

Kung Long Batteries

Performance and future outlook

Stock Code 1537



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 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 3,862 people



Main products

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



UPS



Electric Tools



Electric Vehicle



Motorcycle



Automotive



Telecom

Market outlook

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



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

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

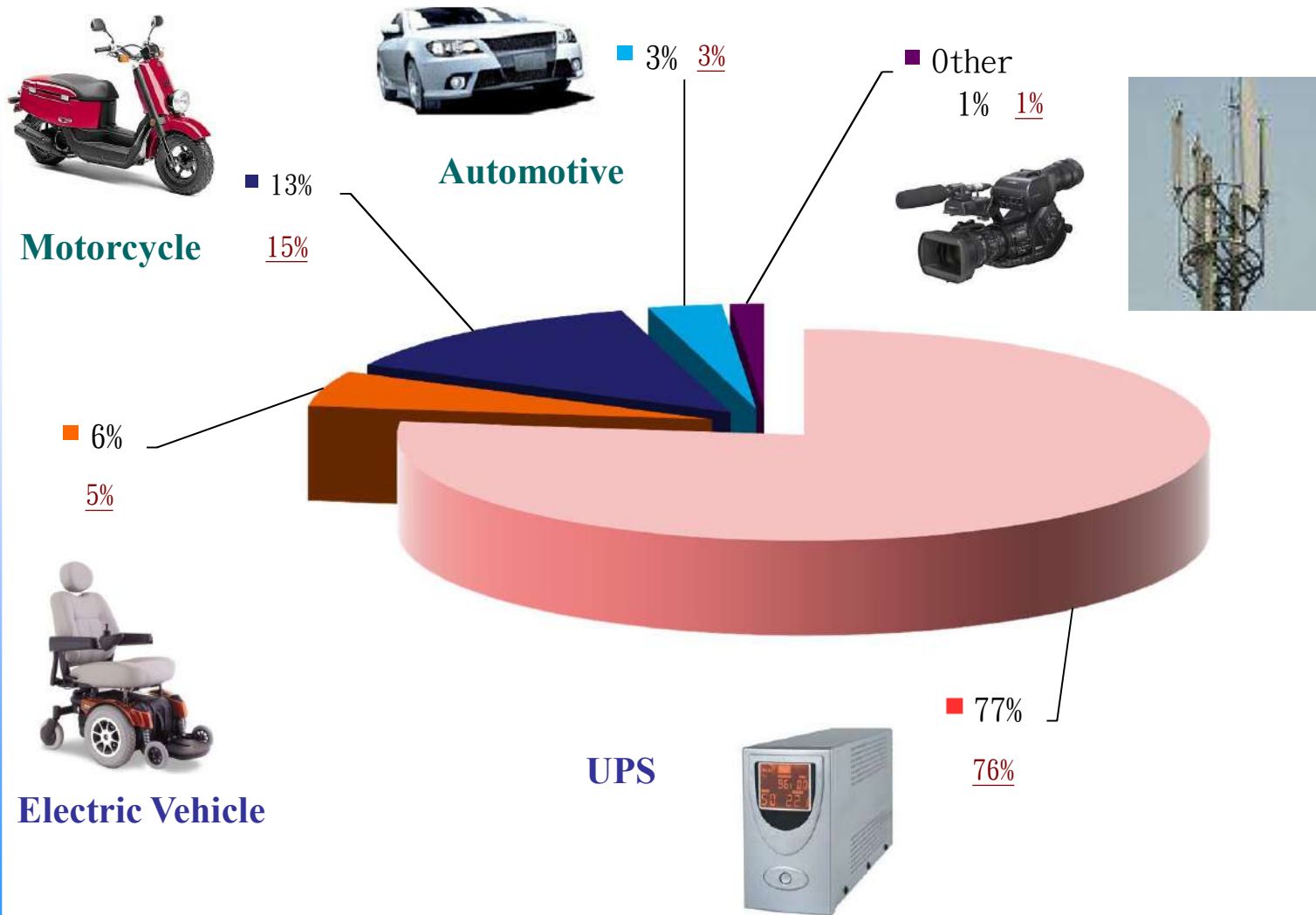
Compared with other batteries, lead-acid batteries are more stable and of higher performance.

