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Yeong Guan Group (1589 TT)

2021 Financial Results

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Outline



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2. 2021 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

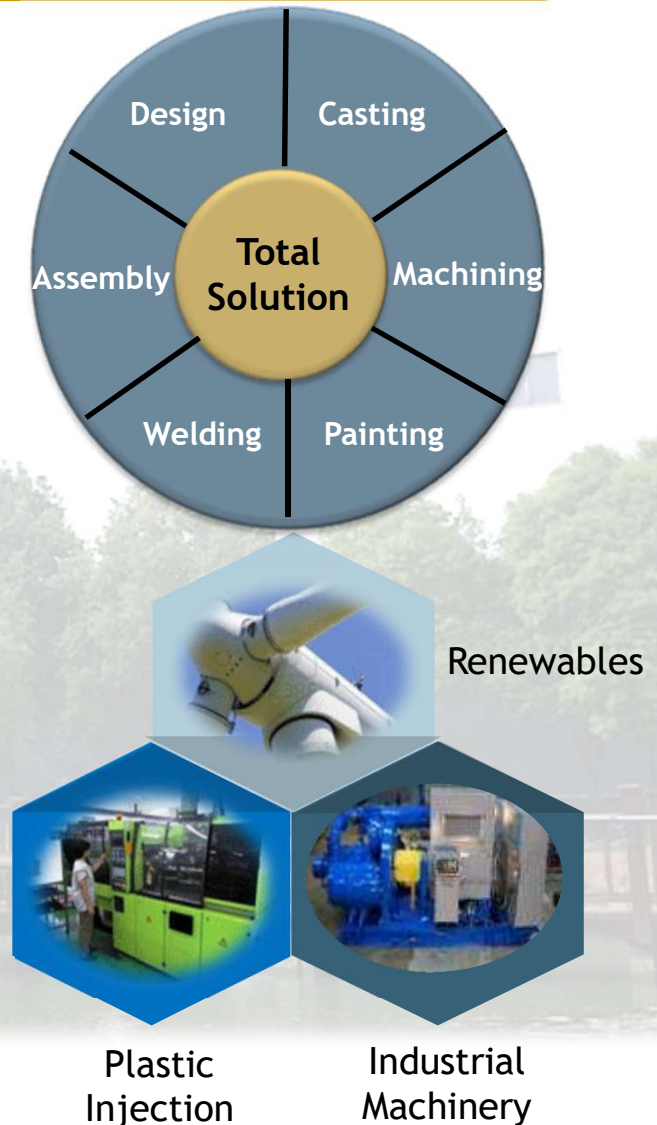
✦ Nearly half a century in the foundry industry

- Founded in Taiwan in 1971, investing in China since 1992. Now with 6 factories.
- Around 2,500 employees
- 2020 Revenue reached NT\$ 8.95 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 Q1 Updates



Ukraine-Russia Conflict

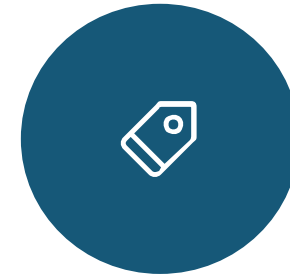
EU region customers are not affected by the ongoing conflict in eastern EU. Orders and Deliveries are normal

Raw material prices
Rising in China



2022 Q1 Expectations

March shipment expected to
Be 15,000-16,000 tons
2022 Q1 shipment target
Is 39,000-40,000 tons



Price Adjustment

2022 Average Selling
Price is higher than 2021

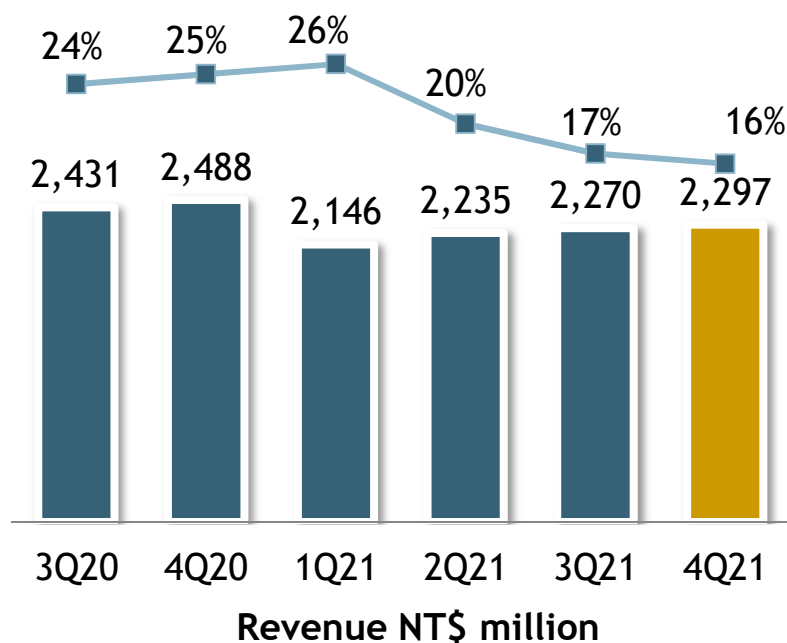
Another round of price
increase expected in Q2

