Yeong Guan Group (1589 TT)

2024/11

永冠集團
YEONGGUAN GROUP

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Outline

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YEONGGUAN GROUP

YEONG GUAN OVERVIEW & DEVELOPMENT PLAN

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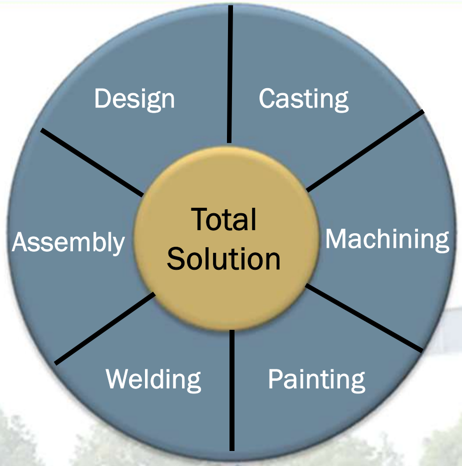
Yeong Guan Overview

- 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, with a total production capacity of approximately 270,000 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



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Sustainability and Sustainable Management

E

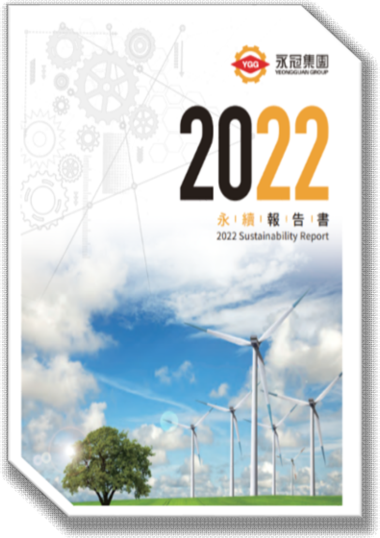
- Environmental
  - Invest in wind farms
  - Reserve green energy resources
  - Calculating carbon emissions; managing carbon footprint

S

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

G

- Governance
  - Increase the number of outside directors
  - Increase female board members
  - Chairman no longer serve CEO at the same time
  - Risk Management/Supply Chain Management



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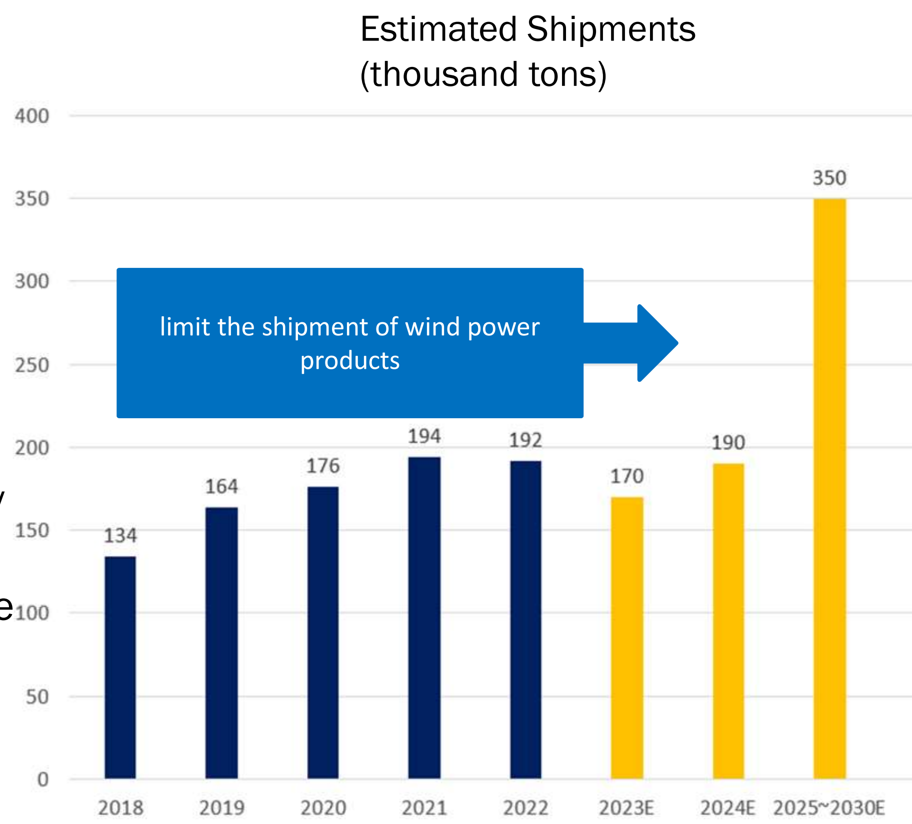
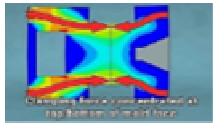
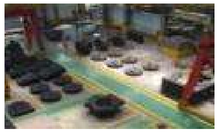
Development plan

- Shipping target
  - In 2023, the turnover will reach NT$8.67 billion, and the shipment reached 175,000
  - Shipment forecast for 2024 revised down to 160,000 tons
- Near Term
  - Taichung factory: 2025 Increased output & gross margin
  - Thailand factory: 2025 Q2 Put into operation
  - China factories: Business transformation to be completed by the end of 2024
- Mid Term
  - Enrich business content and diversity and strengthen the ability to withstand business cycles
  - Avoid being exposed to excessive risks due to excessive reliance on a single industry
- Long Term
  - Deepen environmental, social and corporate governance (ESG) and fulfill corporate social responsibility (CSR)



Core Competitiveness: Strengthening of Professional and Technical Capabilities





Good quality

- Accumulation of decades of work experience by the professional team
- Excellent product quality, high reliability and long service life

Advanced Material Formula Control Capabilities

- Simultaneous processing of more than 30 chemical elements and metallographic analysis
- Professional processing capabilities of high standards, high specifications, and special materials

Ability to support advanced equipment

- Production equipment selection and design planning
- Adaptive integration capability of automation and intelligent equipment
- High-end, precision, large-scale, continuous investment in automation equipment

Excellent production management ability and product line change planning

- Quick response to mold on-line and line change
- A small amount of various production arrangements to respond to rapid changes in customer demand
- Modularization of process design, intensive production

Focus on quality improvement, lean production, personnel training, etc., and promote Industry 4.0, introduce Manufacturing Execution System (MES), and strengthen technical capabilities and production efficiency.

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Our Production Sites

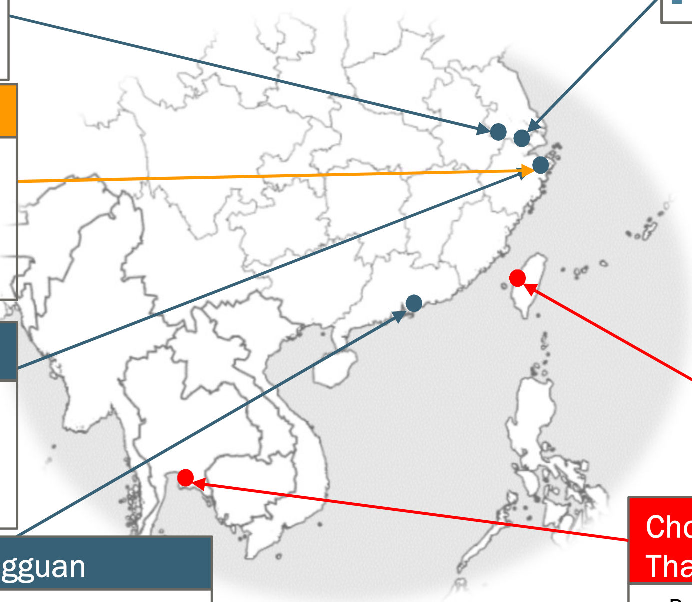
YGB Liyang
- Product/Service: Casting, Machining
- Employee: 806
- Plant Area: 120,239 m^2
- Since 2008

YGS Ningbo
- Product/Service: Casting, Machining
- Employee: 701
- Plant Area: 93,072 m^2
- Since 2000

