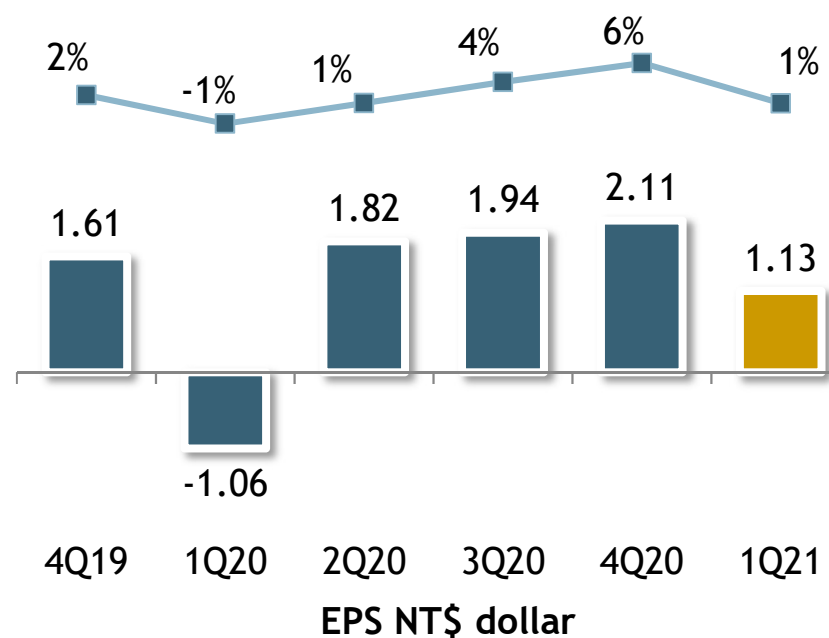
Record Breaking Q1 Performance

- Due to growing demand from plastic injection molding/industrial machinery sectors, 2021 Q1's revenue and shipment volume reaches new heights since 2012.