4. Recyclable and reusable

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

2014 Sales Profile by application -consolidated

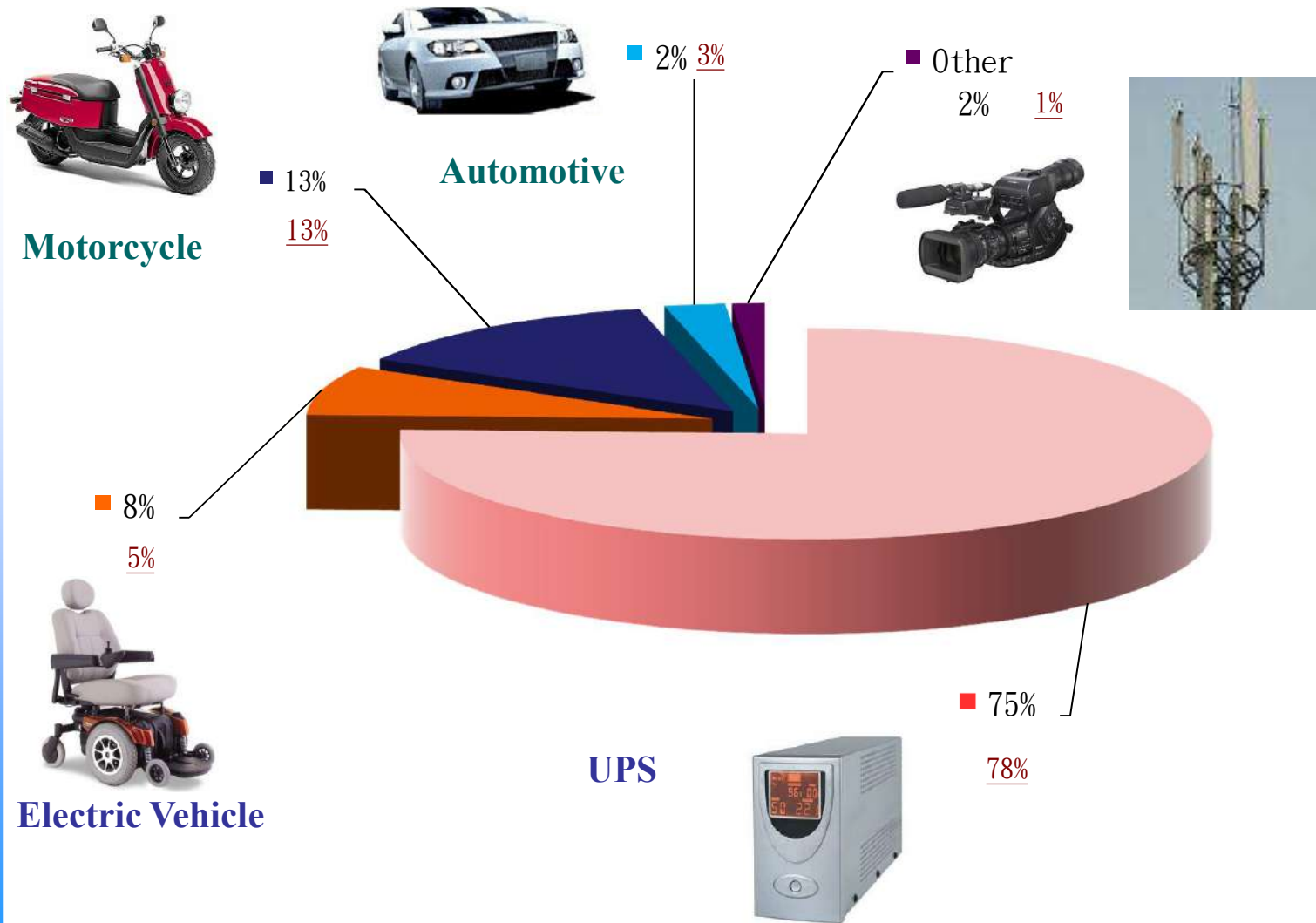
- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future outlook](#)



PS Letters highlighted in red stand for the numbers of 2013

2015 Q3 Sales Profile by application –consolidated

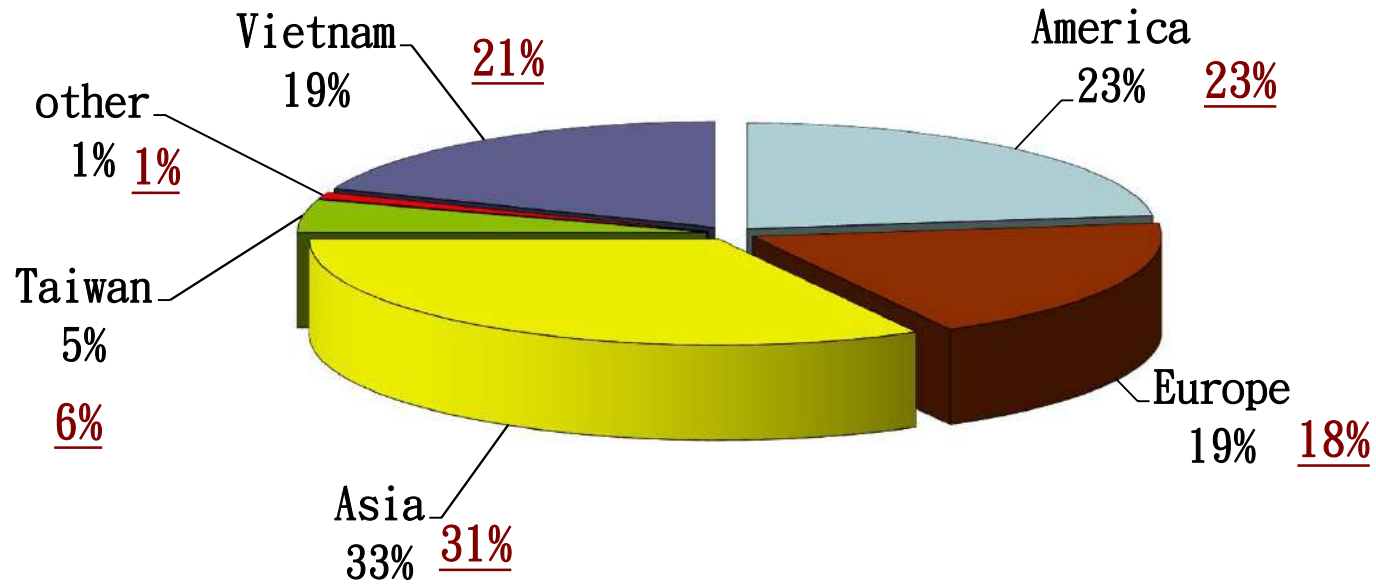
- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future outlook](#)



