

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**
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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 3,862 people



Main products

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UPS



Electric Tools



Electric Vehicle



Motorcycle



Automotive



Telecom

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 as high as USD 39.2 billion in year 2012. With the market development in automobile, motorbike, and energy storage applications, it is expected that there'll be 2%~5% increase up to year 2015. Compared with the market scale of USD 2.8 billion for Nickel batteries and USD 10 billion for Lithium batteries, Lead-acid batteries still take the largest shares in today's energy storage industry.



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.

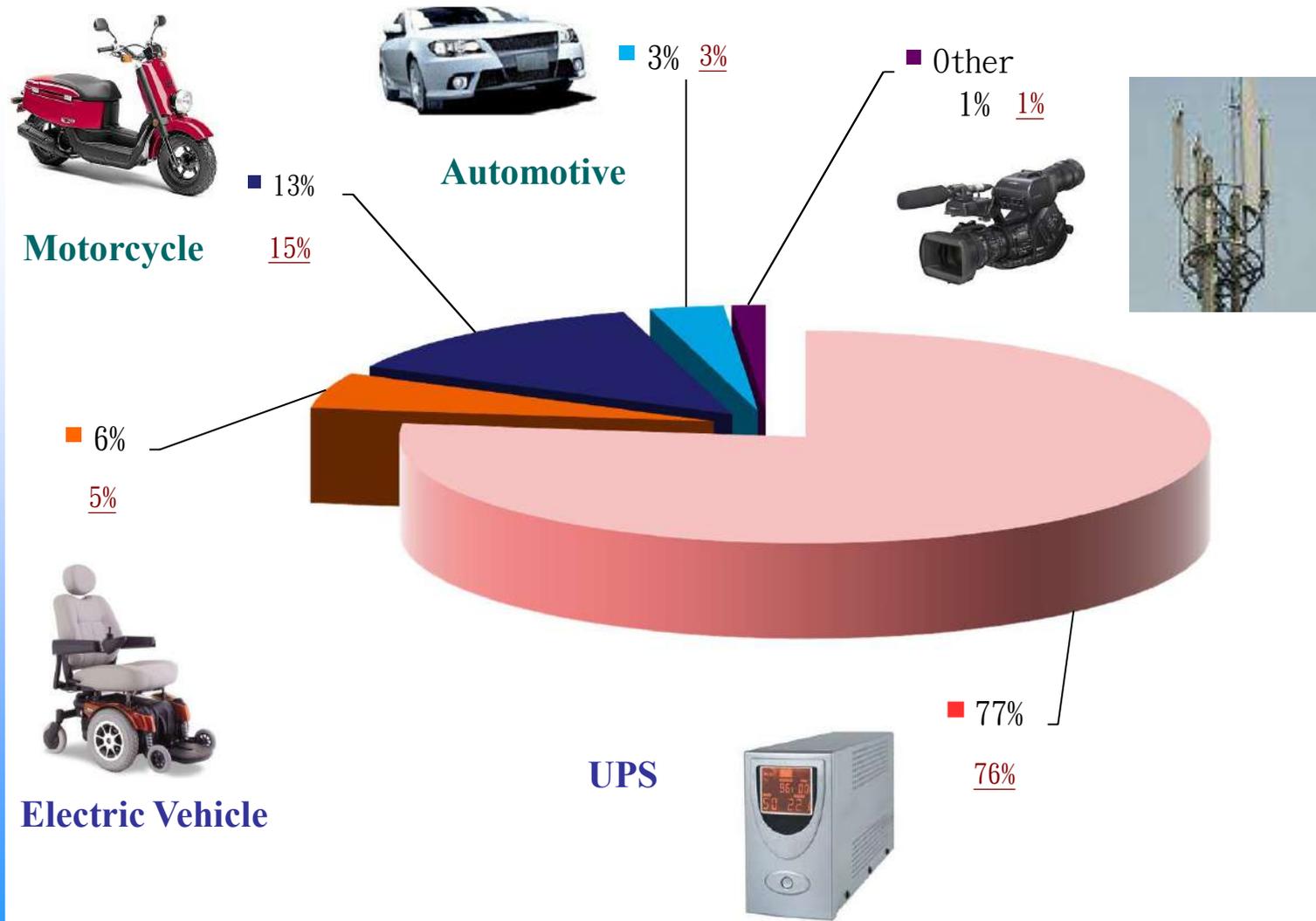
4. Recyclable and reusable

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



2014 Sales Profile by application -consolidated

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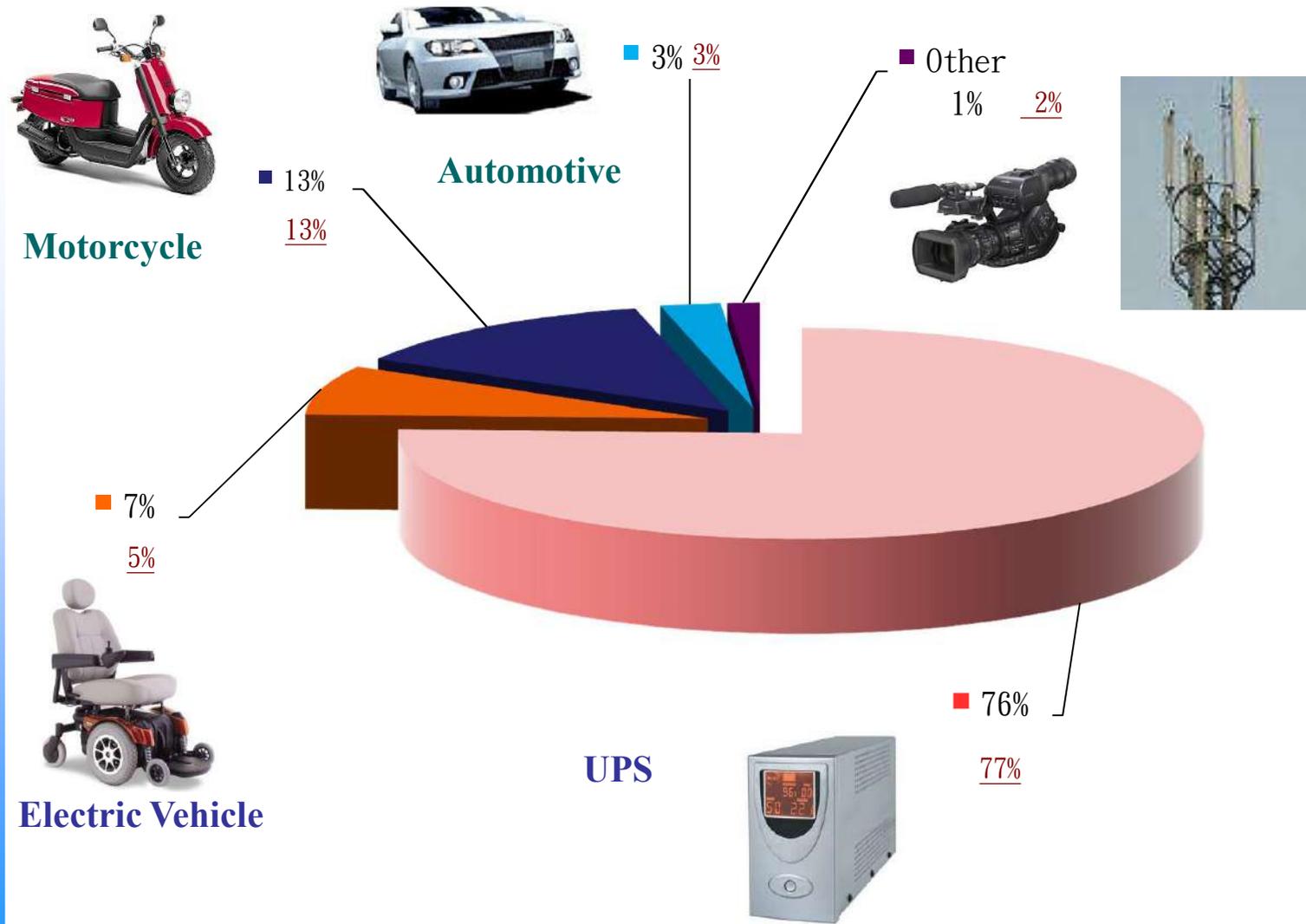


PS Letters highlighted in red stand for the numbers of 2013



2015 1Q Sales Profile by application -consolidated

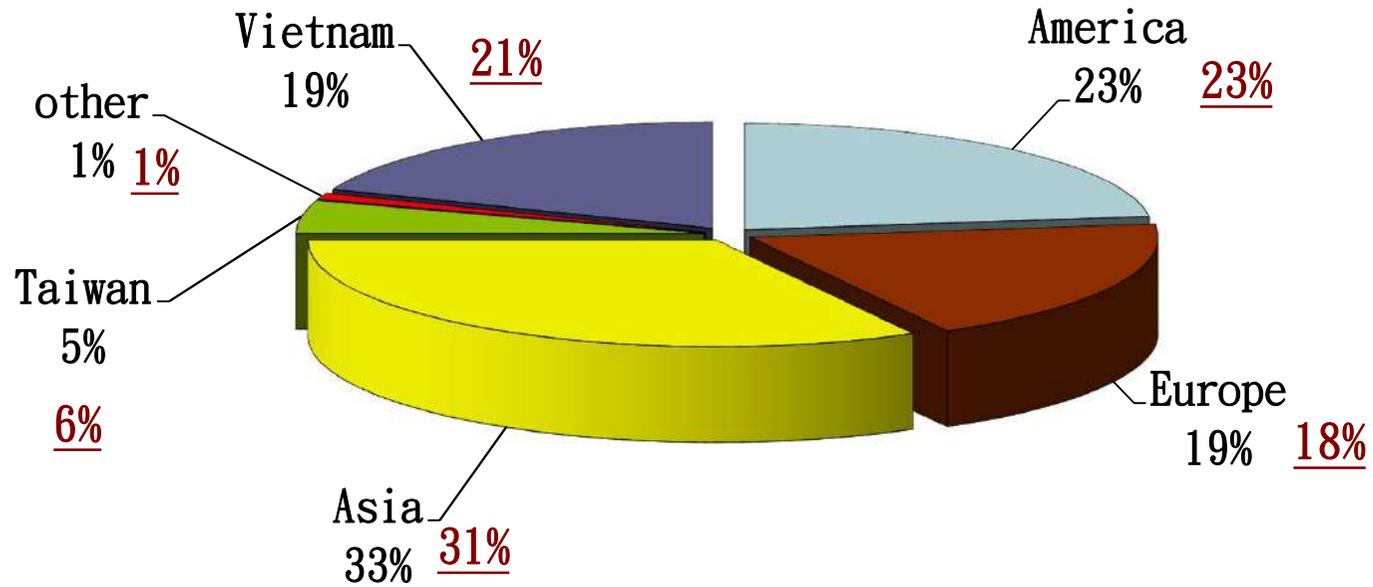
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PS Letters highlighted in red stand for the numbers of 2014



