

Kung Long Batteries
Performance and future outlook





Stock Code 1537



Contents



KUNG LONG

www.klb.com.tw

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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 817,853,940
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 4,069 people



Main products

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UPS



Electric Tools



Electric Vehicle



Motorcycle



Automotive

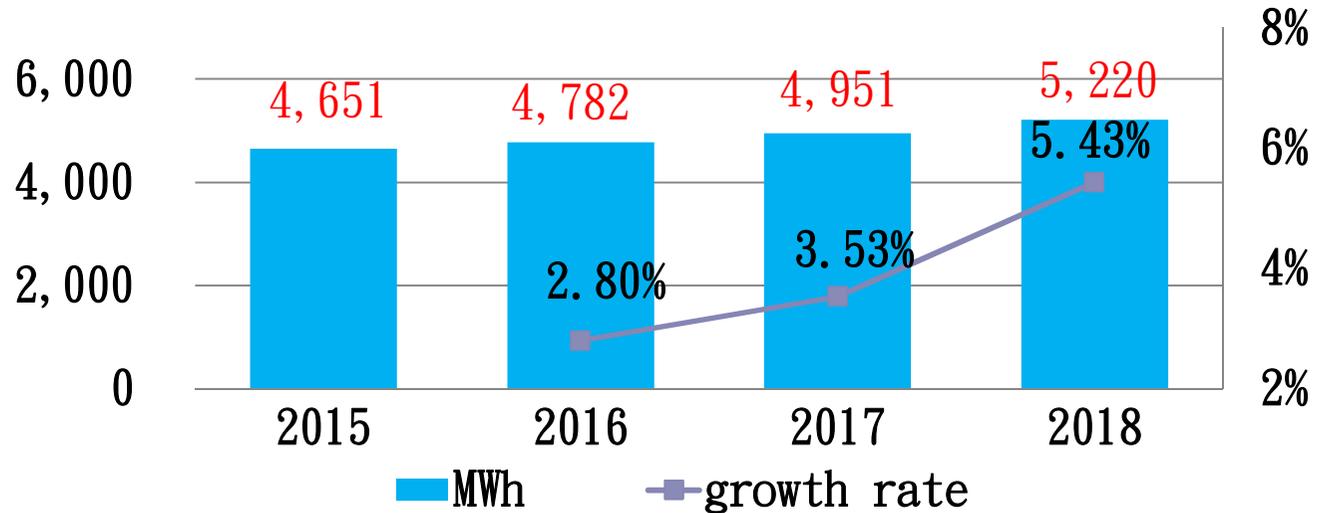


Telecom



Market outlook

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The forecast of market size of global storage batteries (by MWh/ year)
Sources- IEKof ITRI (June/2015)

In terms of current market size of lead-acid batteries, it is USD 42.5 billion globally in year 2014. With the development of automobiles, motorcycles, and energy storage applications in the future, it is expected that future 's market growth will be 2%~3%. In comparison with the market size of Nickel secondary batteries being USD 3.3 billion, and that of Lithium batteries being USD 16 billion, lead-acid batteries are still the electricity storage products with the biggest shares.



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.