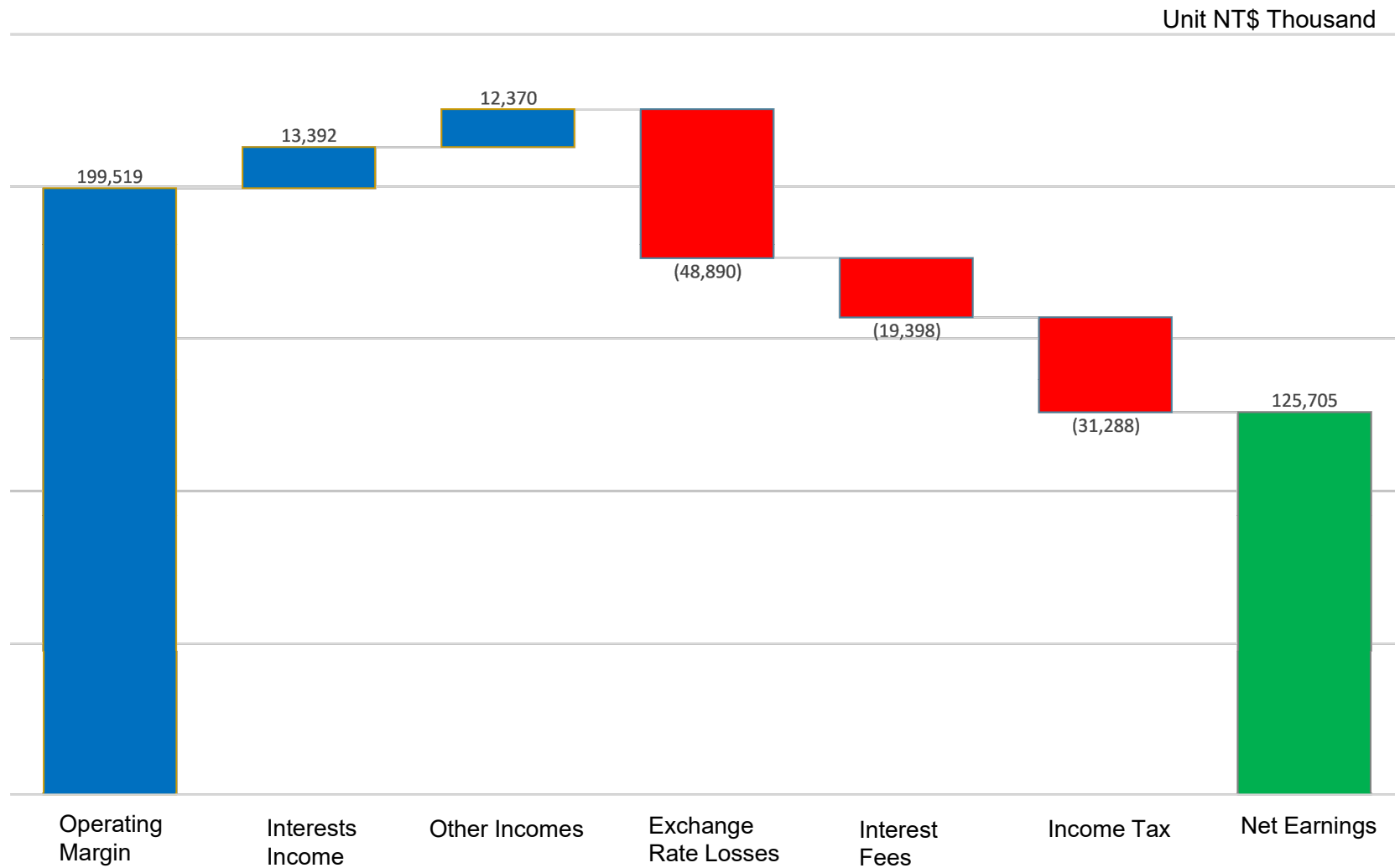
Gross Margin



Return on Equity

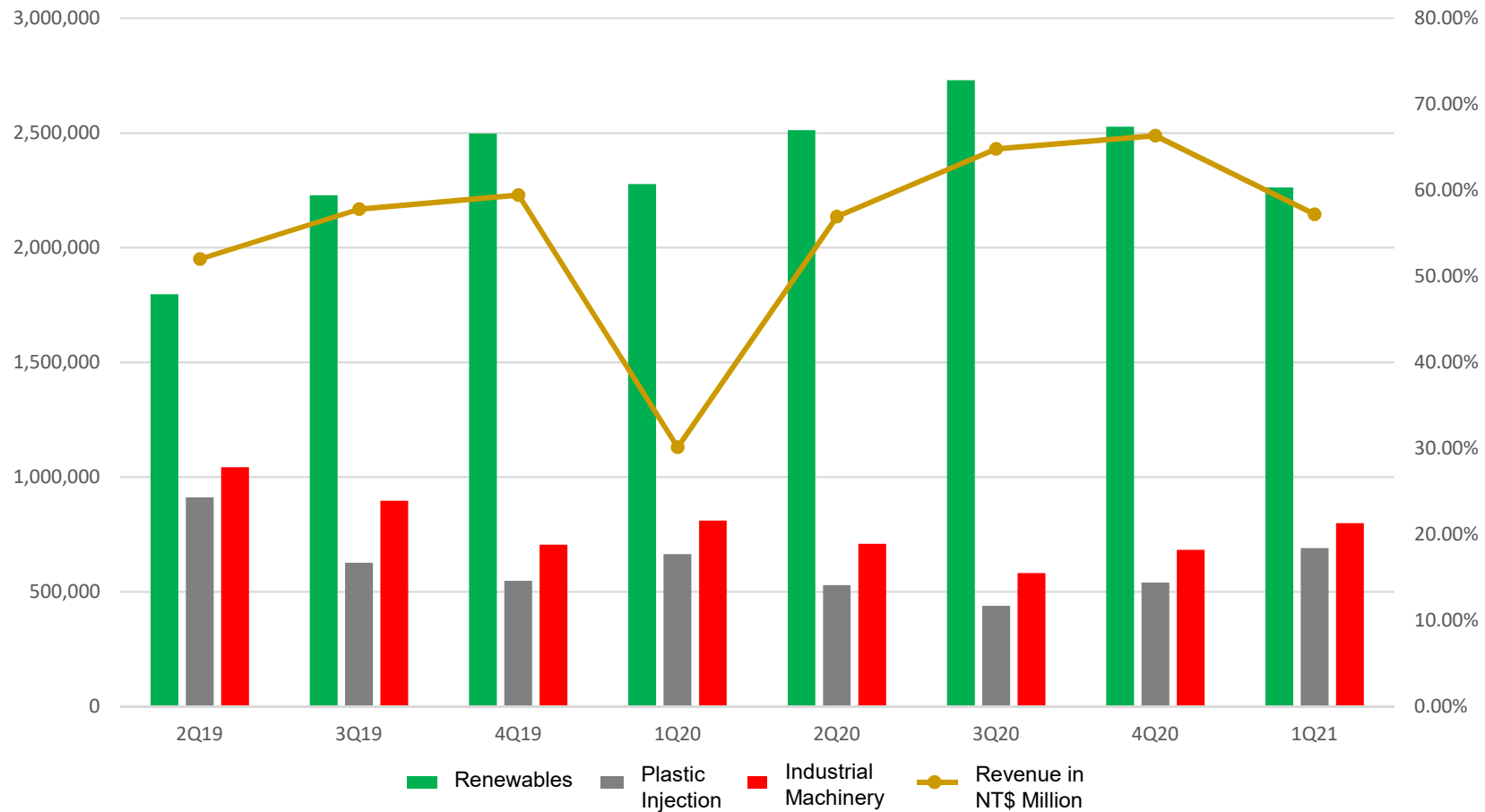


2021 Q1 Net Earnings Analysis



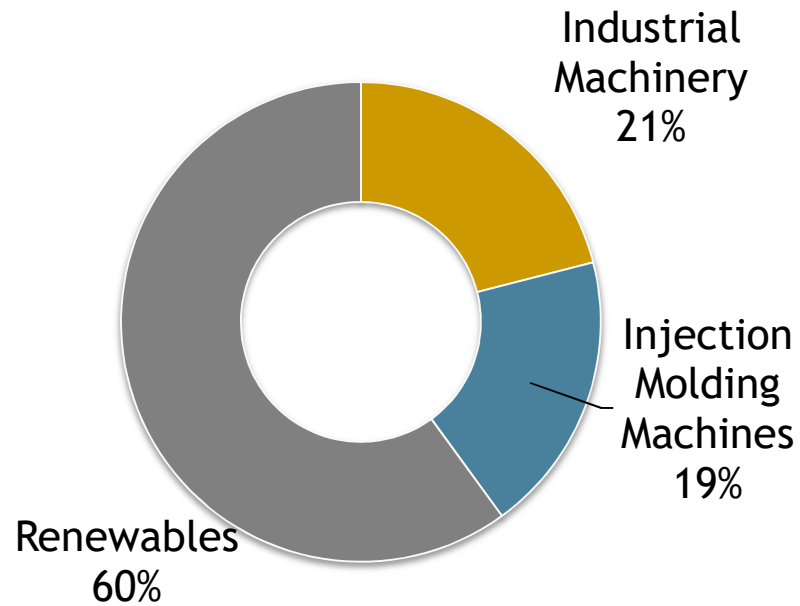
Plastics/Industrial Machinery Industries Rebound

- ✦ 2021 Q1 Revenue composition: Renewables 