The government has collected

YGL Ningbo
- Product/Service: Casting
- Employee: 326
- Plant Area: 27,288 m^2
- Since 2006

YGD Dongguan
- Product/Service: Casting
- Employee: 158
- Plant Area: 15,015 m^2
- Since 1995



YGW Jiangsu
- Product/Service: Casting
- Employee: 242
- Plant Area: 36,401 m^2
- Since 2016

Taichung Port, Taiwan
- Product/Service: Casting, Machining
- Employee: 800
- Plant Area: 205,000 m2
- Since 2022

Chonburi Province, Thailand
- Product/Service: Casting
- Employee: 300
- Plant Area: 968,000 m2
- Since 2024

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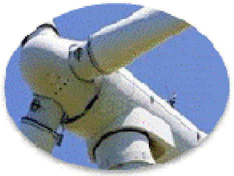
The top ten high-quality customers in the industry



Renewable energy

SIEMENS Gamesa, NORDEX, acciona Windpower, ENVISION, ZF, 上海电气 SHANGHAI ELECTRIC, Vestas

Injection molding machine

KraussMaffei, ENGEL be the first., NISSEI, Sumitomo SHI DEMAG, MILACRON Manufacturing Technologies, Wittmann Battenfeld, YIZUMI

Industrial machinery

DMG MORI AKTIENGESELLSCHAFT, Atlas Copco, Elekta, BOBST, CATERPILLAR, SACMI, SCHULER Member of the ANDRITZ GROUP, WÄRTSILÄ

The goal is to win more global high-end equipment and international first-line manufacturers, and work closely together to develop new products.

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Wind power equipment

Mainland China (average market price)::
→onshore is about 50 dollars
→offshore is about 70 dollars

Europe:
→ onshore is about 85 dollars
→offshore is about 95~100 dollars (10MW)

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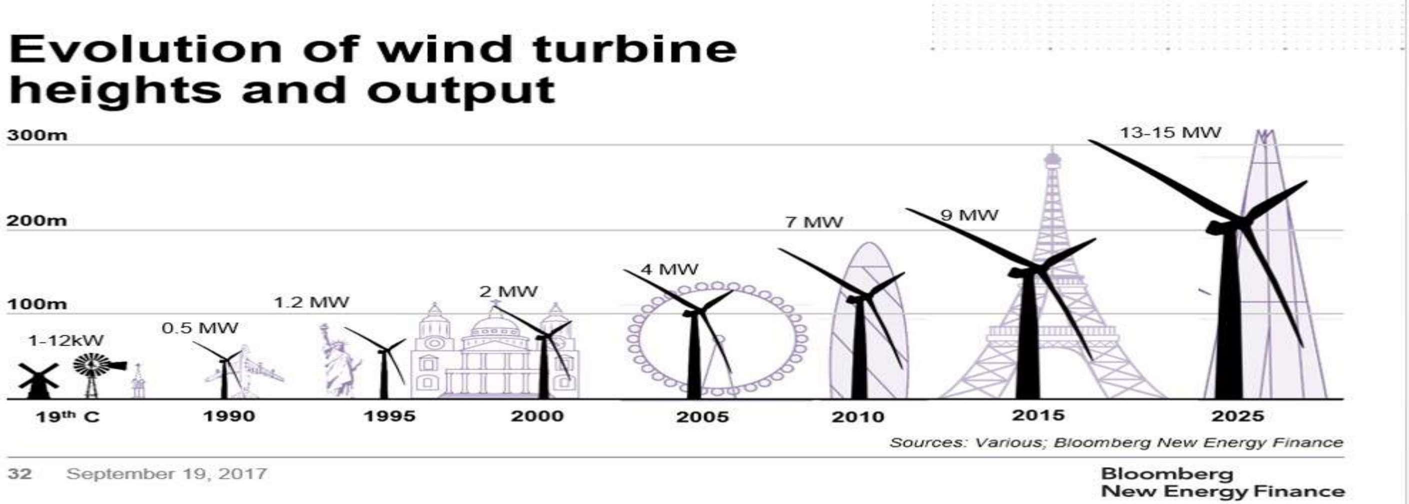
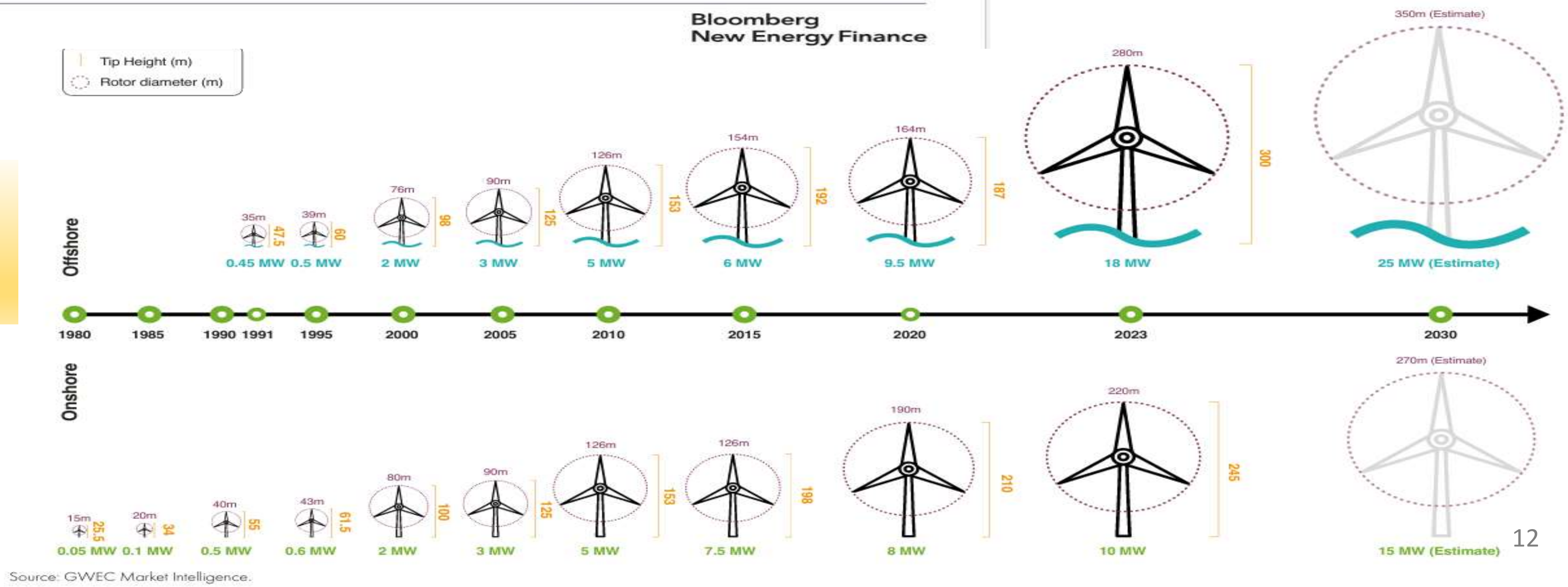
Wind power equipment