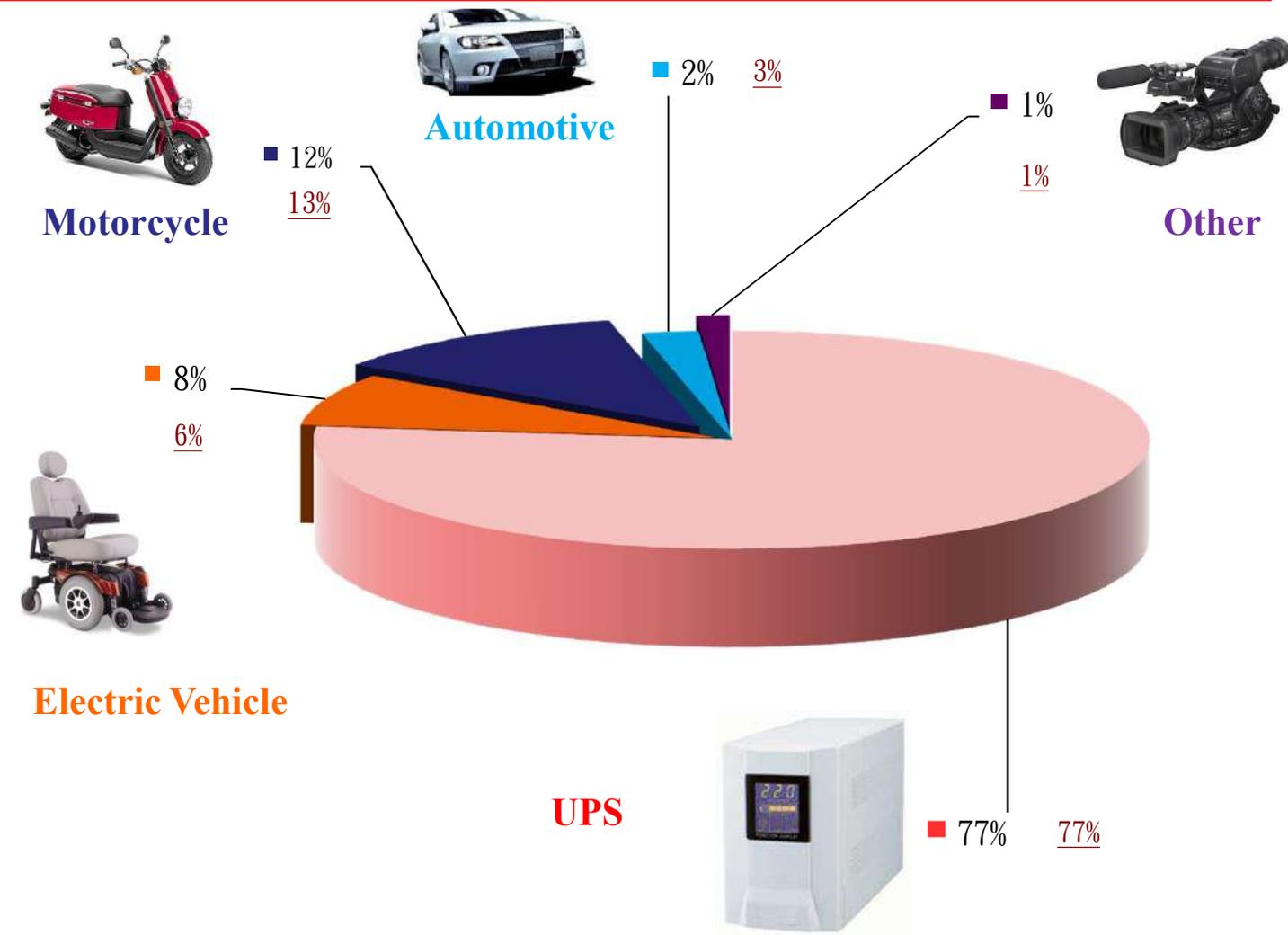
4. Recyclable and reusable

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



2015 Sales Profile by application

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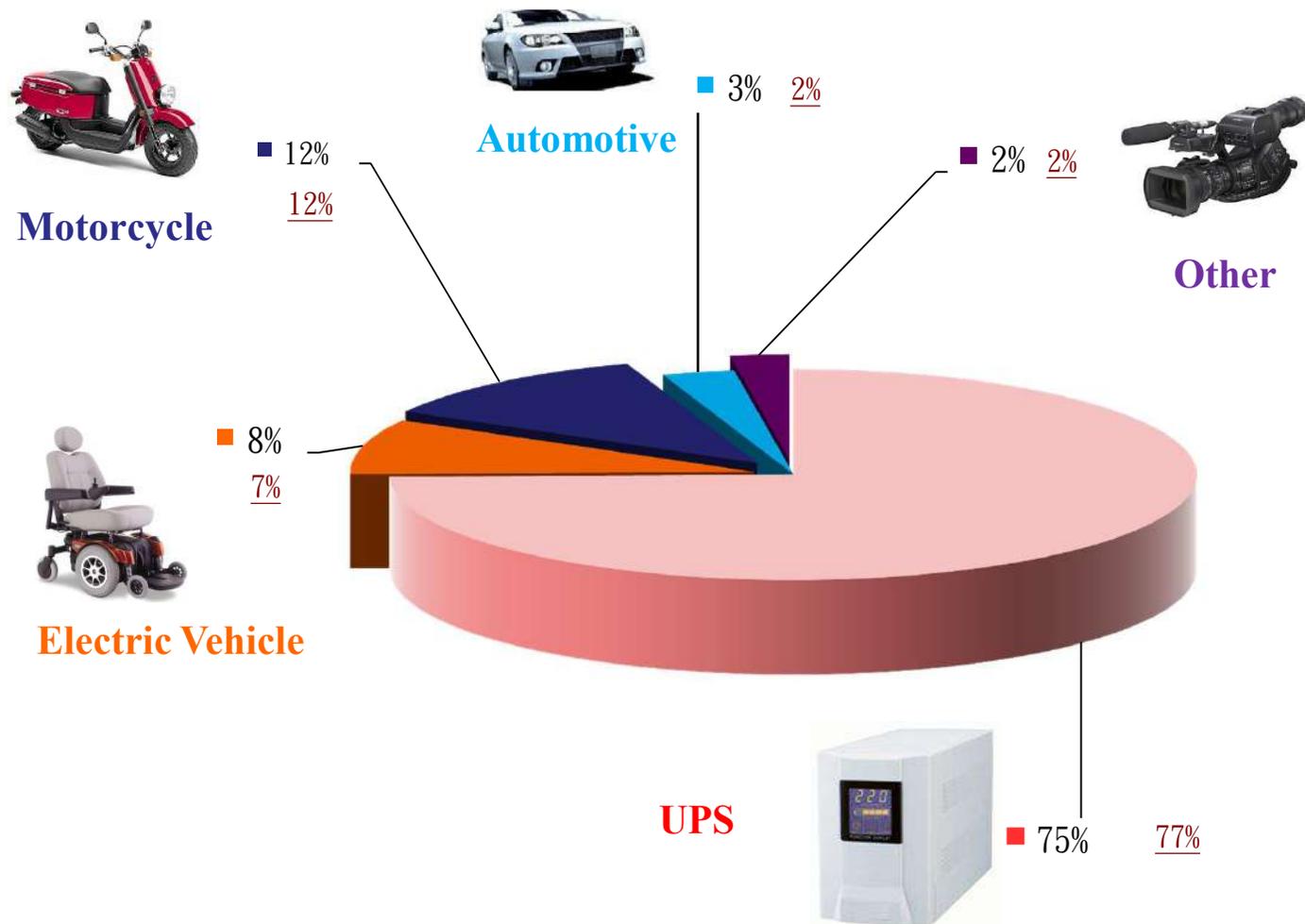


PS Letters highlighted in red stand for the numbers of 2014



2016 1H Sales Profile by application

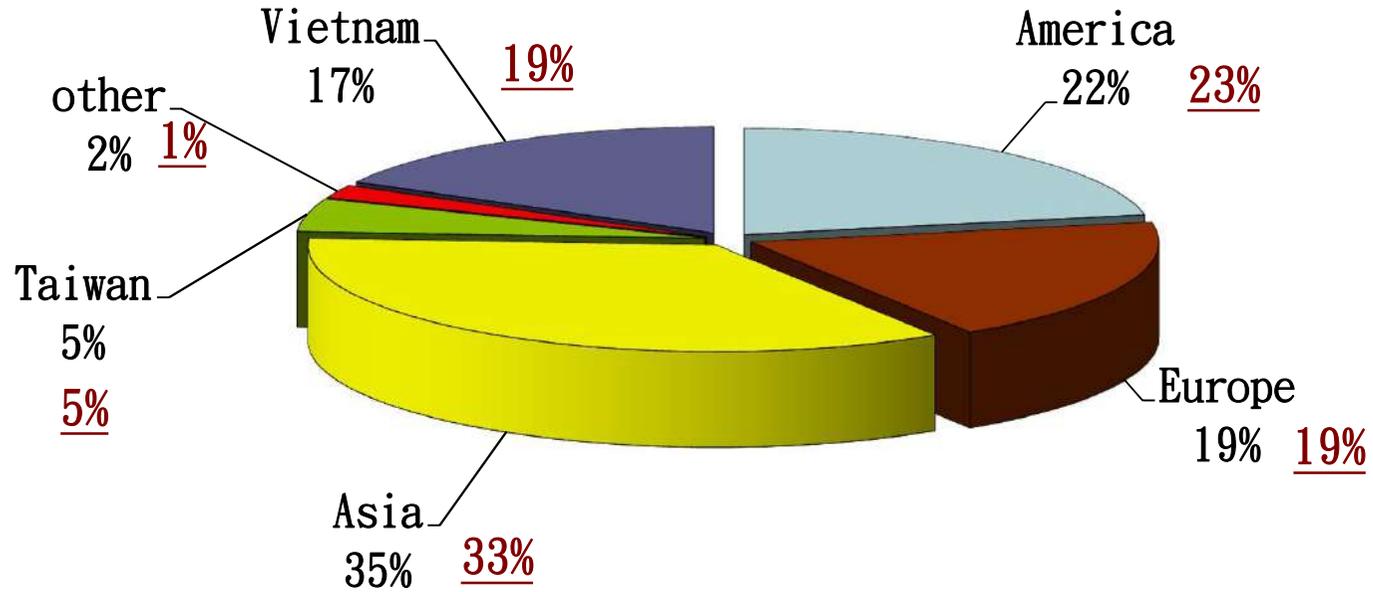
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PS Letters highlighted in red stand for the numbers of 2015