2021 Financial Highlights

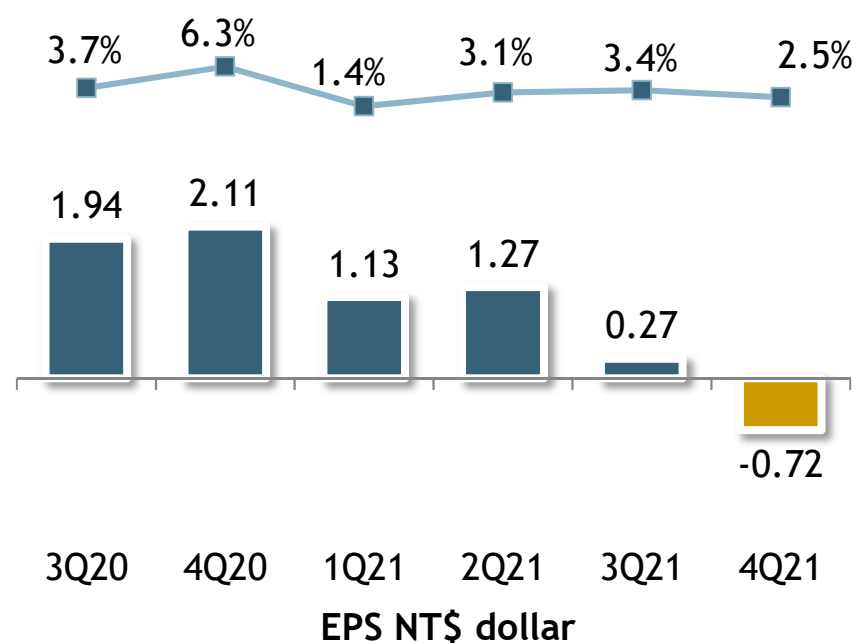
Raw Materials Pricing continues to Rise

- ✦ In 2021 Q4, Plastic Injection/Industrial Machinery demand was stable, with Renewables demand lower
- ✦ Pig Iron/Steel Scrap/Consumables market pricing rose dramatically during Q3-Q4 2021

