



Yeong Guan Group (1589 TT) 2022 Q2 Financial Results

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Outline



1. Yeong Guan Overview



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5. Detailed Financial Figures

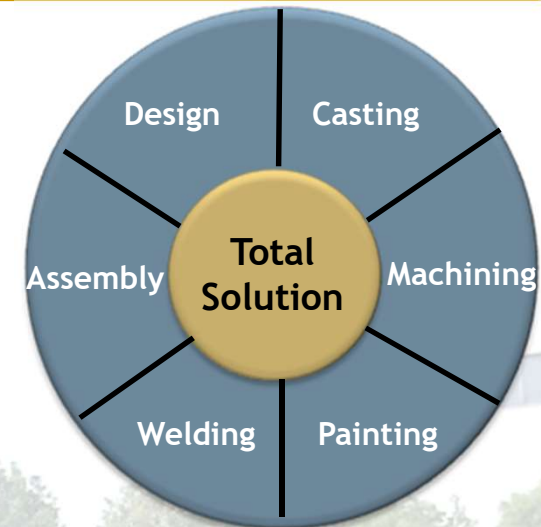
Yeong Guan Overview



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



Vertical and Horizontal Integration

- We provide one-stop shopping for customers
- Our services include mold design, casting, welding, painting, machining and assembly.

Scale Advantage

- Our production capacity is close to 220,000 tons/year, allowing customers to use a single supply source

Regional advantage

- Located closer to customers, enhancing logistics



Renewables



Plastic Injection



Industrial Machinery



Sustainable Operations



✧ Environmental

- Invest in wind farms
- Reserve green energy resources
- Calculating carbon emissions; managing carbon footprint



✧ Social

- Technology bring home
- Industry-academia collaboration
- Talent cultivation

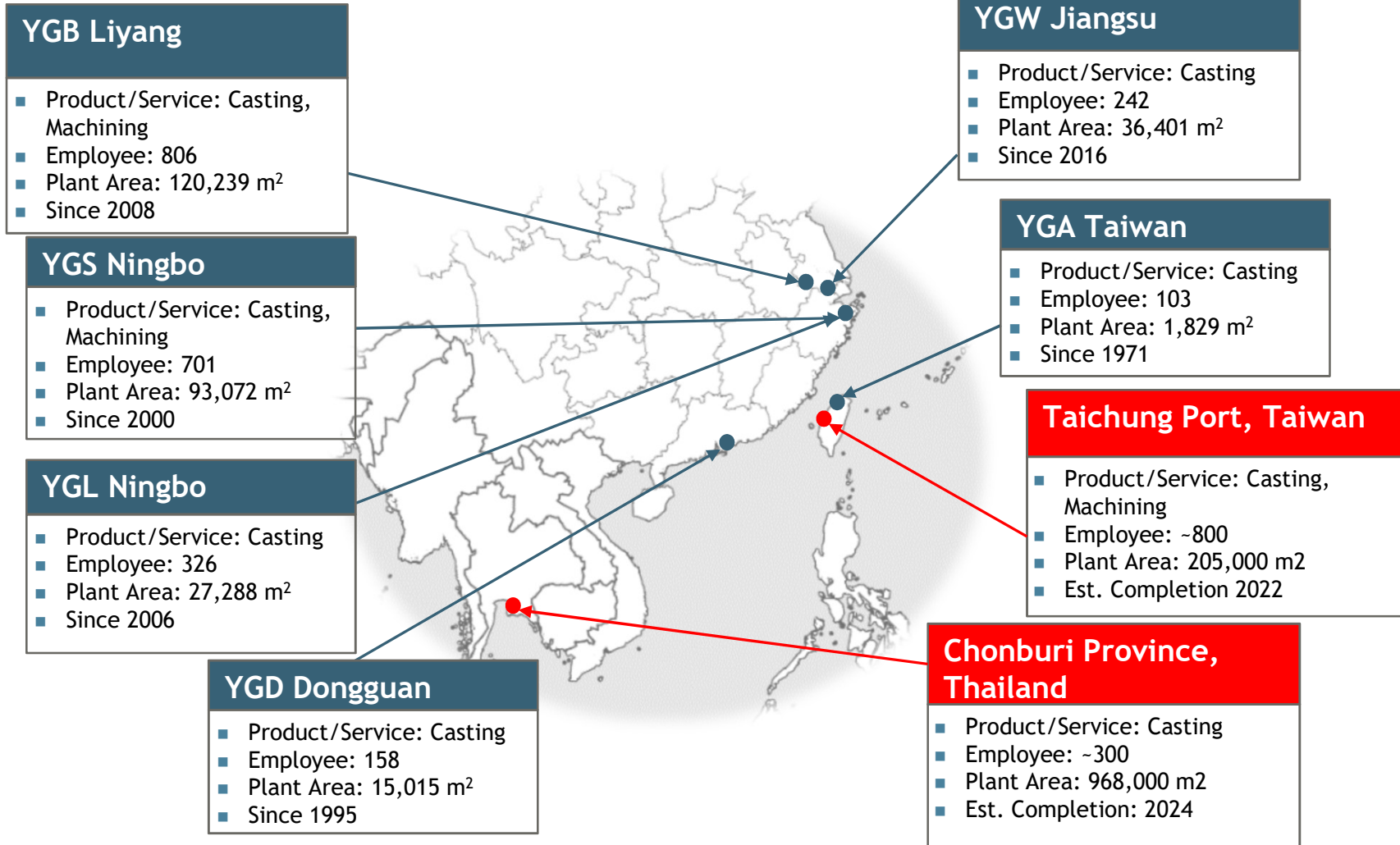


✧ Governance

- Increase the number of outside directors
- Introduce Female board members
- Chairman and CEO positions are filled by different managers



Our Production Sites



2022 Q3 Updates



Shanghai Lockdown Lifted

Mainland China customer's
order and delivery
returning to normal

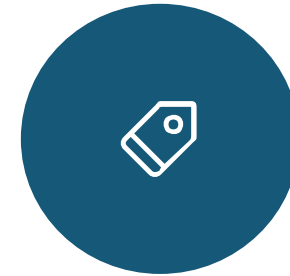
Export volume from
Shanghai Port increasing



Quarterly Output Increase

Monthly Shipment returns
to more than 16,000
tons/month. Q3 shipment
should be higher than Q2

