

Kung Long Batteries- Performance and future's outlook



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Contents



KUNG LONG

www.klb.com.tw

- ◆ **Company introduction**
- ◆ **Industry overview**
- ◆ **Sale Profile**
- ◆ **Financials**
- ◆ **Performance of Vietnam plant**
- ◆ **Our strength and outlook**



Kung Long Batteries

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)

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

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



UPS batteries



Telecom batteries



Stationary batteries



Automotive batteries



EV batteries



Gel batteries

Market outlook

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



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

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)

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

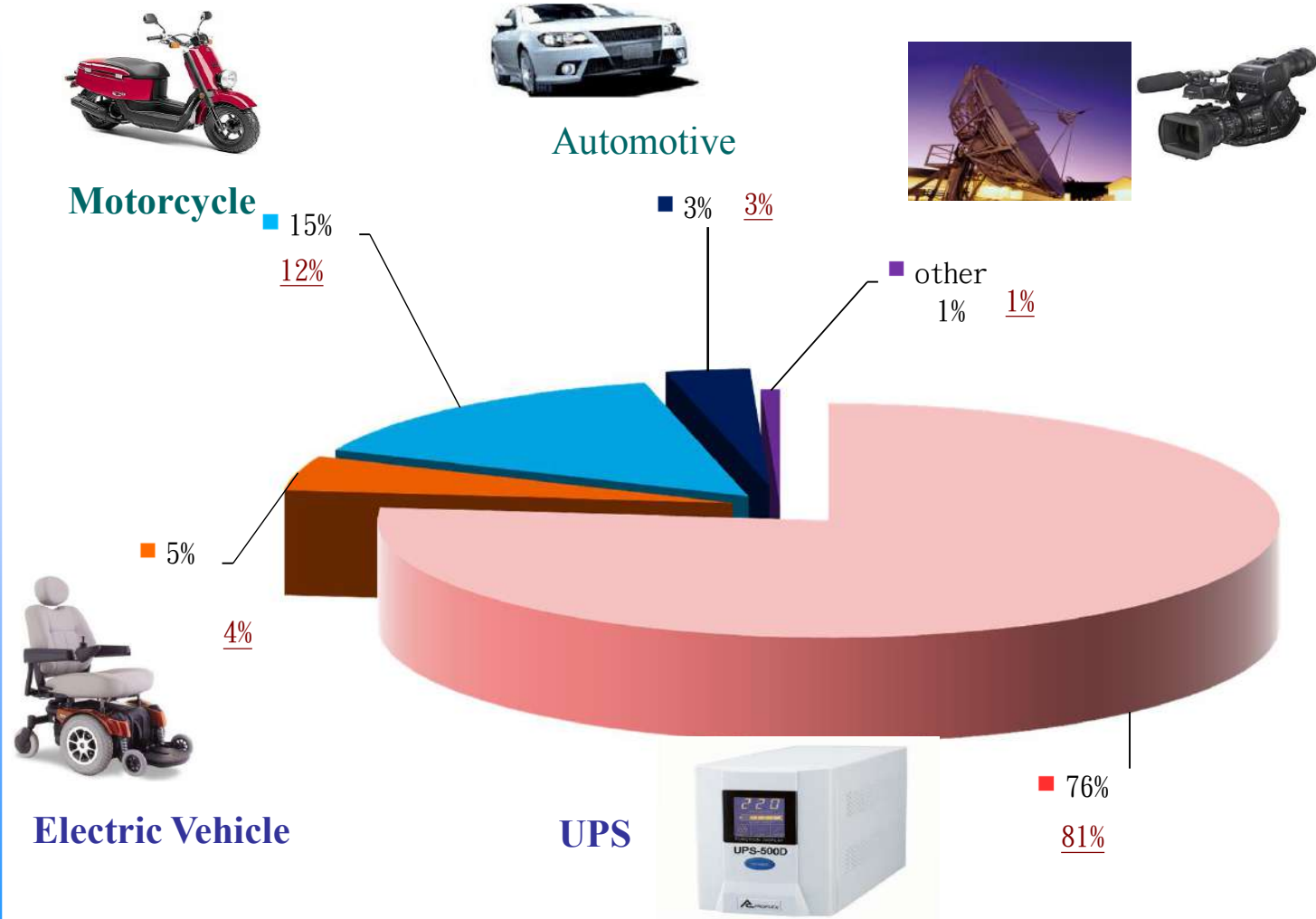
Compared with other batteries, lead-acid batteries are more stable and of higher performance.