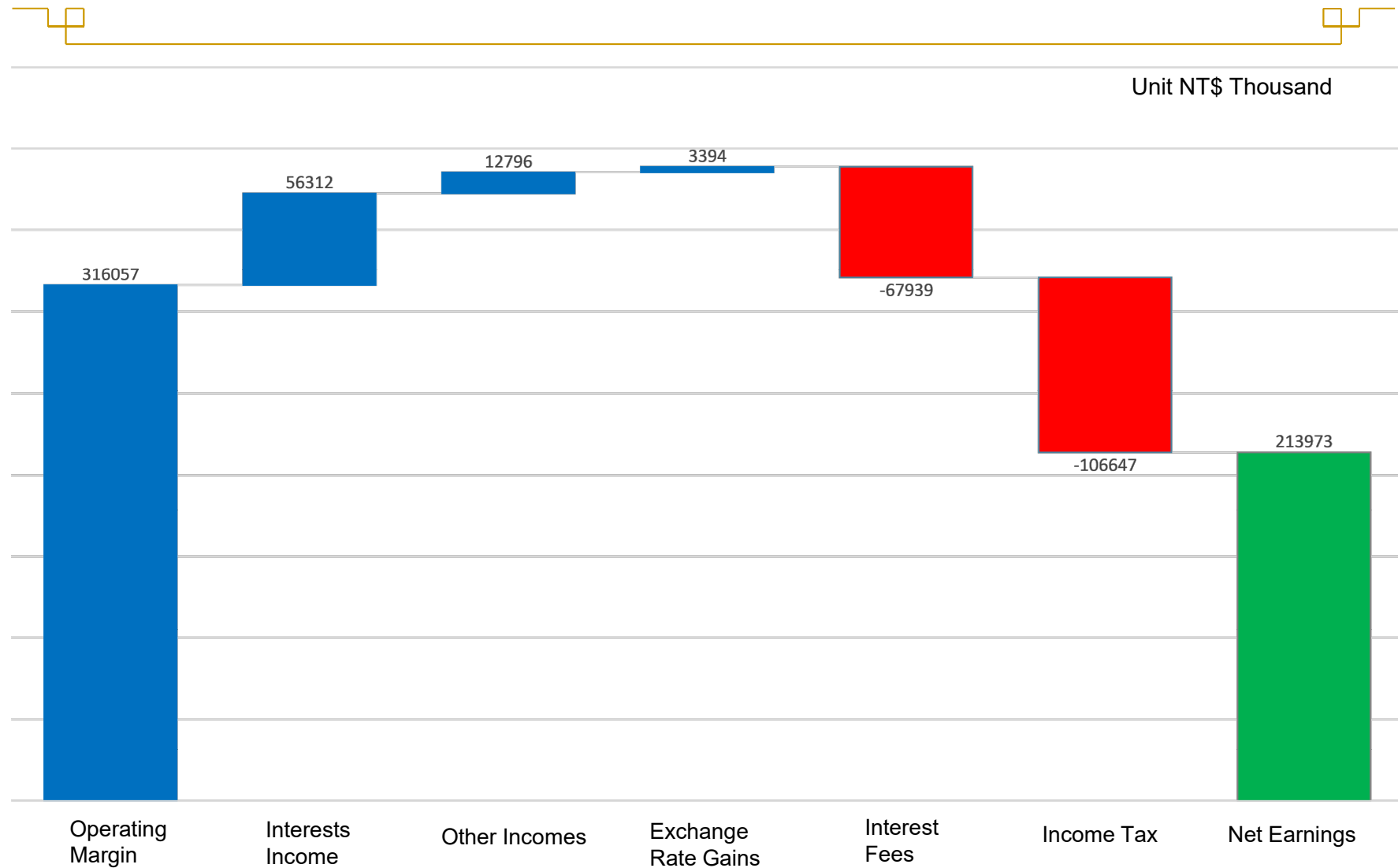
Gross Margin



Return on Equity

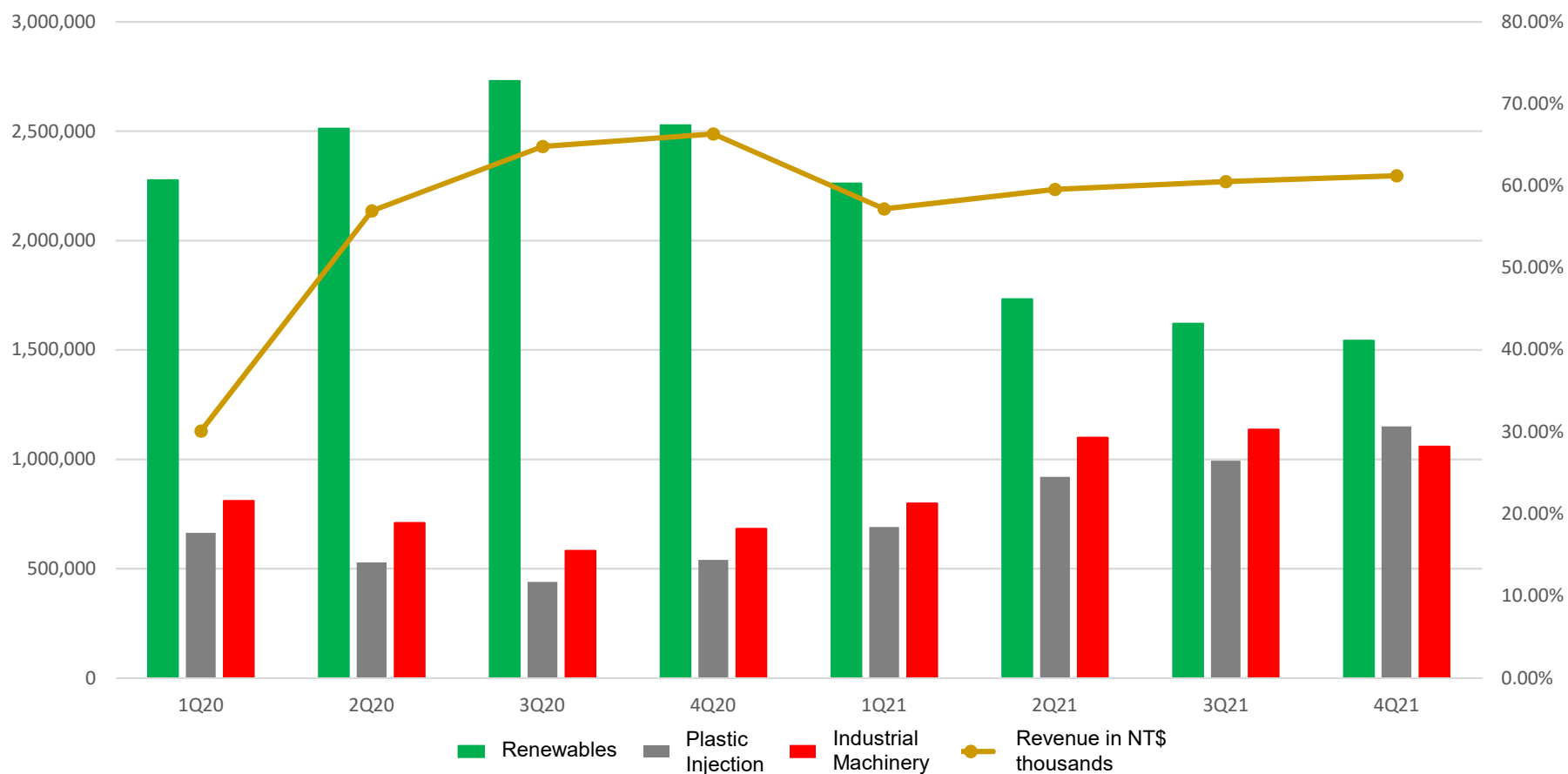


2021 Net Earnings Analysis



Plastics/Industrial Machinery Industries Rebound

- ✦ 2021 Q4 Revenue composition: Renewables 41.1%, Plastic Injection 30.7%, Industrial Machinery 28.2%
- ✦ Plastic Injection Molding/Industrial Machineries demand grows, while Renewables demand slows.



2021 Income Statement

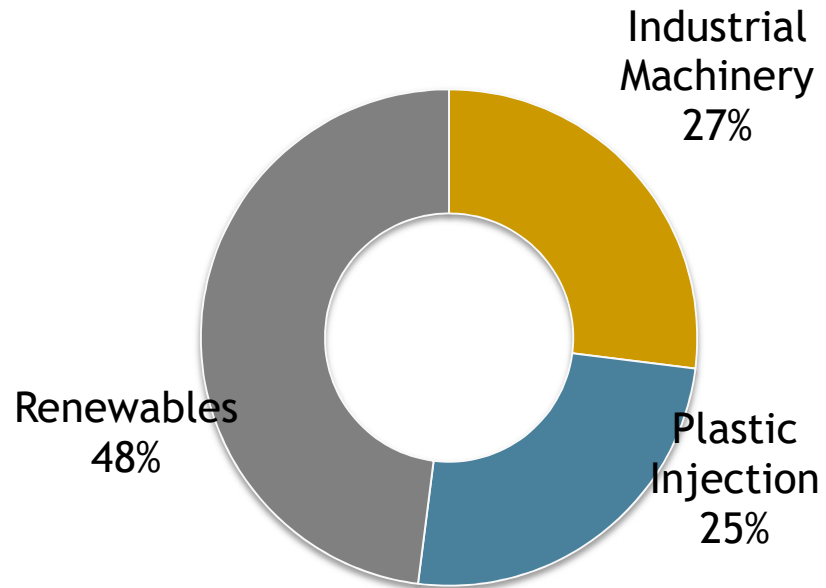
Unit: Thousand NTD	2021	2020	YoY
Revenue	8,948,211	8,184,273	9.3%
Gross Profit	1,769,821	1,789,787	-1.1%
Gross Margin	20%	22%	↓ 2PP
Operating Expense	1,453,764	1,245,087	16.8%
Operating Income	316,057	544,700	-42.0%
Operating Profit Ratio	3%	6%	↓ 3PP
Non Operating Items	4,563	79,038	-94.2%
Profit before Tax	320,620	623,738	-48.6%
Profit after Tax	213,973	516,530	-58.6%
EPS (Basic \$NTD)	1.95	4.81	

