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2021 Q3 Online Forum

Yeong Guan (1589 TT)

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Outline



1. Carbon Neutral & Market Trends



2. Business Updates & Strategy



3. 2021 Q1 Financial Highlights



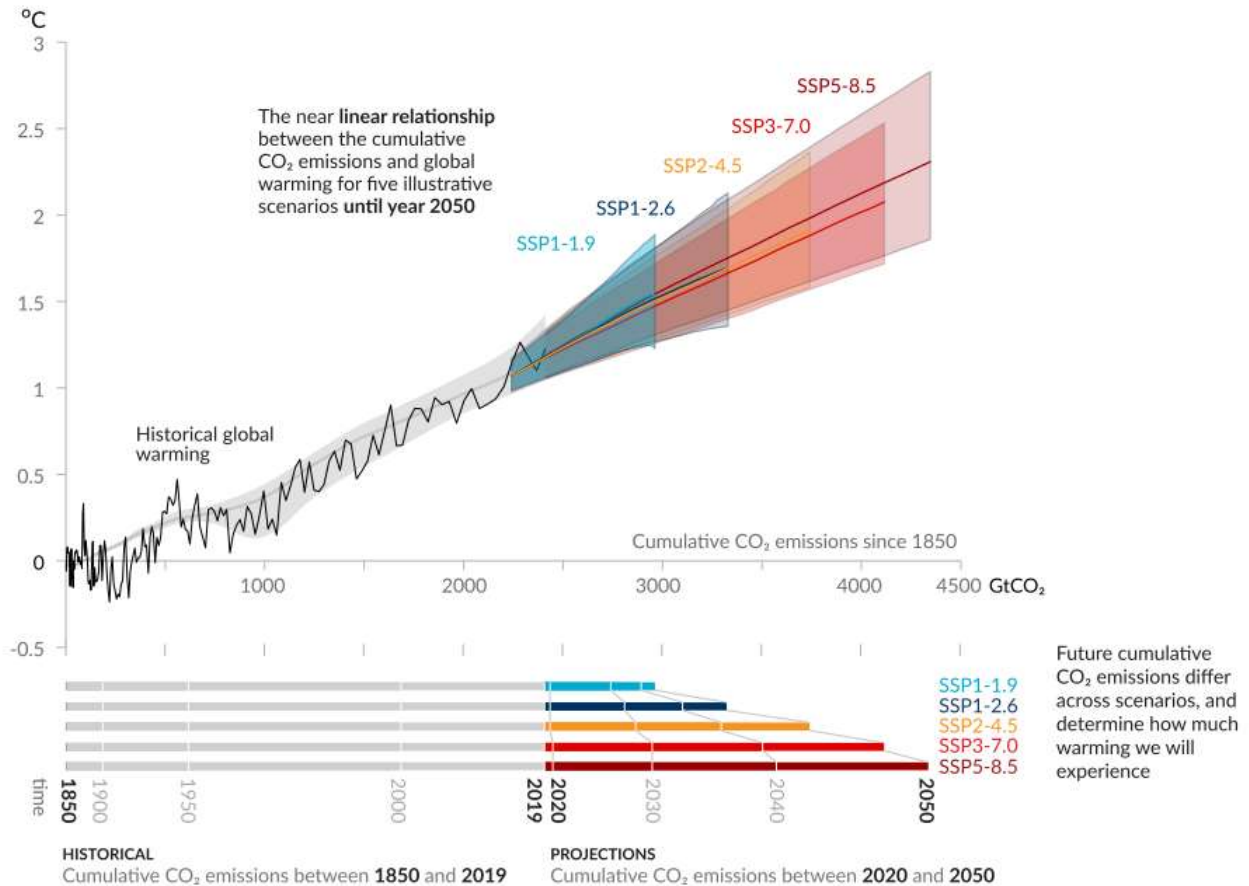
4. Appendix

Carbon Neutral & Market Trends

Global Warming for 30 years

Every tonne of CO₂ emissions adds to global warming

Global surface temperature increase since 1850-1900 (°C) as a function of cumulative CO₂ emissions (GtCO₂)



- ✦ United Nations reports: global average temp to increase by 1.5 Celsius. Extreme weather events more common.
- ✦ This report will be reviewed again at COP26 held in Glasgow, UK in November. Countries are expected to further limit emissions in order to control global warming to within 1.5 Celsius.

Strategy Investment into Renewables



蔡政府打造六大核心戰略產業

- 一、強化資訊及數位相關產業發展，將推動物聯網、AI
- 二、結合 5G 時代、數位轉型及國家安全的資安產業鏈
- 三、扶植台灣產業，接軌全球生物及醫療科技頂尖技術
- 四、發展軍民整合的國防及戰略產業，拚進軍航太產業
- 五、加速發展綠電及再生能源，台灣將成亞太綠能中心
- 六、建構關鍵物資供應的民生及戰備產業鏈，維持自給

鉅亨網編輯陳于晴製表

In the past four years, renewable energy has developed by leaps and bounds, and Taiwan has become a hot spot for international renewable energy investment. On this basis, I am confident that the goal of 20% of green energy in the total energy will be achieved by 2025, and Taiwan will become the Asia-Pacific green energy center. "——President Tsai Ing-wen's inaugural speech on May 20, 2020