60.3%, Plastic Injection 18.4%, Industrial Machinery 21.3%
- ✦ Plastic Injection Molding/Industrial Machineries demand grows, while Renewables demand remains steady.

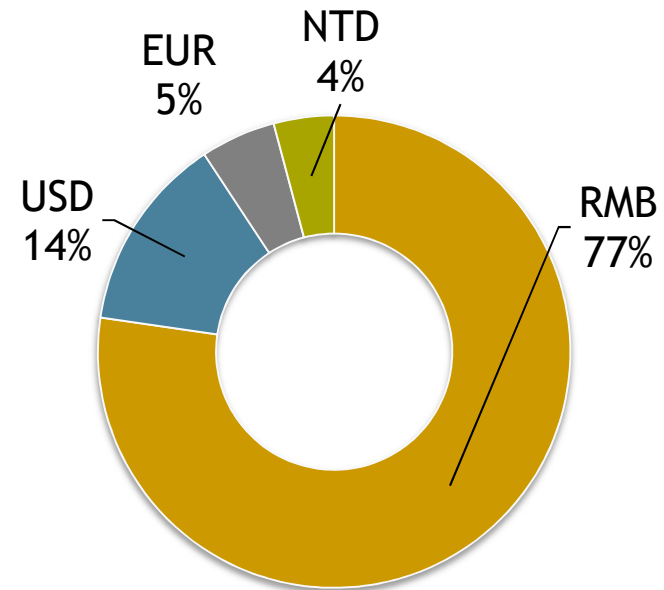


2021 Q1 Revenue Analysis

Revenue by Application (%)



Revenue by Currency (%)