2021 Balance Sheet

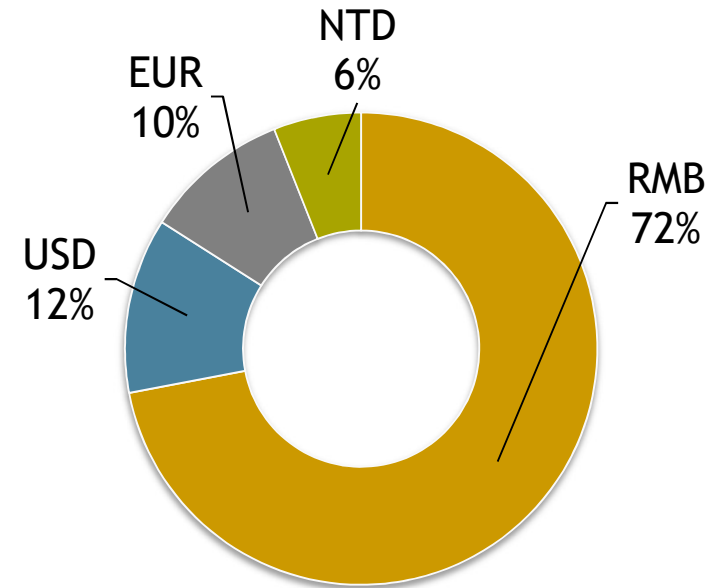
Unit: Thousand NTD	2021	2020	YoY
Total Assets	18,469,856	16,394,386	12.66%
Cash	1,993,773	2,682,852	-25.68%
NR & AR	3,241,509	3,516,934	-7.83%
Inventory	1,660,444	1,324,434	25.37%
Total Non-Current Assets	9,164,800	6,980,605	31.29%
Total Liabilities	9,635,241	7,630,444	26.27%
Bank Loans	4,343,948	3,498,085	24.18%
NP & AP	2,422,313	1,646,381	47.13%
Total Equity	8,834,615	8,763,942	0.81%
Common Stock	1,106,175	1,106,175	

2021 Revenue Analysis

Revenue By Application (%)



Revenue by Currency (%)

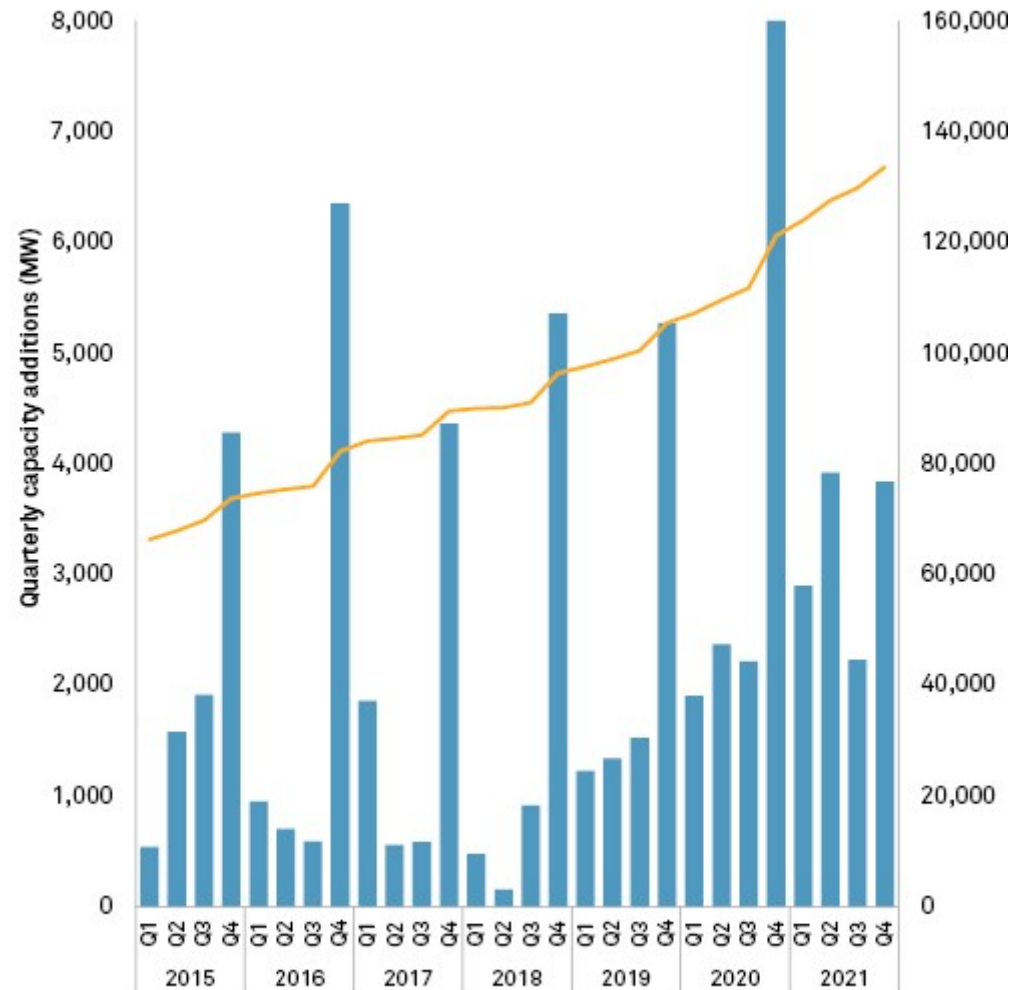


Market Trends

Wind Energy Market Trends in the US

- ✦ US added 13GW of wind energy in 2021, 20% lower than 2020's 16GW
- ✦ Around 11.4GW of renewables investments (wind, solar, power storage) was not able to be completed in 2021 due to global supply chain issues, lack of oversea freight capacity.
- ✦ Nearly 4GW of wind projects completed in 2021 Q4, shows signs that supply chain issues are being resolved.