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

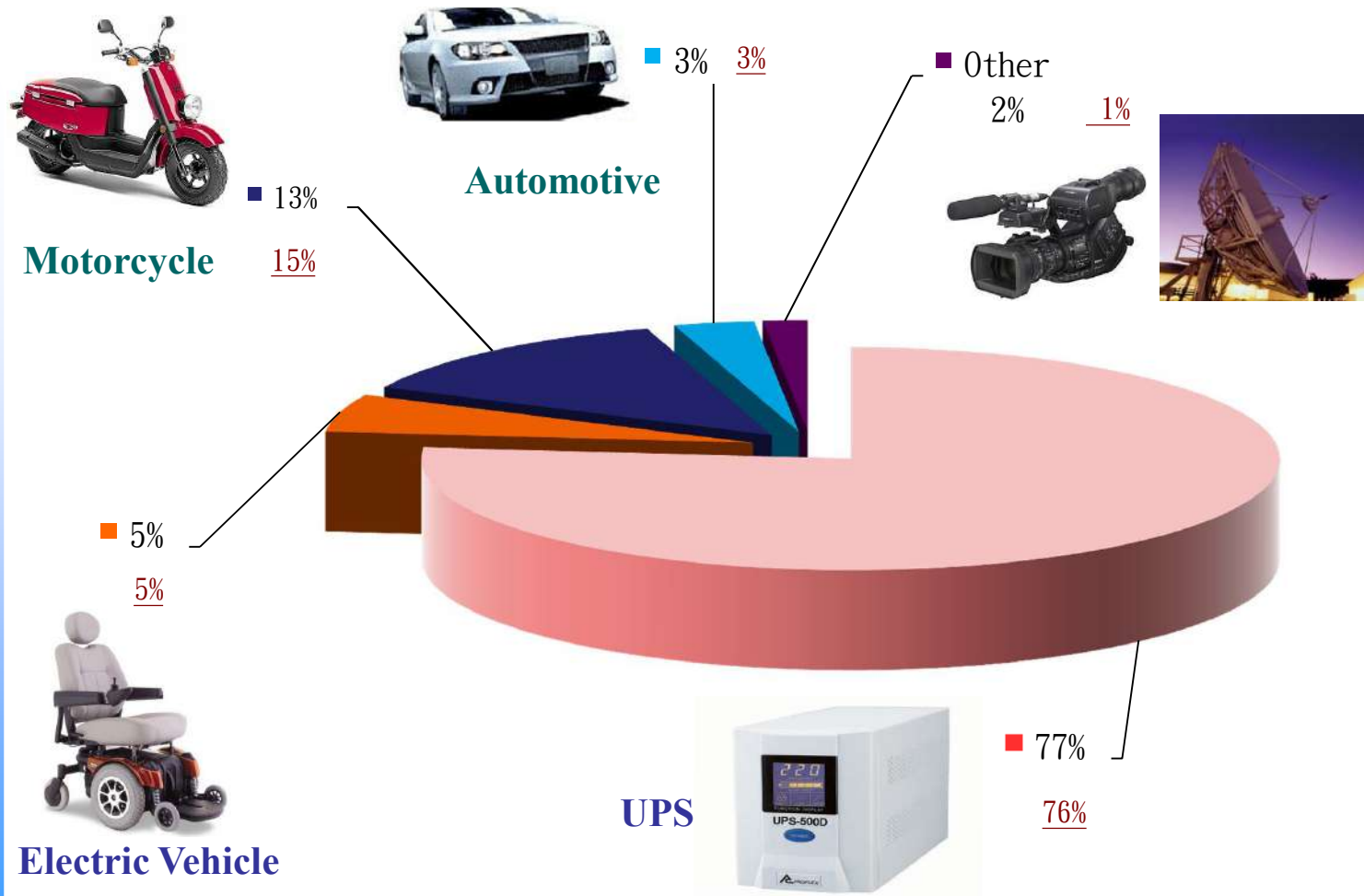
- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future' s outlook](#)