PS Letters highlighted in red stand for the numbers of 2014

2014 Sales Profile by geography-consolidated

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



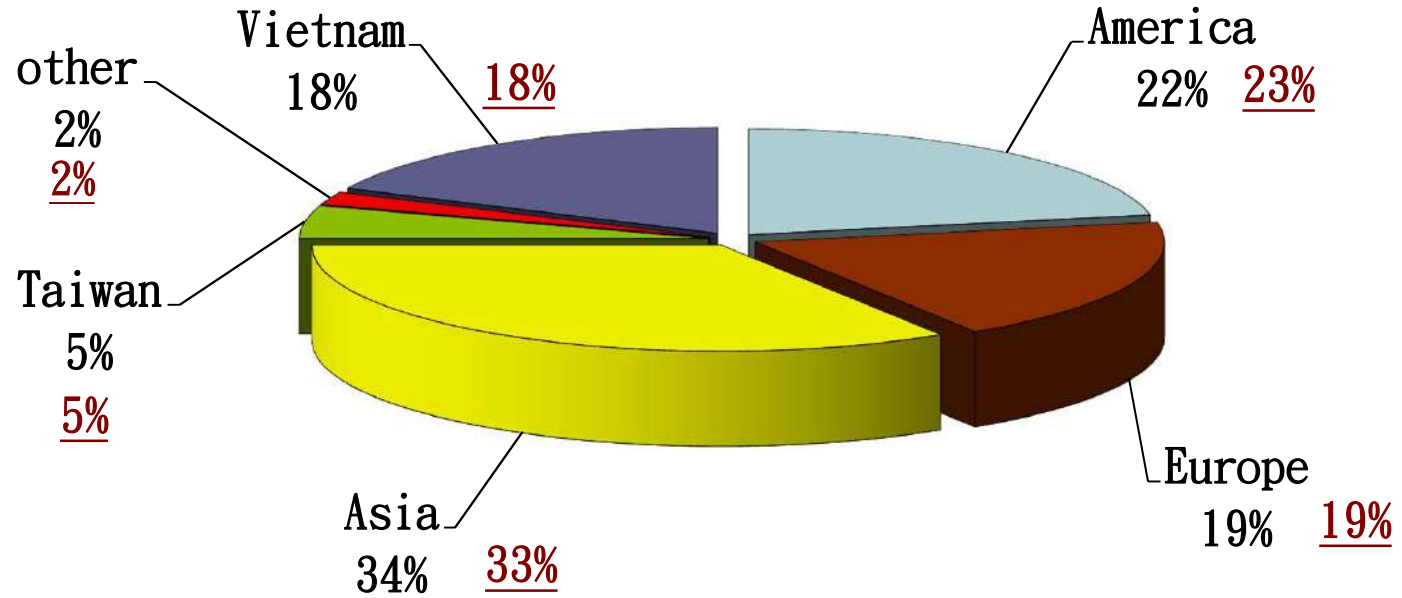
PS Letters highlighted in red stand for the numbers of 2013

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%

2015 Q3 Sales Profile by geography-consolidated

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



PS Letters highlighted in red stand for the numbers of 2014

Currency: thousand NTD

Area	America	Europe	Asia	Taiwan	Others	Vietnam
2015 Q3	1, 167, 190	1, 014, 451	1, 789, 404	255, 648	92, 038	920, 374
%	22%	19%	34%	5%	2%	18%
2014 Q3	1, 136, 376	924, 677	1, 673, 003	257, 750	77, 586	900, 534
%	23%	19%	33%	5%	2%	18%