US wind capacity by quarter in service

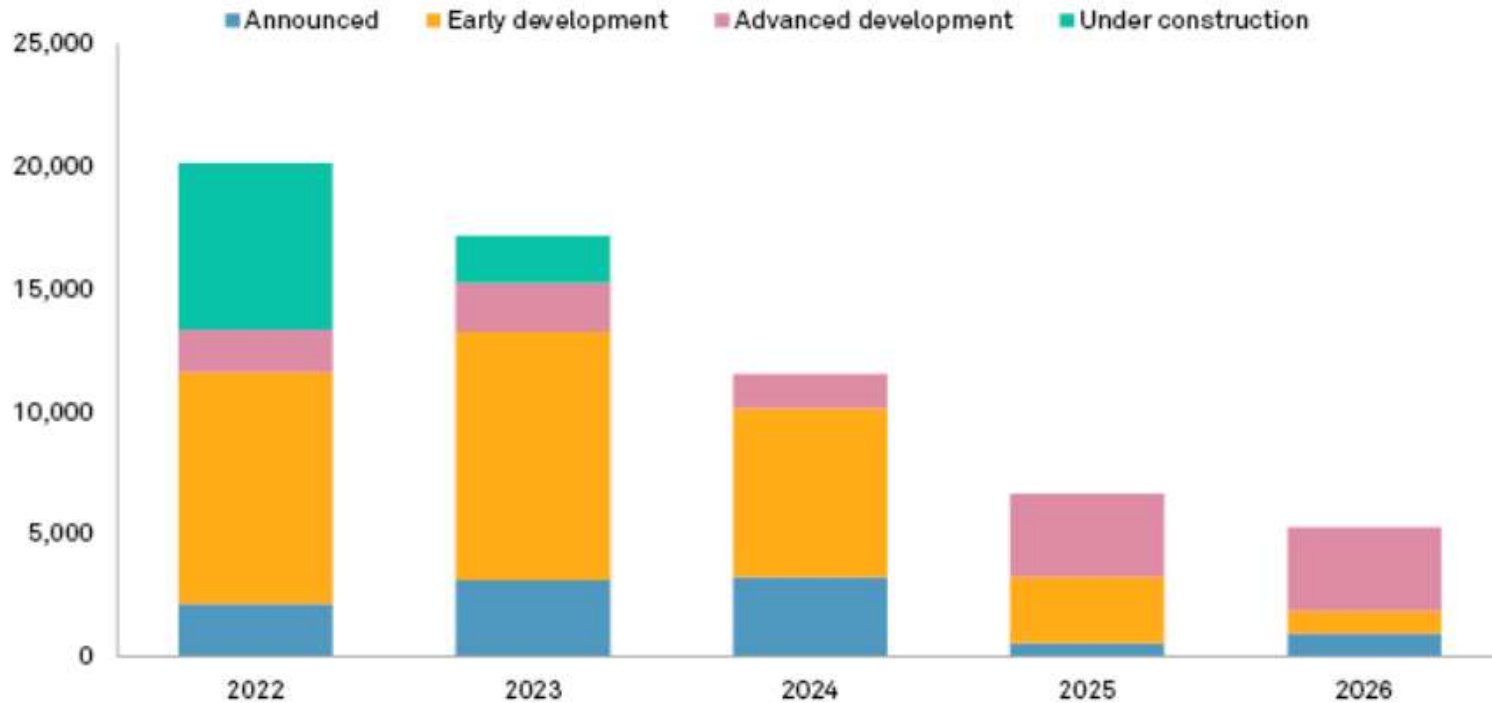


Data compiled Feb. 17, 2022.
Source: S&P Global Market Intelligence

Wind Energy Market Trends in the US

- ✦ Up until February 2022, more than 60GW of wind projects are in pipeline
- ✦ Biden Administration's pushing more onshore and offshore wind investments

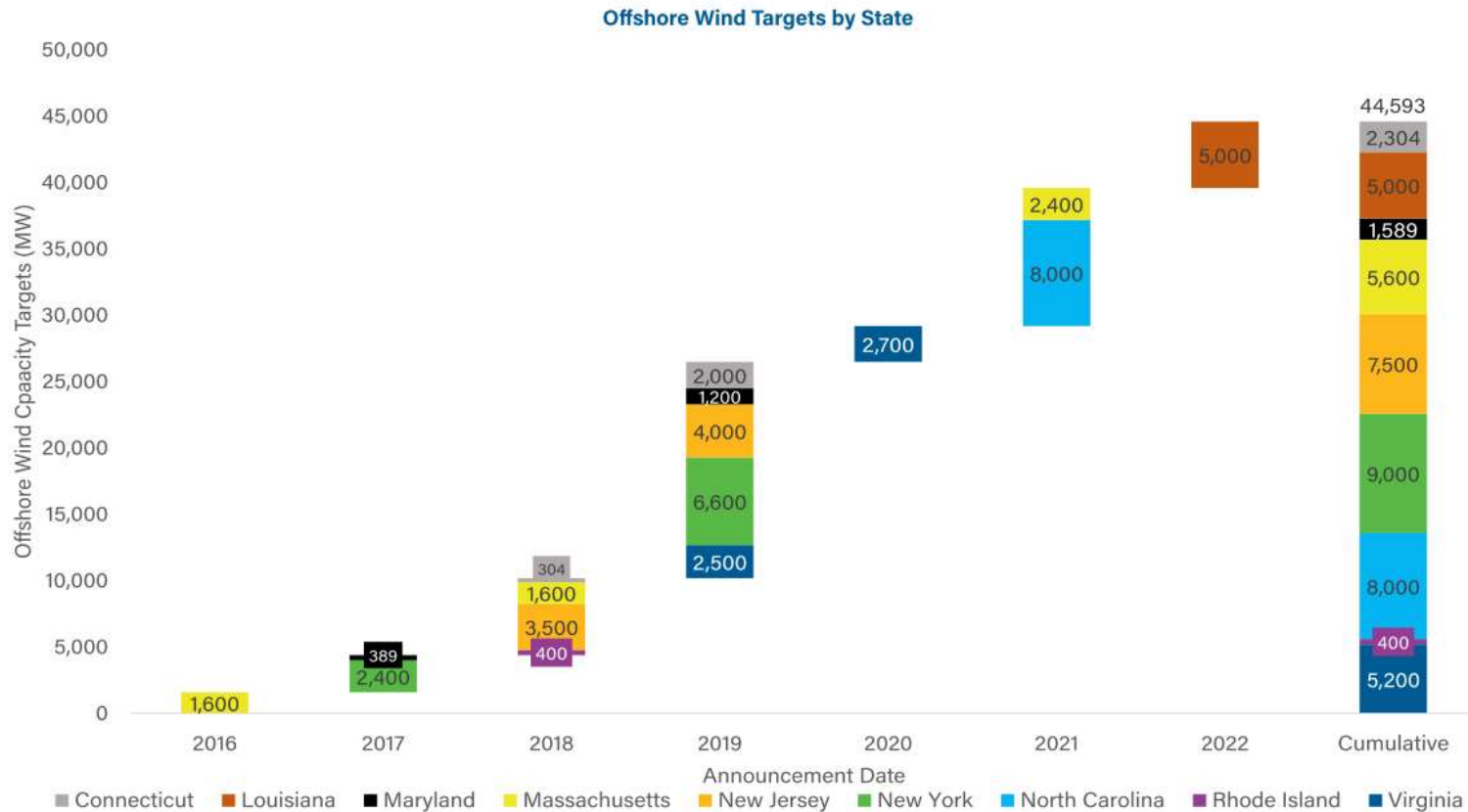
US wind projects by estimated year in service; development status (MW)