PS Letters highlighted in red stand for the numbers of 2012

2014 1H Sales Profile by application –consolidated

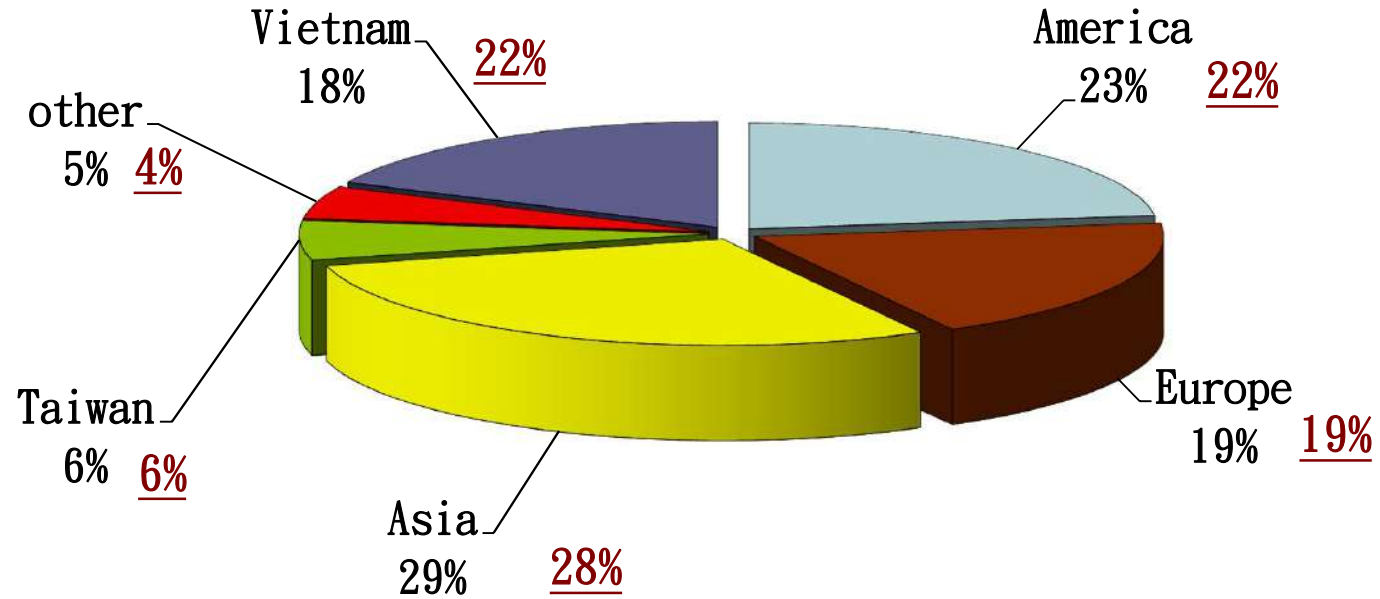
- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