Large-scale wind turbines can effectively reduce construction costs

The industry is balancing size and efficiency



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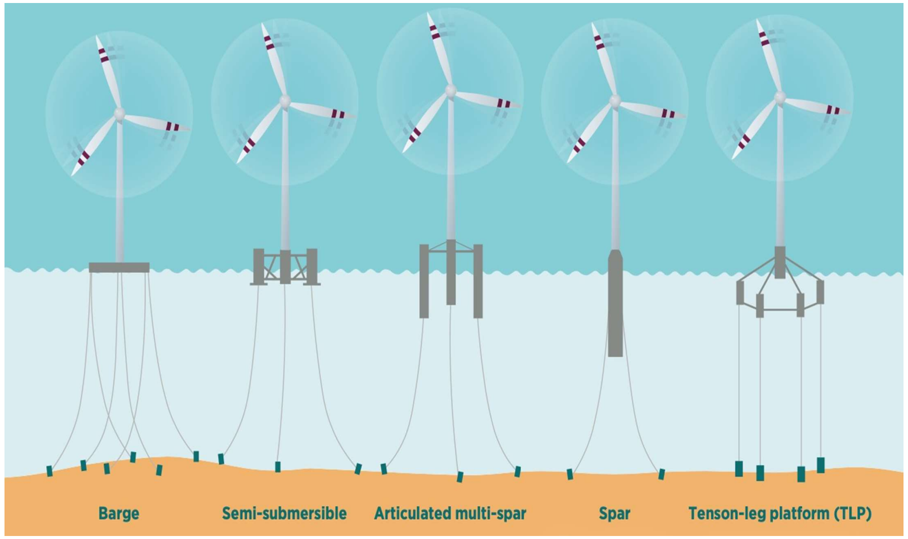
Wind power equipment

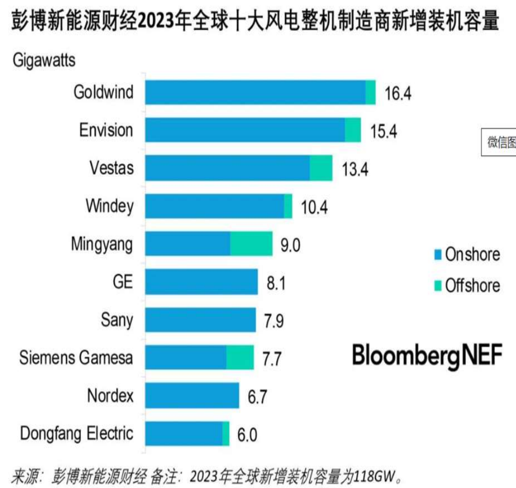
Offshore wind turbine structures



來源:CWEA

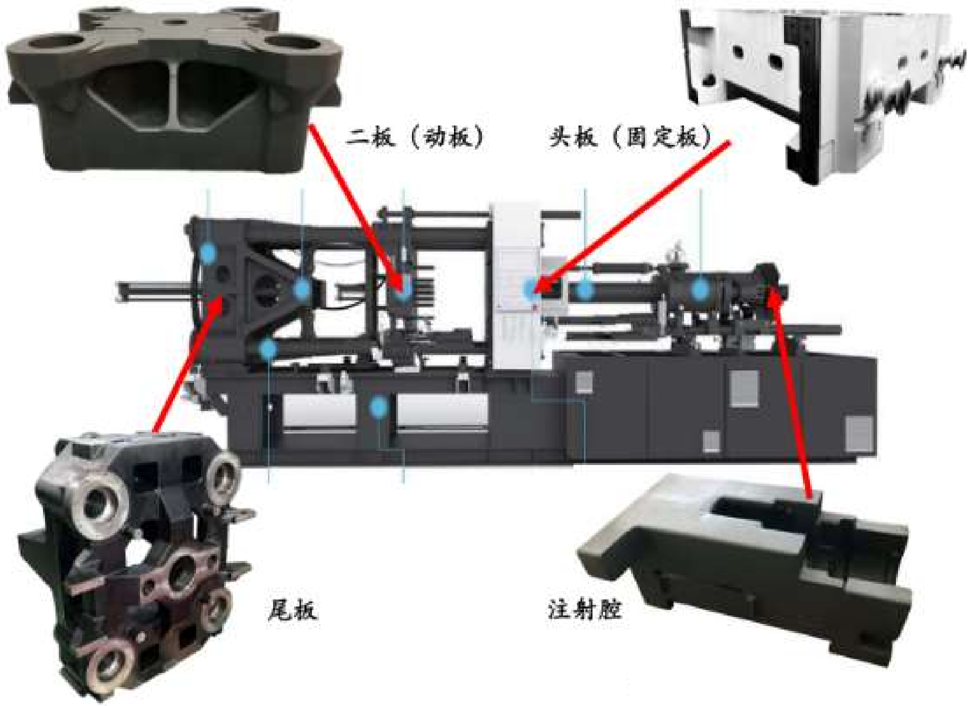
国内外主流整机商	大兆瓦机组情况
金风科技	10MW、12MW、13.6MW、16MW、 20MW
远景能源	10.5-11.5MW、14MW、16MW、18-20MW
明阳智能	8-11MW平台、11-12MW平台、14-16MW平台、18-20+MW平台
电气风电	EW10.X-2XX、 EW12.X-252 EW16.0-252
运达风电	WD22X-10.X、WD22X-15.X
中车株洲所	10MW、8~12MW、14-16MW
三一重能	10MW、13MW、15MW、16MW
中国海装	10MW、12. 5MW、16MW、18MW
联合动力	10MW
东方风电	10MW、13MW、16MW、18MW
山东中车	10MW
太原重工	10MW
GE	Haliade-X 12-15MW
西门子歌美飒	11MW、14MW
维斯塔斯	V164-9.5/10.0MW™ V236-15.0MW™

来源:北极星风力发电网



Products widely used

Injection molding machine



Industrial machinery

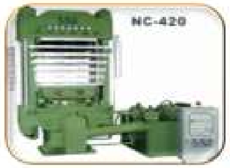

空壓機


螺帽機


齒輪加工機


印刷機械

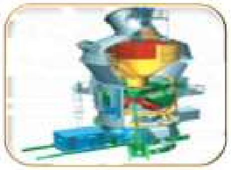

沖床

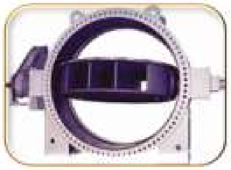


橡膠機


船舶引擎


造磁磚機


水泥機械設備

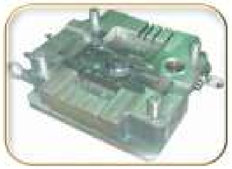

閥門(水道)


齒輪箱


醫療設備


沖壓模


加工中心


壓鑄模


運輸設備零件

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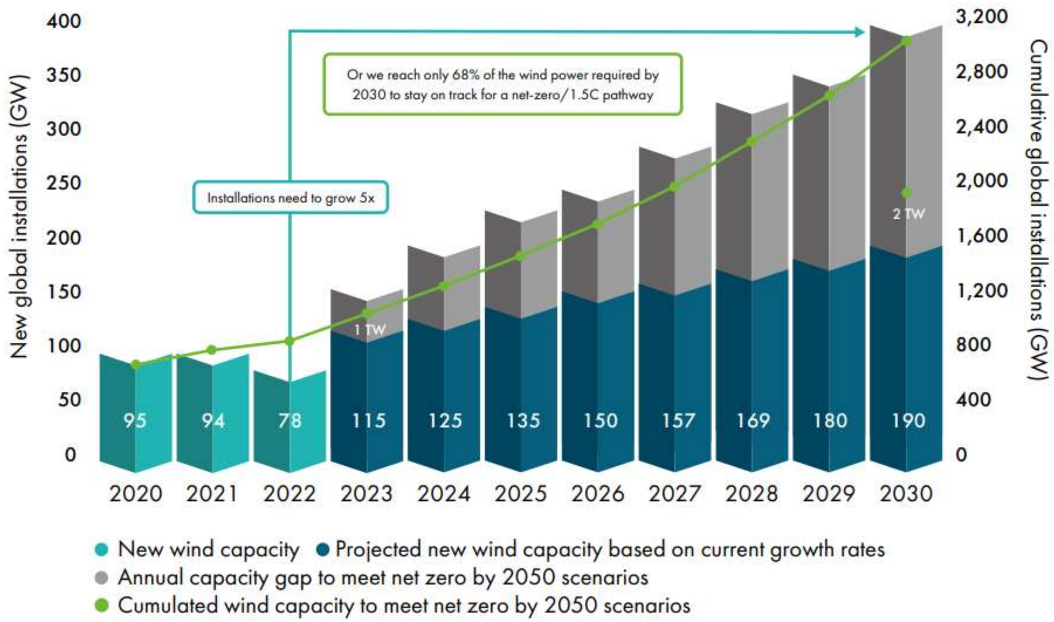
MARKET TRENDS