Data compiled Feb. 17, 2022.
Includes projects with estimated in-service years.
Source: S&P Global Market Intelligence

Wind Energy Market Trends in the US

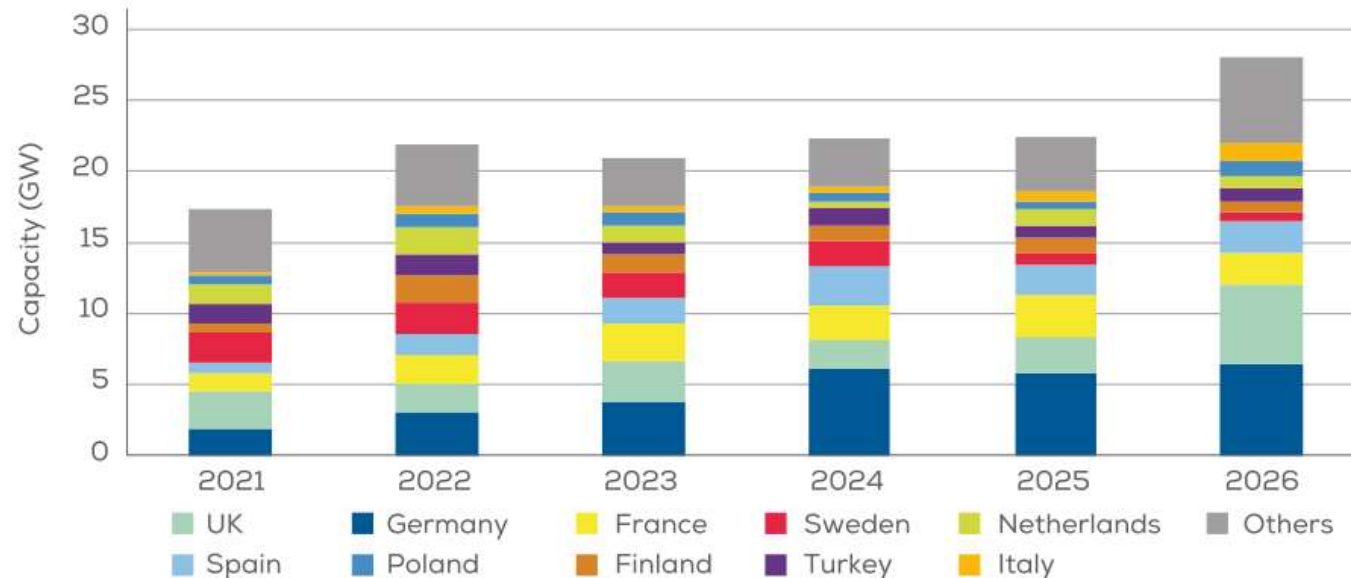
- ✦ Up until February 2022, US have plans to install 45GW of offshore wind (between 2022-2035)
- ✦ Average of 3.5GW of offshore wind to be installed annually, which translates to 35,000 tons of casting needs per year.



Wind Energy Market Trends in the EU

- ✦ EU added 17GW of wind energy in 2021 (if EU's climate goals should be reached by 2030, new wind needs to be installed at double the current rate)
- ✦ Wind Energy accounted for 15% of EU's total energy consumption in 2021
- ✦ Ukraine-Russia Conflict is leading EU to reduce its energy dependence on Russia. Expect 23GW annual new wind installation between 2022-2026

FIGURE 16
New installations per country – WindEurope's Realistic Expectations Scenario