Offshore Wind in Taiwan

經濟部

一、離岸風電推動政策-三階段策略



第一階段 示範獎勵

- ✓ 2019年：苗栗海洋示範案 (128 MW，已商轉)
- ✓ 2021年：彰化台電示範案 (109.2 MW，建置中)



第二階段 潛力場址

- ✓ 2015年：公開 36 處潛力場址
- ✓ 2018年：完成遴選及競價作業
 - 遴選 3.8 GW
 - 競價 1.7 GW
- ✓ 2025年：5.5 GW 商轉

第三階段 區塊開發

- ✓ 2026-2035年：
 - 釋出容量 2026 - 2035 年，每年 1.5 GW 開發容量
 - 兩階段選商策略
 - 先履約能力審查
 - 後競價程序
 - 延續納入產業關聯考量



Source: 經濟部

Offshore Wind in Taiwan

經濟部

二、區塊開發選商機制規劃 - 規劃重點

2026 - 2035 年總量 15 GW

先履約能力審查，後競價程序

2026 - 2031 年
釋出容量 9 GW

2032 - 2035 年
釋出容量 6 GW

第一階段 (分年分期辦理)

第 1 期

- 併網年度
2026 - 2027 年
- 分配 3 GW
(1.5 GW/年)
- 選商時程
2022 年 Q3

第 2 期

- 併網年度
2028 - 2029 年
- 分配 3 GW
(1.5 GW/年)
- 選商時程
2023 年 Q2

第 3 期

- 併網年度
2030 - 2031 年
- 分配 3 GW
(1.5 GW/年)
- 選商時程
2024 年 Q2

➤ 經濟部得視第 1 期辦理情形，滾動檢討第 2、3 期選商作業規劃。

第二階段

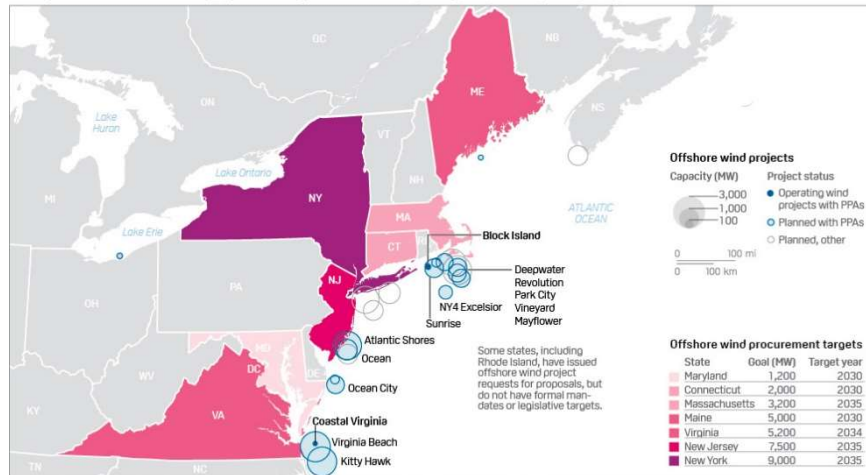
視第一階段選商結果、國際技術發展等，另行規劃

- ✧ In H1 2021, SGRE unveils 14 MW turbine while Vestas announces 15MW turbine
- ✧ One 14 MW uses 150 tons of castings
- ✧ 15 GW equals 150,000 tons or 15,000 tons/year demand for castings