Goods that had delivery
halted are now being
shipped



Groundbreaking in Thailand

Groundbreaking
Ceremony held on Aug.
28th

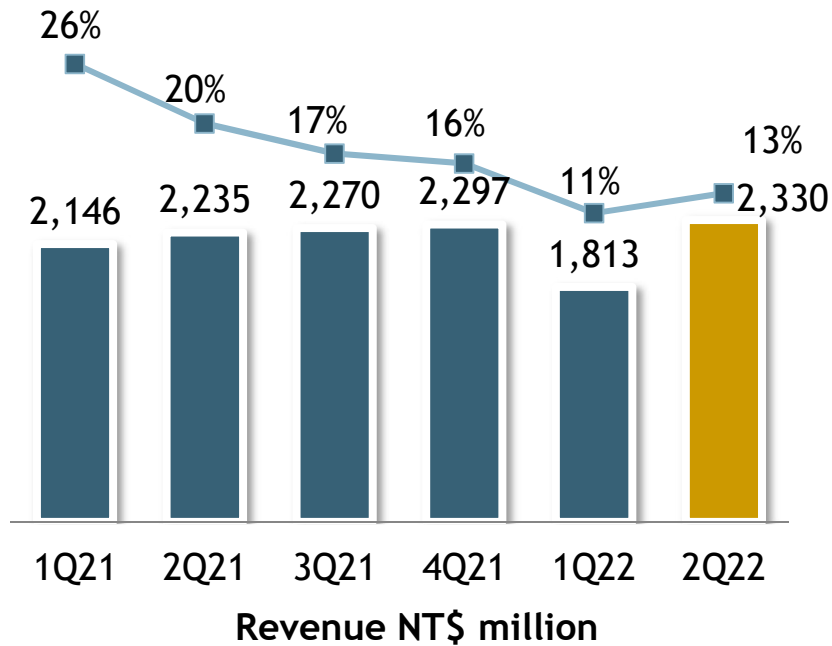
Thailand Facility expect
to enter production by
end of 2024

2022 Q2 Financial Highlights

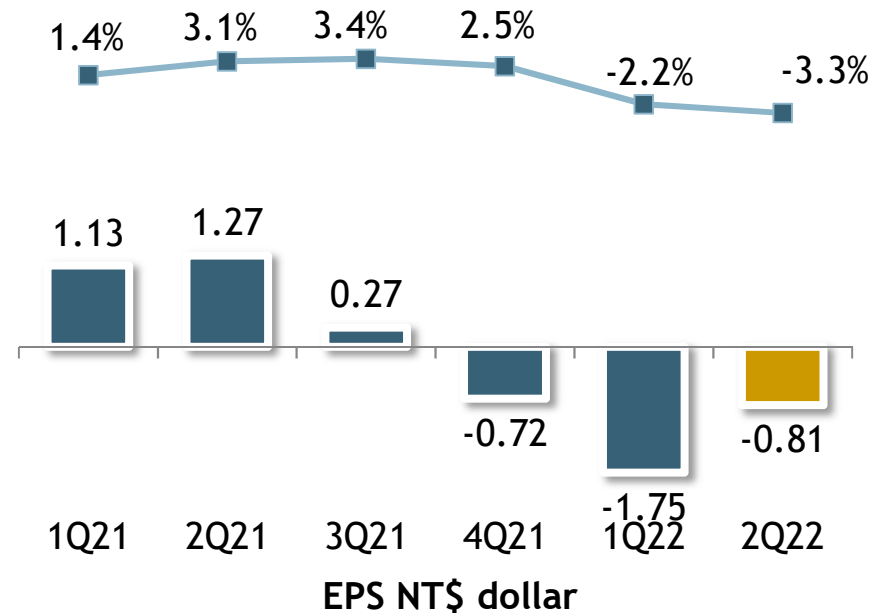
2022 Q2 Revenue & EPS

- ✧ The COVID restrictions in China have relaxed, in-land logistics have returned to normal, and shipment volume grows
- ✧ Raw material prices remain high; exchange rate losses are reduced