PS Letters highlighted in red stand for the numbers of 2013

2014 1H Sales Profile by geography-consolidated

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



PS Letters highlighted in red stand for the numbers of 2013

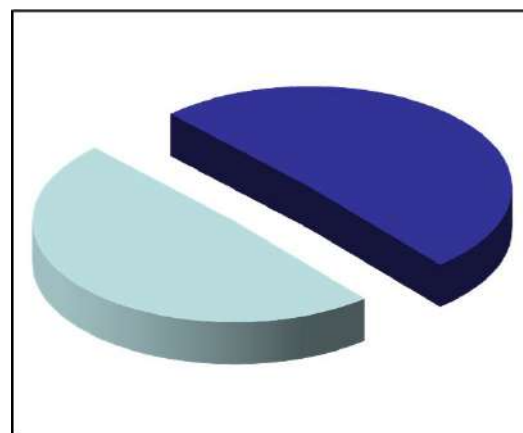
Currency: thousand NTD

Area	America	Europe	Asia	Taiwan	Others	Vietnam
2014 1H	760,836	605,940	924,723	180,622	180,000	592,344
%	23%	19%	29%	6%	5%	18%
2013 1H	574,071	509,078	743,634	178,362	113,769	547,596
%	22%	19%	28%	6%	4%	21%

Sales by brand-consolidated

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)

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



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



Financials –consolidated

Consolidated income statement

Currency : Thousand NTD

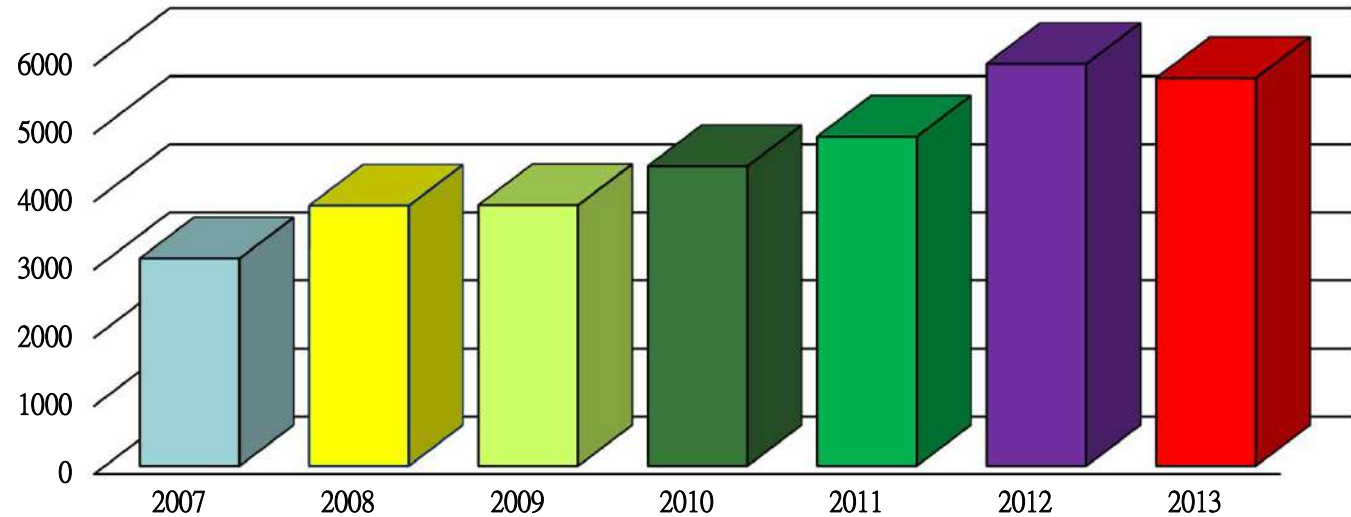
category	2010	2011	2012	2013	2014 1H
Operating revenue	4,396,736	4,830,316	5,901,072	5,694,779	3,244,465
Gross profit	1,026,640	725,777	1,271,312	1,108,899	596,190
Gross profit rate	23%	15%	22%	19%	18%
Operating profit	659,125	361,079	837,390	710,597	399,257
Profit from continuing operations before tax	661,444	404,515	846,643	752,663	413,104
Income from Discontinued Operations	517,040	324,275	629,259	579,339	294,301
Profit attributable to former owner of business combination under common control	513,219	315,035	616,295	572,911	286,850
EPS(NTD)	6.82	3.90	7.55	7.02	3.52
Average LEAD price(USD/ton)	2,148	2,402	2,062	2,142	2,100