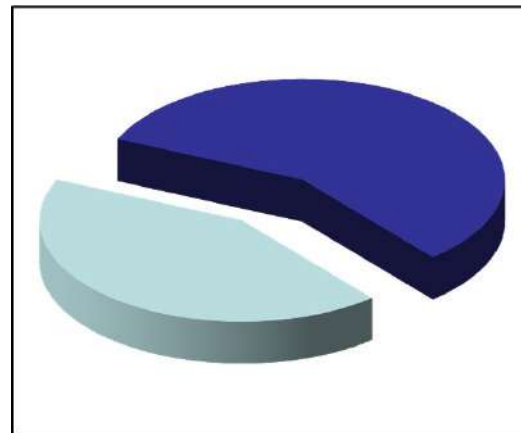
Sales by brand-consolidated

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

Percentage of own brand and OEM brand in 2015 Q3



■ 56%



■ 44%



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



Financials –consolidated

Consolidated income statement

Currency: million NTD

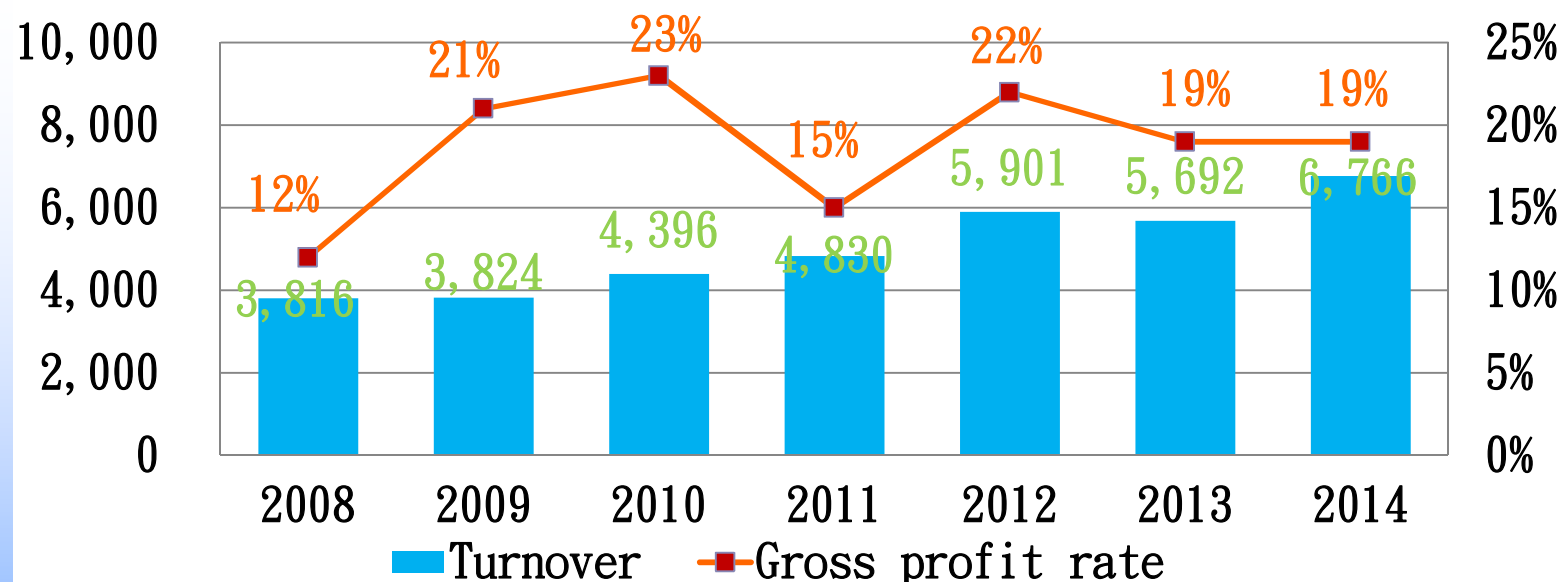
category	2009	2010	2011	2012	2013	2014	2015 Q3
Operating revenue	3, 824	4, 397	4, 830	5, 901	5, 695	6, 766	5, 239
Gross profit	813	1, 0267	726	1, 271	1, 109	1, 299	1, 049
Gross Margin	21%	23%	15%	22%	19%	19%	20%
Operating profit	428	6598	361	837	710	841	707
Pre-tax Profit	436	661	405	847	753	898	777
After-tax profit	342	517	324	629	579	676	590
Profit attributable to former owner of business combination under common control	345	513	315	616	573	660	564
EPS(NTD)	5. 07	6. 82	3. 90	7. 55	7. 02	8. 09	6. 92
Average LEAD price(USD/ton)	1, 719	2, 148	2, 402	2, 062	2, 142	2, 096	1, 822