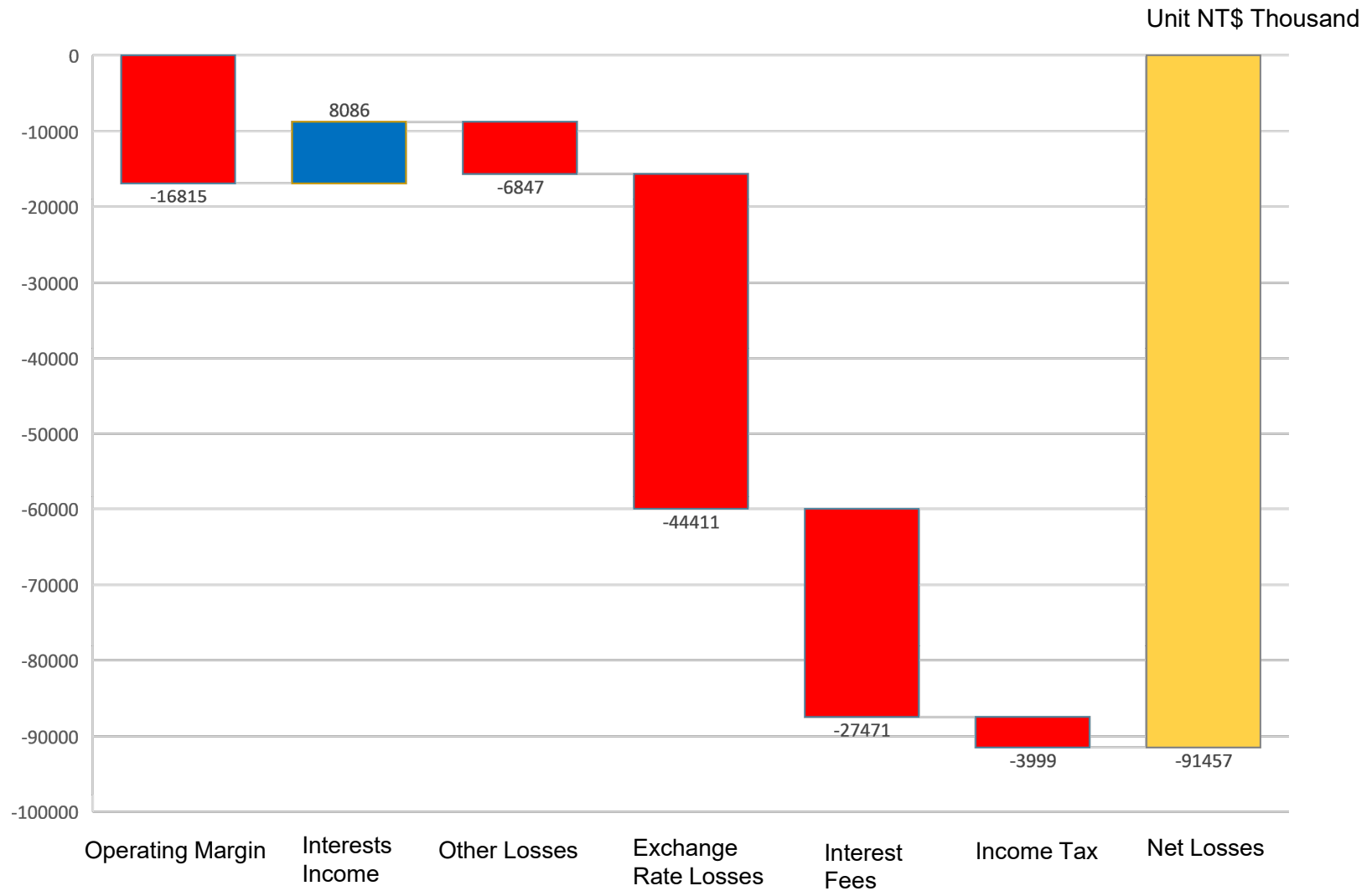
Gross Margin



Return on Equity

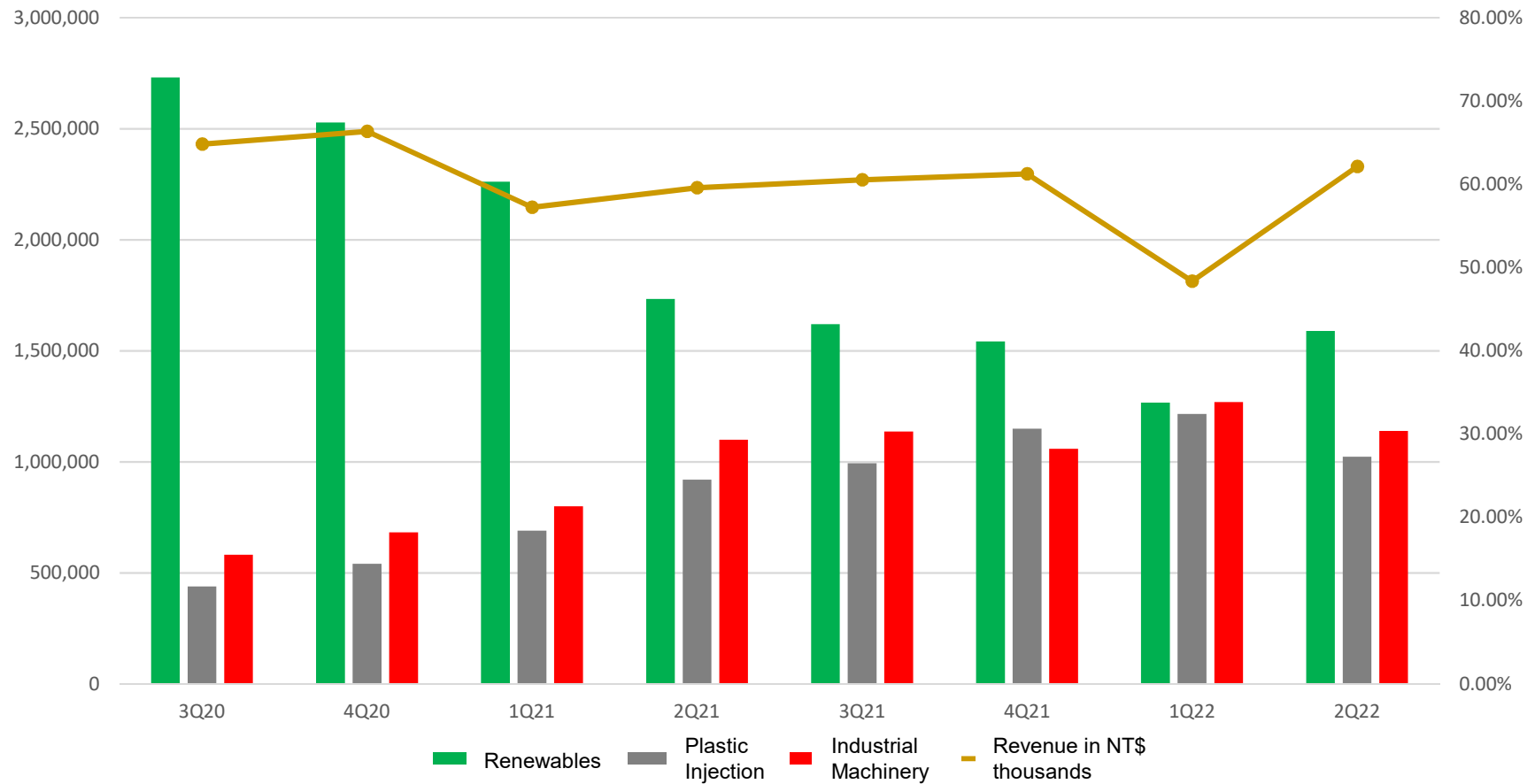


2022 Q2 Net Losses Analysis



Even Growth amongst Main Market Sectors

- ✦ 2022 Q2 Revenue composition: Renewables 42.3%, Plastic Injection 27.3%, Industrial Machinery 30.4%
- ✦ Plastic Injection Molding/Industrial Machineries demand slows, while Renewables demand increase.



2022 Q2 Income Statement

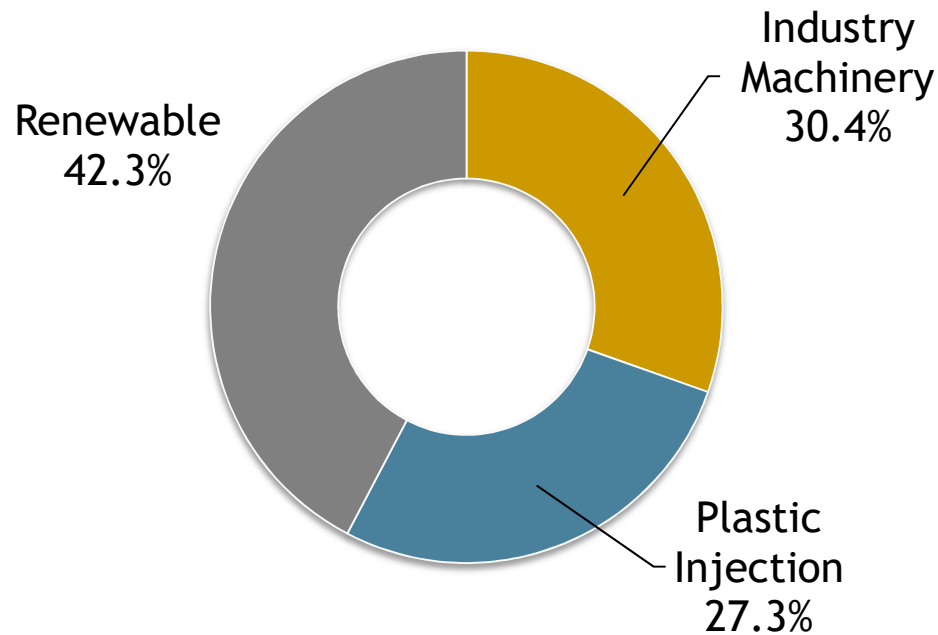
Unit: Thousand NTD	2Q 2022	1Q 2022	QoQ	2Q 2021	YoY
Revenue	2,330,418	1,813,099	29%	2,234,752	4%
Gross Profit	306,553	195,745	57%	450,231	-32%
Gross Margin	13%	11%	↑ 2 pp	20%	↓ 7 pp
Operating Expense	323,368	314,197	-69%	367,676	-73%
Operating Income	-16,815	-118,452	86%	82,555	-120%
Operating Profit Ratio	-1%	-7%	↑ 6 pp	3%	↓ 4 pp
Non Operating Items	70,643	-98,125	108%	40,887	-80%
Profit before Tax	-87,458	-216,577	60%	123,442	-171%
Profit after Tax	-91,457	-196,438	53%	140,978	-165%
EPS (Basic \$NTD)	-0.81	-1.75		1.27	