2014 Sales Profile by geography-consolidated



PS Letters highlighted in red stand for the numbers of 2013

Currency: thousand NTD

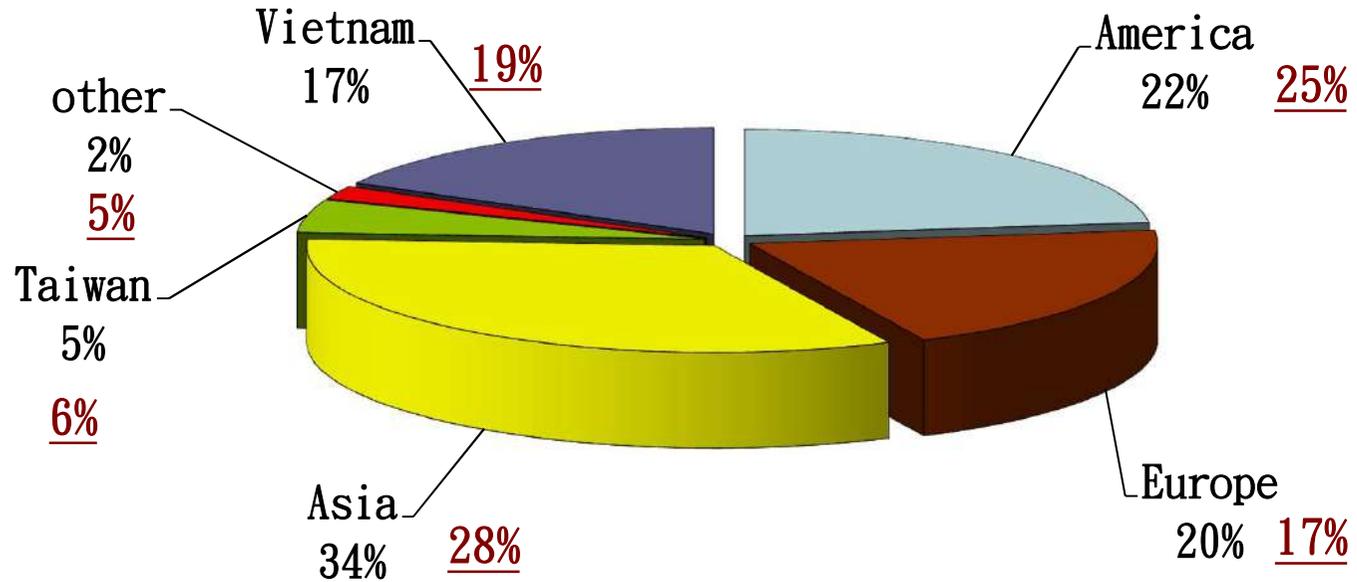
Area	America	Europe	Asia	Taiwan	Others	Vietnam
2014	1,548,595	1,298,673	2,234,484	325,453	97,541	1,261,087
%	23%	19%	33%	5%	1%	19%
2013	1,330,339	1,026,649	1,780,533	338,903	59,694	1,158,660
%	23%	18%	31%	6%	1%	21%

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PS Letters highlighted in red stand for the numbers of 2014

Currency: thousand NTD

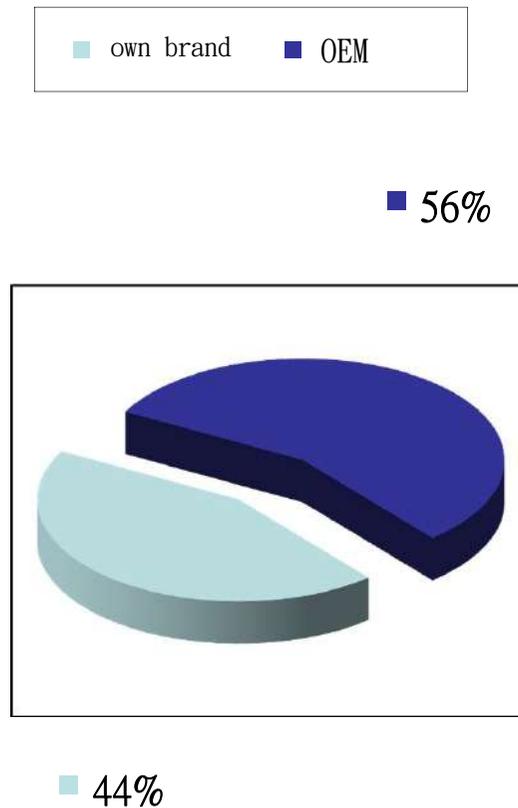
Area	America	Europe	Asia	Taiwan	Others	Vietnam
2015 Q1	383,825	343,952	584,313	87,963	25,602	292,301
%	22%	20%	34%	5%	2%	17%
2014 Q1	392,786	280,379	439,786	89,925	70,614	290,785
%	25%	17%	28%	6%	5%	19%



Sales by brand-consolidated

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Percentage of own brand and OEM brand in 2015 Q1