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

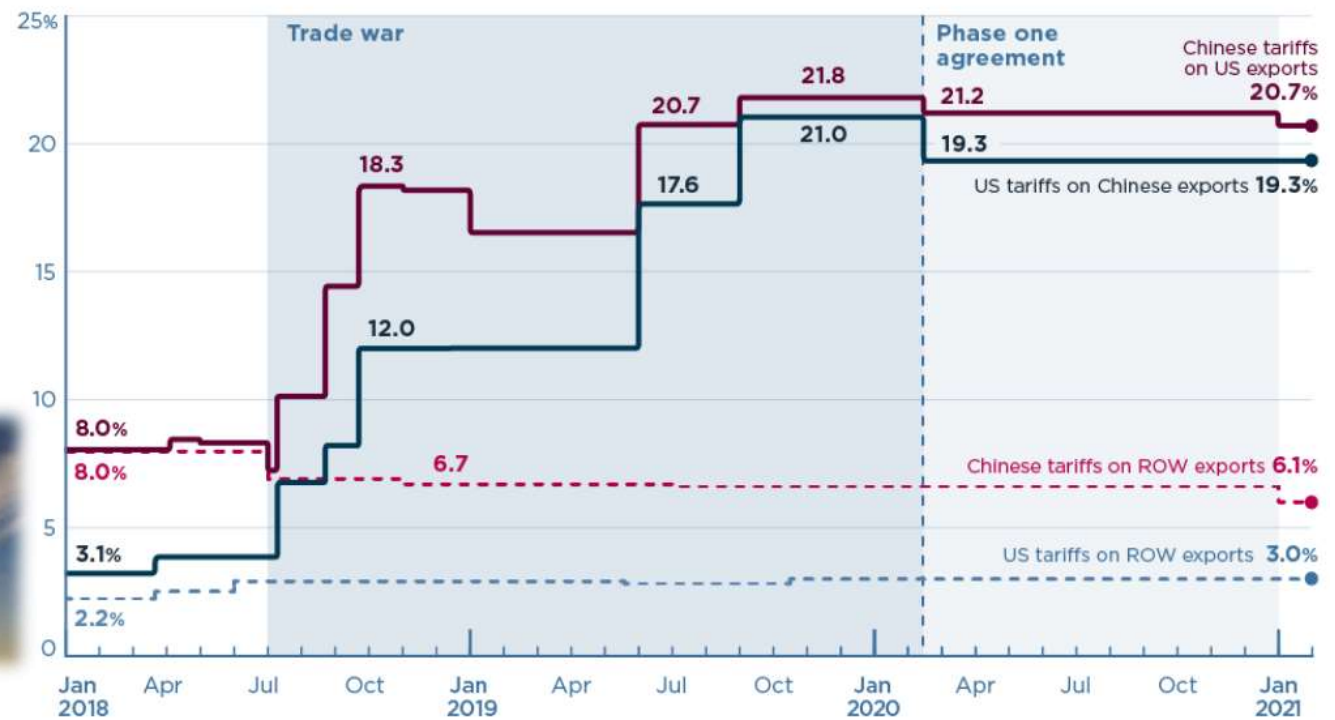
- ✦ Biden Administration: Achieve net zero greenhouse gas emissions by 2050. By 2030, reduce greenhouse gas emissions by at least 50% compared to 2005 levels
- ✦ Build 30 GW of Offshore Wind by 2030
- ✦ US Department of Energy to spend USD 3 billion on offshore wind development

US Wind Market Developments

- ✧ Fmr. Pres. Trump's 25% tariffs against Chinese Wind castings still in effect.
- ✧ YGG Taichung factory will be an strategic supplier for wind assembly plants in US

US-China trade war tariffs: An up-to-date chart

a. US-China tariff rates toward each other and rest of world (ROW)



Source: PIIE



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

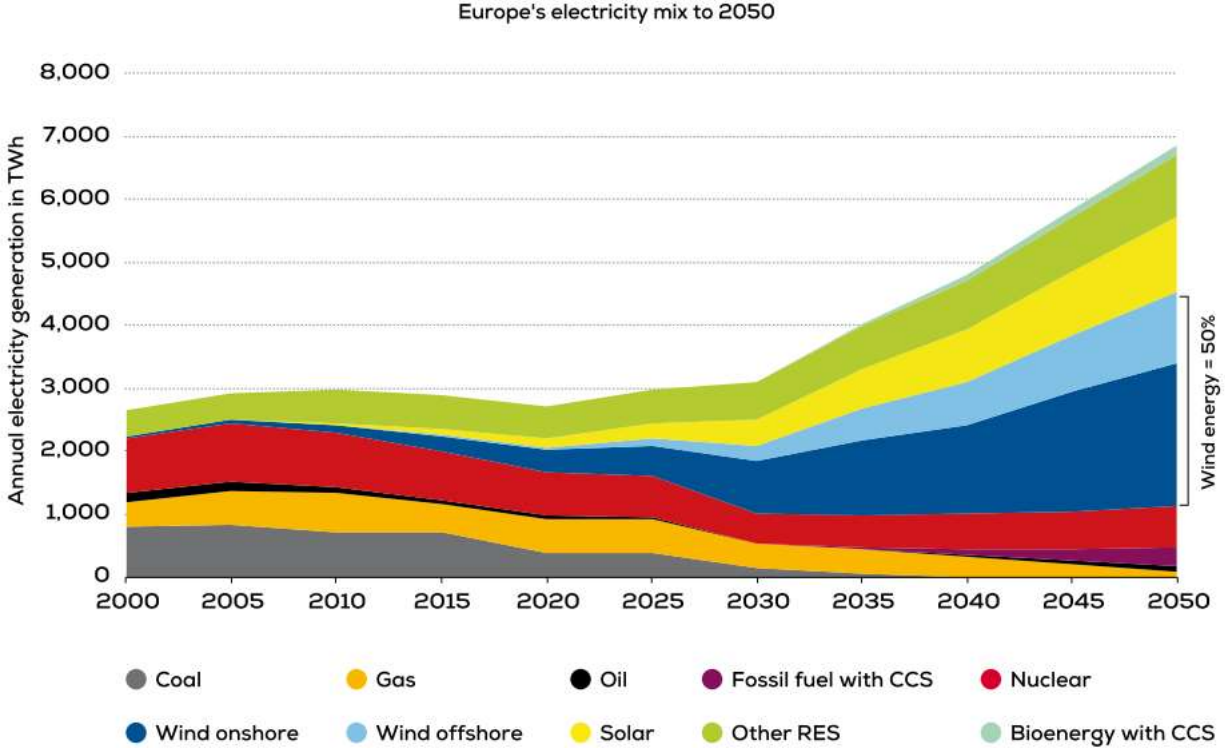
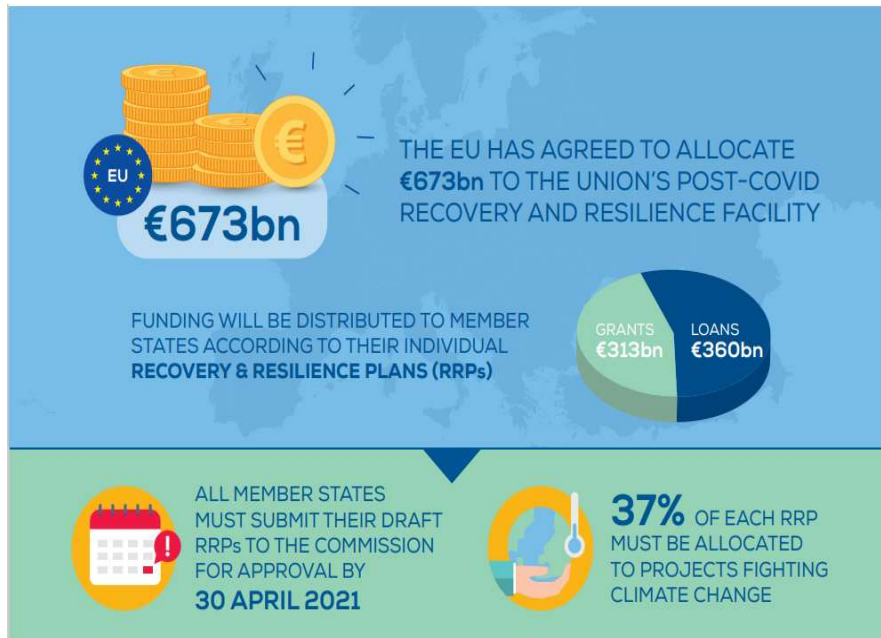