2022 Q2 Balance Sheet

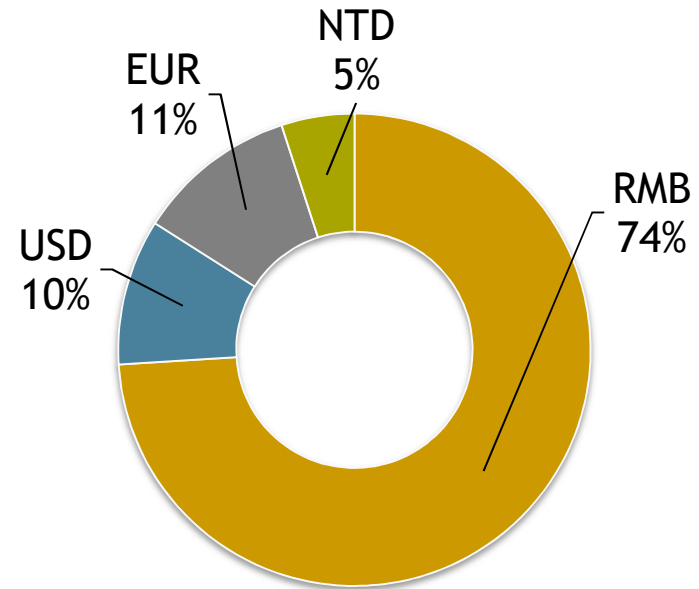
Unit: Thousand NTD	2Q 2022	1Q 2022	QoQ	2Q 2021	YoY
Total Assets	21,174,053	19,669,239	8%	17,213,984	23%
Cash	2,897,052	2,252,133	29%	1,923,082	51%
NR & AR	3,046,614	2,812,273	8%	3,526,949	-14%
Inventory	1,981,140	1,885,516	5%	1,689,744	17%
Total Non-Current Assets	11,253,067	10,167,716	11%	7,940,468	42%
Total Liabilities	12,489,808	10,635,865	17%	8,239,555	52%
Bank Loans	7,227,354	6,243,868	16%	4,087,388	77%
NP & AP	2,803,653	2,083,852	35%	1,837,982	53%
Total Equity	8,561,339	9,033,374	-5%	8,974,429	-5%
Common Stock	1,106,175	1,106,175	0%	1,106,175	0%

2022 Q2 Revenue Analysis

Revenue By Application (%)



Revenue by Currency (%)

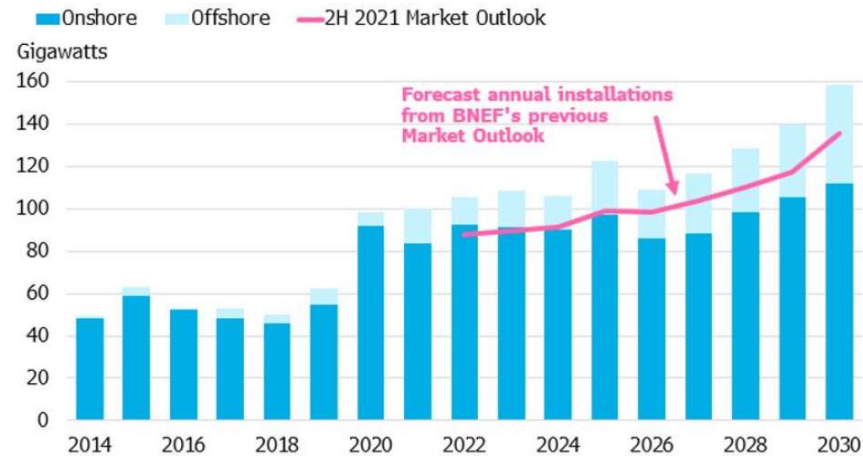


Market Trends

Global wind market trends

Storming Ahead

More wind capacity now forecast to be added each year than previously expected

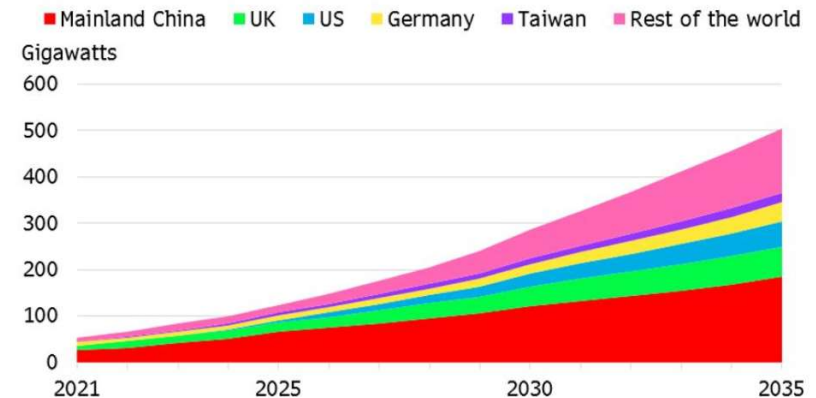


Source: BloombergNEF

The global wind energy market demand greatly exceeds expectations and the increase is amazing

Explosive Growth

Cumulative offshore wind capacity is set to grow 10-fold by 2035



Source: BloombergNEF. Note: See BNEF's 1H 2022 Offshore Wind Market Outlook for list of markets included in the 'Rest of the world' category.