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





Financials -consolidated

Consolidated income statement

Currency: million NTD

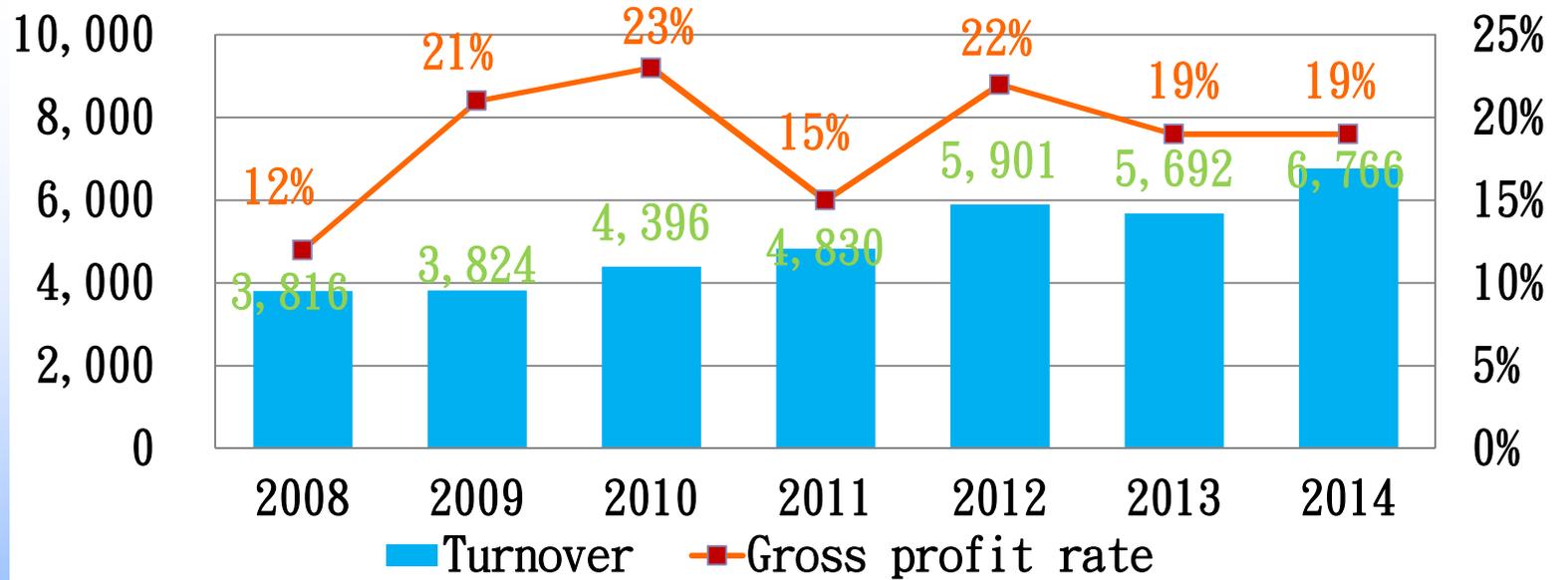
category	2009	2010	2011	2012	2013	2014	2015Q1
Operating revenue	3,824	4,397	4,830	5,901	5,695	6,766	1,717
Gross profit	813	1,0267	726	1,271	1,109	1,299	323
Gross profit rate	21%	23%	15%	22%	19%	19%	19%
Operating profit	428	6598	361	837	710	841	211
Profit from continuing operations before tax	436	661	405	847	753	898	211
Income from Discontinued Operations	342	517	324	629	579	676	164
Profit attributable to former owner of business combination under common control	345	513	315	616	573	660	155
EPS(NTD)	5.07	6.82	3.90	7.55	7.02	8.09	1.89
						Average 6.68	
Average LEAD price(USD/ton)	1,719	2,148	2,402	2,062	2,142	2,096	1,806

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Consolidated Sales

Currency: million NTD



Consolidates Turnover	3,816	3,824	4,396	4,830	5,901	5,694	6,766
LME average price(USD/MT)	2,091	1,719	2,146	2,401	2,062	2,142	1,999
Gross profit rate	12%	21%	23%	15%	22%	19%	19%
After-tax EPS	0.50	5.07	6.82	3.90	7.55	7.02	8.09

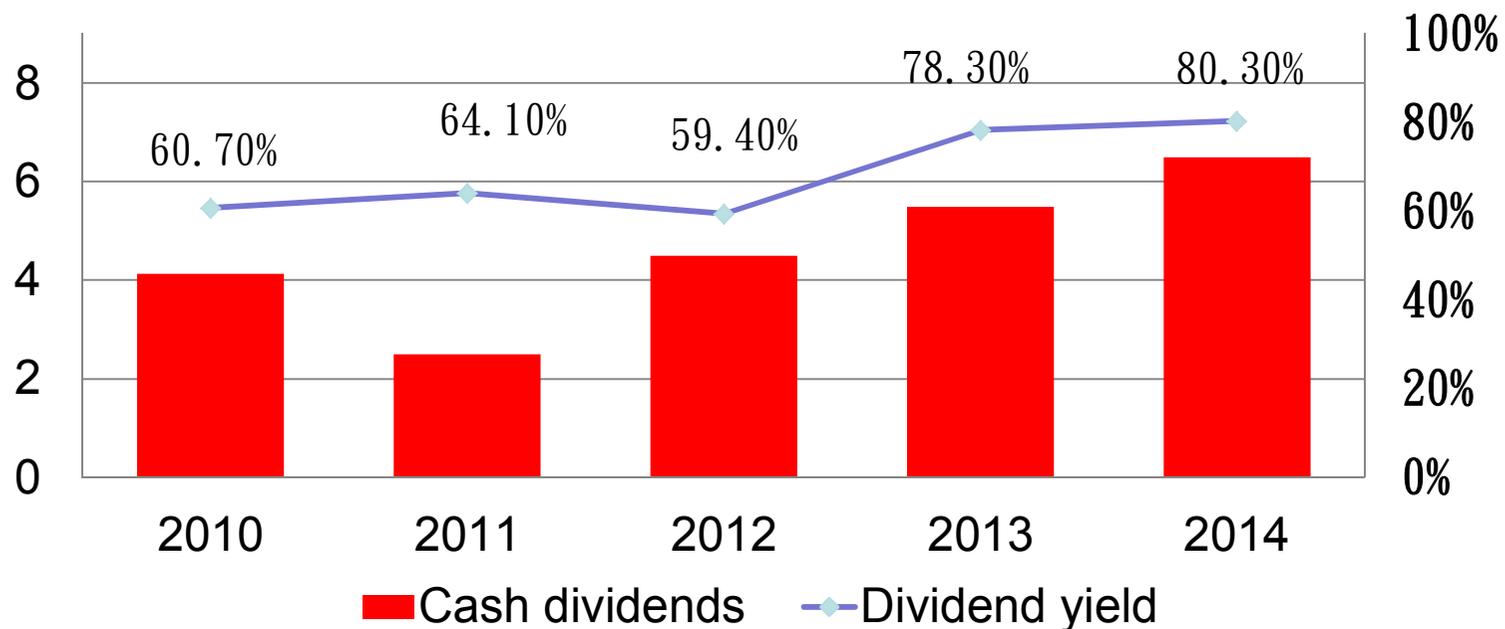
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Dividend policy

