

Kung Long Batteries- Performance and future's outlook



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KUNG LONG

www.klb.com.tw

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- ◆ **Industry overview**
- ◆ **Sale Profile**
- ◆ **Financials**
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Established date	Jan. 25, 1990
Listed date	Jan. 22, 2002 (TWSE : 1537)
HQ address	No.6 Tzu-Li 3 Rd, Nantou city
Plant	Taiwan-Kung Long(1990) 、 Le Long(1995) Vietnam-Ben Luc(1996) 、 Duc Hoa(2007)
Capital	NTD 815,853,940
Main activity	Batteries for renewable energy and storage system, batteries for telecom and switch stations, UPS batteries 、 EV batteries 、 Starting batteries
Numbers of employees	About 3,500 people



Main products

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UPS batteries



Telecom batteries



Stationary batteries



Automotive batteries



EV batteries



Gel batteries



Market outlook

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資料來源：工研院 IEK(2013/08)

圖一 全球鉛酸電池市場規模/生產數量逐年變化狀況

In terms of current market size of lead-acid batteries, it was USD 32.6 billion in 2010, which was 8.6% more than the year of 2009. With the market growth in the future on automotive, motorcycle, and power storage applications, the yearly growth rate of 2% -5% can be expected up to 2015. Compared with the market size of Ni batteries being at USD 2.8 billion and Lithium batteries being at around USD 10 billion, lead-acid batteries still take the largest shares in electricity storage sectors.



The strength of lead-acid batteries

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1. High C/P ratio

The high C/P ratio of lead-acid batteries has been standing for long time.

2. Wide applications

Lead-acid batteries can be used for starting, energy storage, telecom, transportation purposes.

Strength

3. Safety

Compared with other batteries, lead-acid batteries are more stable and of higher performance.