2021 Q1 Income Statement

Unit: Thousand NTD	1Q 2021	4Q2020	QoQ	1Q2020	YoY
Revenue	2,145,708	2,487,809	-14%	1,130,199	90%
Gross Profit	550,607	616,074	-11%	126,516	335%
Gross Margin	26%	25%	↑1PP	11%	↑15PP
Operating Expense	351,088	404,143	-13%	237,874	48%
Operating Income	199,519	211,931	-6%	(111,358)	279%
Operating Profit Ratio	9%	9%	0PP	(10)	↑19PP
Non Operating Items	(42,526)	49,871	-185%	(16,668)	-155%
Profit before Tax	156,993	261,802	-40%	(128,026)	-223%
Profit after Tax	125,705	229,678	-45%	(112,830)	211%
EPS (Basic \$NTD)	1.13	2.11		(1.06)	

2021 Q1 Balance Sheet

Unit: Thousand NTD	1Q 2021	4Q2020	QoQ	1Q2020	YoY
Total Assets	16,599,842	16,394,386	1.3%	13,269,779	25.1%
Cash	1,935,231	2,682,852	-27.9%	1,384,711	39.8%
NR & AR	3,540,410	3,516,934	0.7%	2,171,125	63.1%
Inventory	1,430,904	1,324,434	8.0%	1,340,458	6.7%
Total Non-Current Assets	7,673,787	6,980,605	9.9%	6,603,537	16.2%
Total Liabilities	7,677,845	7,630,444	0.6%	5,667,224	35.5%
Bank Loans	3,680,693	3,498,085	5.2%	4,183,919	-12%
NP & AP	1,708,879	1,646,381	3.8%	814,689	109.8%
Total Equity	8,921,997	8,763,942	1.8%	7,602,555	17.4%
Common Stock	1,106,175	1,106,175		1,056,175	

Market Trends

American Jobs Plan

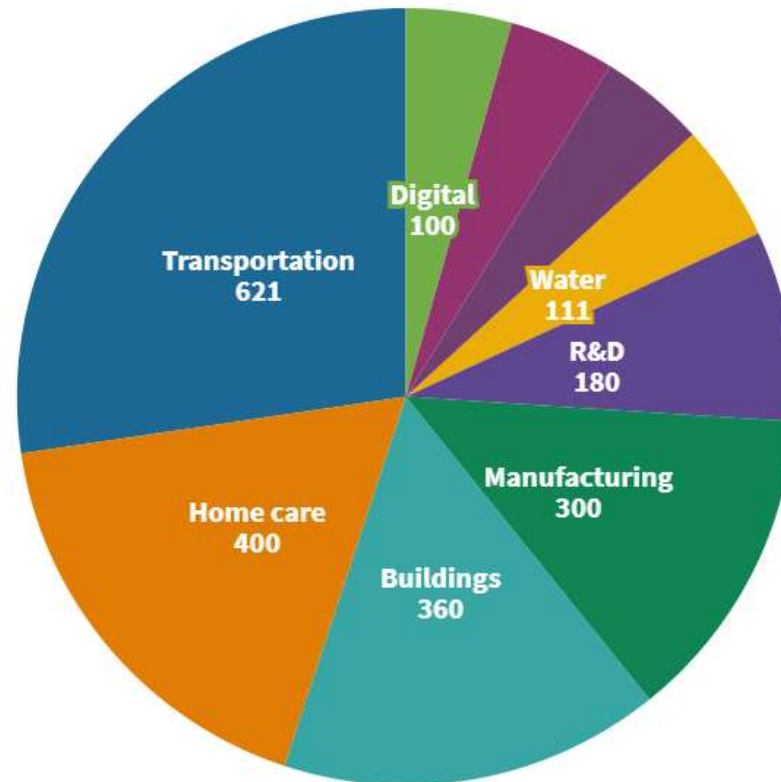
American Jobs Plan spending by category In billions

■ Transportation ■ Water ■ Digital ■ Power ■ Buildings ■ Home care ■ R&D ■ Manufacturing ■ Workforce development

- ✦ Biden announces USD 2.28 trillion spending plan focused on job creation
- ✦ Jobs plan includes investments in infrastructure and manufacturing, which will drive demand for machinery