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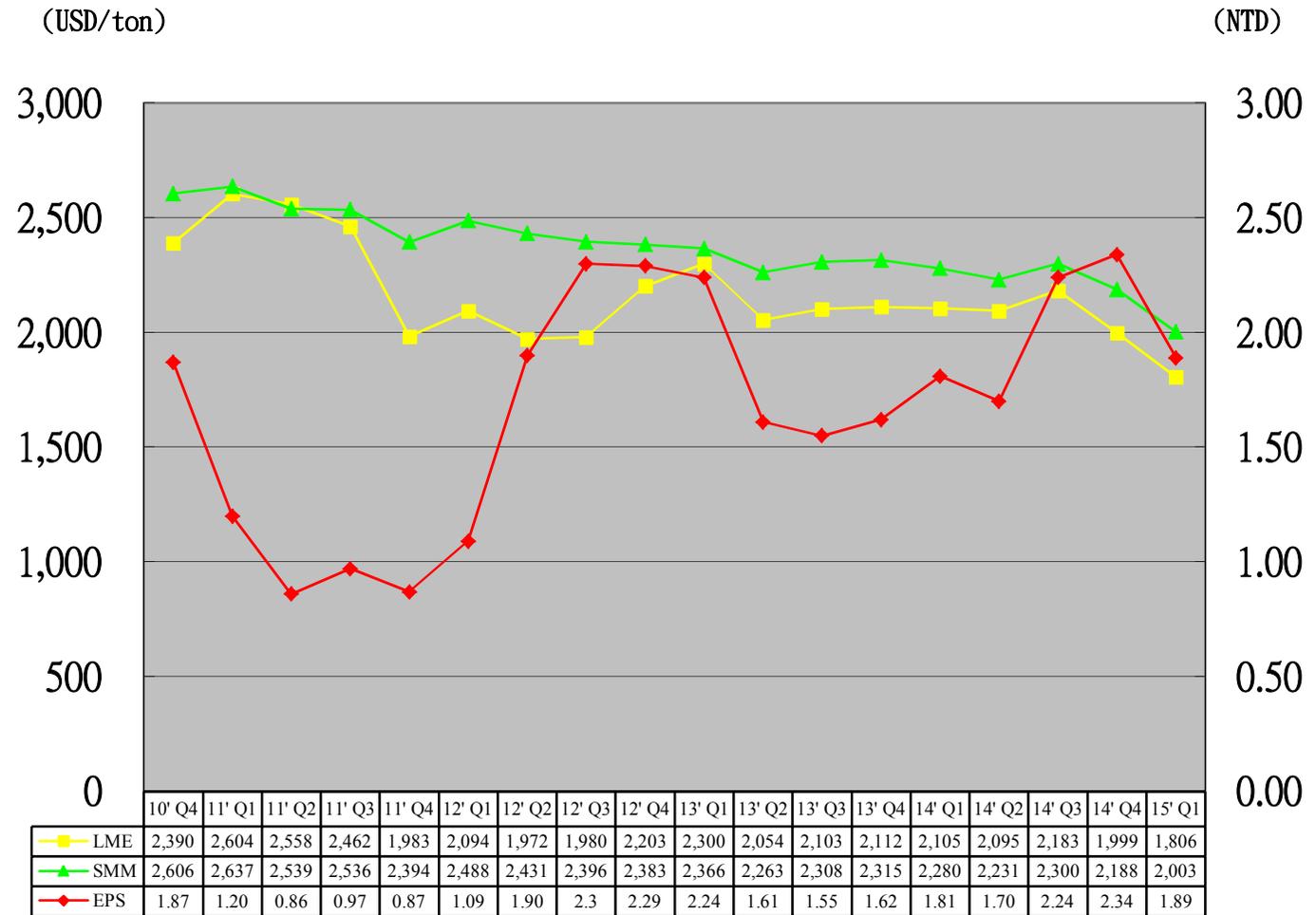


		2010	2011	2012	2013	2014
EPS		6.82	3.9	7.58	7.02	8.09
Dividend distribution	Cash dividends	4.14	2.50	4.50	5.50	6.50
	Stock dividends	-	-	-	-	-
Dividend yield		60.7%	64.1%	59.4%	78.3%	80.3%