Average
6. 68

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

Consolidated Sales

Currency: million NTD



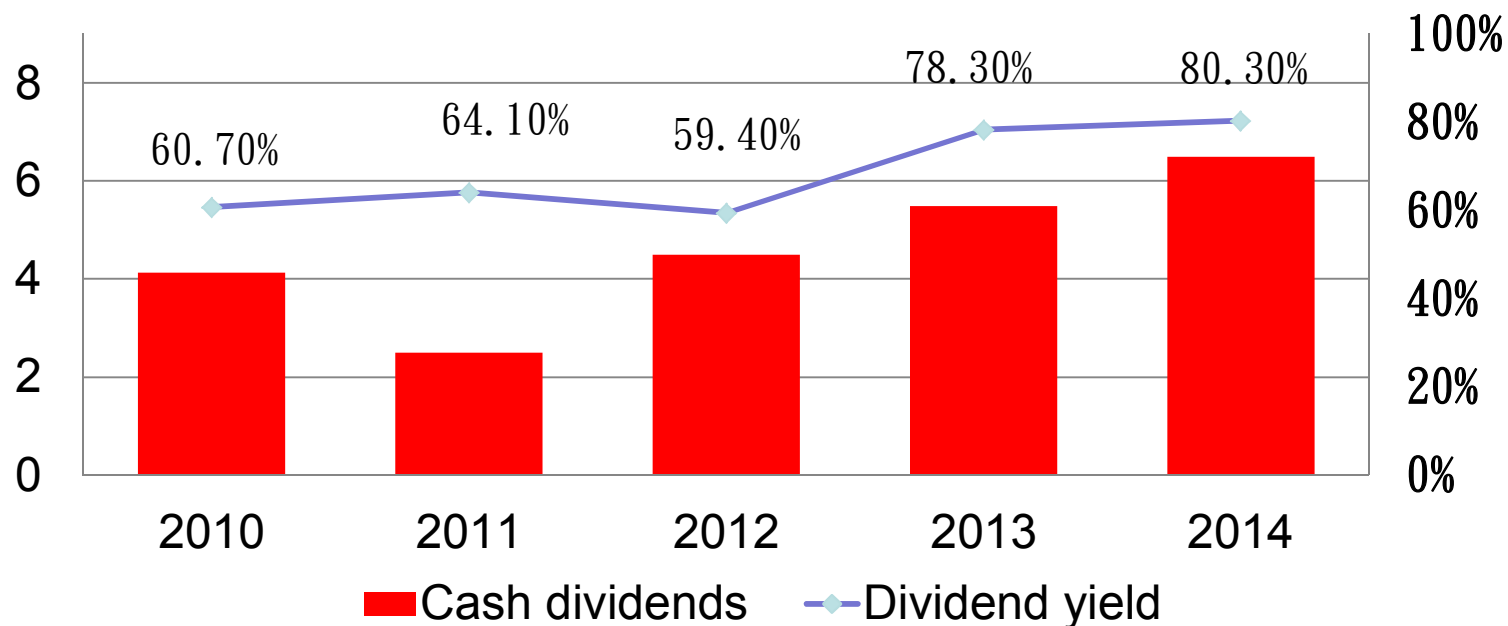
Consolidates Turnover	3,816	3,824	4,396	4,830	5,901	5,694	6,766
LME average price(USD/MT)	2,091	1,719	2,146	2,401	2,062	2,142	1,999
Gross Profit Margin	12%	21%	23%	15%	22%	19%	19%
After-tax EPS	0.50	5.07	6.82	3.90	7.55	7.02	8.09

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

Dividend policy

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

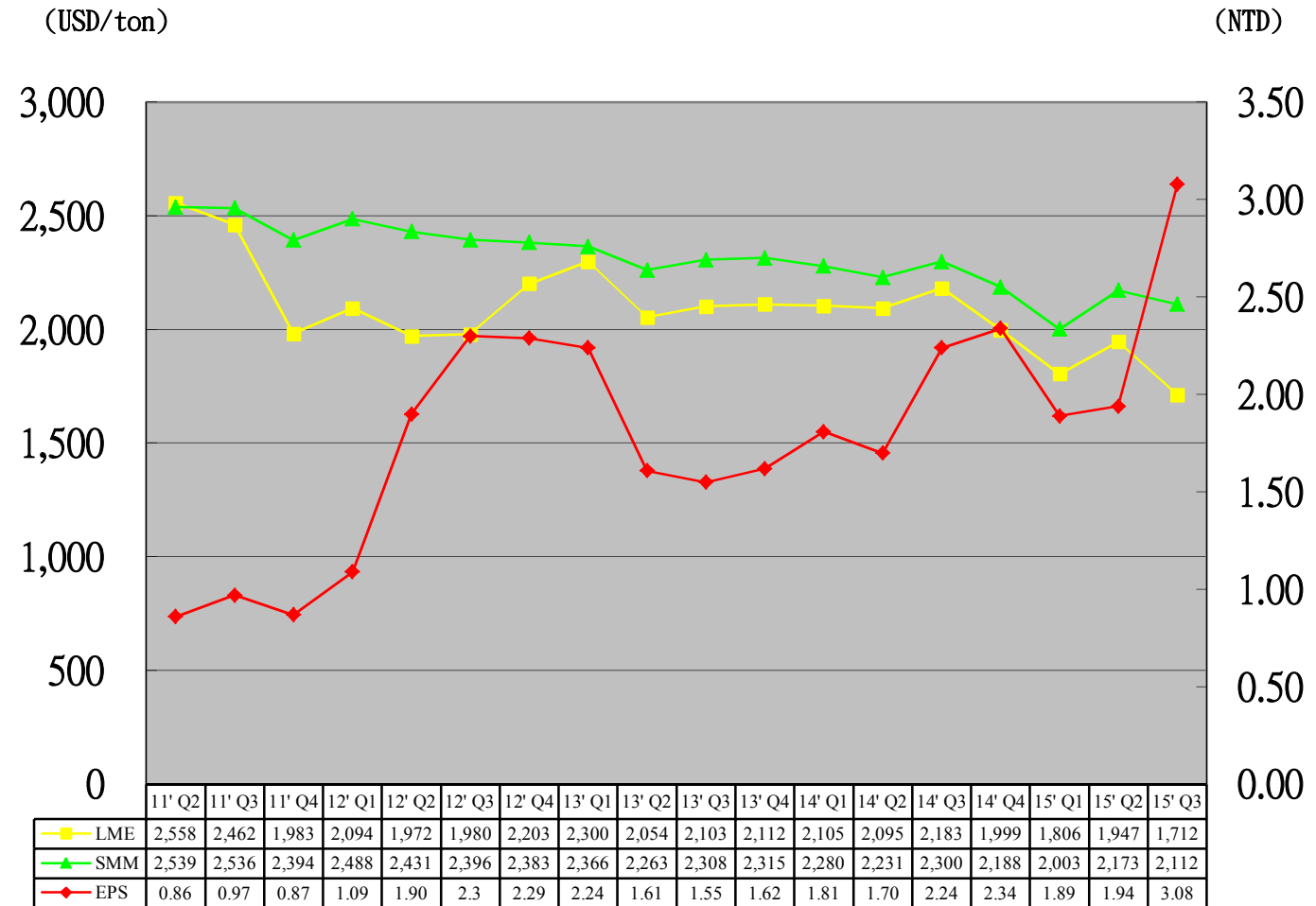
(元)