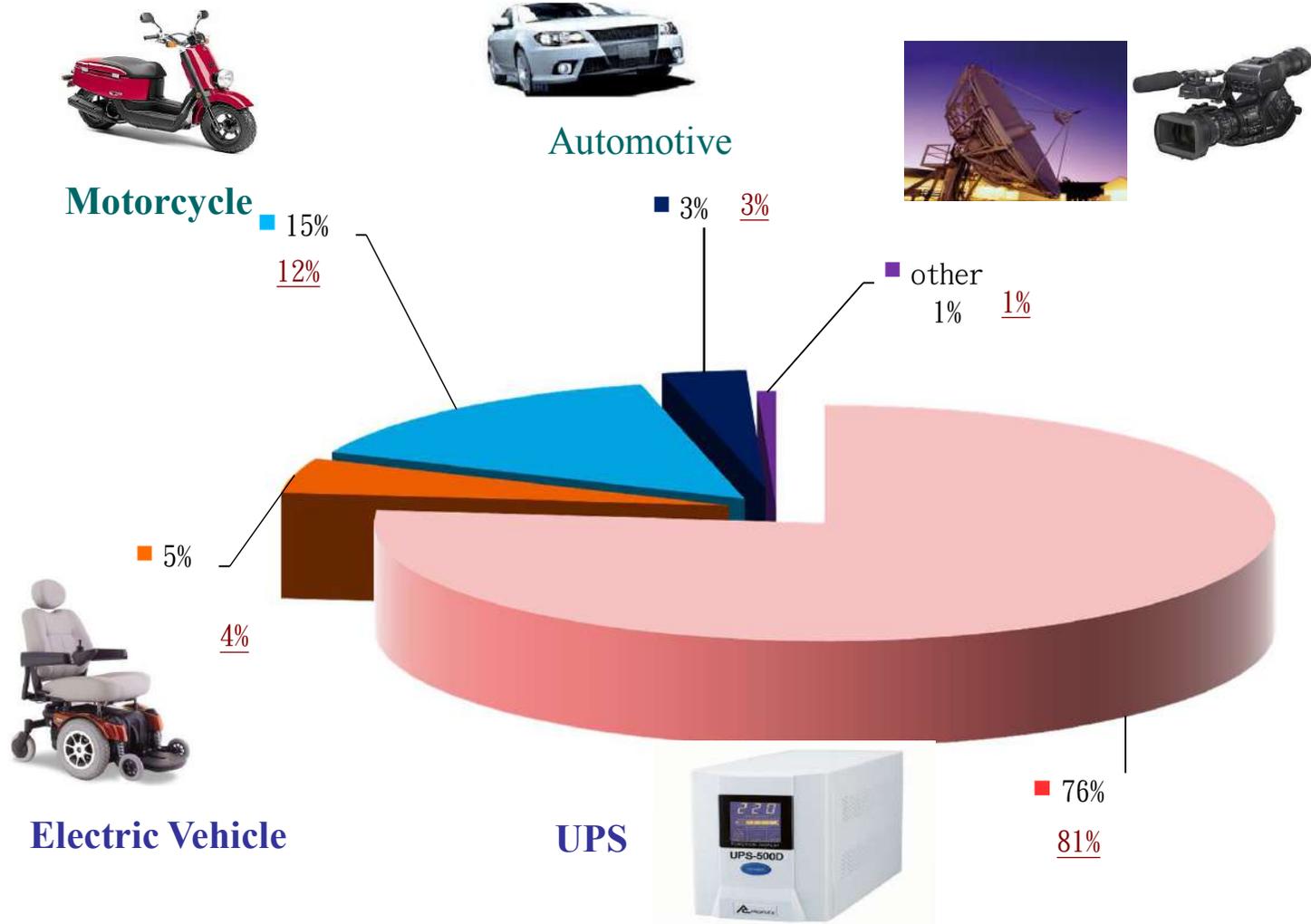
4. Recyclable and reusable

Wasted lead-acid batteries can be recycled. They are also the only battery product whose raw materials can be reused.



2013 Sales Profile by application -consolidated

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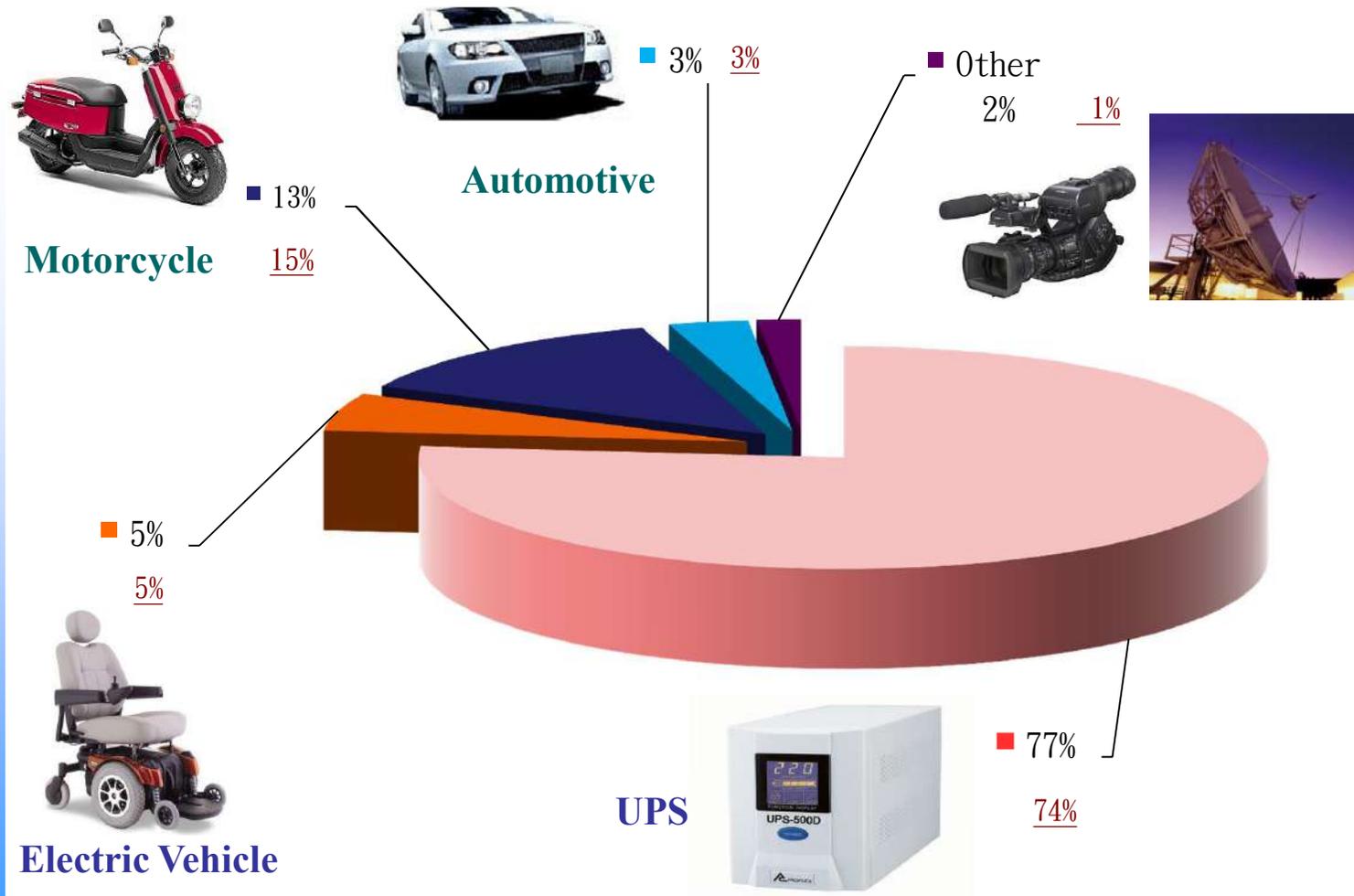