EU wind market trends



North Sea: Four Countries Plan to Install 150GW of Offshore Wind Capacity by 2050

Reuters • May 18, 2022

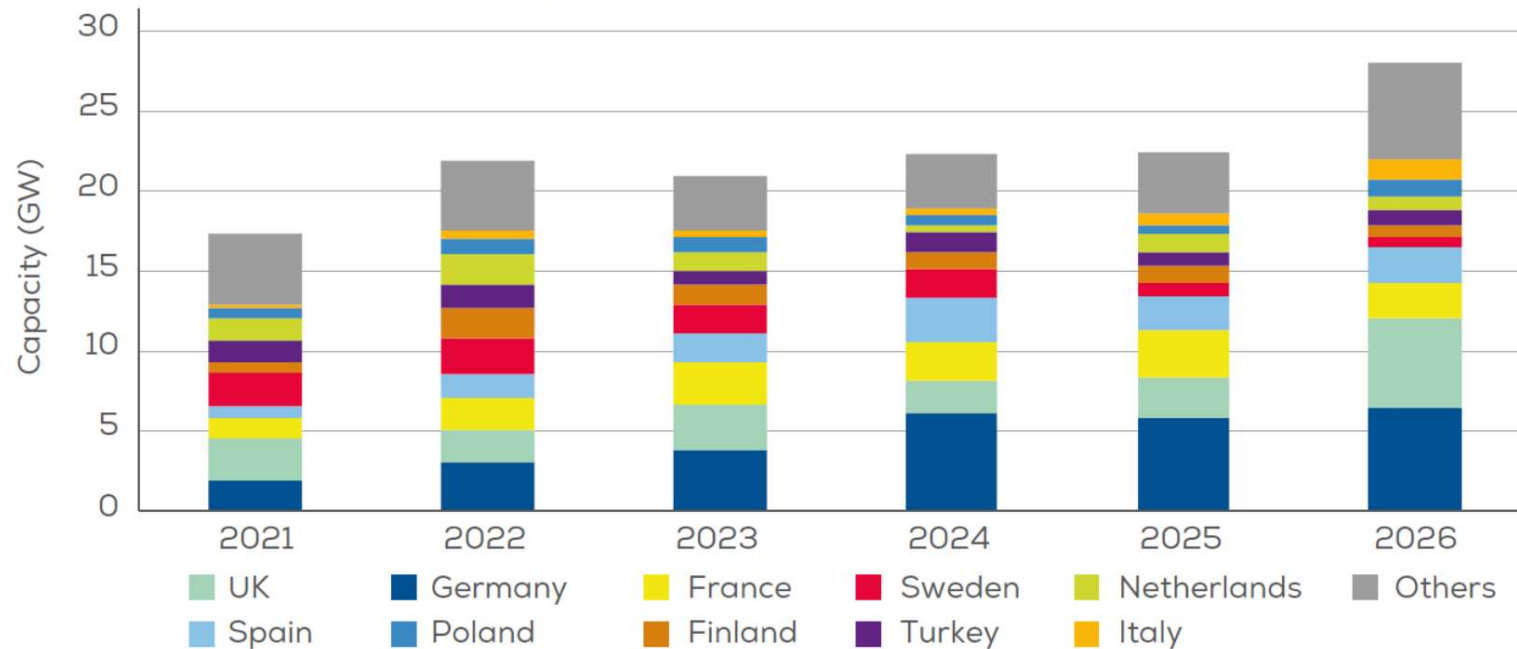


The North Sea offshore wind farm investment plan is 150GW; and the European casting supply chain is bound to be unable to meet the demand

來源:<https://twitter.com/#NorthSeaSummit>

EU wind market trends

New installations per country – WindEurope’s Realistic Expectations Scenario



Source: WindEurope

The Russian-Ukrainian war catalyzed the EU to get rid of its dependence on Russia for energy and accelerated the development of new energy sources.

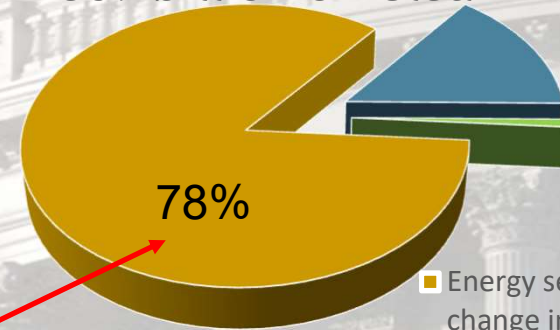
European demand for large offshore wind castings has to rely on Asian suppliers

American wind market trends



來源: Biden announces new climate change actions but holds an emergency declaration in reserve (theconversation.com)

Inflation Reduction Act invests \$ 369 billion on Clean Energy



- Energy security and climate change investments
- Affordable Care Act extension
- Western drought resiliency

投資乾淨能源	投資3,690億美元於加速轉型到乾淨能源的計畫，並且提高國內能源產量、減少碳排量，將嘉惠太陽能、風力及其他乾淨能源
為電動車買主提供稅務優惠	目前買主最多可取得7,500美元的稅務補貼，但僅限每家車廠銷售的頭20萬輛合格車款，新法將提高上限，二手電動車買主也享有稅務優惠

American wind market trends

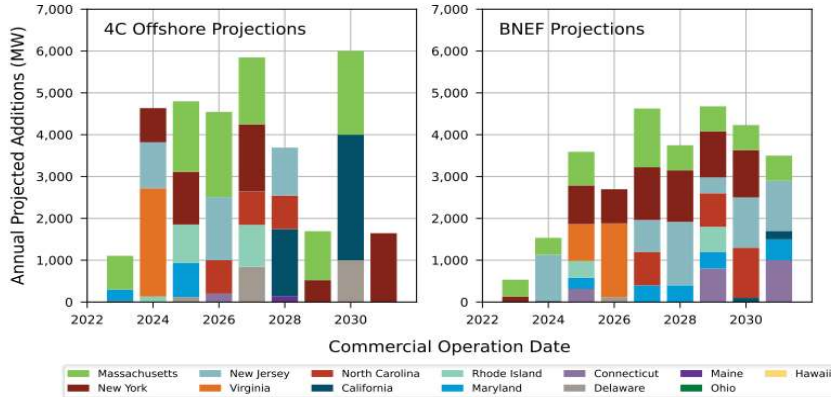
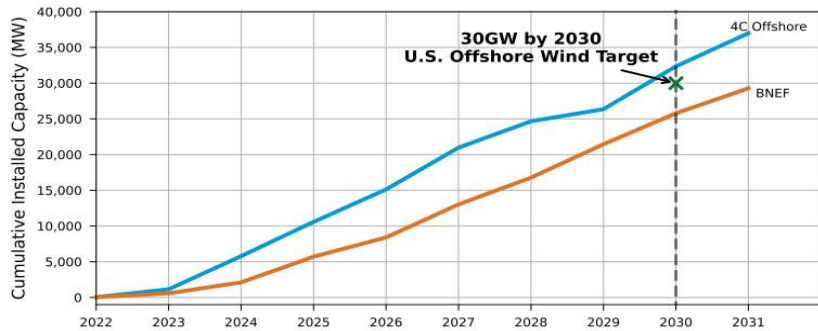


Figure 6. Industry offshore wind U.S. deployment projections to 2031

Various forecasts of wind energy market growth remains positive.