		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%

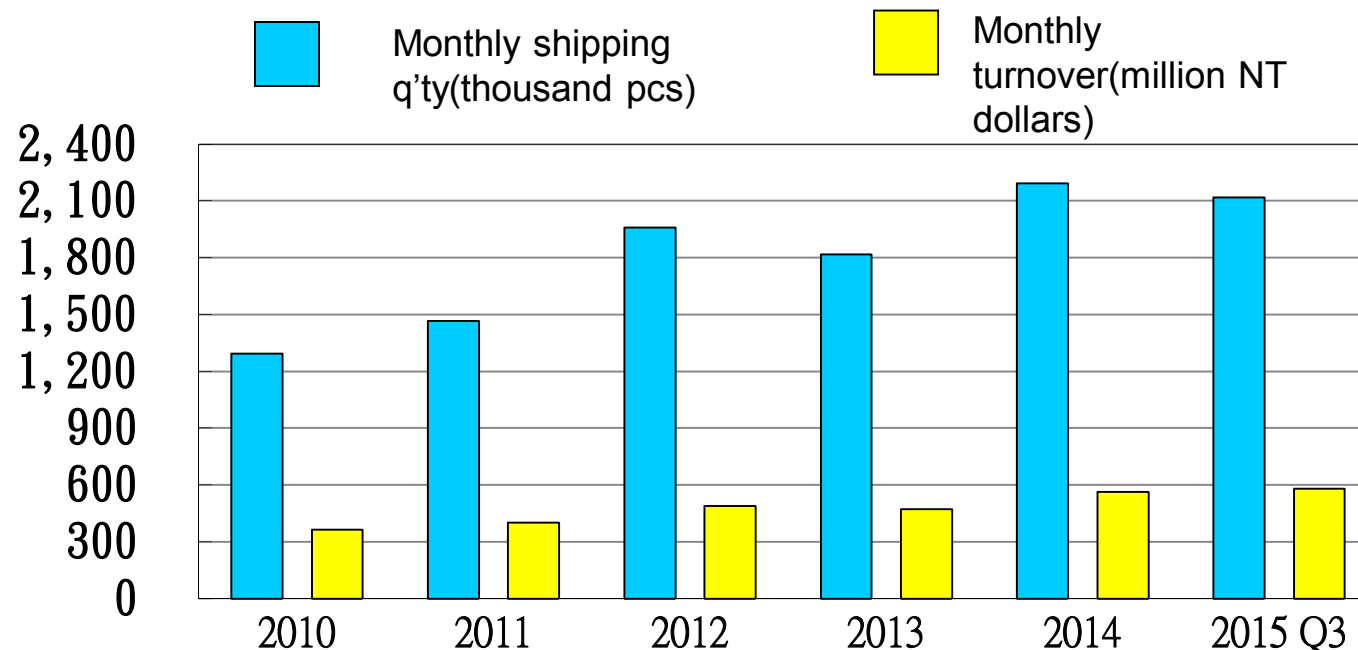
Comparison chart of LME, SMM, and EPS

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



Sales Quantity by KL group

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



Monthly shipping q'ty	1, 294	1, 466	1, 962	1, 818	2, 195	2, 119
Growth rate of shipping q'ty	-15%	13%	34%	-7%	21%	-3%
Monthly turnover	366	403	492	474	564	582
Growth rate of turnover	15%	10%	22%	-4%	19%	3%