PS Letters highlighted in red stand for the numbers of 2012



2014 1Q Sales Profile by application -consolidated

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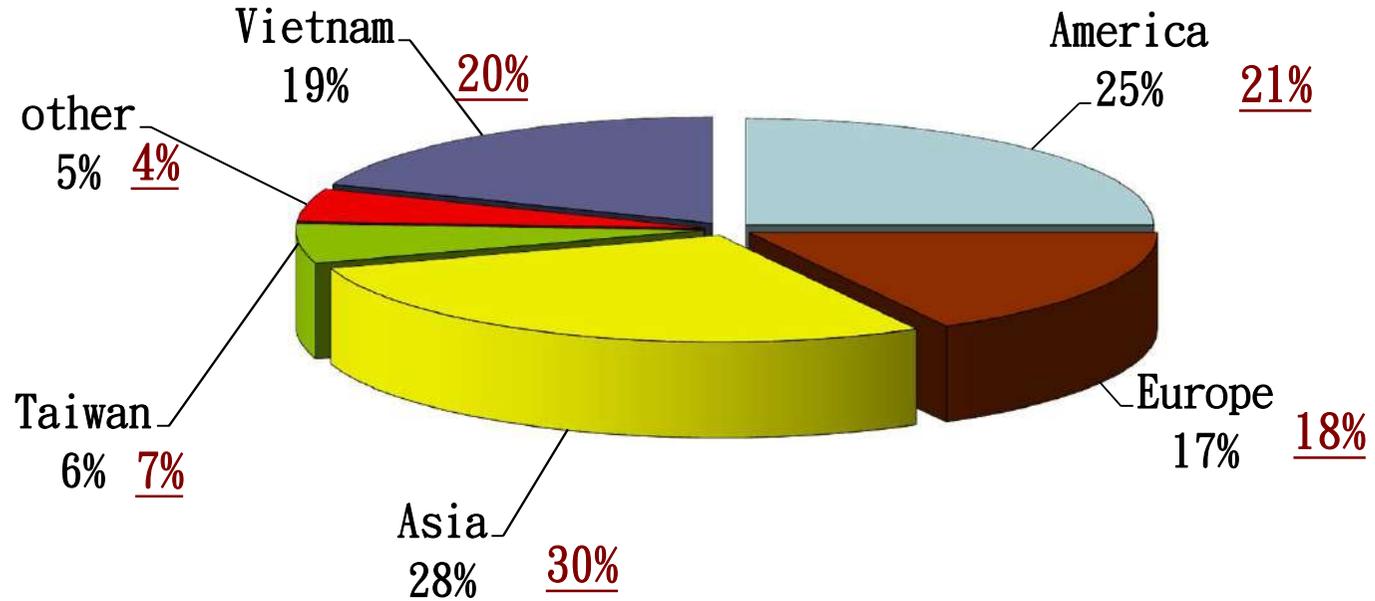


PS Letters highlighted in red stand for the numbers of 2013



2014 1Q Sales Profile by geography-consolidated

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PS Letters highlighted in red stand for the numbers of 2012