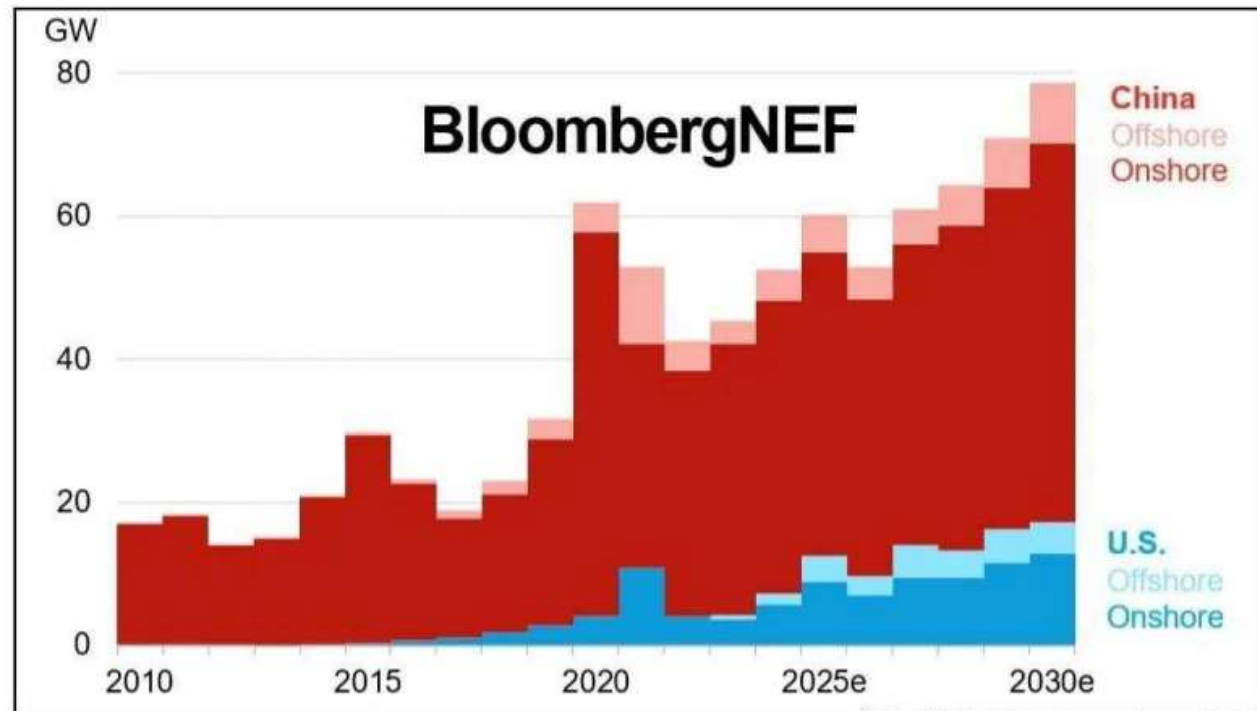


Source: WindEurope

Wind Energy Market Trends in China

- ✦ China's total wind installation reached 300GW in 2021 (Newly added 41.6GW onshore/14.2GW offshore)
- ✦ 14th Five Year Plan shows many provinces grow wind installation by 44% compared with 13th Five Year Plan
- ✦ BNEF predicts China's total wind installation can reach 730GW by 2030. Roughly 47GW installed each year

China and US Wind Installation Forecasts (2010-2030)



Source: BNEF (note: 2021 numbers are estimated)

Plastic Injection/Industrial Machinery Market Trends

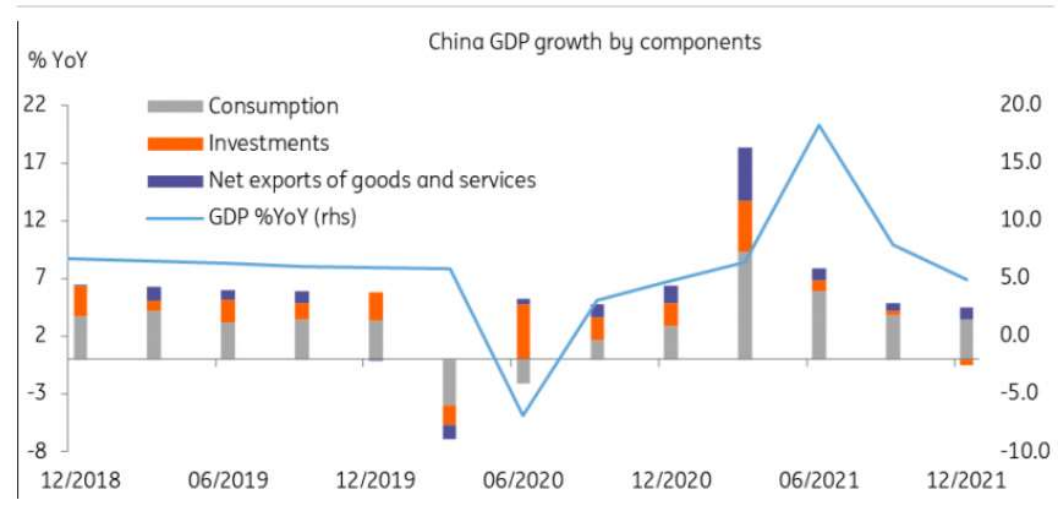
✧ Compared to EU/US markets facing higher inflation and weaker currencies, Chinese macroeconomic indicators seems more stable

✧ Chinese Two Sessions concluded in early March, where Premier Li set a 5.5% GDP target for 2022: Stable Growth at a high real GDP level

✧ Yeong Guan continues to develop new customers in the Chinese market

	Real GDP (%)		CPI (%)	
	2022E	2023E	Q4 2022E	Q4 2023E
Global	4.6	3.9	4.4	2.8
U.S.	4.5	3.7	4.4	2.1*
Euro Area	3.0	2.3	5.3	2.3
Japan	2.3	1.4	1.7	1.2
China	5.3	4.7	1.9	2.2

Source: Morgan Stanley Research: *Based on 40/40



Source: CEIC, ING

Development Strategy

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.
- ✦ 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.
Plans to enter production in Q3 2022

Thailand Construction Starts in H2 2022

- ✦ 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.
On Site Survey to be performed soon to determine readiness for construction.