2015 Sales Profile by geography



PS Letters highlighted in red stand for the numbers of 2014

Currency: thousand NTD

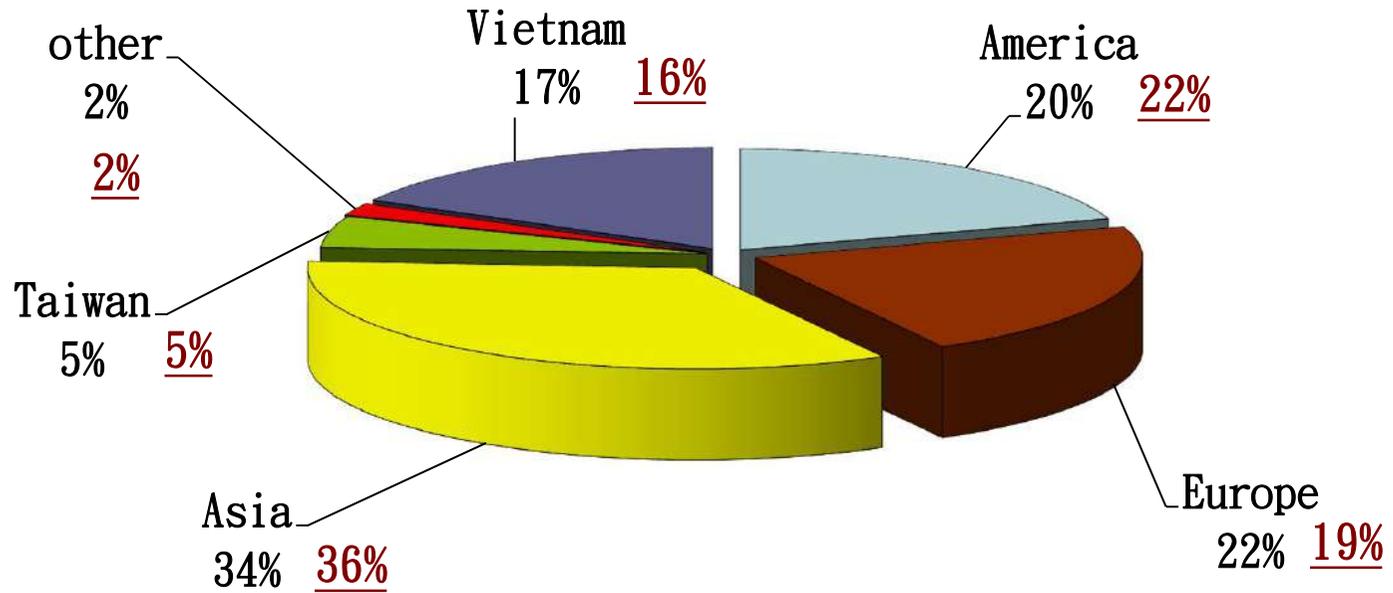
Area	America	Europe	Asia	Taiwan	Others	Vietnam
2015	1,544,195	1,323,103	2,463,894	319,382	120,630	1,172,667
%	22%	19%	35%	5%	2%	17%
2014	1,548,595	1,298,673	2,234,484	325,453	97,541	1,261,087
%	23%	19%	33%	5%	1%	19%

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PS Letters highlighted in red stand for the numbers of 2015

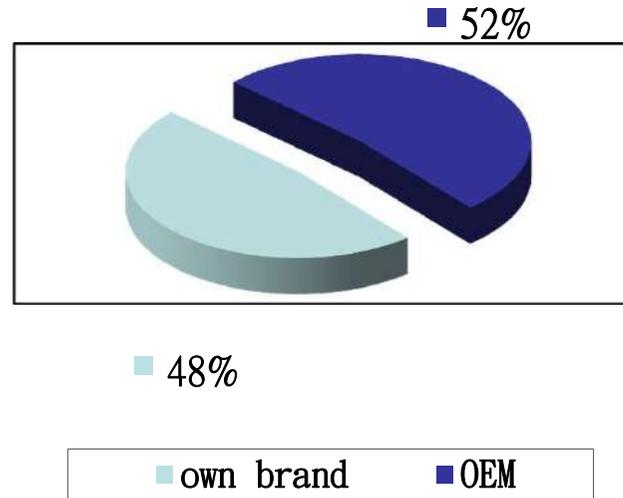
Currency: thousand NTD

Area	America	Europe	Asia	Taiwan	Others	Vietnam
2016 1H	680,246	747,875	1,145,299	167,677	51,789	554,929
%	20%	22%	34%	5%	2%	17%
2015 1H	751,176	669,345	1,245,843	168,922	60,460	558,078
%	22%	19%	36%	5%	2%	16%