Figure 2. EU27 Electricity production mix to 2050. Source: WindEurope based on European Commission Impact Assessment, COVID MIX scenario, 2020.

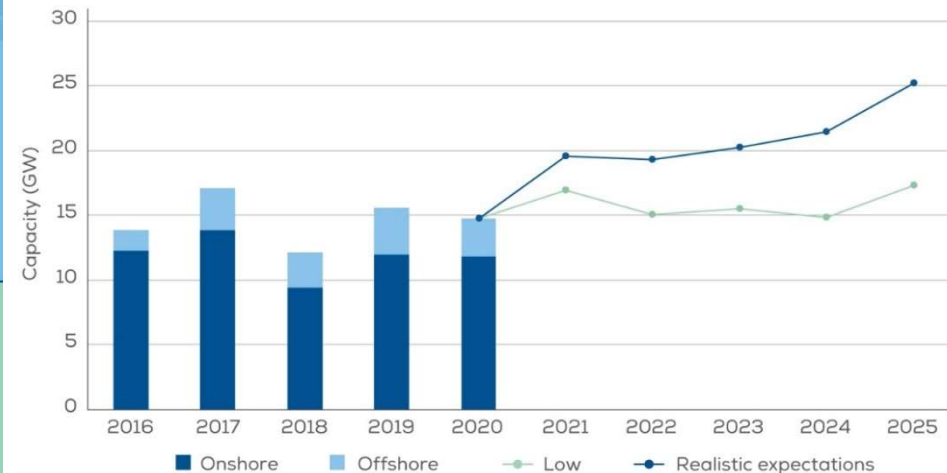
EU Wind Market Developments



Source: Wind Europe

- ✦ 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.

Wind EUROPE



Source: Wind Europe

- ✦ 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

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)