Currency: thousand NTD

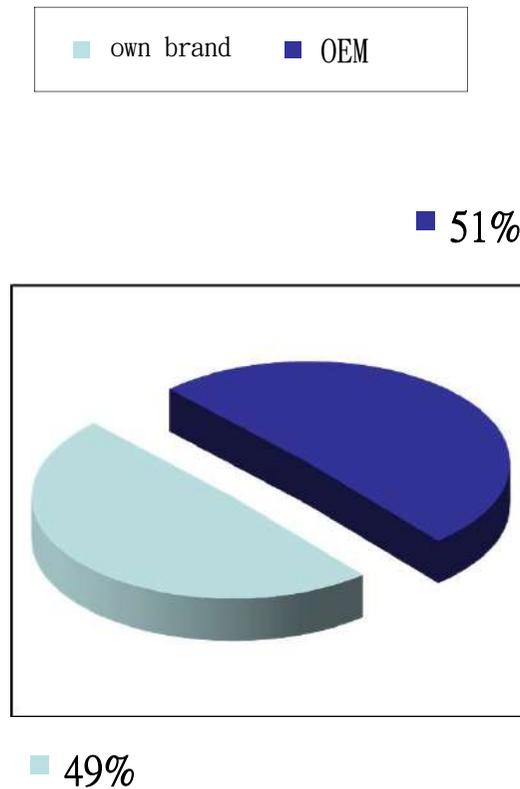
Area	America	Europe	Asia	Taiwan	Others	Vietnam
2014年Q1	392,786	280,379	439,786	89,925	70,614	290,785
%	25%	17%	28%	6%	5%	19%
2013年Q1	277,075	240,703	411,857	91,447	52,372	276,169
%	21%	18%	30%	7%	4%	20%



Sales by brand-consolidated

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Percentage of own brand and OEM brand in 1Q, 2014



Two own brands :
LONG (worldwide)
Globe (Vietnam)





Financials –consolidated

Consolidated income statement

Currency : Thousand NTD

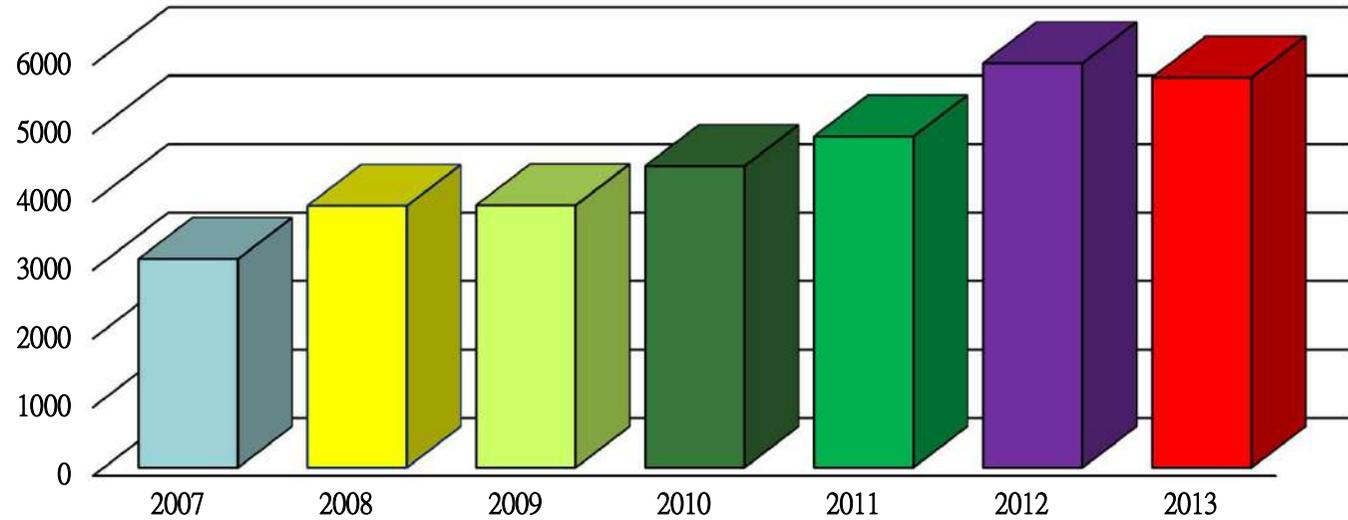
category	2010	2011	2012	2013	1Q 2014
Operating revenue	4,396,736	4,830,316	5,901,072	5,694,779	1,564,275
Gross profit	1,026,640	725,777	1,271,312	1,108,899	273,958
Gross profit rate	23%	15%	22%	19%	18%
Operating profit	659,125	361,079	837,390	710,597	177,084
Profit from continuing operations before tax	661,444	404,515	846,643	752,663	195,173
Income from Discontinued Operations	517,040	324,275	629,259	579,339	150,901
Profit attributable to former owner of business combination under common control	513,219	315,035	616,295	572,911	147,897
EPS(NTD)	6.82	3.90	7.55	7.02	1.81
Average LEAD price(USD/ton)	2,148	2,402	2,062	2,142	2,105

