



**KWONG LUNG ENTERPRISE**  
**(8916 TT/TW)**

# INVESTOR PRESENTATION

April 2023

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“I ALWAYS ENVISIONED  
KWONG LUNG TO  
BECOME A WORLD-CLASS  
OUTDOOR APPAREL  
COMPANY THAT BRINGS  
WARMTH TO THE  
WORLD.”

HEBERT CHAN, CHAIRMAN & CEO

## WHY INVEST IN KWONG LUNG?

1. We are a global leading vertically-integrated textile producer focusing on making the world's most sophisticated outdoor/sports garment that complies with customers' strict ESG and quality standards which made us partner of the world's most promising outdoor brands.
2. Outdoor apparel is the next spotlight in sportswear, thanks to growing popularity of outdoor activities and consumers demanding higher functional/performance factors. Our diversified offerings made us a perfect fit with emerging outdoor brands around the world, which suggests significant market share and revenue upside.
3. We are committed to grow our garment revenue share from current 50% to 70% in five years, which suggests better margins outlook and higher quality of earnings to continue support decent cash dividend payout.

# OUR CORPORATE HISTORY



## 1966 - 1993

### Build the regional foundation

- 1966** The company was established
- 1980** The first company in Taiwan to standardize down products
- 1984** The company's first down factory commenced operation in Taiwan
- 1988** Vietnam plant was established
- 1993** Kunshan, China plant was established

## 1994 - 2012

### Expand and accelerate business growth

- 1994** Kwong Lung Hong Kong was established
- 1996** Our second plant in Vietnam was established
- 1999** Publicly listed on Taipei Exchange
- 2000** Diversified our business and set up garment division
- 2005** Kwong Lung Japan was established
- 2009** Down material R&D Center was established
- 2011** Our third plant in Vietnam was established

## 2013 - 2021

### Expand Garment Business and strengthen corporate governance

- 2013** Mr. Hebert Chan became the chairman of the company
- 2014** Our first CSR report published
- 2015** Revenue of garment division has begun to exceed down division
- 2016** Ranked as top 20% in Corporate Governance Evaluation
- 2018** Reached NTD 10 bn annual sales
- 2019** Ranked as top 5% in Corporate Governance Evaluation

## 2022 - Future

### To become the global leading manufacturer in functional outerwear

- 2022** Keep on improving productivity to meet our clients' demand
- 2023** Continue to look for new opportunities in outdoor functional outerwear segment

# OUR CLIENTS PORTFOLIO

We work with leading outerwear brands in the world by fulfilling their utmost functionality and sustainability requirements.



# OUR PRODUCTS PORTFOLIO



PROVIDE ONE-STOP SERVICES FOR ALL RANGE OF FUNCTIONAL OUTERWEAR

## GARMENT

## OTHER CATEGORIES

**GORETEX  
OUTERWEAR**

**SEAM-SEALED  
GARMENTS**

**DOWN  
JACKETS**

**SYNTHETIC  
INSULATION**

**CASUAL  
WEAR**

**SLEEPING  
BAGS**

**DOWN  
MATERIALS**

**HOME  
TEXTILE**



**EXTREME**

**ENDURING**

**FUNDAMENTAL**

**VERSATILE**

**LIGHTWEIGHT**

-30°C & Below

-15°C / -25°C

-10°C / -20°C

0°C / -15°C

5°C / -5°C

-25°F & Below

5°F / -15°F

15°F / -5°F

30°F / 5°F

40°F / 25°F

56% OF CONSOLIDATED REVENUE; 76% OF OPERATING PROFIT  
IN 2022

GARMENT GROSS MARGIN: 17% ~ 21%

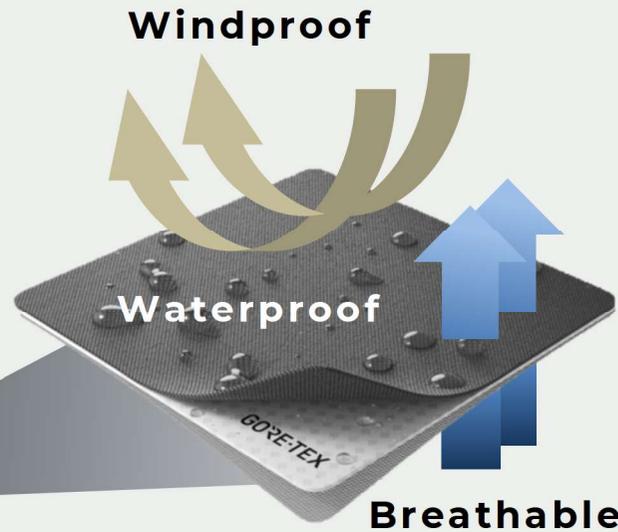
## LEGACY BUSINESSES

Down materials are our legacy business while home textile are fillers of capacities during low season

**DOWN MATERIALS &  
HOME TEXTILE**  
GROSS MARGIN: 10% ~ 15%

# FEATURES OF GORETEX OUTERWEAR

Kwong Lung's production plants are certified by GORE to produce GORETEX garments for high-end outdoor functional apparel brands.