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

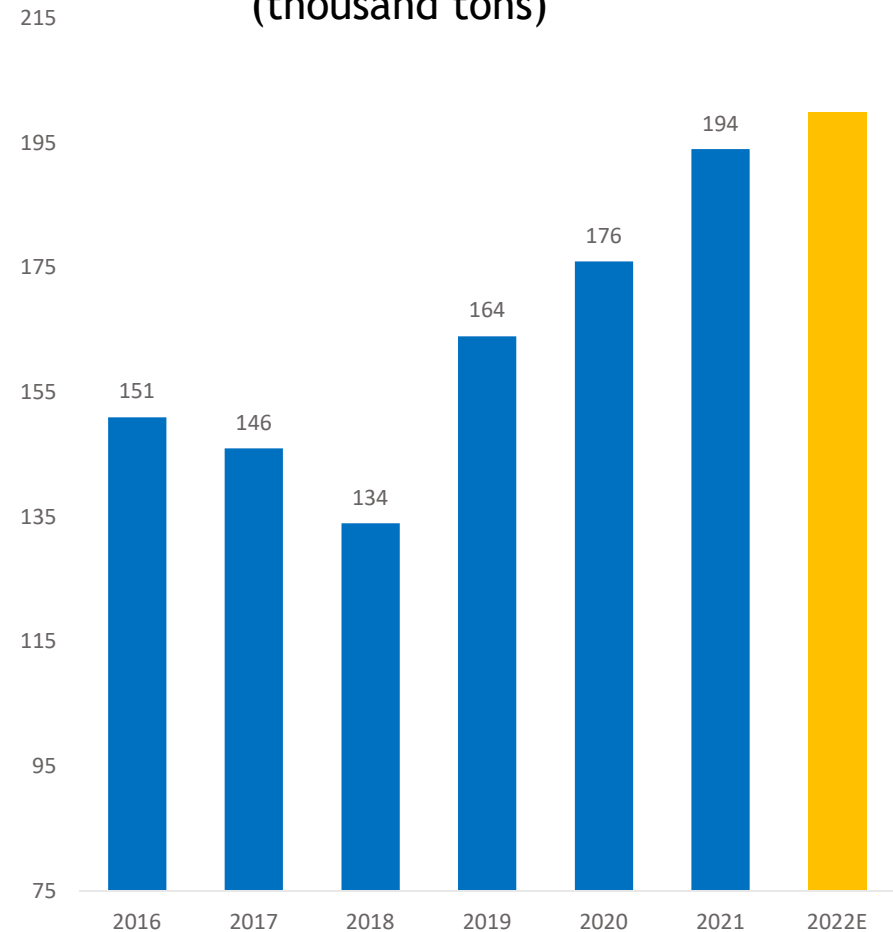
✦ Mid Term (3-5 years)

- 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						YoY(%)				
	2017	2018	2019	2020	2021	2017	2018	2019	2020	2021
Sales Revenue	6,404	6,196	7,900	8,184	8,948	-13.2	-3.2	27.5	3.6	9.3
Gross Profit	1,432	831	1,371	1,790	1,770	-40.8	-42	65	30.6	-1.1
Operating Profit	295	-245	212	545	316	-74.2	-183.1	-186.5	-157.1	-42
Income before Tax	342	-232	221	624	321	-74.2	-167.8	-195.3	-182.4	-48.6
Net Income	258	-274	164	517	214	-74.1	-206.2	-159.9	-215.2	-58.6
EPS (NT\$)	2.28	-2.48	1.54	4.81	1.95	-73.2	-208.8	-162.1	-212.3	-59.5
Key financial ratio (%)										
Gross Margin	22	13	18	22	20					
Operating Margin	4	-4	3	6	3					
Net Margin	4	-4	2	6	2					
OPEX ratio	18	17	15	16	17					

Historical Balance Sheet

NT\$ Million	2017	2018	2019	2020	2021	YoY(%)				
						2017	2018	2019	2020	2021
TOTAL ASSETS	14,483	14,531	13,521	16,394	18,470	-3.8	0.3	-7	21.2	12.7
Cash	3,316	3,153	1,451	2,683	1,994	-21.8	-4.9	-54	84.9	-25.7
NR & AR	2,026	2,103	2,947	3,517	3,242	-7.3	3.8	40.1	19.3	-7.8
Inventory	1,256	1,368	1,226	1,324	1,660	-0.4	8.9	-10.4	8	25.4
Fixed Asset	6,279	5,920	5,735	5,756	7,239	10.1	-5.7	-3.1	0.4	25.8
TOTAL LIABILITIES	4,768	6,250	5,699	7,630	9,635	-4.1	31.1	-8.8	33.9	26.3
Bank Loans	612	4,584	3,858	3,498	4,344	-1.1	649	-15.8	-9.3	24.2
NP & AP	1,136	1,050	990	1,646	2,422	3.5	-7.6	-5.7	66.3	47.1
TOTAL EQUITY	9,715	8,281	7,822	8,764	8,835	-3.6	-14.8	-5.5	12	0.8
Common Stock	1,188	1,116	1,056	1,106	1,106	0	-6.1	-5.4	4.7	0
Book value per share	79.3	72.9	72.5	79.2	79.9					
A/R turnover days	121	123	117	145	139					
Inventory turnover days	99	97	78	76	77					
A/P turnover days	82	74	57	75	103					
ROE (%)*	2.8	-3.2	2.1	6.3	3					

* ROE: Parent company Net income / average common equity

Quarterly Income Statement

NT\$ Million	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Sales Revenue	2,168	2,229	1,130	2,136	2,431	2,488	2,146	2,235	2,270	2,296
Gross Profit	390	459	127	465	582	616	551	450	400	369
Operating Profit	105	99	(111)	154	290	212	200	83	36	(2)
Income before Tax	101	186	(128)	223	267	262	157	123	36	5
Net Income	80	172	(113)	193	207	230	126	141	29	(82)
EPS (NT\$)	0.75	1.62	(1.06)	1.82	1.94	2.12	1.13	1.27	0.27	(0.72)
Revenue by Application (%)	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Renewable Energy	59.4	66.6	60.7	67.0	72.8	67.4	60.3	46.2	43.2	41.1
Injection Molding Machine	16.7	14.6	17.7	14.1	11.7	14.4	18.4	24.5	26.5	30.7
Industrial Machinery	23.9	18.8	21.6	18.9	15.5	18.2	21.3	29.3	30.3	28.2

Thank you for your consideration!



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