Sales by brand-consolidated

Percentage of own brand and OEM brand in 20161H



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worldwide



Vietnam



Financials -consolidated

Consolidated income statement

Currency: million NTD

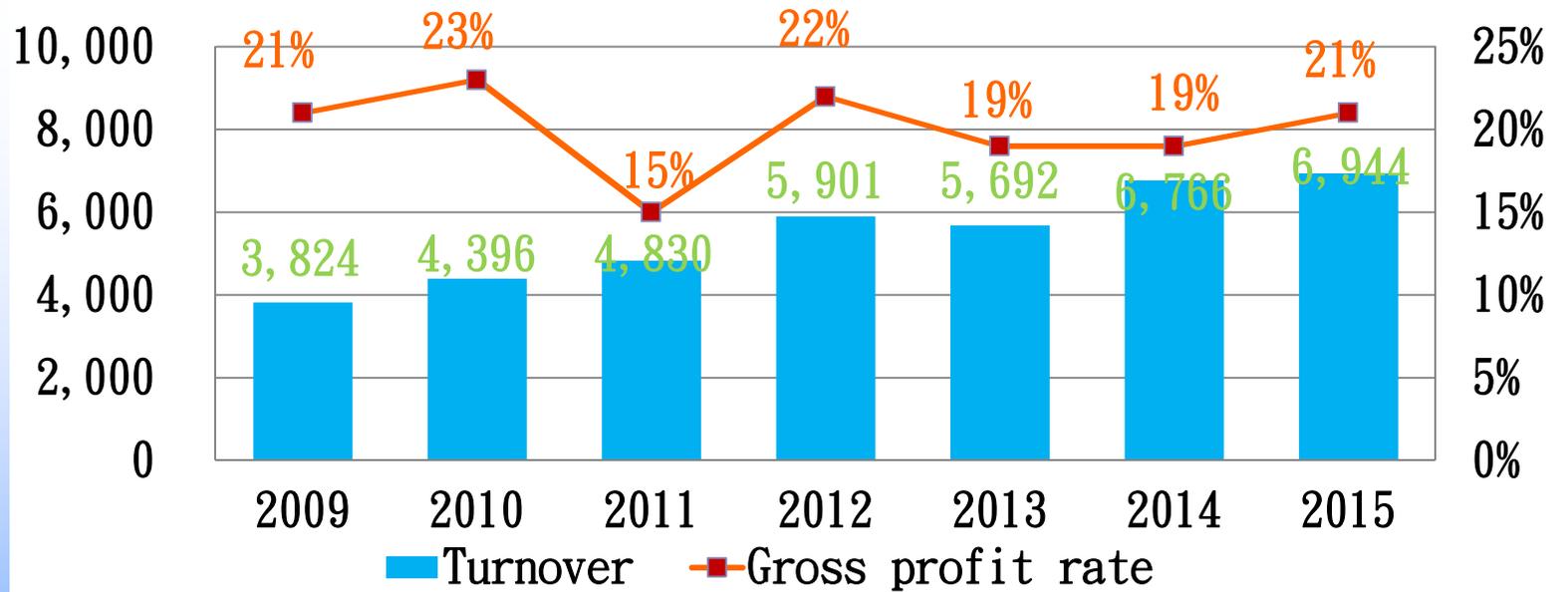
category	2010	2011	2012	2013	2014	2015	2016 1H
Operating revenue	4,397	4,830	5,901	5,695	6,766	6,944	3,348
Gross profit	1,0267	726	1,271	1,109	1,299	1,430	821
Gross Margin	23%	15%	22%	19%	19%	21%	25%
Operating profit	6598	361	837	710	841	968	593
Pre-tax Profit	661	405	847	753	898	1,052	591
After-tax profit	517	324	629	579	676	802	438
Profit attributable to former owner of business combination under common control	513	315	616	573	660	769	428
EPS(NTD)	6.82	3.90	7.55	7.02	8.09	9.42	5.25
						Average 7.20	
Average LEAD price(USD/ton)	2,148	2,402	2,062	2,142	2,096	1,786	1,731

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Consolidated Sales

Currency: million NTD

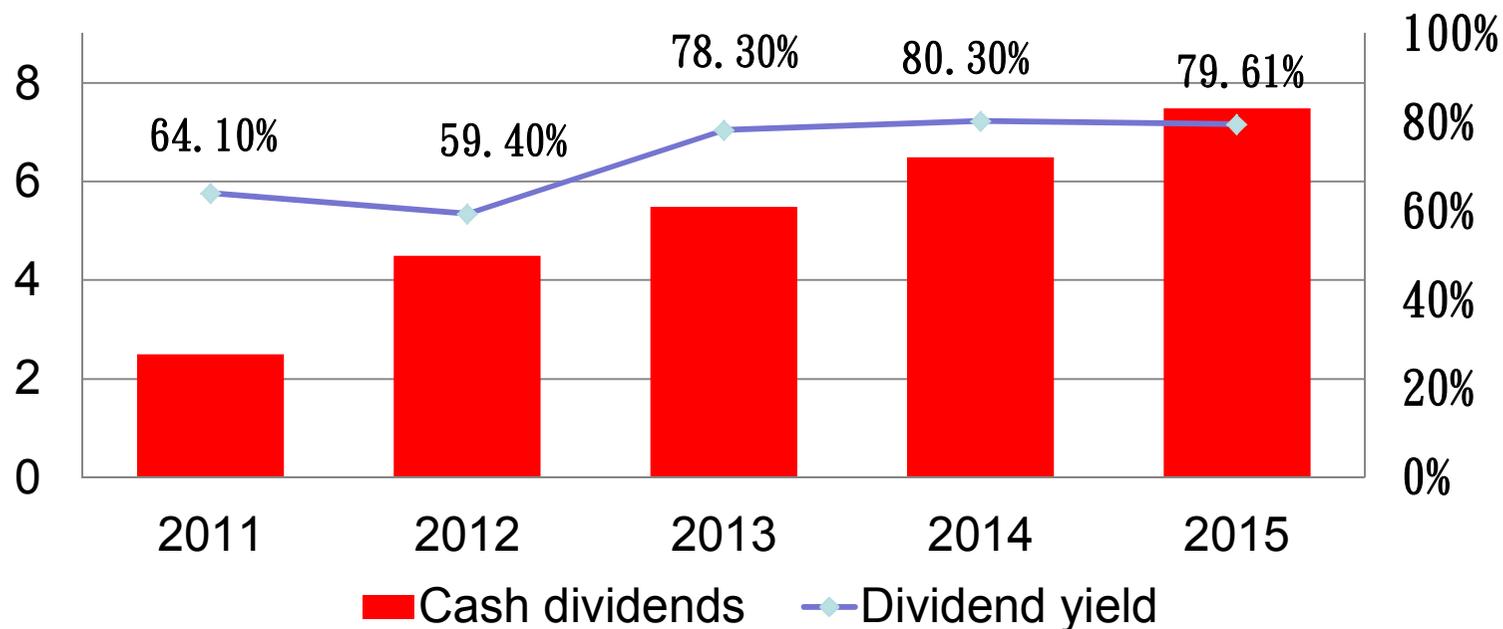


Consolidates Turnover	3,824	4,396	4,830	5,901	5,694	6,766	6,944
LME average price(USD/MT)	1,719	2,146	2,401	2,062	2,142	1,999	1,786
Gross Profit Margin	21%	23%	15%	22%	19%	19%	21%
After-tax EPS	5.07	6.82	3.90	7.55	7.02	8.09	9.42

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Dividend policy

(元)