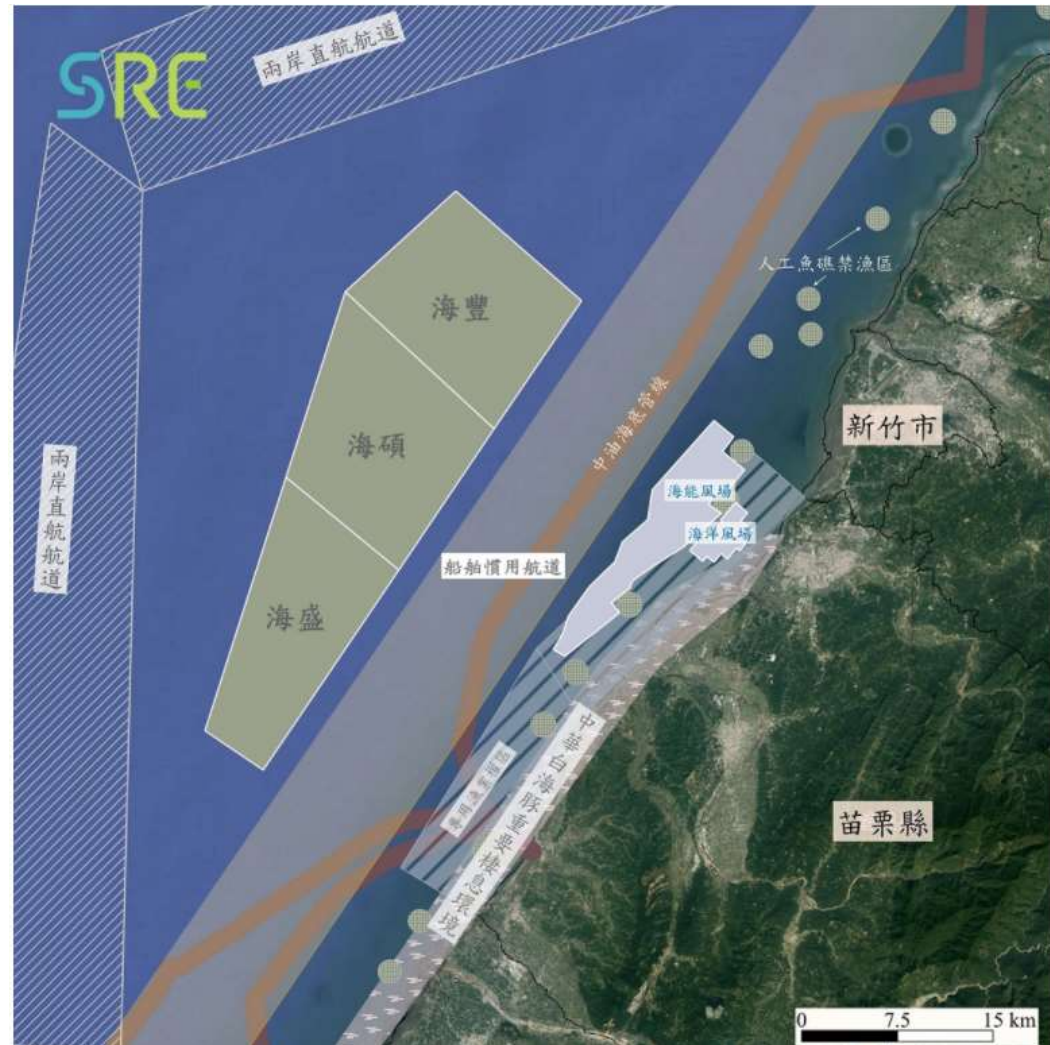
Source: GWEC Market Intelligence; IEA World Energy Outlook (2020). volume in 2022-2024 and 2026-2029 are estimates

Business Updates & Strategy

Yeong Guan joins Taiwan Wind Developer



- ❖ Offshore wind power Taiwan team plans large-scale wind farm project Formosa 4 and Formosa 5. The potential total installation capacity is as high as 4.4GW (million kW), which can meet the electricity demand of about 4.5 million households
- ❖ As a wind farm developers, YGG gains insight on market requirements for the supply chain, to enhance the company's overall competitive advantage.



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

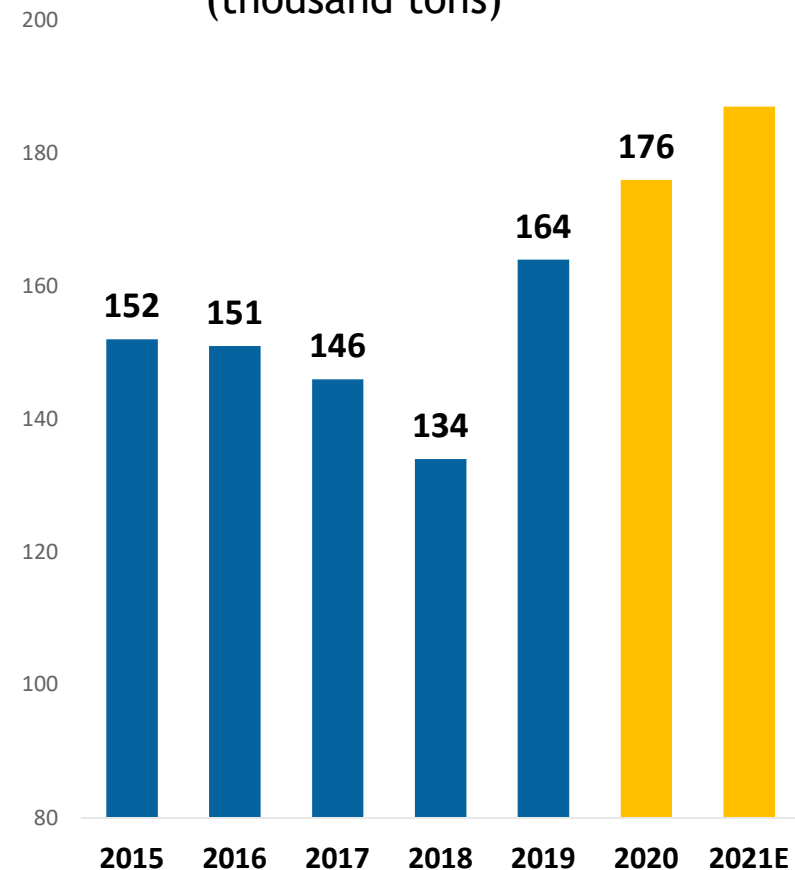
✦ Mid Term (3-5 years)

- 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)