Offshore Wind Market Report: 2022 Edition

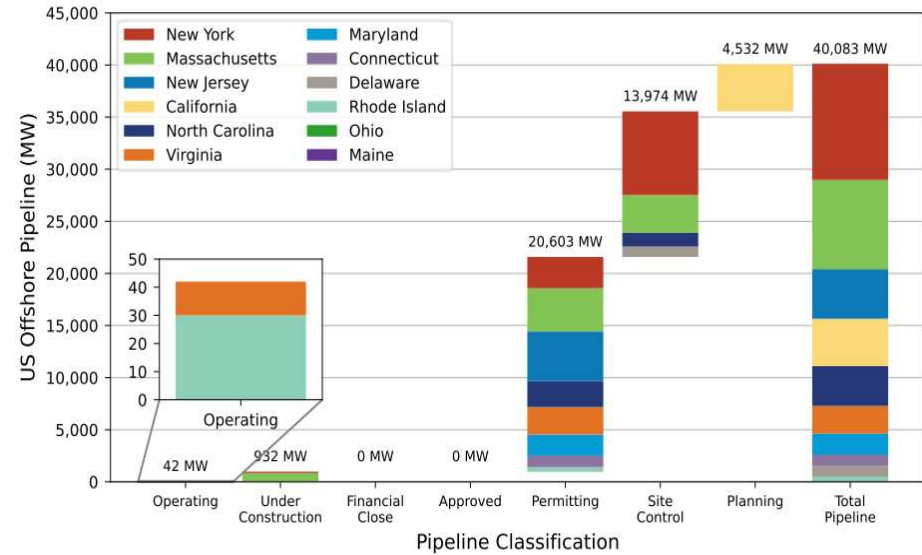


Figure 1. U.S. project pipeline classification by status

Asian wind market trends



產業布局

- ◆ 開發商：1. 沃旭在臺灣設亞太區營運總部，2019.11.19在臺舉辦首檔新台幣外國綠色債券上櫃掛牌典禮，為台灣第一件專業板新台幣計價外國債券發行案，2020.11.13發行第二次綠債
2. 麥格理綠投資集團投資海洋、海能及海鼎，2022年3月成立離岸風電公司Corio，4月營運
3. WPD、CIP、NPI將臺灣設定為離岸風電發展亞洲第一個據點
- ◆ 風力機系統商：設核心的機艙組裝廠、功率轉換模組(PCM)廠，打造臺灣成為亞太生產基地
- ◆ 國內供應商：1. 建立水下基礎、電力設施、風力發電機組及海事工程等四大系統本土供應鏈
2. 進入開發商、系統商國際供應體系

Taiwan's offshore wind market

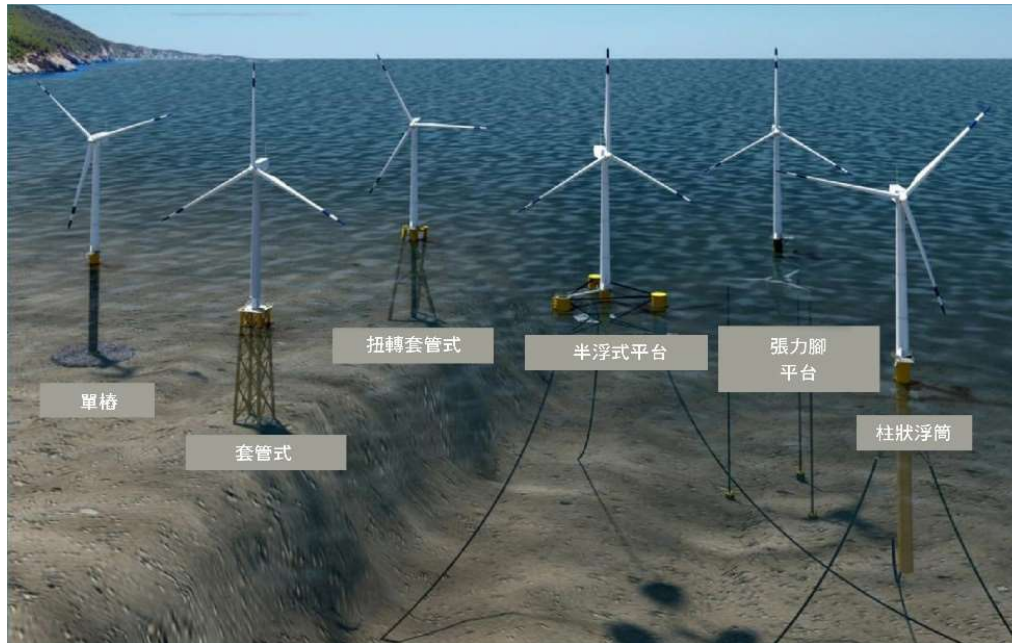
台灣離岸風電發展計畫

台灣離岸風電建置目標與時程			
離岸風電發展三階段	建置目標	表定併網送電時間	進度
第一階段：示範風場	238MW	2019 – 2021年	海洋風電、台電離岸一期 已成功商轉
第二階段：潛力場址	5.5GW	2021 – 2025年	苗栗、雲林、彰化等 共四風場施工中
第三階段：區塊開發	15GW	在2026 – 2035年間陸續到位； 前6年分為3期， 即每年釋出1.5GW	2022年Q3前完成 第一期（2026 – 2027年） 3GW風場選商

Japan's offshore wind market

Wind Energy Outlook and Future Target

	2018	2019	2030
Onshore	3,589	3,858	27,000
Offshore	65	65	10,000
Total	3,654	3,923	37,000

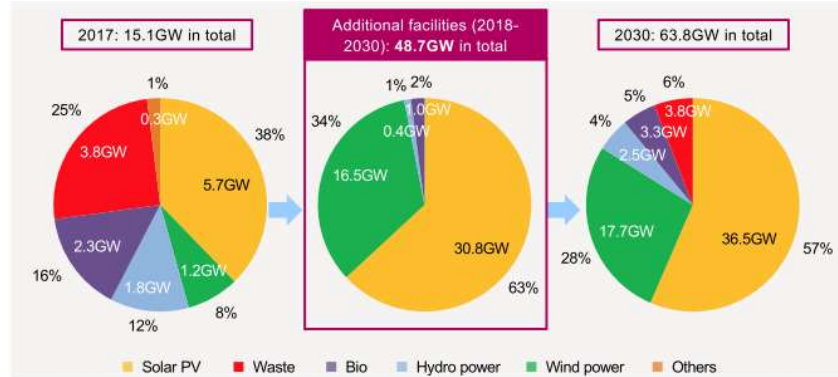


10GW offshore by 2030 include 4GW floating

Source: Supporters of Giant Fans at Sea - Underwater Structures | Latest Articles - Science and Technology Grand View Garden (nat.gov.tw)