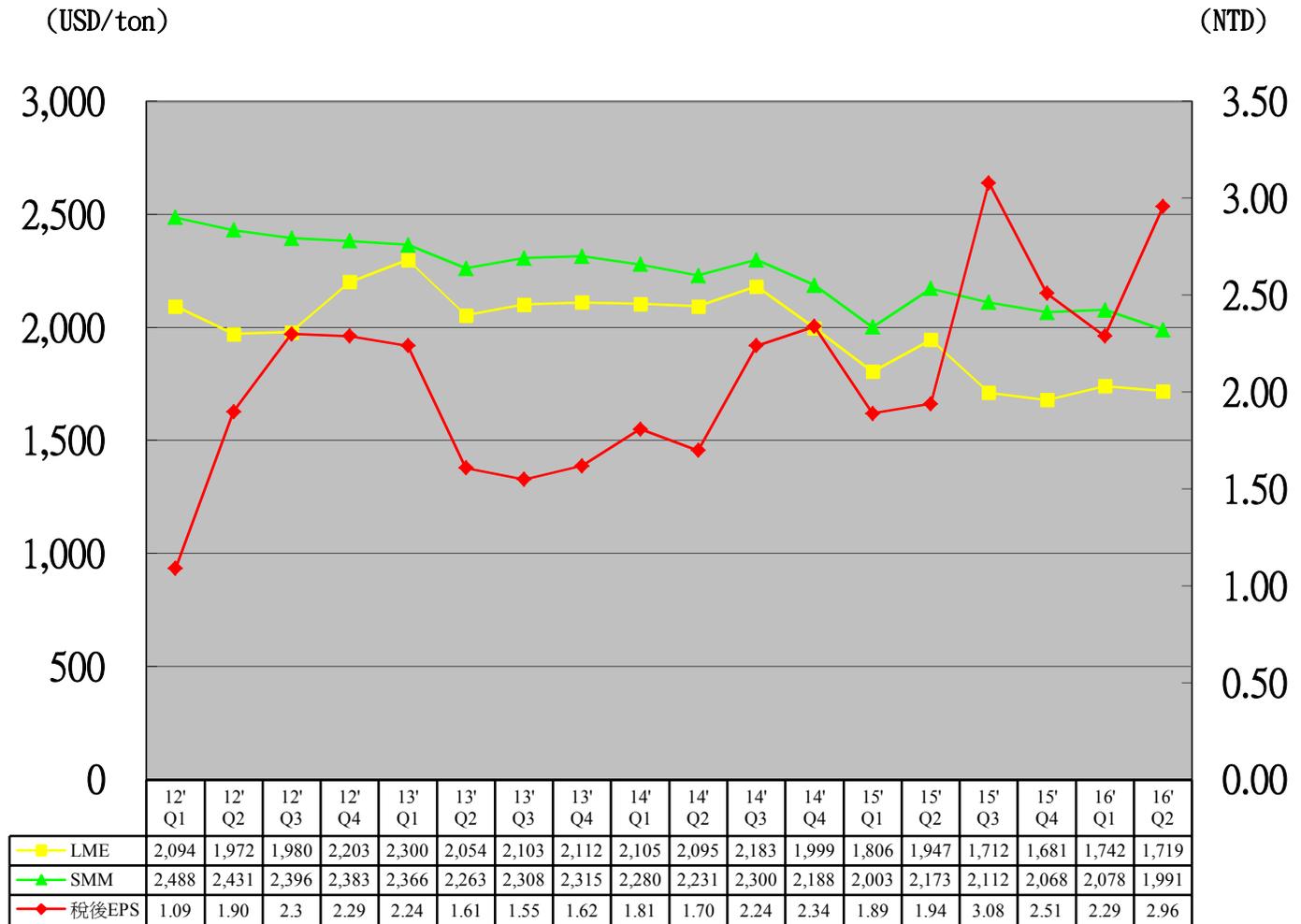
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		2011	2012	2013	2014	2015
EPS		3.9	7.58	7.02	8.09	9.42
Dividend distribution	Cash dividends	2.50	4.50	5.50	6.50	7.50
	Stock dividends	—	—	—	—	—
Dividend yield		64.1%	59.4%	78.3%	80.3%	79.61%



Comparison chart of LME, SMM, and EPS

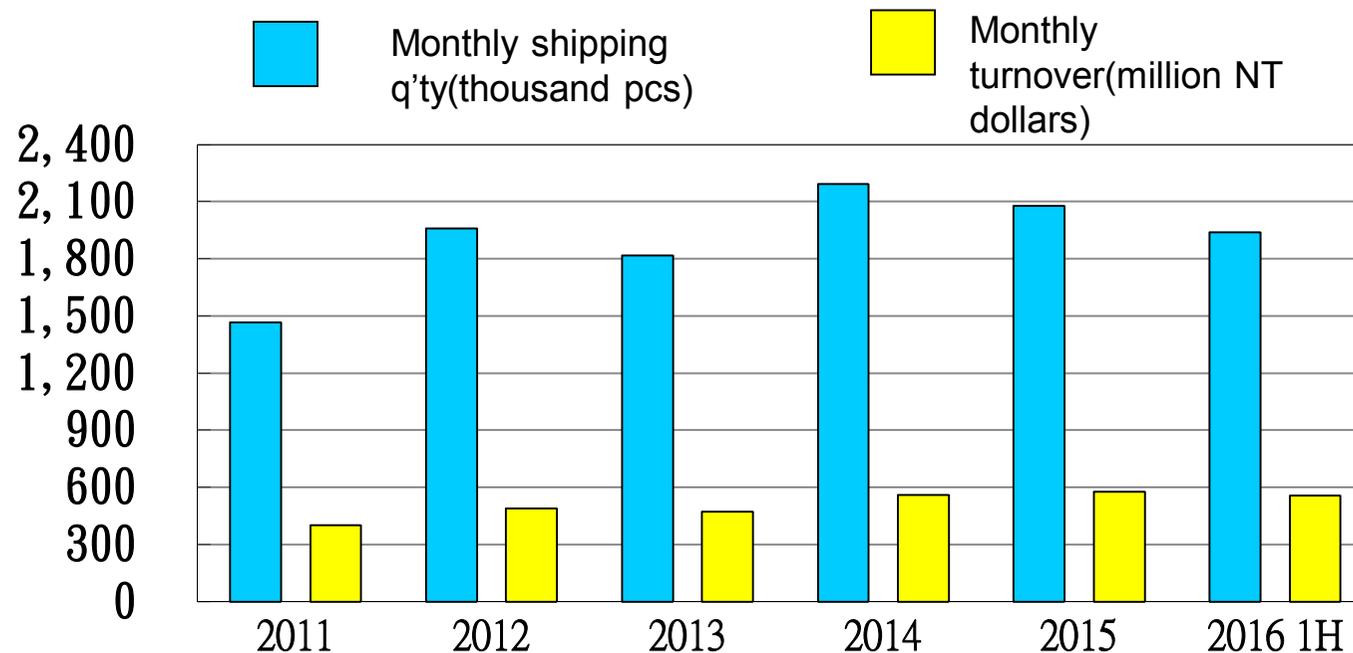
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Sales Quantity by KL group