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Consolidated Sales

Currency: million NTD



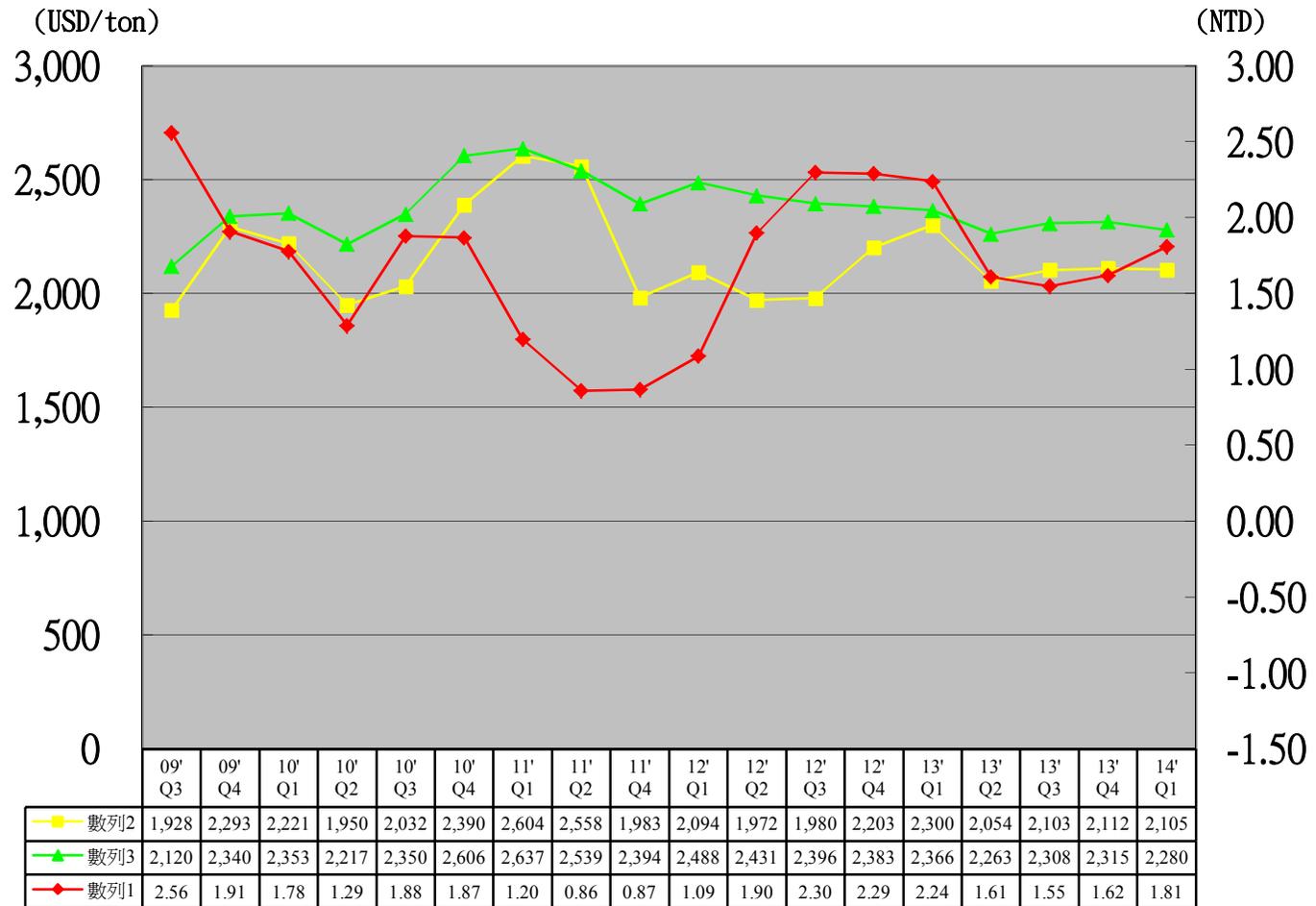
Consolidates turnover	3,040	3,816	3,824	4,396	4,830	5,901	5,694
Growth rate	-	26%	0.2%	15%	10%	22%	-3.5%
LME average price(USD/MT)	2,580	2,091	1,719	2,146	2,401	2,062	2,142
Change by %	-	-19%	-18%	25%	12%	-14%	3.9%
Gross profit rate	19%	12%	21%	23%	15%	22%	19%
After-tax EPS	3.38	0.50	5.07	6.82	3.90	7.55	7.02