Location

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



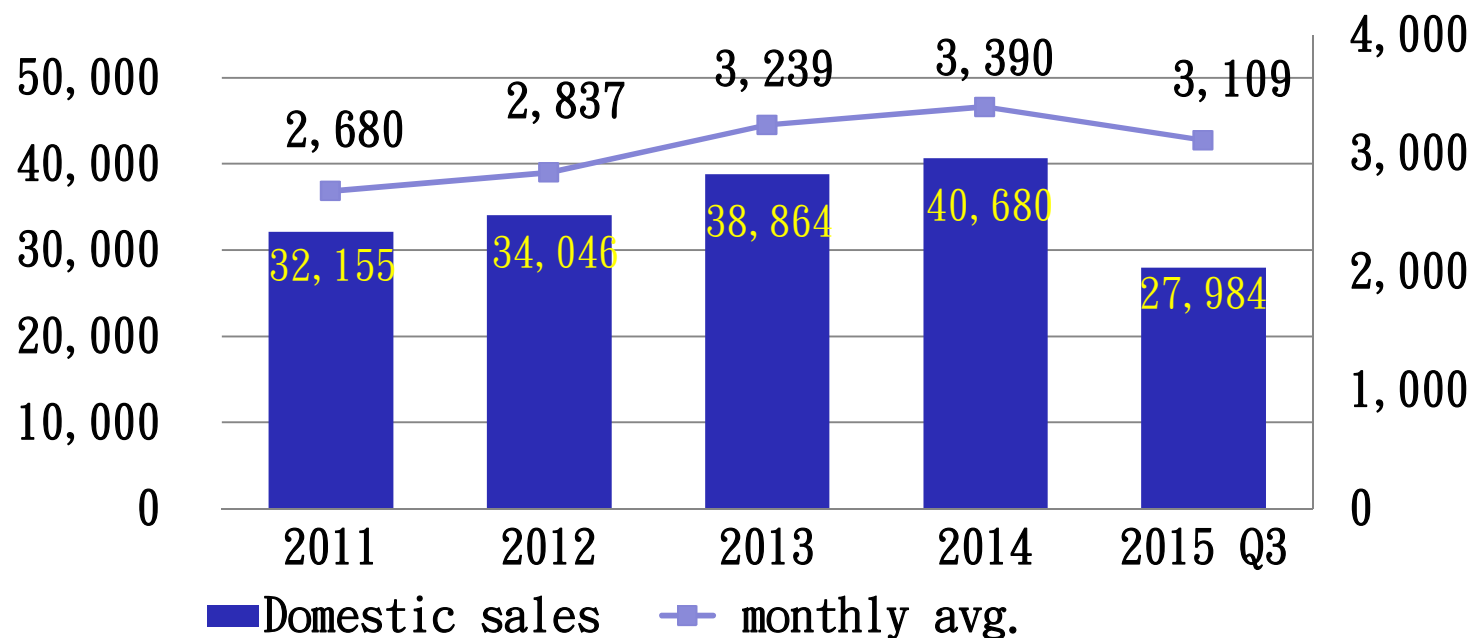
Location

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



Turnover of Le Long Vietnam

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



currency : thousand USD

Category	2011	2012	2013	2014	2015 Q3
Domestic sales	32,155	34,046	38,864	40,680	27,984
Domestic sales monthly avg.	2,680	2,837	3,239	3,390	3,109

Overview of Vietnam plant

Ben Luc plant

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



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

Overview of Vietnam plant

Duc Hoa plant

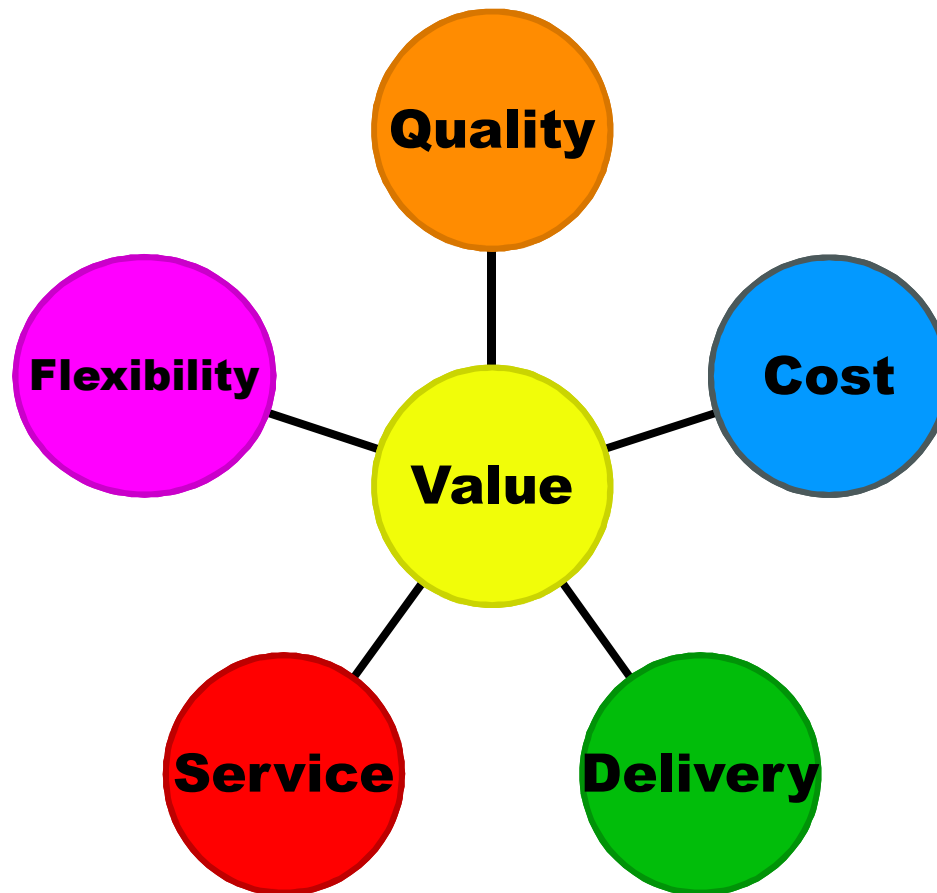
- ◆ [Company introduction](#)
- ◆ [Industry overview](#)
- ◆ [Sales Profile](#)
- ◆ [Financials](#)
- ◆ [Vietnam plant introduction](#)
- ◆ [Our strength](#)
- ◆ [Future outlook](#)



2010-2014: Increase productivity, Introducing automatic equipment

Core value

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



KLB Strength

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

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.