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Monthly shipping q'ty	1,466	1,962	1,818	2,195	2,079	1,941
Growth rate of shipping q'ty	13%	34%	-7%	21%	-5%	-7%
Monthly turnover	403	492	474	564	579	558
Growth rate of turnover	10%	22%	-4%	19%	3%	-4%



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Location

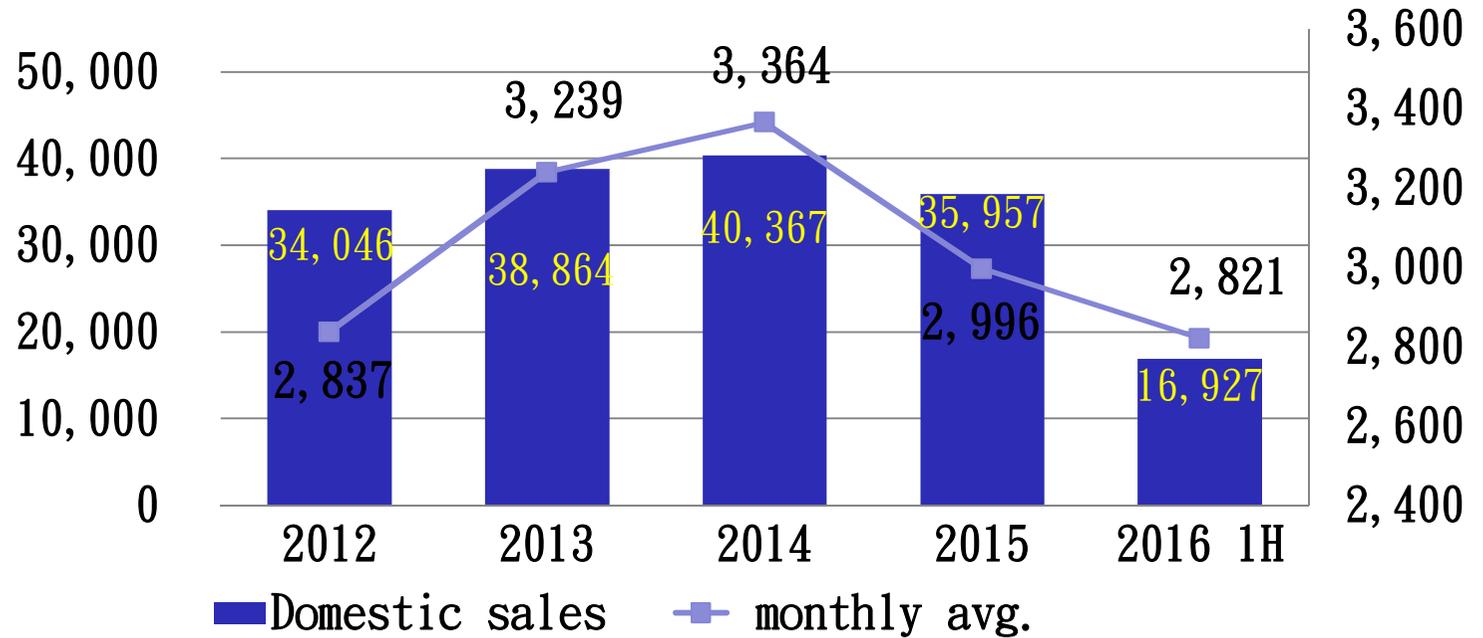
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Turnover of Le Long Vietnam

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currency : thousand USD

Category	2012	2013	2014	2015	2016 1H
Domestic sales	34,046	38,864	40,367	35,957	16,927
Domestic sales monthly avg.	2,837	3,239	3,364	2,996	2,821



Overview of Vietnam plant

Ben Luc plant

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36,500 square meters



Overview of Vietnam plant

Ben Luc plant

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36,500 square meters



Overview of Vietnam plant

Duc Hoa plant

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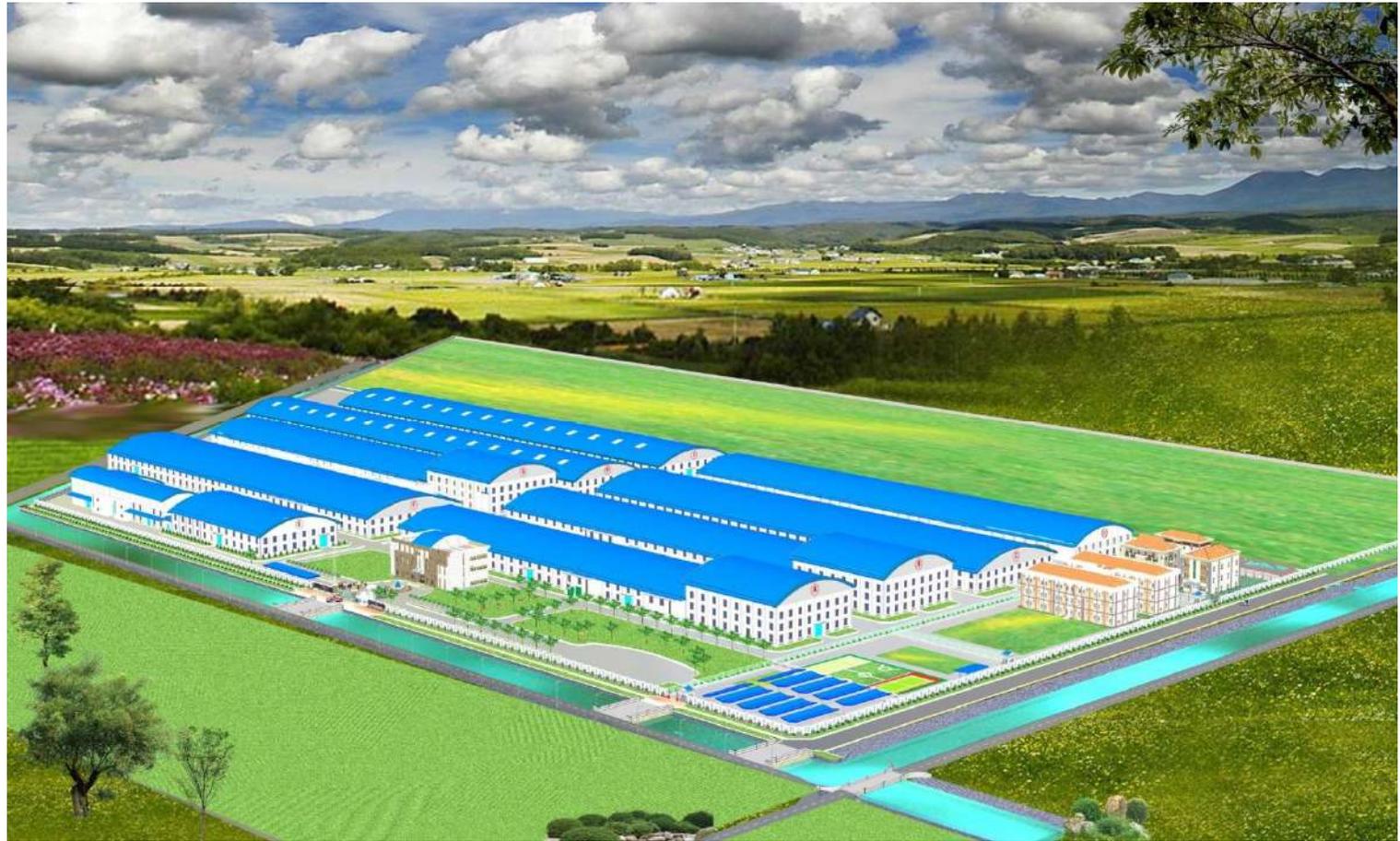
350,000 square meters (200,000 square meters are developed)