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Futures outlook](#)

Consolidated Sales

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)

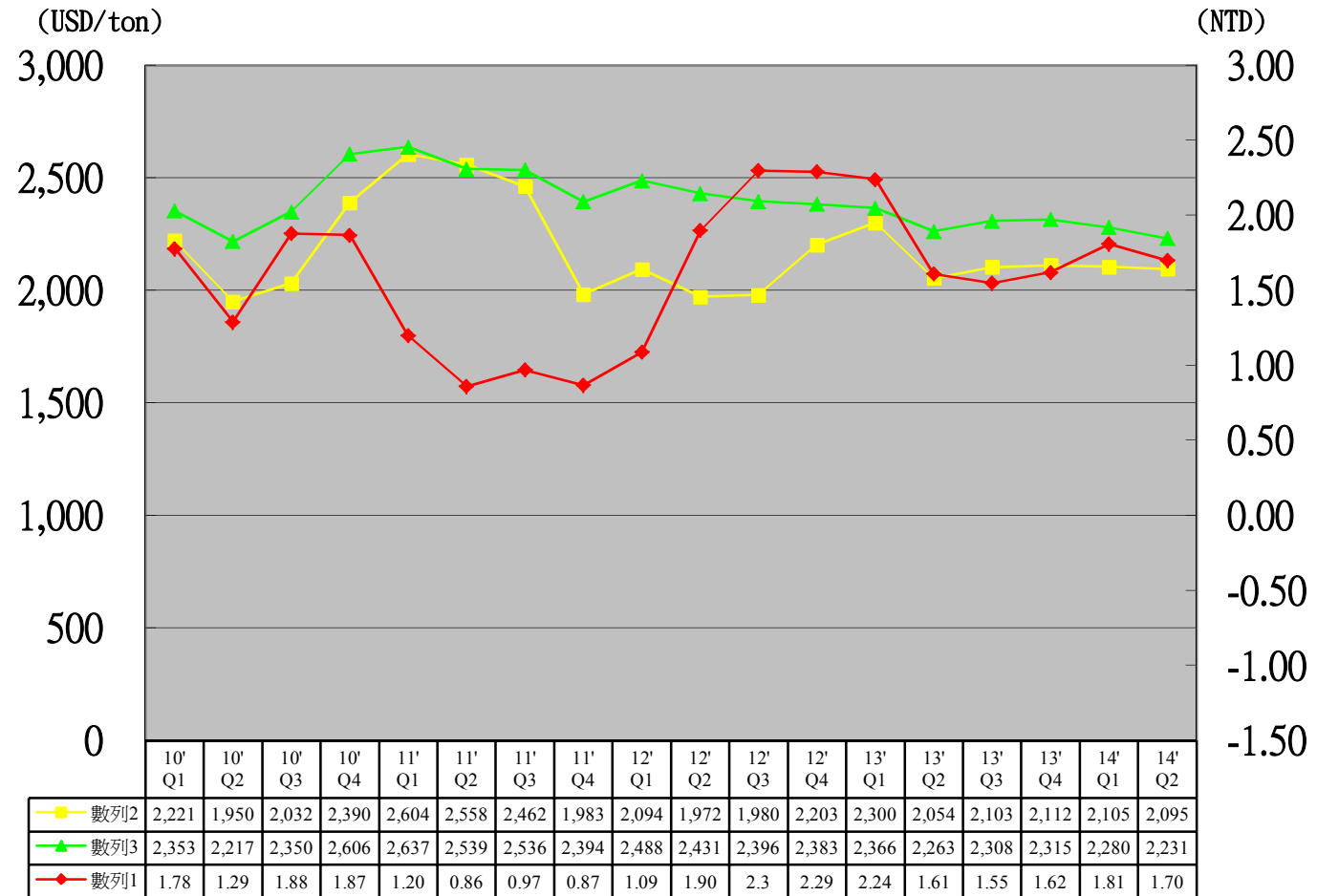
Currency: million NTD



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

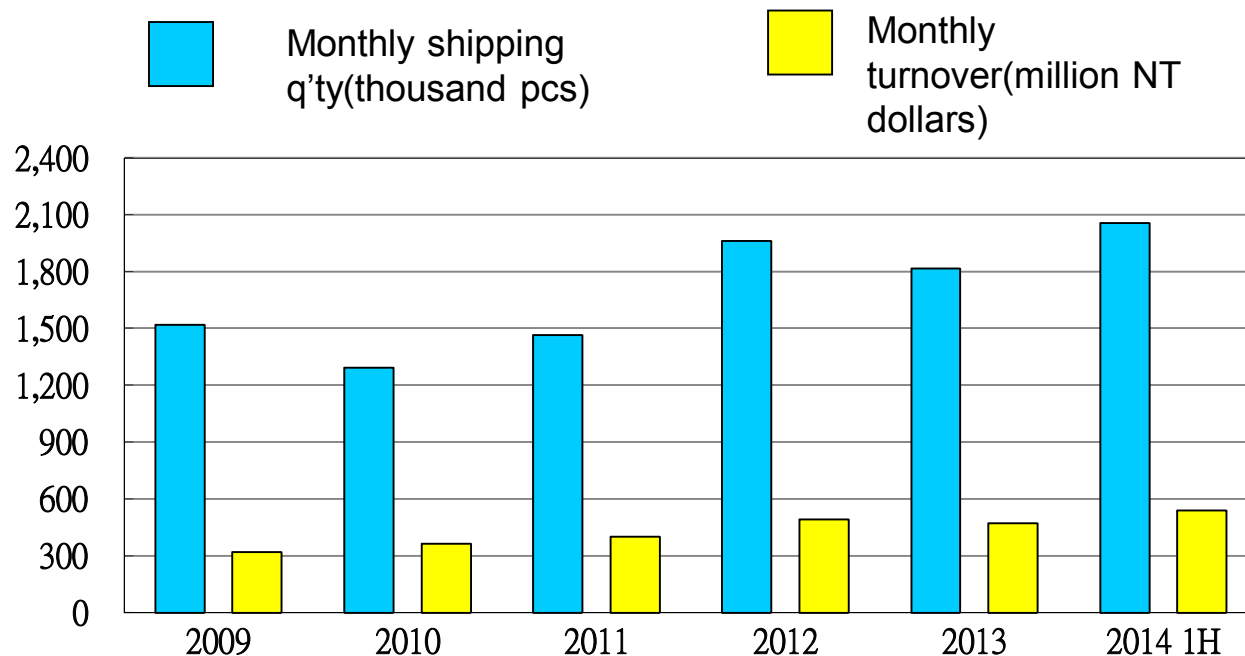
Comparison chart of LME, SMM, and EPS

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



Sales Quantity by KL group

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



Monthly shipping q'ty	1,519	1,294	1,466	1,962	1,818	2,059
Growth rate of shipping q'ty	38%	-15%	13%	34%	-7%	13%
Monthly turnover	319	366	403	492	474	541
Growth rate of turnover	1%	15%	10%	22%	-4%	14%

Location

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



Location

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



Turnover of Le Long Vietnam

currency : thousand USD

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future' s outlook](#)

Category	2010	2011	2012	2013	2014年1H
Domestic sales	30,182	32,155	34,046	38,864	19,572
Domestic sales monthly avg.	2,515	2,680	2,837	3,239	3,262
Compared with former year	+147	+165	+157	+401	+23
Growth rate	+6%	+7%	+6%	+14%	+0.7%

Overview of Vietnam plant

Ben Luc plant

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



36,500 square meters

Overview of Vietnam plant

Ben Luc plant

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



36,500 square meters



Overview of Vietnam plant

Duc Hoa plant

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future' s outlook](#)