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Comparison chart of LME, SMM, and EPS

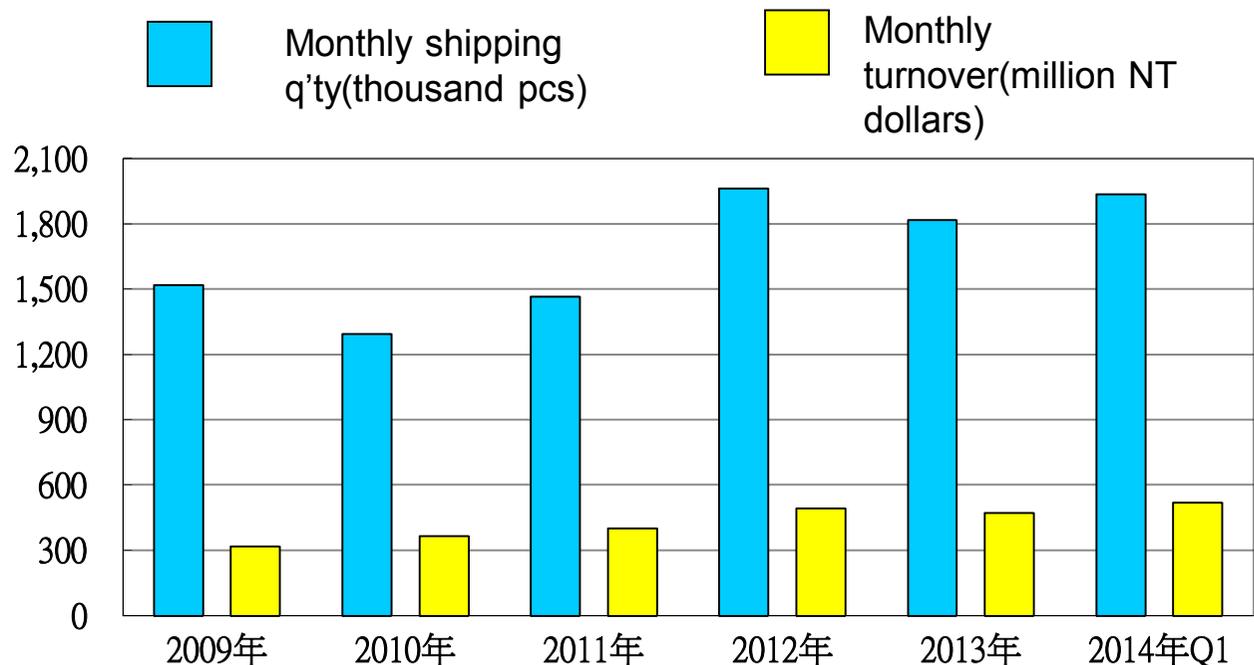
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Sales Quantity by KL group

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Monthly shipping q'ty	1,519	1,294	1,466	1,962	1,818	1,937
Growth rate of shipping q'ty	38%	-15%	13%	34%	-7%	7%
Monthly turnover	319	366	403	492	474	521
Growth rate of turnover	1%	15%	10%	22%	-4%	10%



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Turnover of Le Long Vietnam

currency : thousand USD

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Category	2010	2011	2012	2013	1Q 2014
Domestic sales	30,182	32,155	34,046	38,864	9,692
Domestic sales monthly avg.	2,515	2,680	2,837	3,239	3,231
Compared with former year	+147	+165	+157	+401	-8
Growth rate	+6%	+7%	+6%	+14%	-0.2%