Overview of Vietnam plant

Duc Hoa plant

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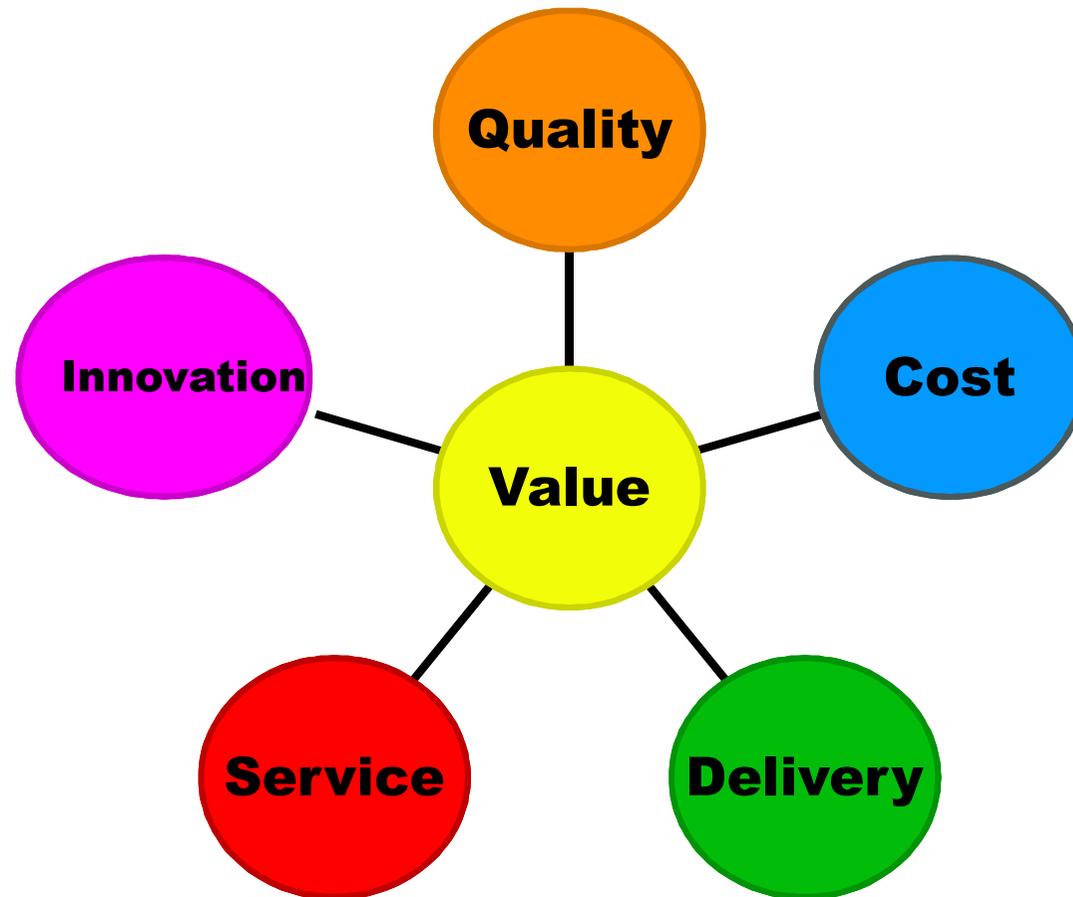


2010-2015: Increase productivity, Introducing automatic equipment



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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 complex system 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 long time to test individual battery performance and service life. The most important is that the incoming inspection can not determine the service life of batteries. Thus, quality customers will set up high qualification procedure and field audit for new comers. We are able to develop the products meeting customer needs.



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 diversified, we can avoid the huge impacts resulted by single industry and economic factors.

External environment

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Most of our competitors has factory 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 the professional UPS battery manufacturer with biggest capacity in Southeast Asia, and it can help us to take more orders than 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