Comparison chart of LME, SMM, and EPS

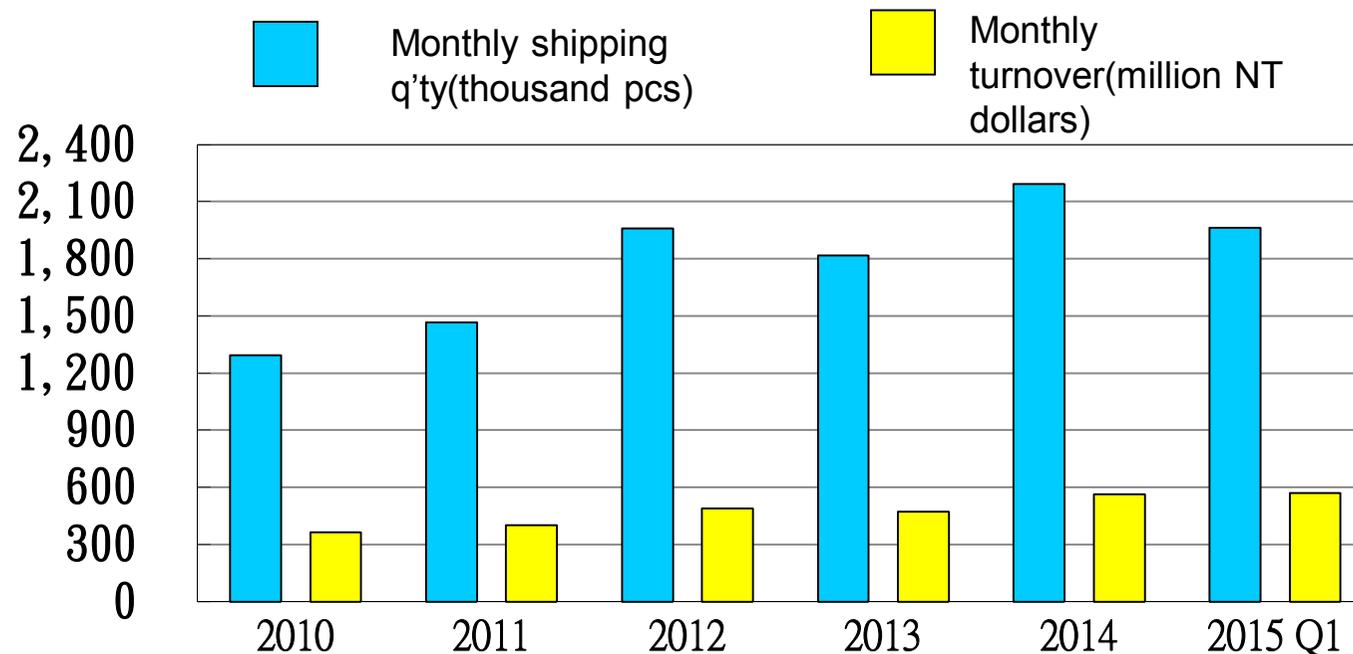
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Sales Quantity by KL group

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Monthly shipping q'ty	1,294	1,466	1,962	1,818	2,195	1,964
Growth rate of shipping q'ty	-15%	13%	34%	-7%	21%	-11%
Monthly turnover	366	403	492	474	564	572
Growth rate of turnover	15%	10%	22%	-4%	19%	2%



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Location

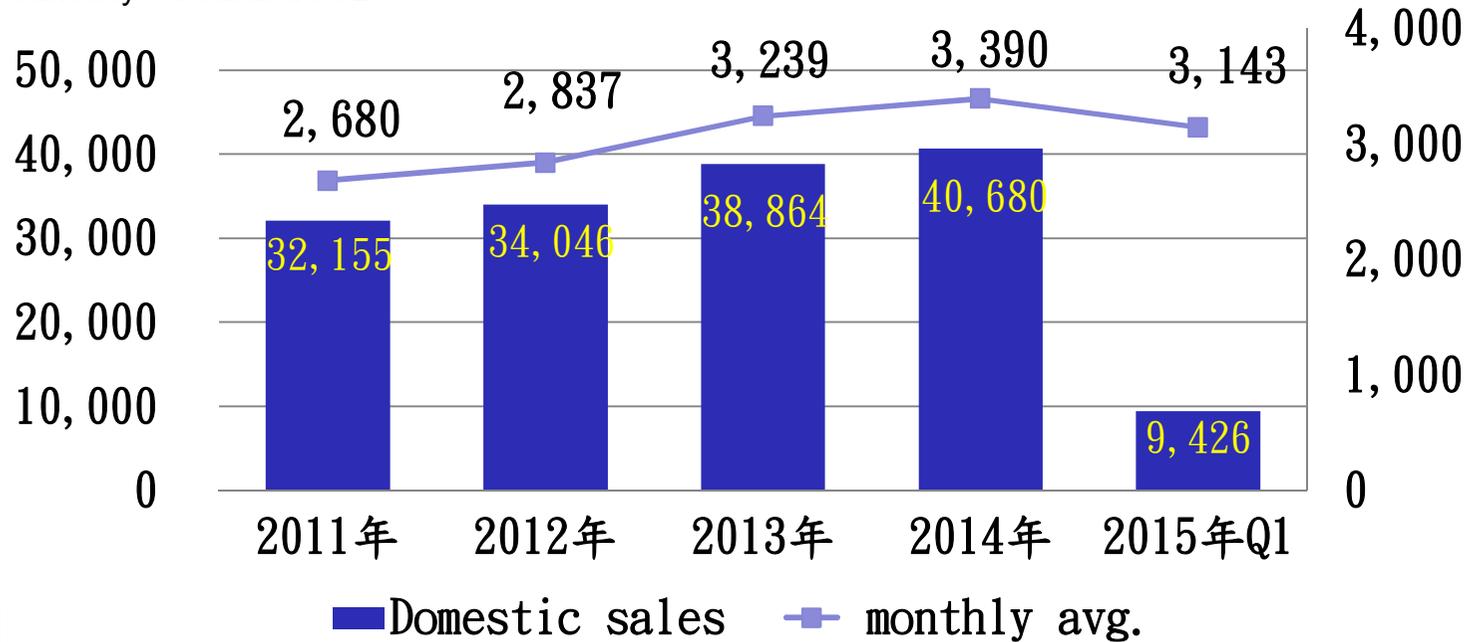
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Turnover of Le Long Vietnam

currency : thousand USD



Category	2011	2012	2013	2014	2015 Q1
Domestic sales	32,155	34,046	38,864	40,680	9,429
Domestic sales monthly avg.	2,680	2,837	3,239	3,390	3,143

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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. Excellent and stable quality

The production of lead-acid batteries comprises the know-how of electrochemistry and every kinds of manufacturing & management. It is not easy to produce quality batteries stably for the long term.