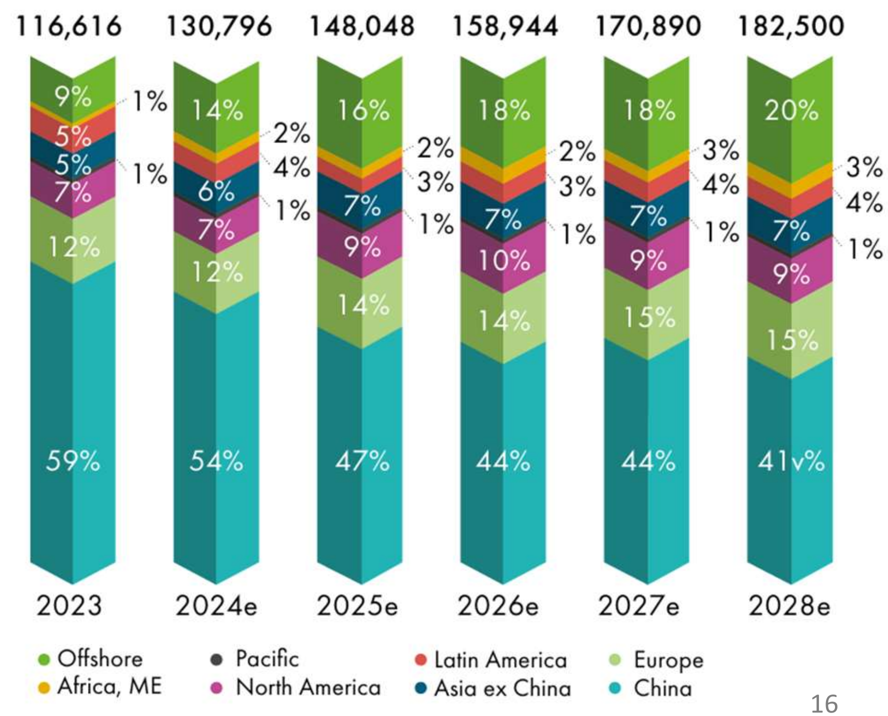
Global Market Trends

The 2 TW milestone is expected to be achieved in just seven years



Wind energy demand by country

New onshore and offshore installations outlook by region (MW, %)



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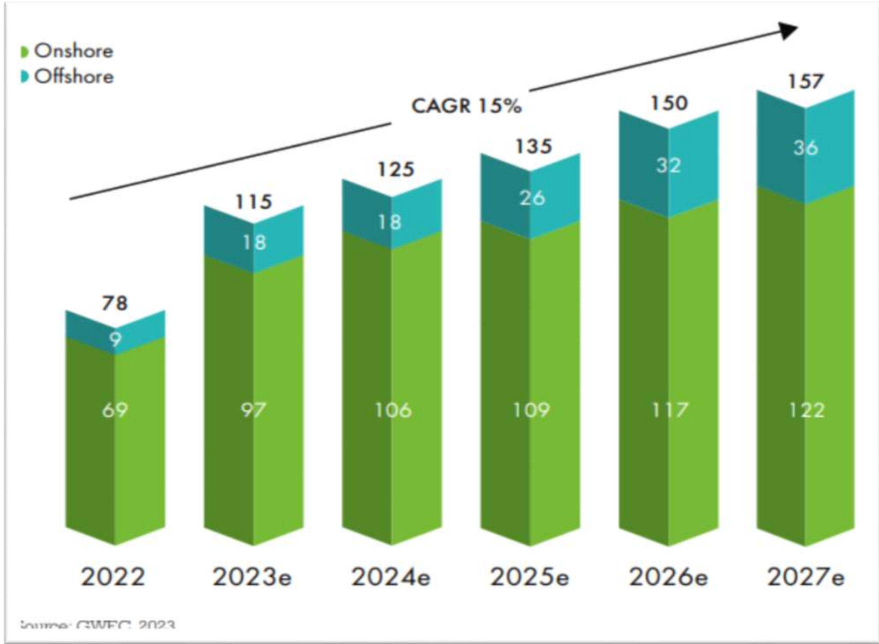
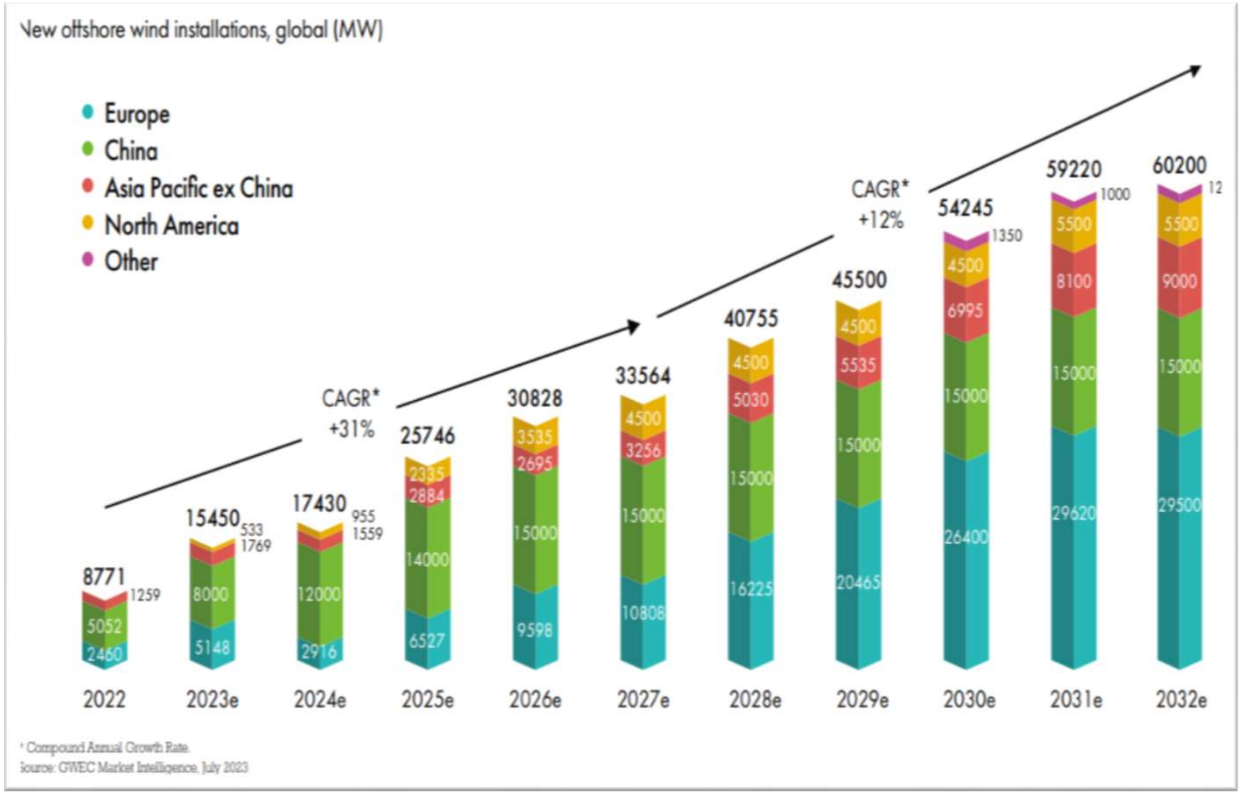
Global Market Trends