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

Overview of Vietnam plant

Duc Hoa plant

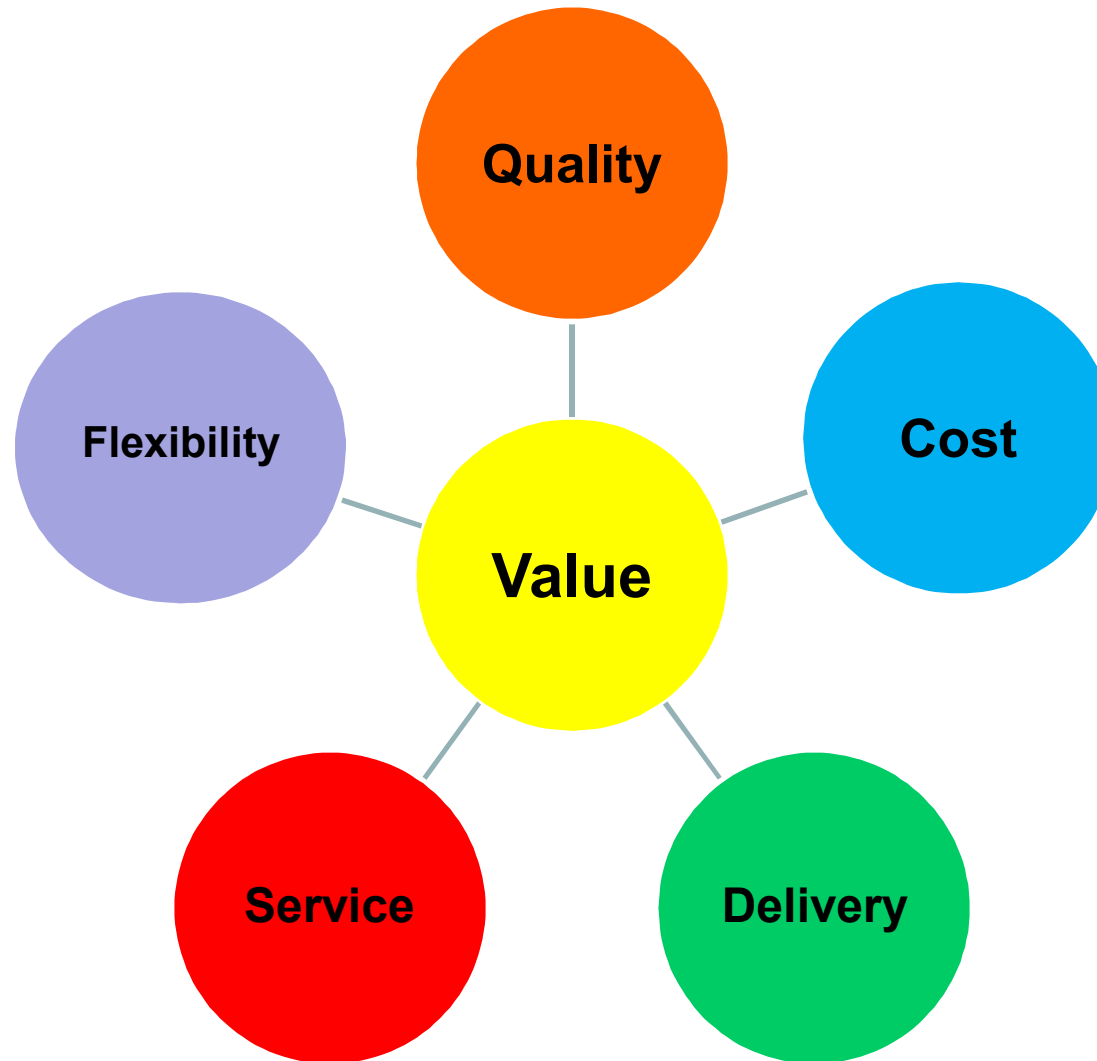
- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



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

Core value

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future' s outlook](#)



KLB' s strength

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future' s outlook](#)

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.

Our benefits of external environment

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)

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

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future' s outlook](#)

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

- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future's outlook](#)



Thank you



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