## Waterproof

Each square inch of GORETEX membrane has over 9 billion pores. These pores are too small for water droplets to pass through, thus achieving a waterproof effect.

## Windproof

The small pores of the GORETEX membrane are extremely small and irregularly arranged, preventing cold wind from entering the body. The warmth retention of GORETEX outerwear is 40% higher than that of regular outerwear.

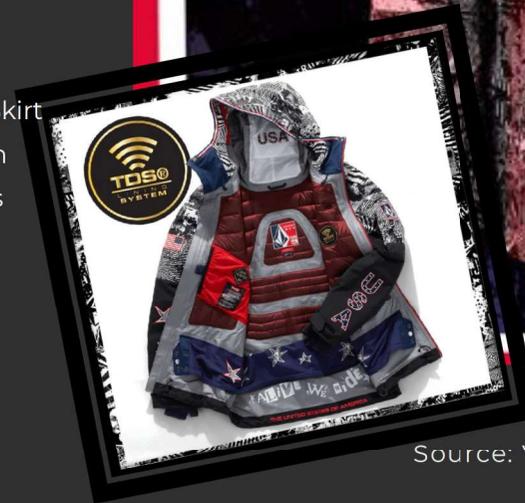
## Breathable

Each one of those billions of pores is also 700 times bigger than a water vapor molecule, allowing human sweat to easily pass through the membrane and evaporate, keeping the body dry and comfortable.

# OFFICIAL UNIFORMS OF THE U.S. SNOWBOARD TEAM IN OLYMPIC WINTER GAMES 2022 BY VOLCOM

It weaves together cutting edge, patented proprietary technologies, and bio-based sustainable materials into designs meant to function for peak performance

- Waterproof/Breathability Rating: CORE-TEX Guaranteed to Keep You Dry™
- GORE-TEX 3-Layer C-KNIT™
- V-Science TDS® INFRARED 3-Layer Lining System
- 80/20 RDS Duck Down
- 600+ Fill Power
- Fully Taped Seams
- Drop Tail Fit
- Zip Tech® Jacket to Pant Interface
- Face Tech™
- Recco® Advanced Rescue Technology
- YKK® AquaGuard® Water Repellent Zipper
- Hidden Toggle Cinch Hood
- Peripheral Hood Adjustment
- Goggle Clips
- Super Suede Chin Guard
- Mesh Lined Zippered Vents
- Stretch Adjustable Powder Skirt
- V-Science 2 Way Cuff System
- Insulated Lycra Hand Gaiters
- Tricot Lined Hand Pockets
- Pocket Access Hem Cinch
- Goggle Pocket
- Noise Pocket
- Specialty Ticket Ring
- Whistle Zipper Pull