Offshore wind power continues to gain momentum





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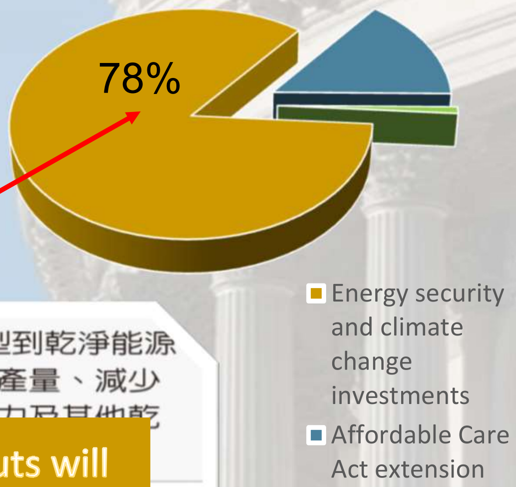
American market trends

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

Inflation Reduction Act invests 437 billion dollars



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 … 淨能源
為電動車買主提供稅務優惠	目前買 … 補貼，但 … 格車款 … 買主也享有稅務優惠

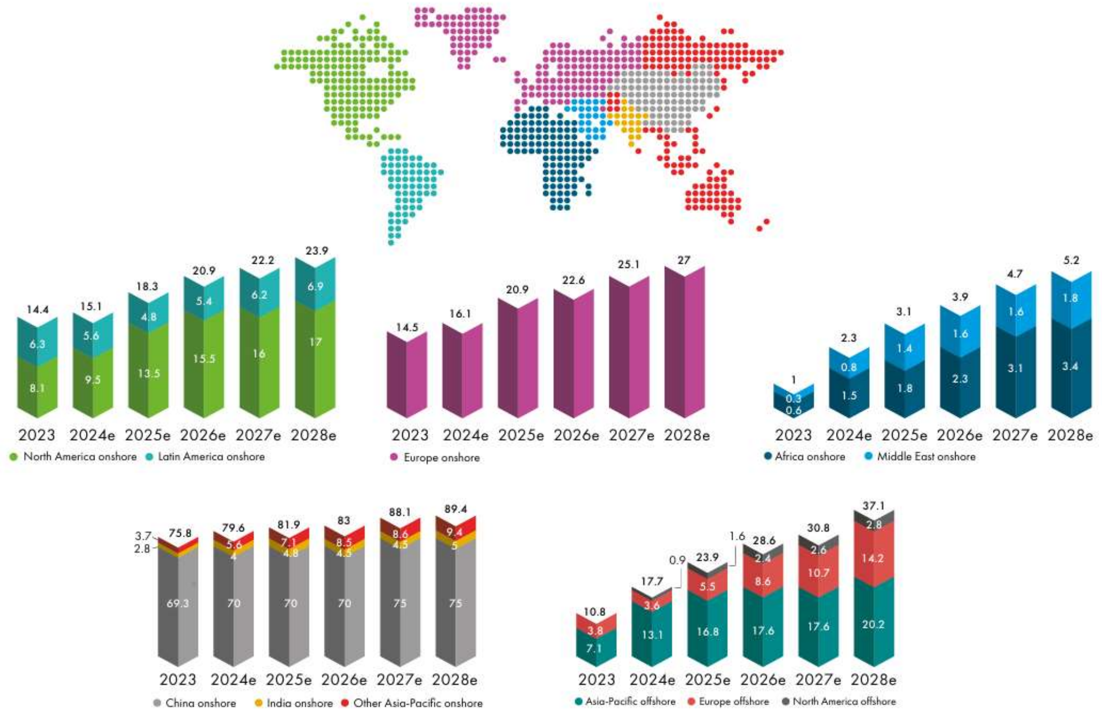
Interest rate cuts will help wind farm construction progress

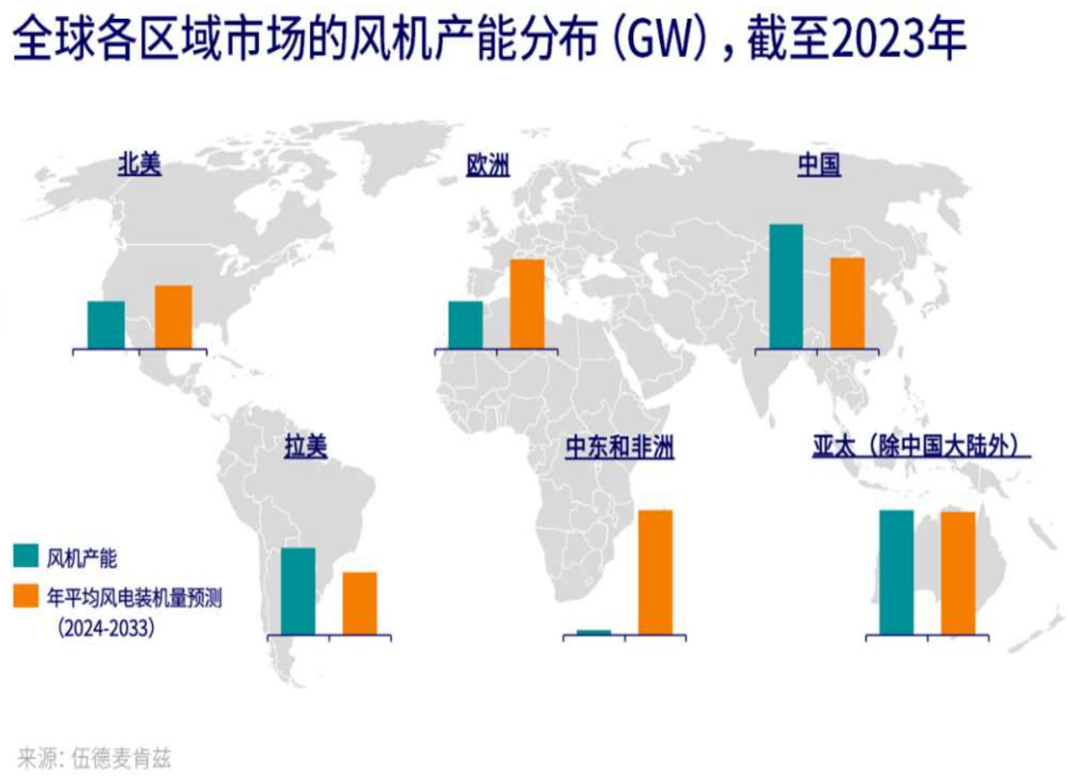
Election results may affect energy policy