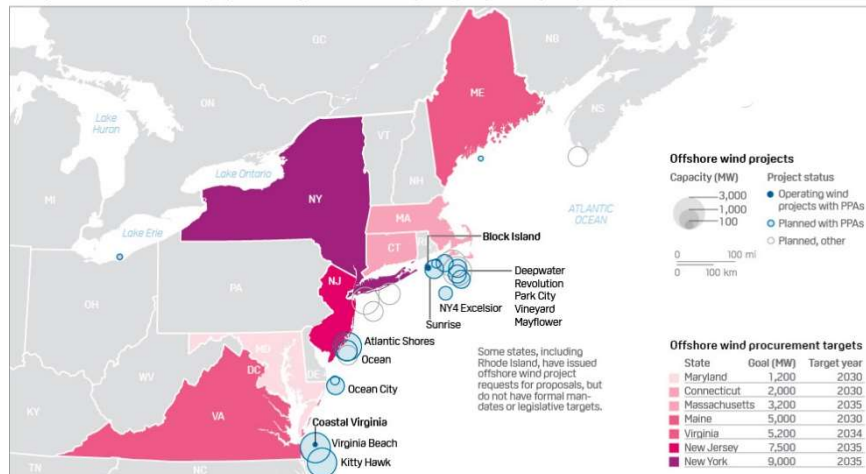
Source: [White House](#)



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

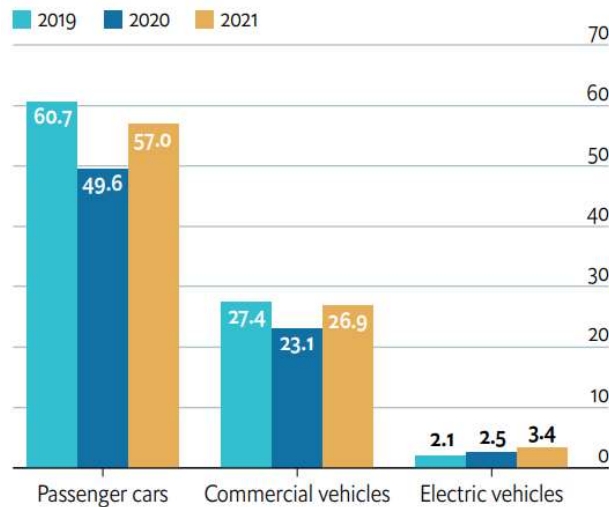
- ✦ Biden Administration: Achieve net zero greenhouse gas emissions by 2050. By 2030, reduce greenhouse gas emissions by at least 50% compared to 2005 levels
- ✦ Build 30 GW of Offshore Wind by 2030
- ✦ US Department of Energy to spend USD 3 billion on offshore wind development

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

A partial recovery

(global new-vehicle registrations; m units)



Source: The Economist Intelligence Unit.

* 51 largest markets.



10.03.2021

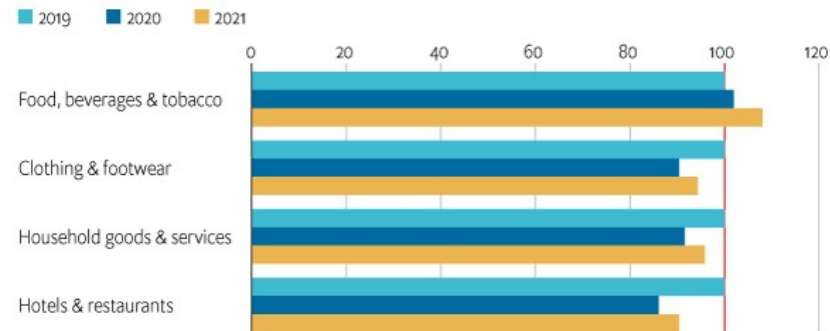
Optimism in plastics and rubber machinery industry continues in 2021



-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

Consumer spending on non-essentials will be slow to recover

(overall global* spending in US\$m; 2019=100)



Source: The Economist Intelligence Unit.

*Total of 52 of the largest economies.

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.

Appendix

Yeong Guan Overview

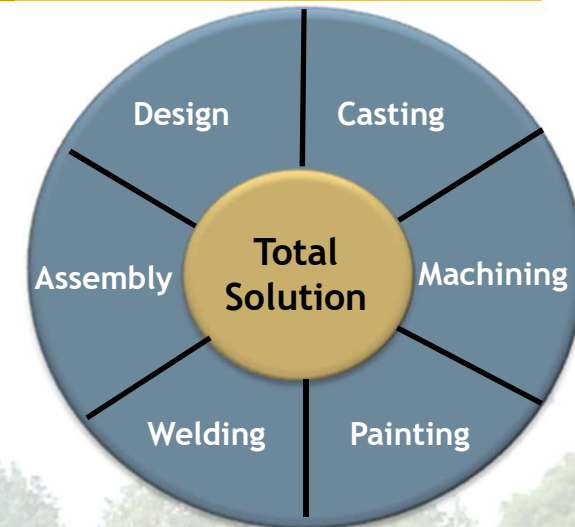
✧ Nearly half a century in the foundry industry