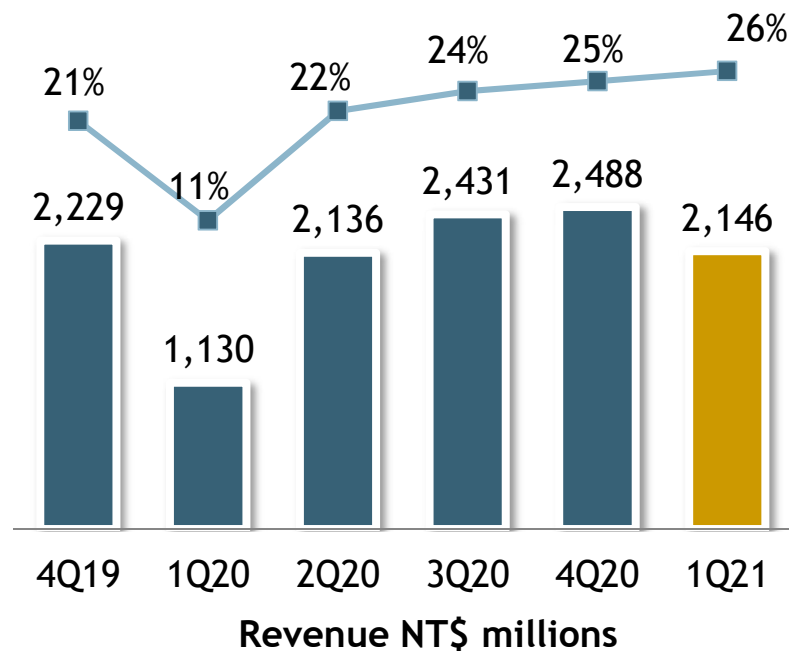


2021 Q1 Financial Highlights

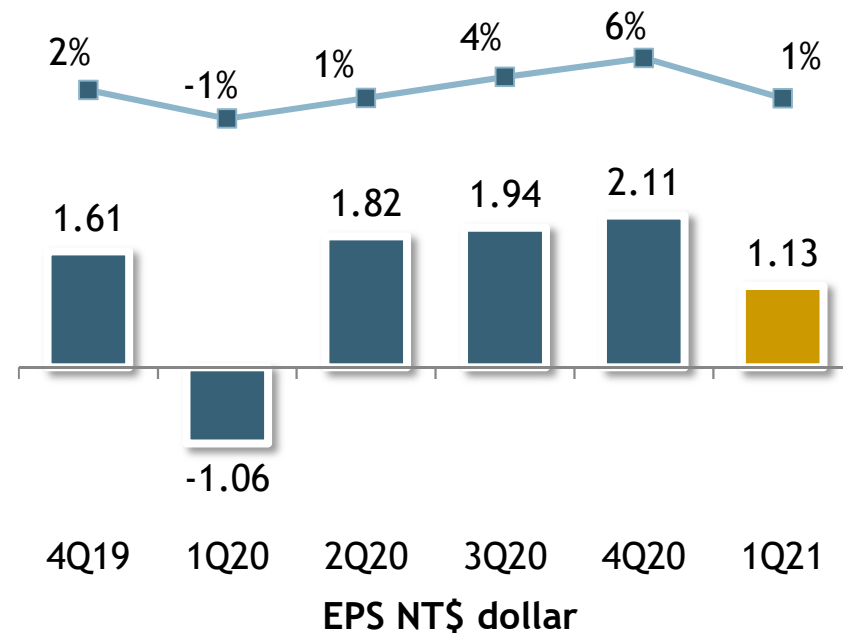
Record Breaking Q1 Performance

- 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

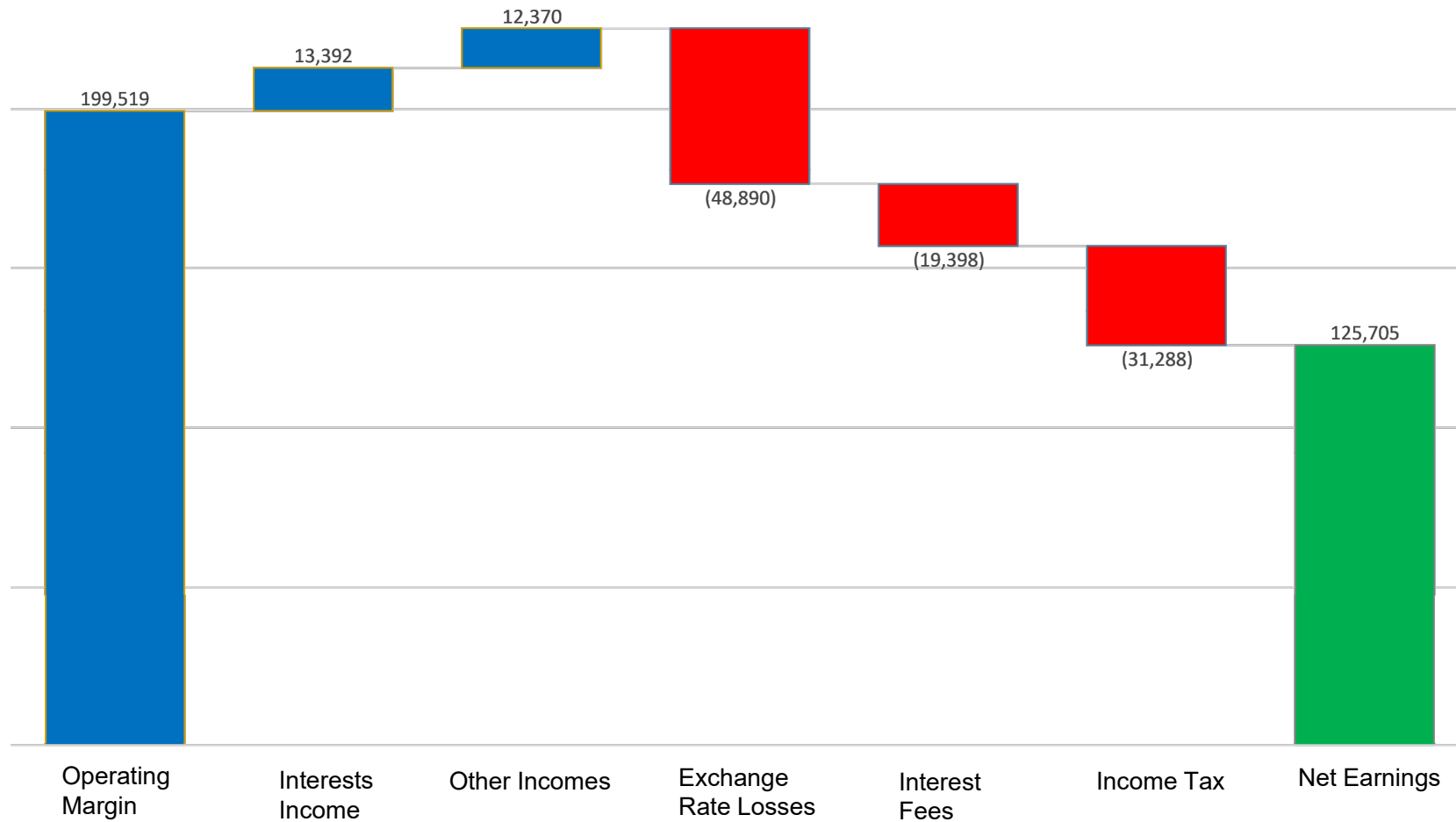


Return on Equity



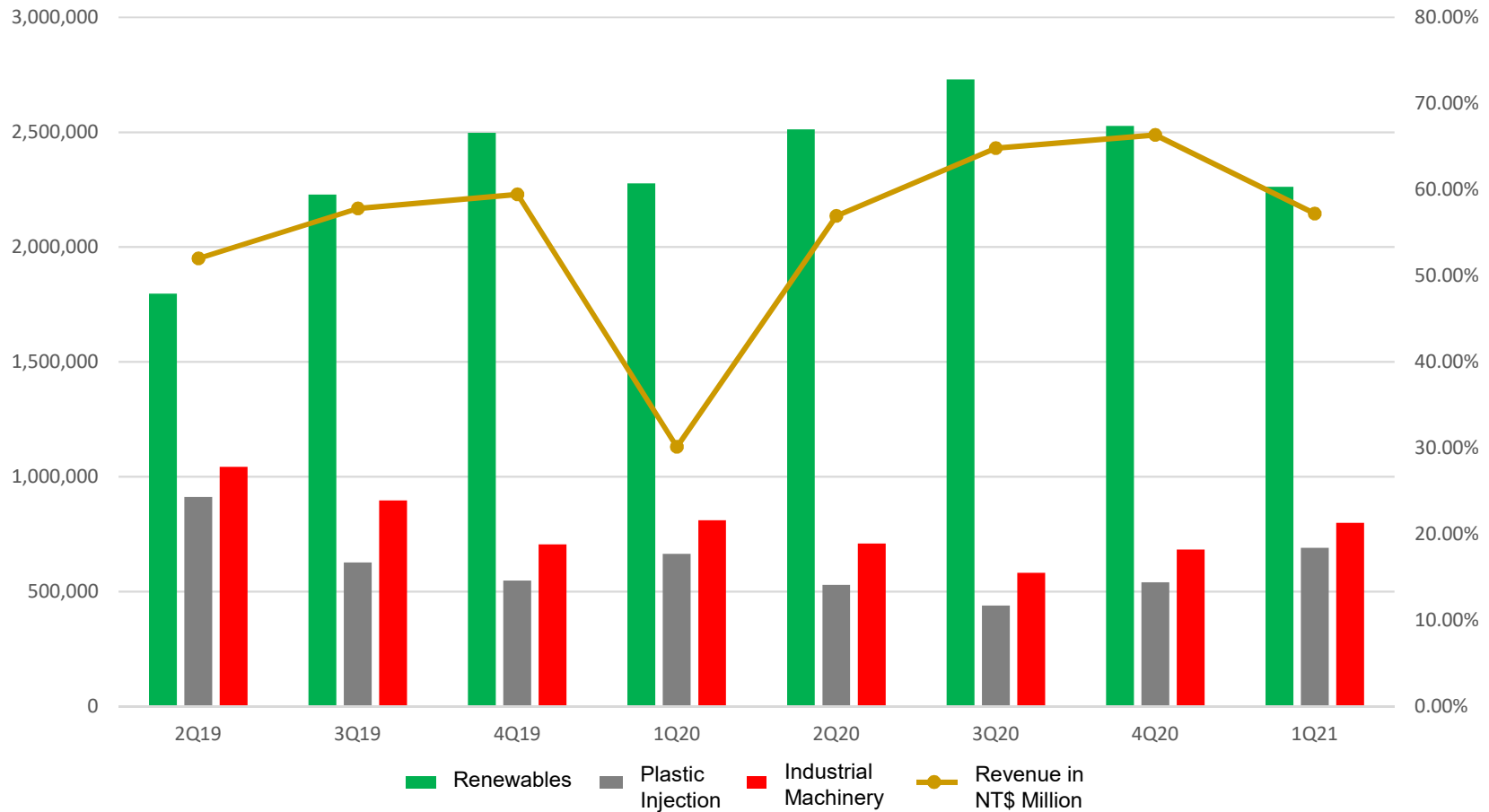