2. The enhancement of entrance barrier

With more and more people realizing the importance of environmental protection, China has imposed lots of restrictions on the manufacturing of lead-acid batteries including the production scale, facilities, and environmental protection...etc. This standard is also considered by many other countries, and therefore there's no new comer for many years. And besides China, there're few manufacturers in other Asian

3. Higher qualification standard

It takes longer time to qualify in UPS sector. Customers seldom change suppliers. We are able to develop the products meeting customer needs.



Strength

KL B Strength

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4. Successful localization in Vietnam

All our supervisors are Vietnamese, and Taiwanese management people can communicate with them in Vietnamese language without problem. By the way, we enter Vietnam market early and take high shares in M/C AM market. Our batteries have been recognized as high quality. Our brand images is also well established. All of these are very helpful for our profits. Also, the investment environment in Vietnam is good and government seldom interferes.

5. Superior R&D ability

We're devoted to the upgrade and diversity of lead-acid batteries. Through the enhancement of battery performance, we not only make more profits but also develop lower-end products to help customers take more market shares. Our program has been extended from current small sized SLA to medium/large sized ones. We also develop star stop batteries to expand client bases.

6. Quality client bases

Our customers include leading companies in each industries, thus the importers in each areas are willing to distribute our products. Moreover, as the sales territories and customers are properly divided, we can avoid the huge impacts resulted by single industry and economic factors.

External environment

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Our main competitors are in China. But the issuance of “manufacturing permission of SLA batteries “ in 2011 has limited the development of SLA industry and eliminated lagging production. We’re one of the largest UPS battery manufacturer in south east Asia which can helps us take more orders from our competitors.

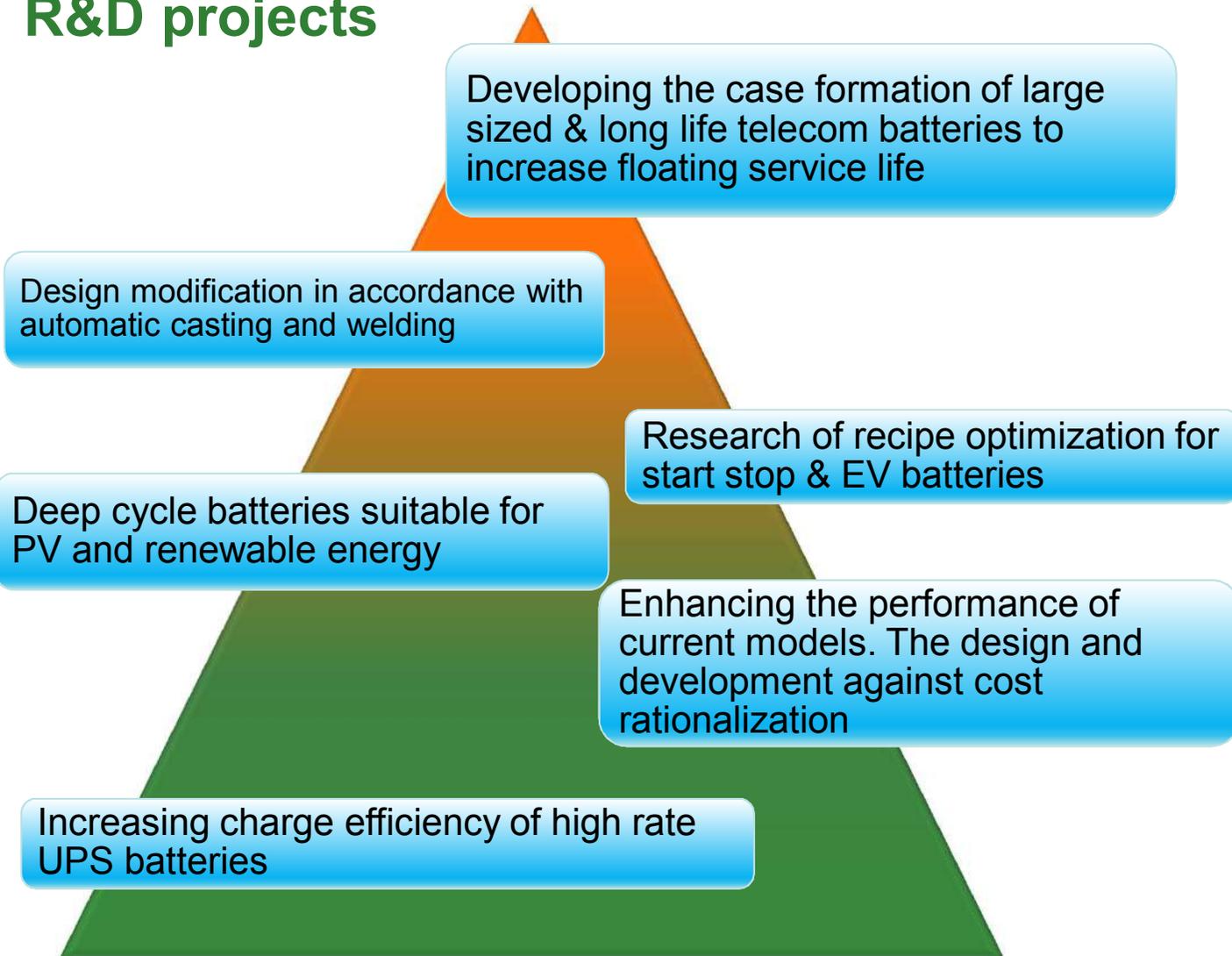
Main production bases of small/ medium sized SLA batteries are located in China and Vietnam. When Chinese labor costs keep rising, RMB is under pressure for appreciation, and SLA industry is limited, Chinese battery manufacturers are forced to move to outside. However it’s difficult to find a suitable location. While we’re producing in Vietnam and we can expand our capacities to maintain our advantages