Global Market Trends

Europe ambivalent about Chinese wind turbine supply chain

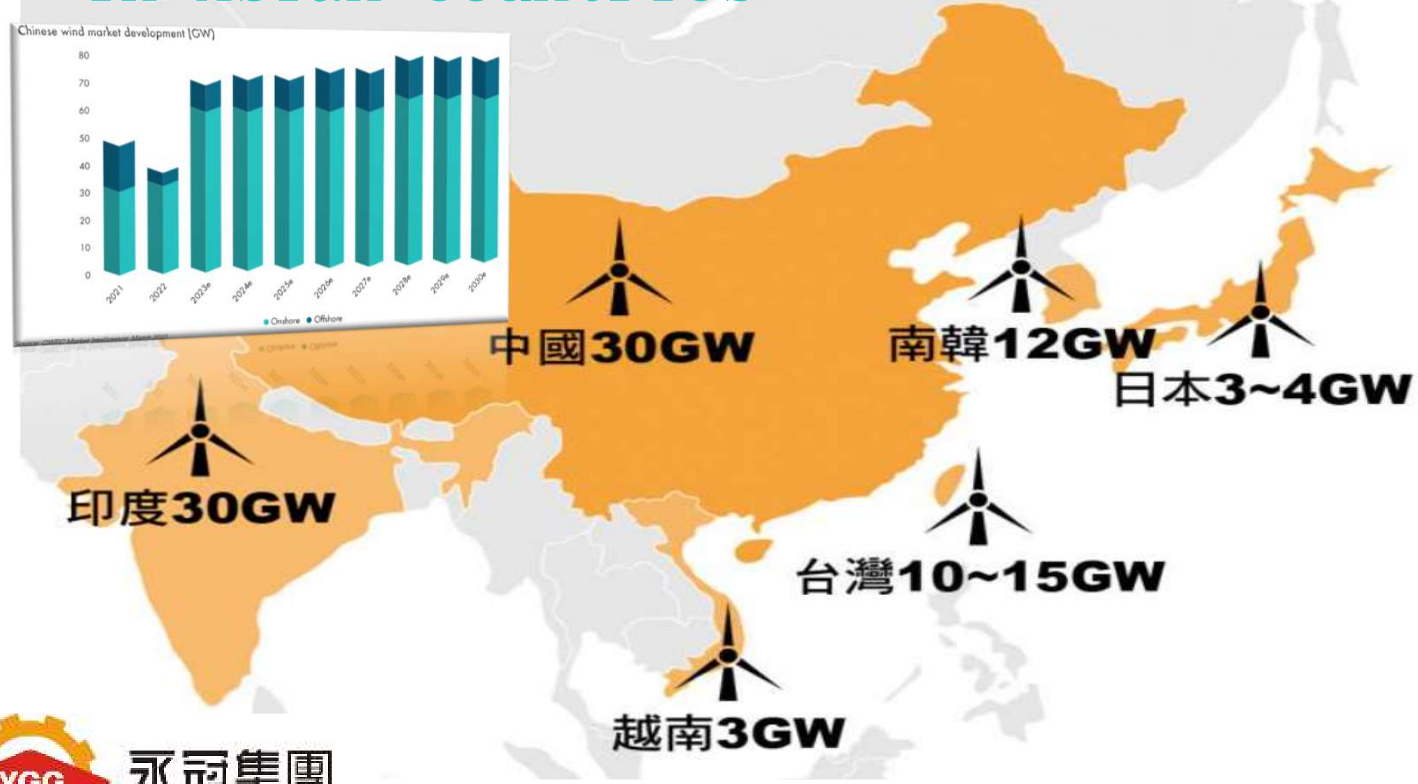
Regional onshore and offshore wind outlook for new installations (GW)



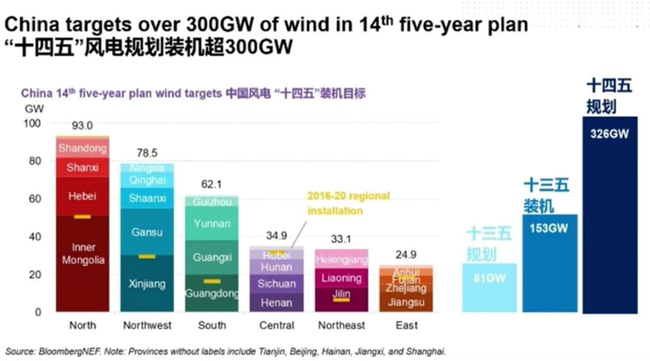


Global Market Trends

2030 Offshore wind power installation plans in Asian countries



- The scale and rapid development of offshore wind power in Asia
- Technology and Supply Chain Integrity
- According to the 14th Five-Year Plan, by 2030, China's annual new installed capacity will not be less than 60GW



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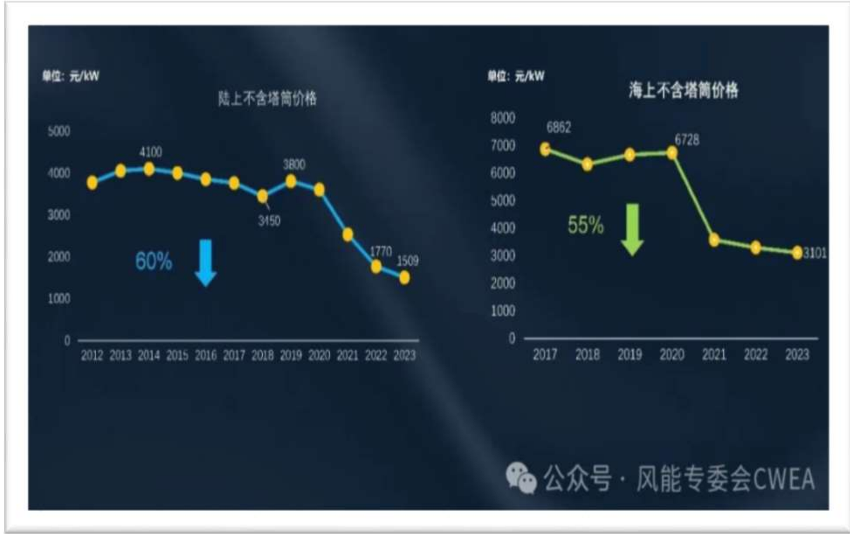
資料來源：經濟部工業局

Global Market Trends



----Overcapacity leads to fierce price competition

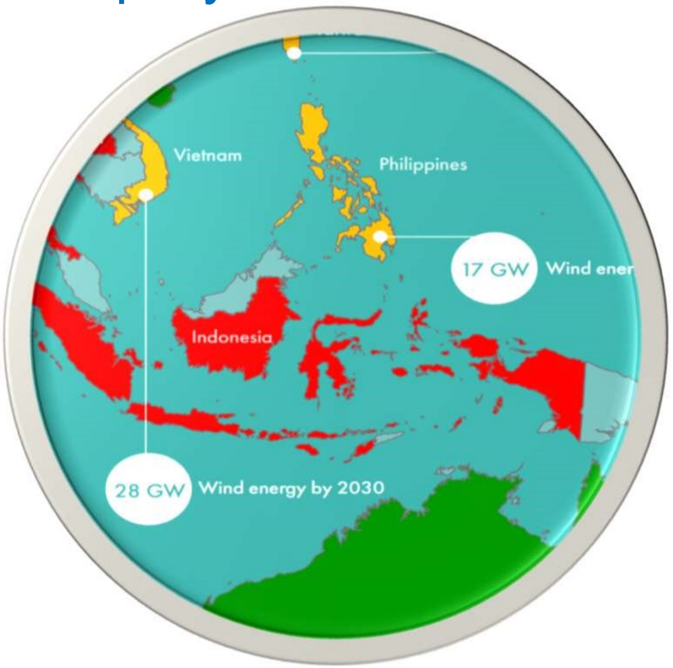
- Continental wind turbine installation not as good as expected(quality issues 、 funds)
- Inflation in Europe and the United States affects wind farm construction process
- Industrial policy orientation is too centralized

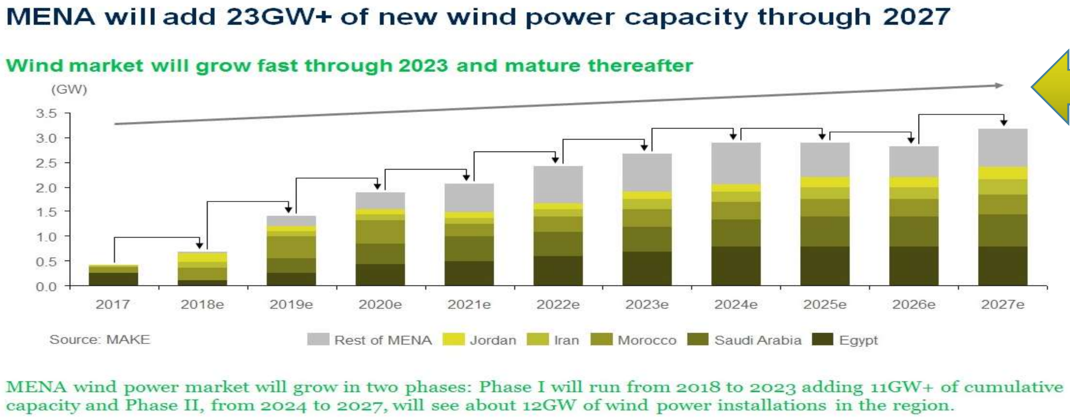
Countermeasures :