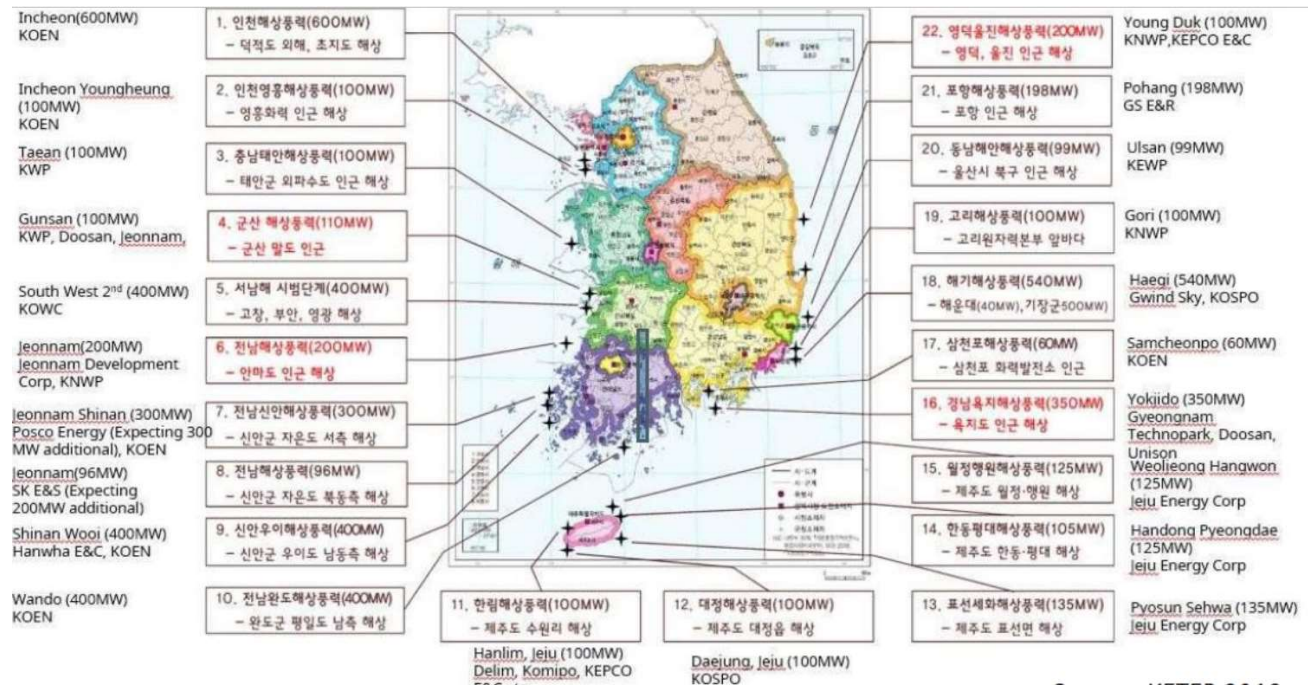


South Korea's offshore wind market



Source: English Translation of Renewable Energy 3020

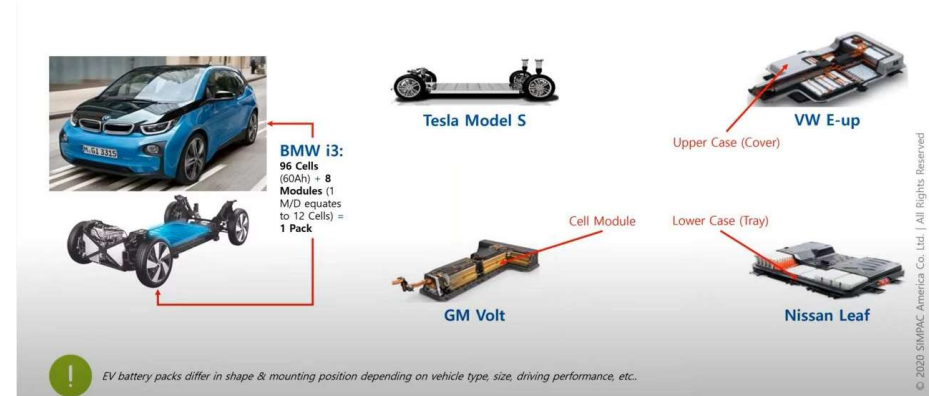
- ❖ 16.5 GW new addition before 2030 (include 12 GW offshore)
- ❖ Until 2021, Korea currently has 87 offshore wind farm projects under construction or approved, and five have generated electricity
- ❖ Become top 5 in the world for Offshore Wind Power by 2030



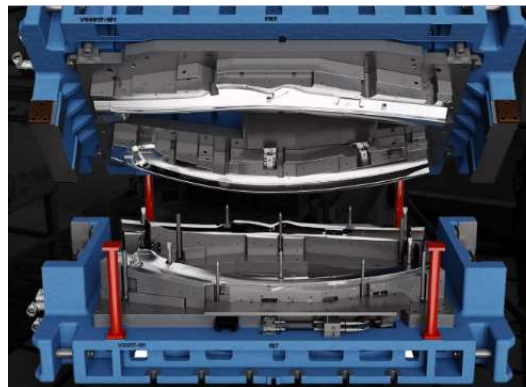
Electric Vehicle Market



source: Post My Hub



Source: twgreatdaily.com



Source: Tooling | AP&T (aptgroup.com)



Source:
<https://www.notateslaapp.com/news/791/new-cybertruck-photos-and-giga-press-shown-off-by-idra>

Development Strategy

Taichung Investment

2022 December
Operations Start

2023
25k tons in shipment

2024
50k tons in shipment

- ✦ Construction started in 2020, with operation start in Q4 2022
- ✦ Max capacity: **100k tons/year** renewable energy industry 60%, plastic injection and industrial machinery 40%
- ✦ Advantage:
 - Next to Siemens Gamesa & Vestas
 - Localization policy
 - Located in port to reduce logistic cost
 - Government support
 - Avoid trade frictions



Conditional contracts in place with SGRE/Vestas to provide castings
For Taiwan's offshore wind market, which could require around 25,000
tons/year

Thailand Investment

2022 August
Groundbreaking

2024 4Q
Operation Start

2025
20k tons in shipment

- ✦ Aug 2022 construction start, complete by Q4 2024
- ✦ Capacity: **80k tons/year**, Renewable industry (onshore wind power), Injection molding machine & industrial machinery
- ✦ Advantage
 - 968,000 square meters
 - 8 years tax-free; 5 years 50% off for tax
 - ASEAN huge market (major appliance, automotive industry)
 - Abundant human resources & low cost



Outlook for 2022 and Beyond

✦ Near Term (1-2 years)

- Develop new customers/meet increased wind demand from China.
- For 2022, we expect strong wind sales leading to shipment target of 195,000-200,000 tons.
- Taichung factory for wind castings: production in 2022