- 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



Historical Income Statement

NT\$ Million	2016	2017	2018	2019	2020	2021 Q1	2020 Q1	YoY (%)				
								2017	2018	2019	2020	2021 Q1 vs 2020 Q1
Sales Revenue	7,374	6,404	6,196	7,900	8,184	2,146	1,130	-13.2	-3.2	27.5	3.6	89.9
Gross Profit	2,419	1,432	831	1,371	1,790	551	127	-40.8	-42	65	30.6	333.9
Operating Profit	1,144	295	-245	212	545	200	-111	-74.2	-183.1	186.5	157.1	-280.2
Income before Tax	1,325	342	-232	221	624	157	-128	-74.2	-167.8	195.3	182.4	-222.7
Net Income	997	258	-274	164	517	126	-113	-74.1	-206.2	159.9	215.2	211.5
EPS (NT\$)	8.5	2.28	-2.48	1.54	4.81	1.13	-1.06	-73.2	-208.8	162.1	212.3	206.6
Key financial ratio (%)												
Gross Margin	33	22	13	18	22	26	11					
Operating Margin	16	4	-4	3	6	9	-10					
Net Margin	13	4	-4	2	6	6	-10					
OPEX ratio	17	18	17	15	16	17	21					

Historical Balance Sheet

NT\$ Million	2016	2017	2018	2019	2020	2021 Q1	2020 Q1	YoY(%)				
								2017	2018	2019	2020	2021 Q1 vs 2020 Q1
TOTAL ASSETS	15,052	14,483	14,531	13,521	16,394	16,600	13,270	-3.8	0.3	-7	21.2	25.1
Cash	4,241	3,316	3,153	1,451	2,682	1,935	1,042	-21.8	-4.9	-54	84.8	85.7
NR & AR	2,186	2,026	2,103	2,947	3,517	3,540	2,171	-7.3	3.8	40.1	19.3	63.1
Inventory	1,261	1,256	1,368	1,226	1,324	1,431	1,340	-0.4	8.9	-10.4	8	6.8
Fixed Asset	5,701	6,279	5,920	5,735	5,756	6,461	5,623	10.1	-5.7	-3.1	0.4	14.9
TOTAL LIABILITIES	4,974	4,768	6,250	5,699	7,630	7,678	5,667	-4.1	31.1	-8.8	33.9	35.5
Bank Loans	619	612	4,584	3,858	3,498	3,681	4,184	-1.1	649	-15.8	-9.3	-12
NP & AP	1,098	1,136	1,050	990	1,646	1,709	815	3.5	-7.6	-5.7	66.3	109.7
TOTAL EQUITY	10,078	9,715	8,281	7,822	8,764	8,922	7,603	-3.6	-14.8	-5.5	12	17.3
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	80.7	72.0					
A/R turnover days	116	121	123	117	145	151	208					
Inventory turnover days	98	99	97	78	76	80	125					
A/P turnover days	82	82	74	57	75	96	82					
ROE (%)*	9.8	2.8	-3.2	2.1	6.3	1.4	-1.5					

Quarterly Income Statement

NT\$ Million	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Sales Revenue	1,703	1,552	1,951	2,168	2,229	1,130	2,136	2,431	2,488	2,146
Gross Profit	266	218	304	390	459	127	465	582	616	551
Operating Profit	(29)	(38)	47	105	99	(111)	154	290	212	200
Income before Tax	(51)	(102)	35	101	186	(128)	223	267	262	157
Net Income	(60)	(106)	19	80	172	(113)	193	207	230	126
EPS (NT\$)	(0.55)	(1.00)	0.18	0.75	1.62	(1.06)	1.82	1.94	2.12	1.13
Revenue by Application (%)	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Renewable Energy	38.8	43.3	47.9	59.4	66.6	60.7	67.0	72.8	67.4	60.3
Injection Molding Machine	29.2	26.9	24.3	16.7	14.6	17.7	14.1	11.7	14.4	18.4
Industrial Machinery	32.0	29.8	27.8	23.9	18.8	21.6	18.9	15.5	18.2	21.3

Thank you for your consideration!



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