1. Reduce the proportion of wind power sales in mainland China
2. Expand market penetration;
3. Optimize bidding strategy

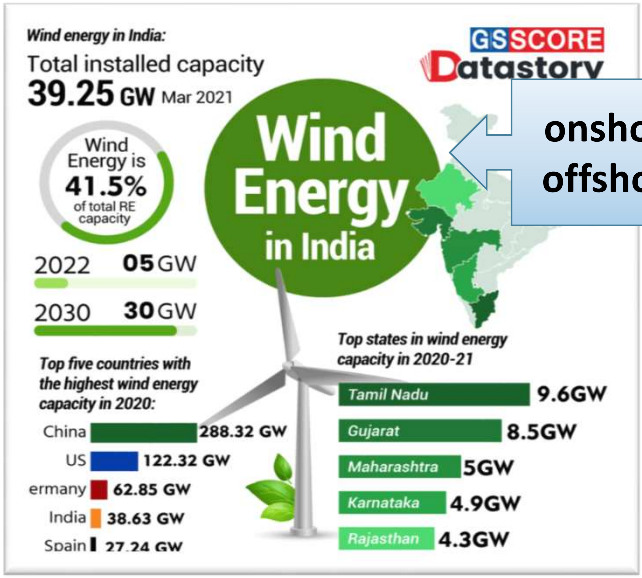
Global Market Trends

➤ Demand for wind power in emerging markets is growing rapidly





MENA
Growing fast



onshore600GW
offshore174GW

✓ The construction of wind farms in Southeast Asia, India, the Middle East, and South America has begun to accelerate

✓ Manufacturers' demand for overseas casting supply increases

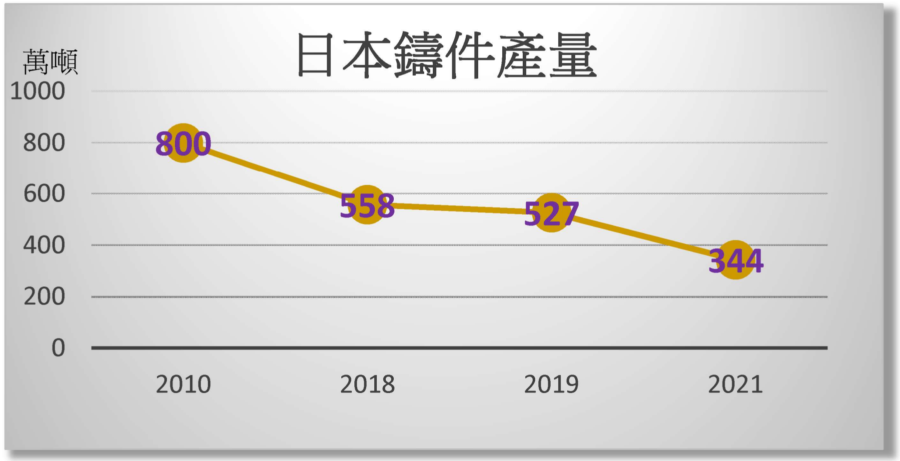
Global Market Trends

➢Friend-Shoring

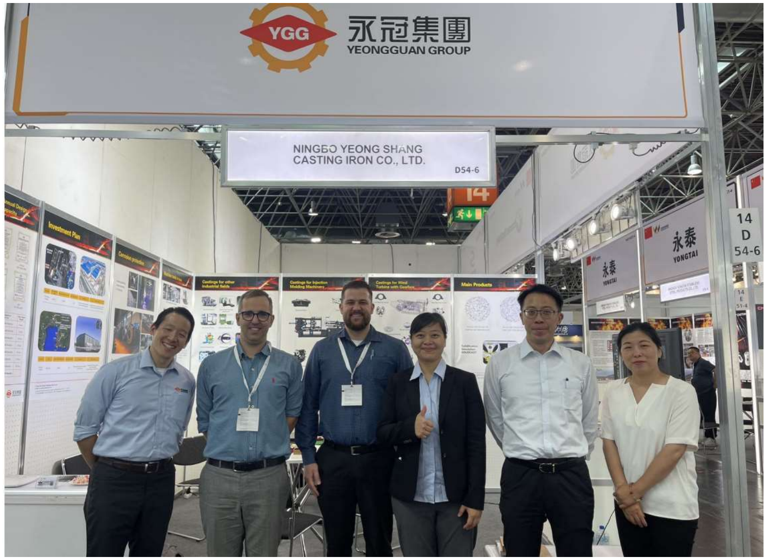
When looking for a production base for the manufacturing industry, we should not only consider economic factors, but also consider international relations. Producing in national defense countries is the best strategy. Under such a trend, Thailand, as one of the major manufacturing countries in Southeast Asia and its government actively participating in the Industry 4.0 policy, has naturally become an important choice for international companies to choose to deploy new production bases in Asia.

➢Japan's economic recovery

- ✓ Industries related to Japan-U.S. Indo-Pacific strategy
- ✓ The depreciation of the yen increases industrial competitiveness
- ✓ Exports & Domestic Demand Increase, Increase demand for overseas imported castings



Market opportunity



- Yeong Guan participated in the GIFA exhibition and communicated with many new and old customers from all over the world.
- Customer areas cover a wide range of areas ， In addition to major wind power plants, there are also die-casting, air compressor, punch press, mining machinery, etc. 。
- Customers all expressed ， Considering that Thailand has an advantage in procurement costs compared to China, tariffs are also reduced, and Thailand supplies regional markets such as India and Europe with convenient logistics. Therefore, we are looking forward to having Yeon Gguan Thailand Factory provide castings, processing, and spraying services, and we are actively arranging them. Follow-up docking work.

✓ **Manufacturers are highly interested in Yongguan Thailand factory and hope to cooperate as soon as possible**

NEW PRODUCTION CAPACITY AND DEVELOPMENT

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Thailand Foundry

91 km from Bangkok International Airport
40 km from Laem Chabang Port
60 km from Pattaya

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Thailand Foundry

2022 August groundbreaking	2024 4Q Go into operation	2025 Commissioning 20k tons

- Schedule: 2022 August ground breaking, 2024 go into operation
- Capacity: 140k 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

Thailand Foundry

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Taichung Foundry State

2023 2Q
Go into operation

2023
Commissioning 7k – 10K tons

2024
Capacity reach to 50k tons

- Schedule: 2020 ground breaking, 2023 2Q go into operation
- 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 reduce logistic cost
  - Government support
  - Avoid trade frictions

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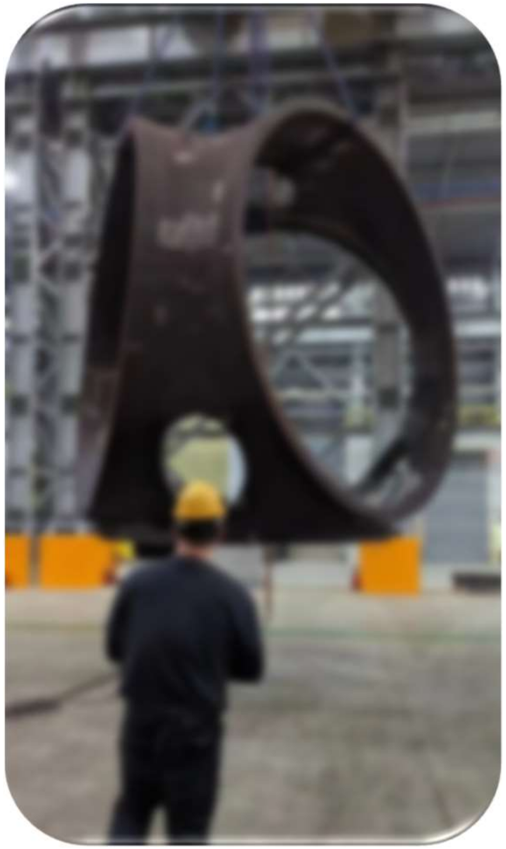
Already signed a contract with Siemens, Taichung foundry will provide 30K tons/year for Taiwan market & 50K tons/year for global market.