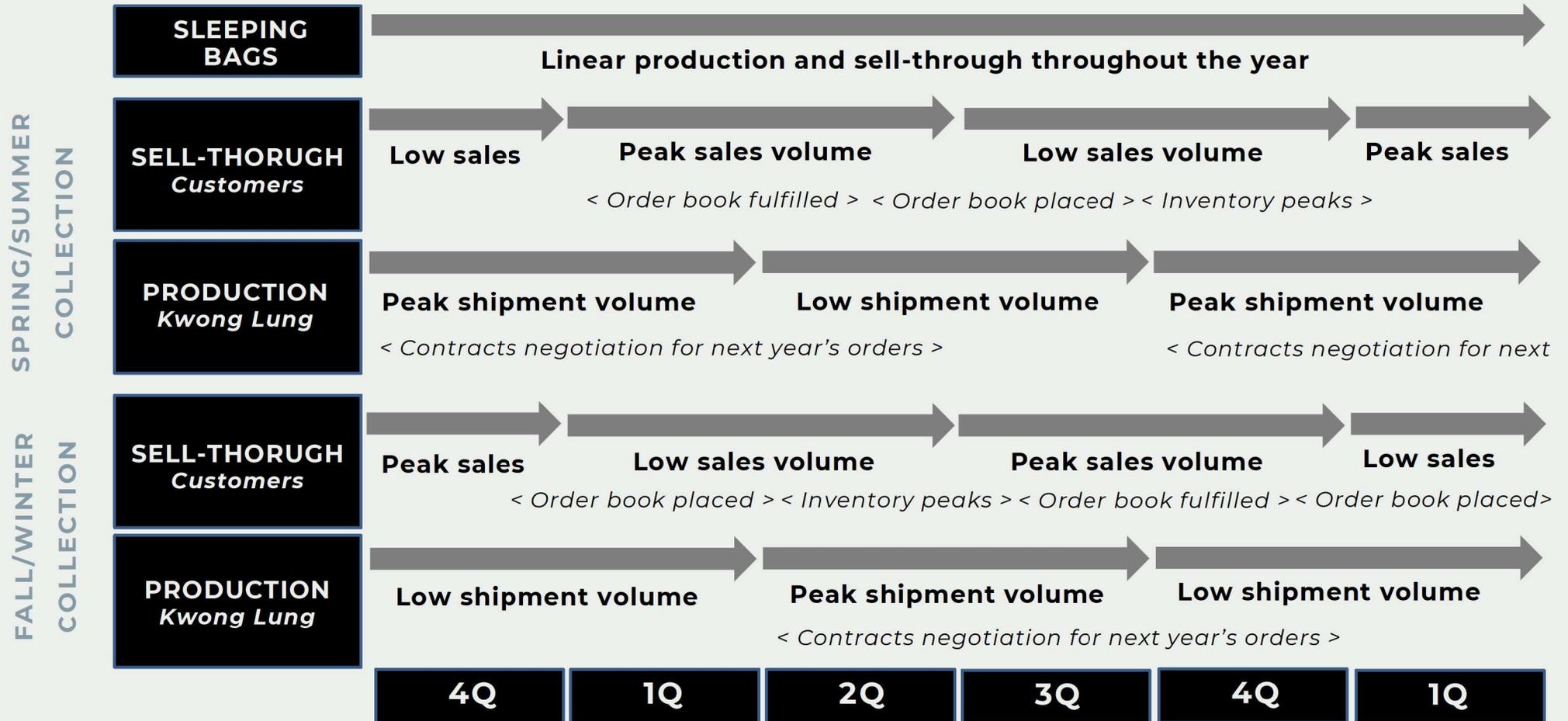


Source: VOLCOM Official Website

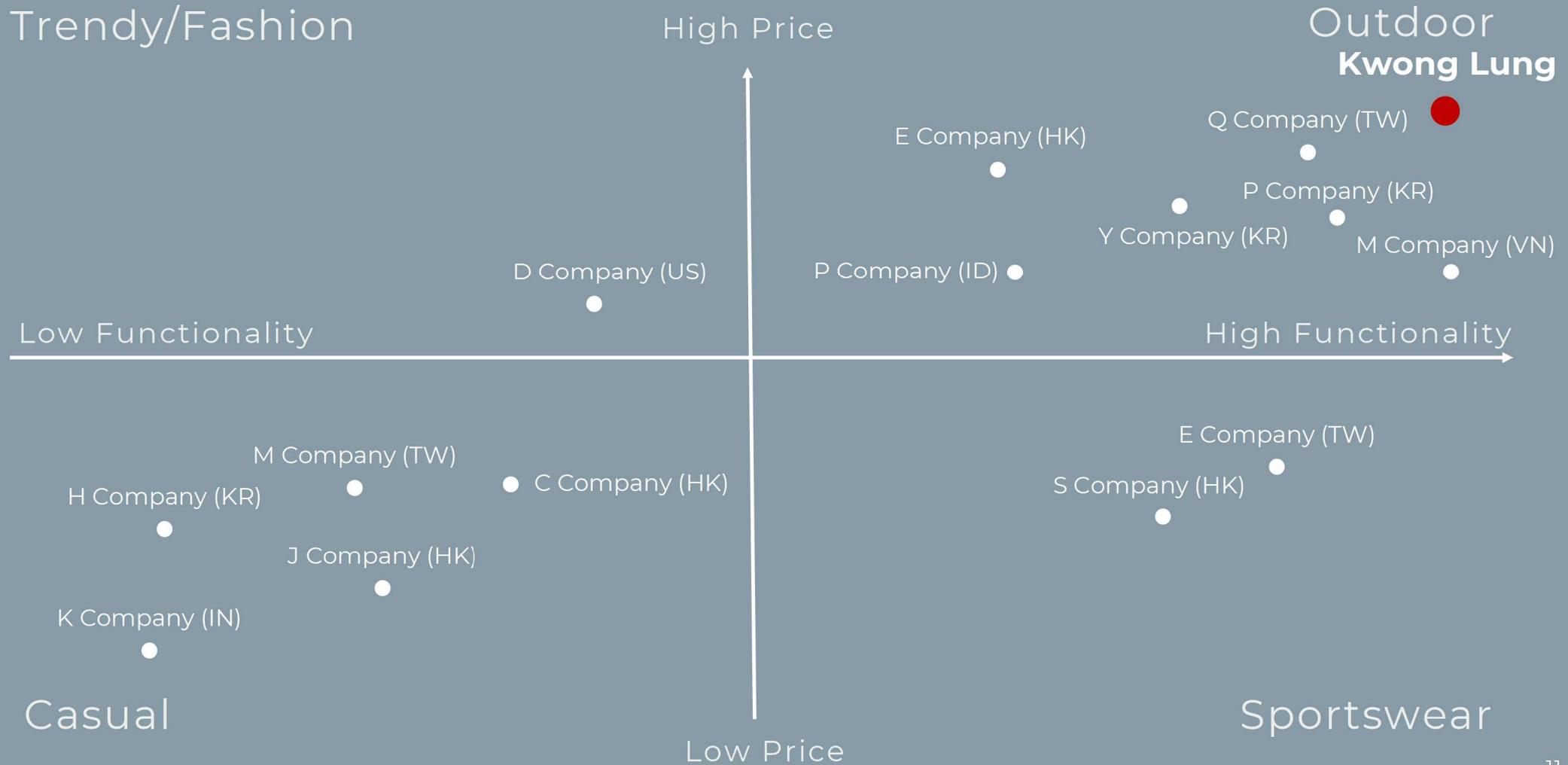
# SEASONALITY COMPLIMENTED BY PRODUCTS



Historical seasonality impact are now mitigated by our expansion into spring/summer collection as well as new customers from the Southern Hemisphere



# WE HAVE A NICHE MARKET POSITION IN GARMENT ODM



# OUR COMPETITIVE ADVANTAGES

Our production model has the flexibility to take on smaller order vs. most other outerwear manufacturers while keeping profitability intact



	<b>KWONG LUNG</b>	<b>OTHER OUTERWEAR MAKERS</b>
<b>PRODUCTION MODEL</b>	Toyota Production System <i>U-shaped production line</i>	Hanger System
<b>ADVANTAGE</b>	With more production flexibility <i>Able to reach economies of scale even with small order volume (1,600-1,800 pcs)</i>	With less production flexibility <i>Requires higher order volume to reach economies of scale</i>
<b>PRODUCTS</b>	All range of products <i>Down jackets, snowboard jackets, sleeping bags, seamless taped jackets (mainly for outdoor)</i>	Mostly single item product
<b>TARGET CUSTOMERS</b>	Focus on high-end, high-performance outdoor brands	Focus on the largest brands of customers