Overview of Vietnam plant

Ben Luc plant

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36,500 square meters



Overview of Vietnam plant

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36,500 square meters



Overview of Vietnam plant

Duc Hoa plant

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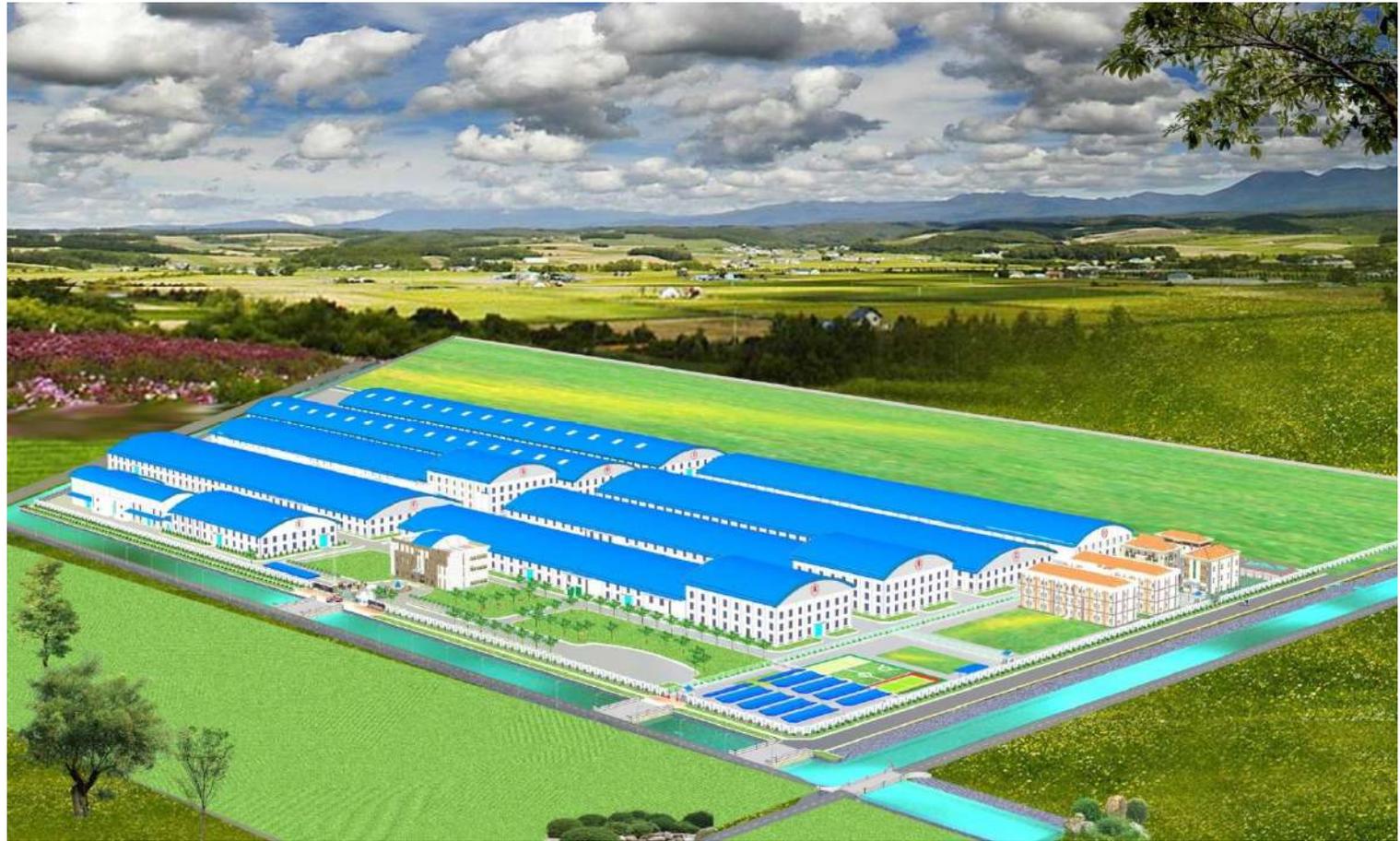
350,000 square meters (200,000 square meters are developed)