Taichung Foundry State

- 現場作業實景



Development Strategy

China Base

- Medium and large wind power products
- Global availability
- Meet domestic demand

Taichung Foundry

- Localization of wind power
- USA market
- Larger wind power products

Thailand Foundry

- Business opportunities for supply chain risk diversification
- Competitive price
- Short chain supp

Detailed Financial Figures

Financial information

➢2024

- In Q3 2024, there is 882 million from non-operating revenue
- There might be 550 million from non-operating revenue in Q4 2024

➢2025

- The original Yeong shang supporting factory area is a 50-acre chemical base; the area is similar to Yeong shang; the local government purchases and stores
- There are also idle supporting warehouses revitalized

Historical Income Statement

NT$ Million	2020	2021	2022	2023	2024 Q3	2023 Q3	YoY(%) 2020	YoY(%) 2021	YoY(%) 2022	YoY(%) 2023	YoY(%) 2024 Q3 VS 2023 Q3
Sales Revenue	8,184	8,948	9,384	8,671	1,847	1939	3.6	9.3	4.9	-7.6	-4.7
Gross Profit	1,790	1,770	1344	1,198	28	266	30.6	-1.1	-24	-10.9	-89.5
Operating Profit	545	316	98	-173	-273	-100	-157.1	-42	-69	-277	173
Income before Tax	624	321	-314	-263	530	-240	-182.4	-48.6	-198	16.2	-320
Net Income	517	214	-444	-276	338	-221	-215.2	-58.6	-307	37.8	-253
EPS (NT$)	4.81	1.95	-3.96	-2.35	2.82	-1.85	-212.3	-59.5	-303	40.7	-252

Key financial ratio (%)

	2020	2021	2022	2023	2024 Q3	2023 Q3
Gross Margin	22	20	14	14	1	14
Operating Margin	6	3	1	-2	-15	-5
Net Margin	6	2	-5	-3	18	-11
OPEX ratio	16	17	13	16	16	19

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Historical Balance Sheet

NT$ Million	2020	2021	2022	2023	2024 Q3	2023 Q3	YoY(%) 2020	2021	2022	2023	2024 Q3 VS 2023 Q3
TOTAL ASSETS	16,394	18,470	21,891	25,077	24,864	24,784	21.2	12.7	18.5	14.6	0.3
Cash	2,682	1,994	2,114	2,197	2,192	2,198	84.8	-25.7	6	3.9	0.3
NR & AR	3,517	3,242	3,742	3,365	2,952	3,840	19.3	-7.8	14.6	-10	-23.1
Inventory	1,324	1,660	1,858	2,325	1,780	2,734	8	25.4	11.9	25.1	-34.9
Fixed Asset	5,756	7,239	9,651	11,751	12,318	11,117	0.4	25.8	33.3	21.8	10.8
TOTAL LIABILITIES	7,630	9,635	13,398	16,349	16,256	15,509	33.9	26.3	39	22	4.8
Bank Loans	3,498	4,344	8,482	12,150	13,009	11,487	-9.3	24.2	95	43.2	5.3
NP & AP	1,646	2,422	2,296	2,050	885	1,890	66.3	47.1	-5.2	-10.7	-53.2
TOTAL EQUITY	8,764	8,835	8,492	8,727	8,608	9,275	12	0.8	-3.9	2.8	-7.2
Common Stock	1,106	1,106	1,106	1,181	1,181	1,181	4.7	0	0	6.8	0
Book value per share	79.2	79.9	76.8	73.90	72.89	78.5					
A/R turnover days	145	139	137	152	178	160					
Inventory turnover days	76	77	82	107	119	120					
A/P turnover days	75	103	107	106	77	107					
ROE (%)*	6.3	2.5	-5.14	-3.27	-7.15	-0.78					

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*Return on equity: parent company' s net profit/average common stockholders' equity

Quarterly Income Statement

NT$ Million	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23	1Q24	2Q24	3Q24
Sales Revenue	2,330	2,481	2,760	2,218	2,343	1,939	2,172	1,420	1,739	1,847
Gross Profit	307	349	493	424	454	266	55	-147	-51	28
Operating Profit	-17	59	174	102	105	-100	-279	-399	-309	-273
Income before Tax	-87	(75)	65	91	110	-240	-224	-501	-423	530
Net Income	-91	(135)	(21)	69	80	-221	-205	-549	-395	338
EPS (NT$)	(0.81)	(1.21)	(0.73)	0.62	0.73	-1.85	-1.75	-4.62	-3.33	2.82
Revenue by Application (%)	**2Q22**	**3Q22**	**4Q22**	**1Q23**	**2Q23**	**3Q23**	**4Q23**	**1Q24**	**2Q24**	**3Q24**
Renewable Energy	42.3	45.7	56.4	58.4	50.6	51.4	56.2	40.3	45.6	44.6
Injection Molding Machine	27.6	30.2	21.6	18.5	18.8	18.9	17.3	26	22.5	24.6
Industrial Machinery	30.1	24.1	22	23.1	30.6	29.7	26.5	33.7	31.9	30.8

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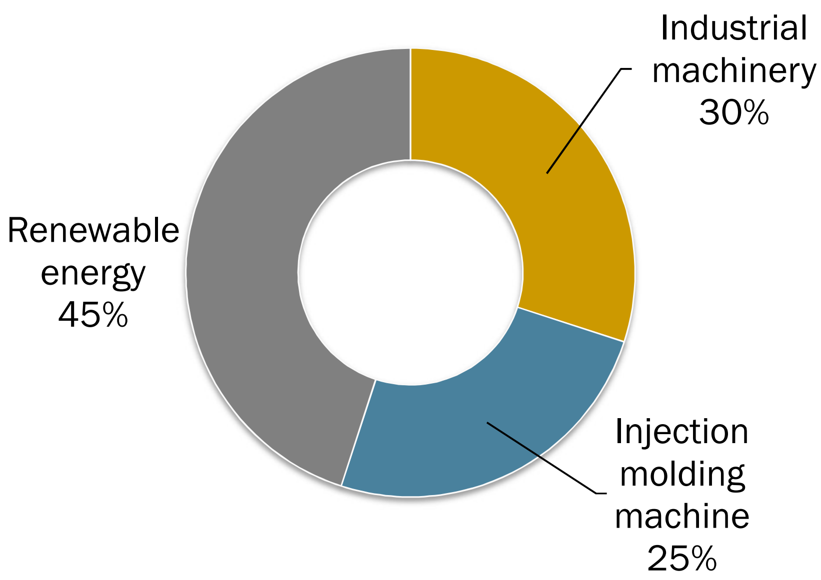
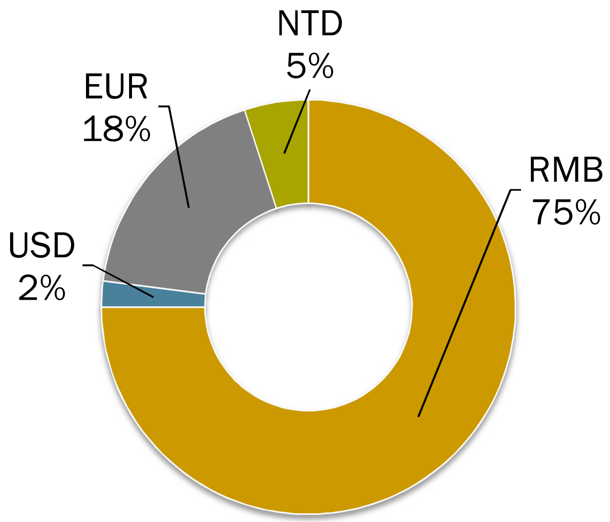
2024 Q3 Revenue by Application and Exchange Rate

Revenue by product application (%)



Currency specific revenue (%)



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Thank you !

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