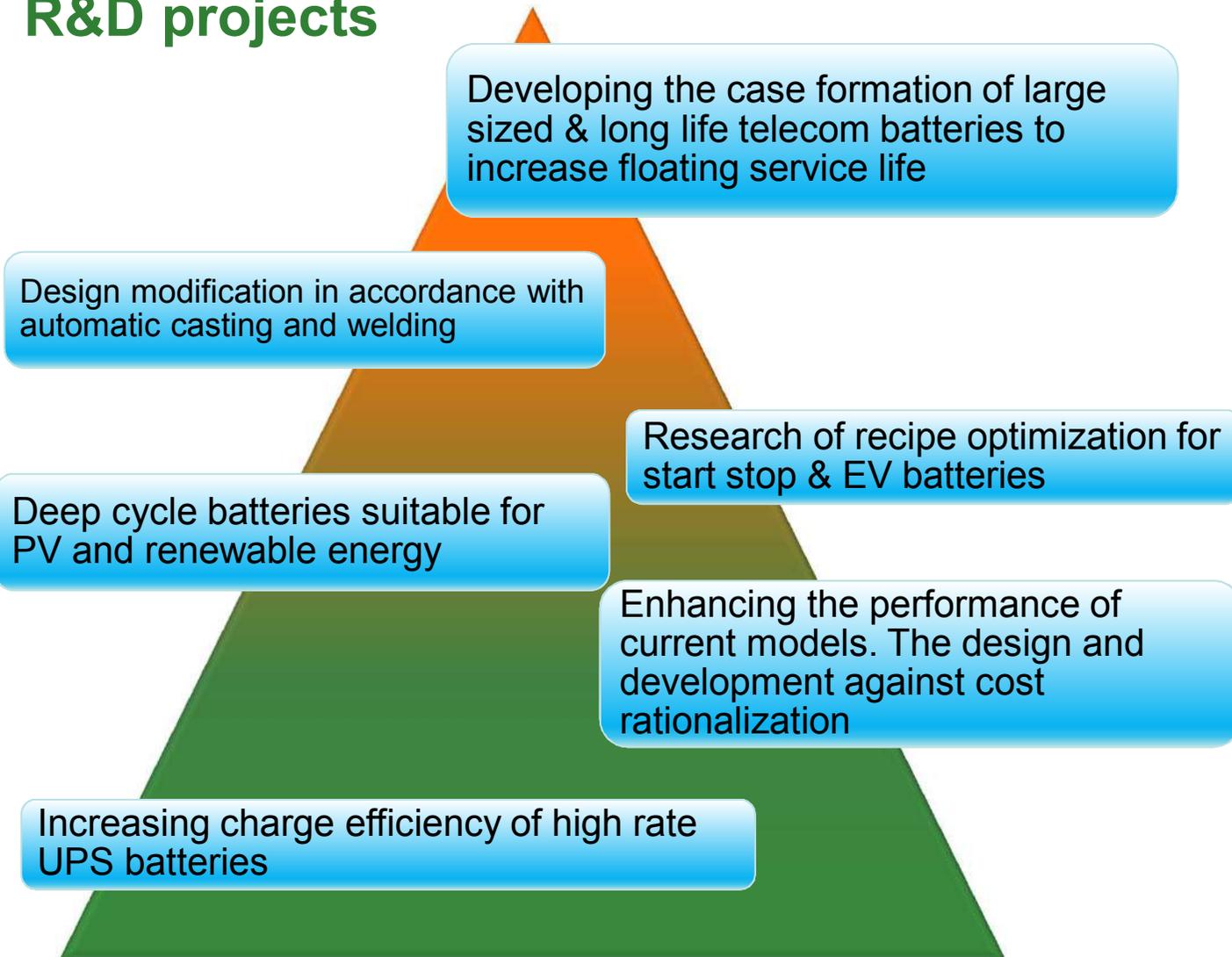
Recently China publishes the notice for imposing consuming tax on batteries and pasting – starting from 1/1/2016, 4% consuming tax will be imposed on lead-acid battery manufacturing, OEM, and import. It is expected that this will bring significant burden to Chinese lead-acid battery factories.



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R&D projects

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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 :

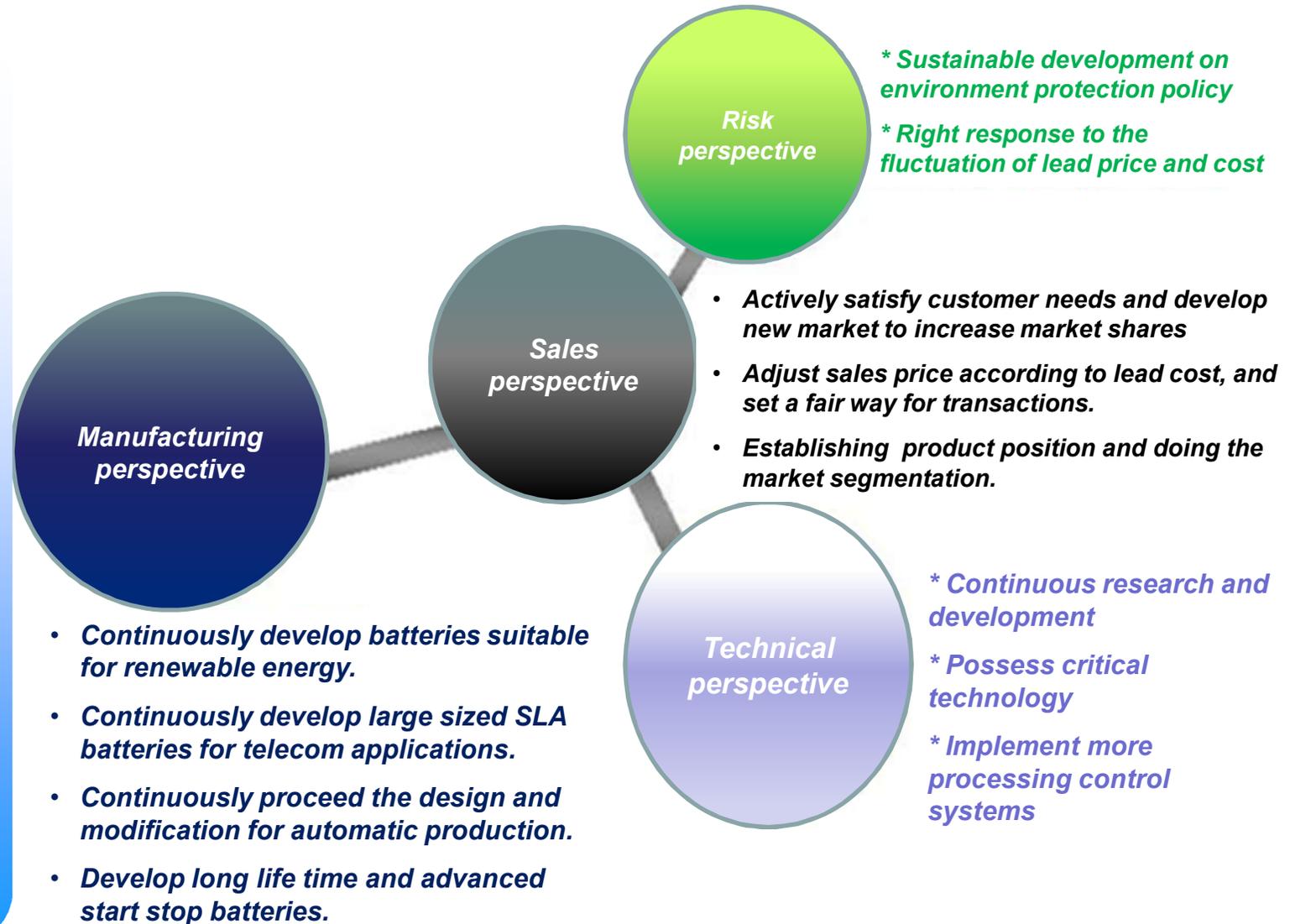
Continuously develop light weight models which meet market needs to increase gross margin.

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



Vincent Liu

Financial Senior Manage

Email: vincent@mail.klb.com.tw

TEL:+886-49-2254777



Advance future

Motion / Storage / Security