Recently China publishes the notice for imposing consuming tax on batteries and pasting – starting from 1/1/2016, 4% consuming tax will be imposed on lead-acid battery manufacturing, OEM, and import. It is expected that this will bring significant burden to Chinese lead-acid battery factories.

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1. Continuous introduction of automatic equipment:

Introducing automatic equipment to increase production efficiency, decrease material waste and maintenance cost, to lower the dependence on manpower.

2. Continuous development on light-weight models :

Continuously develop light weight models which meet market needs to increase gross margin.

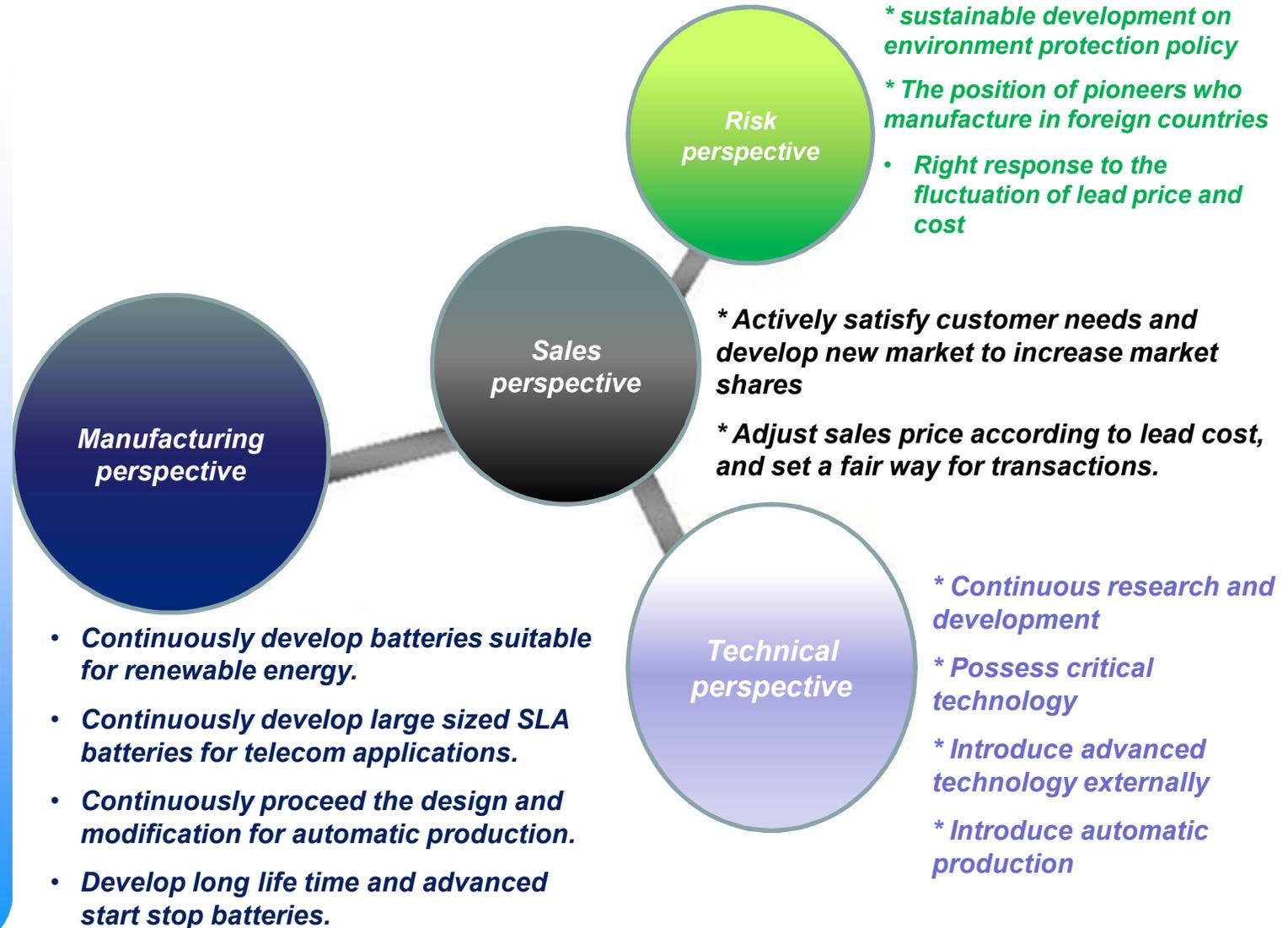
3. The promotion of new products and market:

Develop large sized SLA batteries for industrial and telecom applications to segment current mass products and obtain niche market.



Marketing layout

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Thank you



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Advance future

Motion / Storage / Security