Overview of Vietnam plant

Duc Hoa plant

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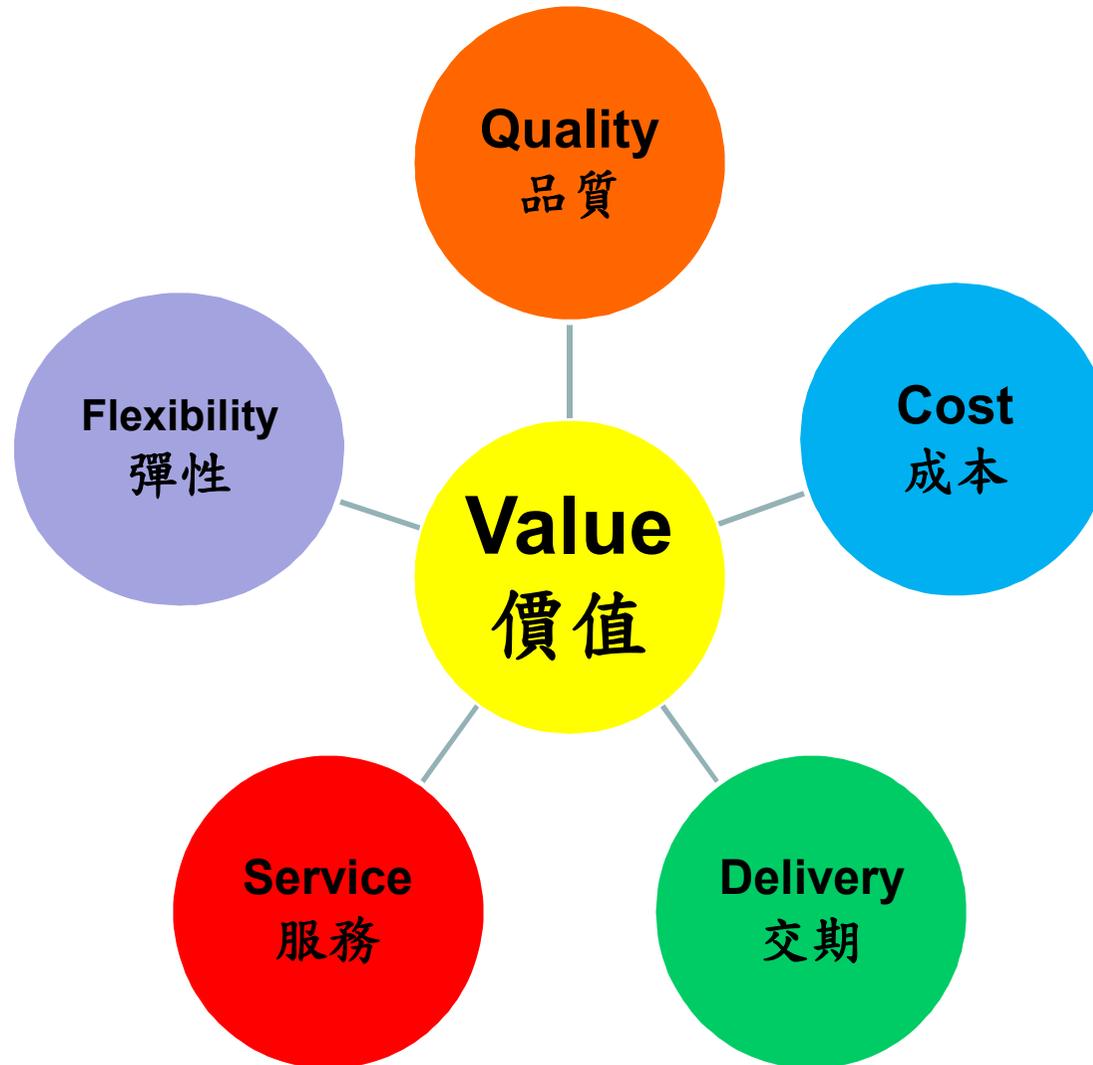


350,000 square meters (200,000 square meters are developed)



Core value

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Strength

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1. More flexible pricing policy

Some clients' price base has been switched from LME to SMM since 2012.

2. Lower production cost

Low building cost, low labor cost, increasing efficiency and decreasing waste materials & maintenance cost.

3. High entrance barrier

Industrial UPS batteries need longer time to approve, so customers don't often change suppliers. Besides, we are able to develop suitable products to meet customers' requirement.

4. Stable quality and lead time

The lead time of Chinese batteries is usually unstable, which makes it difficult for customers to plan their production. Also, we have got many international certifications, our quality is reliable.



Strength

Our benefits of external environment

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Our main competitors are in China. After the “Lead-acid battery admittance clause” is announced in 2011 to limit the development of this industry and eliminate outdated production, we as the largest UPS battery manufacturer in south east Asia, are able to take more orders from our competitors.

The main production bases of small & medium sized lead-acid batteries are in China and Vietnam. With the uplift of Chinese labor cost, the appreciation of RMB, and the limitation of the development of lead-acid battery industry, Chinese lead-acid battery manufacturers are forced to move to other countries. However, it's not easy to find suitable places. While we're manufacturing in Vietnam and can easily expand our scale, so we can keep our competitiveness in the short term.



Future's outlook

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1. Continuous introduction of automatic equipment:

Introduce automatic equipment to enhance efficiency, decrease waste materials & maintenance cost, and reduce the dependence on manpower.

2. Continuous development on lightweight models :

Keep developing lightweight models to meet market needs and raise gross profits.

3. The promotion of new products and market:

Develop large sized SLA batteries for industrial and telecom applications so as to segment current models in mass production, which increases the turnover.

Marketing layout

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Thank you



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