KL B Strength

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

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 expend 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

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



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.

Future outlook

R&D projects

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

Design modification in accordance with automatic casting and welding

Developing the case formation of large sized & long life telecom batteries to increase floating service life

Deep cycle batteries suitable for PV and renewable energy

Research of recipe optimization for start stop & EV batteries

Enhancing the performance of current models. The design and development against cost rationalization

Increasing charge efficiency of high rate UPS batteries

Future outlook

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

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 :

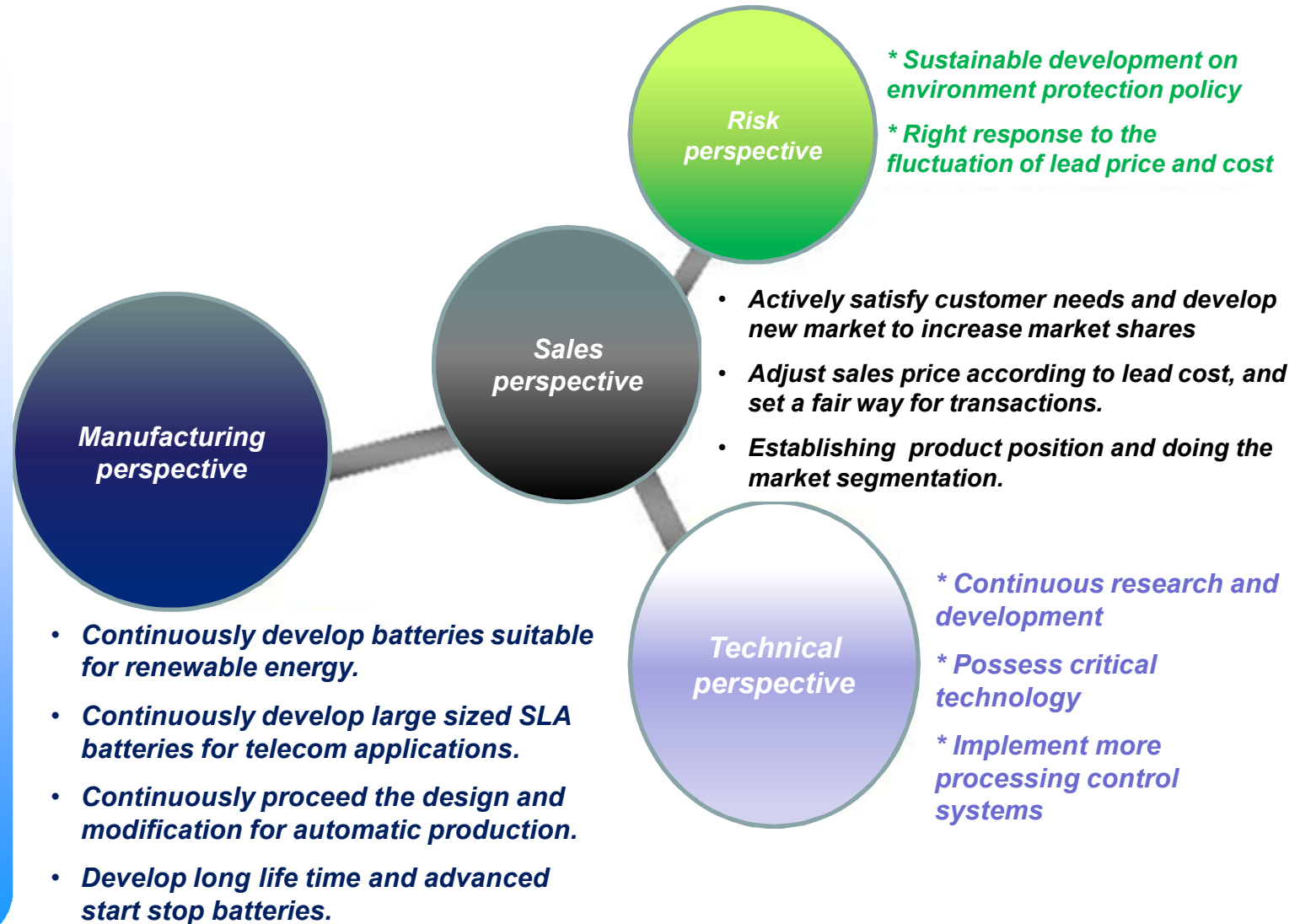
Continuously develop light weight models which meet market needs to increase gross margin.

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

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



Thank you



Vincent Liu

Financial Senior Manage

Email: vincent@mail.klb.com.tw

TEL:+886-49-2254777



Advance future

Motion / Storage / Security