2021 Q1 Net Earnings Analysis

Unit NT\$ Thousand



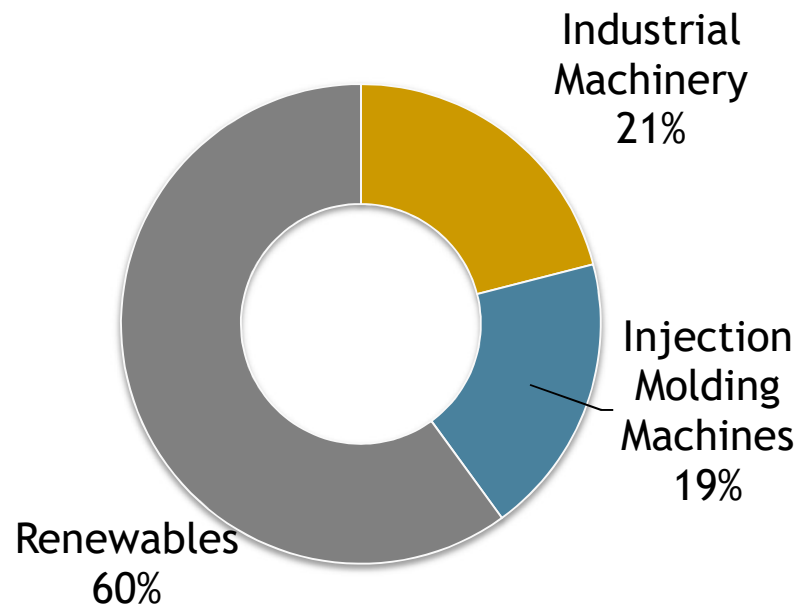
Plastics/Industrial Machinery Industries Rebound

- ✦ 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.

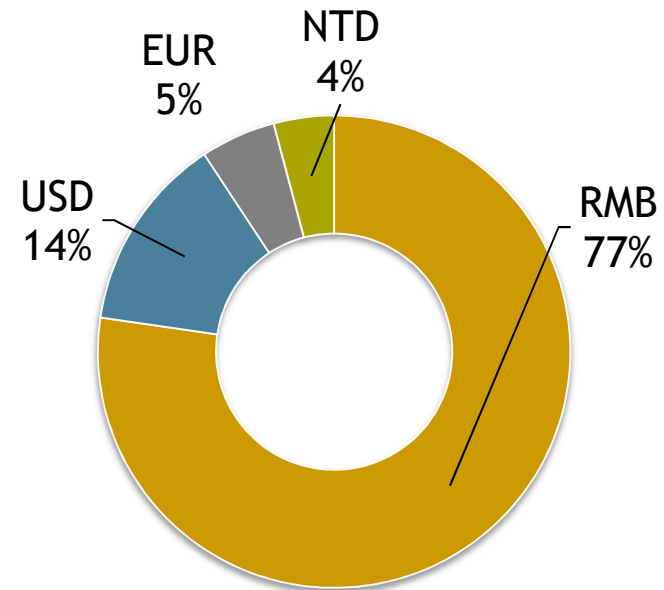


2021 Q1 Revenue Analysis

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	

Appendix

Yeong Guan Overview

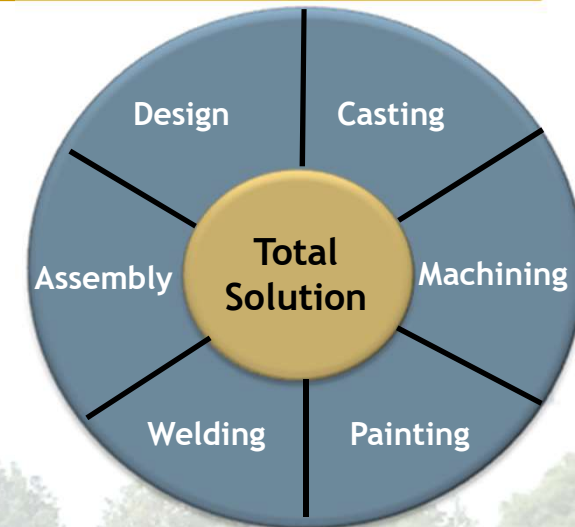
✧ Nearly half a century in the foundry industry

- 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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