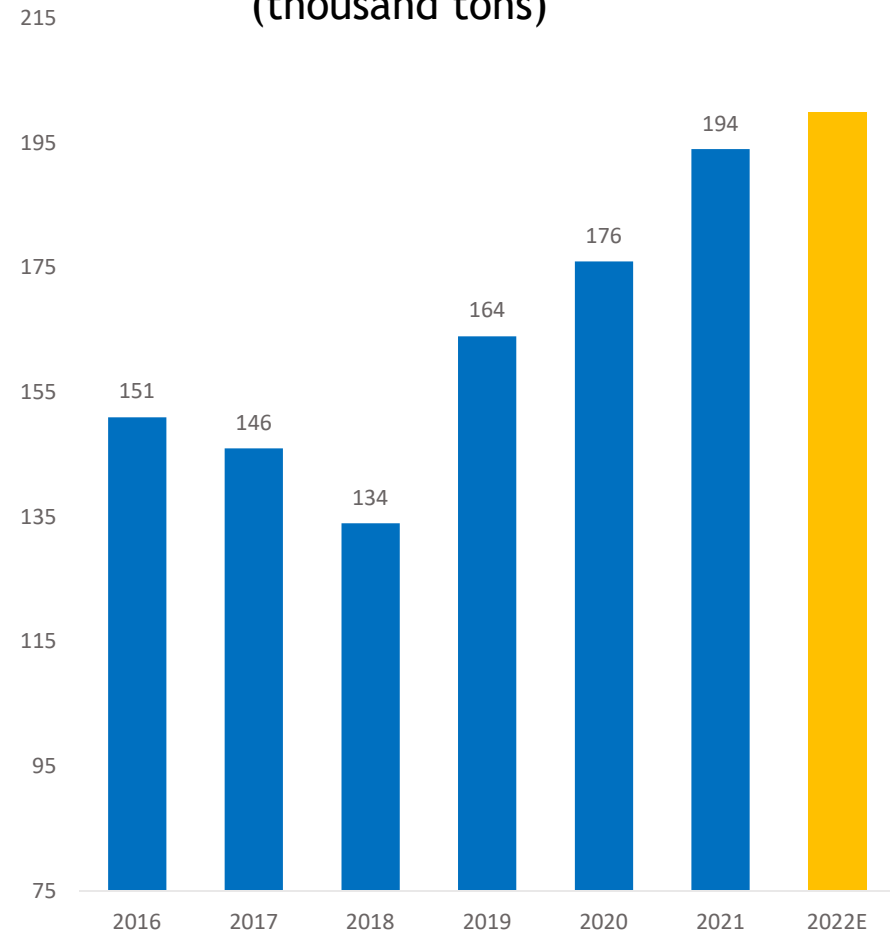
✦ Mid Term (3-5 years)

- Thailand plant: Construction starts in 2022. Production begins in 2024.
- Capacity reaches 300,000 tons/yr.

✦ Long Term (5-10 years)

- Sustainable operations & succession planning
- Building upon ESG framework
- Corporate social responsibility
- Capacity reaches 380,000 tons/yr

Estimated Shipments
(thousand tons)



Detailed Financial Figures

Historical Income Statement

NT\$ Million	2018	2019	2020	2021	2022 Q2	2021 Q2	YoY(%)				
							2018	2019	2020	2021	2022 Q2 VS 2021 Q2
Sales Revenue	6,196	7,900	8,184	8,948	2330	2235	-3.2	27.5	3.6	9.3	4.3
Gross Profit	831	1,371	1,790	1,770	307	450	-42	65	30.6	-1.1	-31.8
Operating Profit	-245	212	545	316	-17	83	-183.1	-186.5	-157.1	-42	-120.5
Income before Tax	-232	221	624	321	-87	123	-167.8	-195.3	-182.4	-48.6	-170.7
Net Income	-274	164	517	214	-91	141	-206.2	-159.9	-215.2	-58.6	-164.5
EPS (NT\$)	-2.48	1.54	4.81	1.95	-0.81	1.27	-208.8	-162.1	-212.3	-59.5	-163.8
Key financial ratio (%)											
Gross Margin	13	18	22	20	13	20					
Operating Margin	-4	3	6	3	-1	3					
Net Margin	-4	2	6	2	-4	6					
OPEX ratio	17	15	16	17	14	17					

Historical Balance Sheet

NT\$ Million	2018	2019	2020	2021	2022 Q2	2021 Q2	YoY(%)				2022 Q2 VS 2021 Q2
							2018	2019	2020	2021	
TOTAL ASSETS	14,531	13,521	16,394	18,470	21,174	17,214	0.3	-7	21.2	12.7	23
Cash	3,153	1,451	2,682	1,994	2,897	1,923	-4.9	-54	84.8	-25.7	50.7
NR & AR	2,103	2,947	3,517	3,242	3,047	3,527	3.8	40.1	19.3	-7.8	-13.6
Inventory	1,368	1,226	1,324	1,660	1,981	1,690	8.9	-10.4	8	25.4	17.2
Fixed Asset	5,920	5,735	5,756	7,239	8,643	6,449	-5.7	-3.1	0.4	25.8	74.5
TOTAL LIABILITIES	6,250	5,699	7,630	9,635	12,490	8,240	31.1	-8.8	33.9	26.3	51.6
Bank Loans	4,584	3,858	3,498	4,344	7,227	4,087	649	-15.8	-9.3	24.2	76.8
NP & AP	1,050	990	1,646	2,422	2,803	1,838	-7.6	-5.7	66.3	47.1	52.5
TOTAL EQUITY	8,281	7,822	8,764	8,835	8,684	8,974	-14.8	-5.5	12	0.8	-3.2
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	78.5	81.1					
A/R turnover days	123	117	145	139	140	148					
Inventory turnover days	97	78	76	77	94	86					
A/P turnover days	74	57	75	103	130	94					
ROE (%)*	-3.2	2.1	6.3	2.5	-3.3	3.1					

Quarterly Income Statement

NT\$ Million	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Sales Revenue	1,130	2,136	2,431	2,488	2,146	2,235	2,270	2,296	1,813	2,330
Gross Profit	127	465	582	616	551	450	400	369	196	307
Operating Profit	(111)	154	290	212	200	83	36	(2)	(118)	(17)
Income before Tax	(128)	223	267	262	157	123	36	5	(217)	(87)
Net Income	(113)	193	207	230	126	141	29	(82)	(196)	(91)
EPS (NT\$)	(1.06)	1.82	1.94	2.12	1.13	1.27	0.27	(0.72)	(1.75)	(0.81)
Revenue by Application (%)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	1Q22	2Q22
Renewable Energy	60.7	67.0	72.8	67.4	60.3	46.2	43.2	41.1	33.8	42.3
Injection Molding Machine	17.7	14.1	11.7	14.4	18.4	24.5	26.5	30.7	32.4	27.3
Industrial Machinery	21.6	18.9	15.5	18.2	21.3	29.3	30.3	28.2	33.8	30.4

Thank you for your consideration!



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