<b>BUSINESS MODEL</b>	Multiple items/ Smaller batch volume	Single item / large batch volume

# KWONG LUNG IS THE BEST-FIT FOR LOCAL FAMOUS OUTDOOR BRANDS



# KWONG LUNG GROWTH STRATEGY

Future



**Improve production efficiency by digitalization**

- Attract big brand customers by sufficient production capacity and years of experience in functional clothing

Current



**Specialize in functional clothing and scale up capacity**

- Attract fast-growing small and medium-sized brands and bigger brands that want to develop functional clothing

Past



**Provide one-stop services**

- Become the main ODM partners with existing ski and outdoor brands through proprietary know-how

Big brand customers

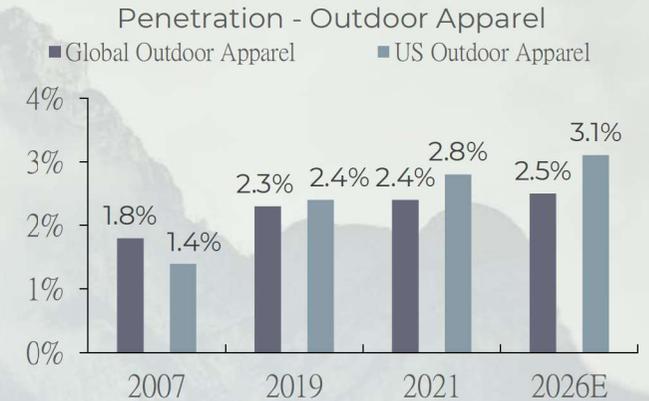
Fast-growing small and medium-sized brands  
Medium and large-sized brands want to develop functional clothing

Existing Ski and Outdoor Brands

**Customer Type**

# OUTERWEAR THE NEXT SPOTLIGHT IN APPAREL

The 5 year CAGR (2021-26e) of the global outdoor wear market, at 6.4%, is expected to outpace the pre-Covid 12 year CAGR (2007-19) of global outdoor wear market, at 3.7%.



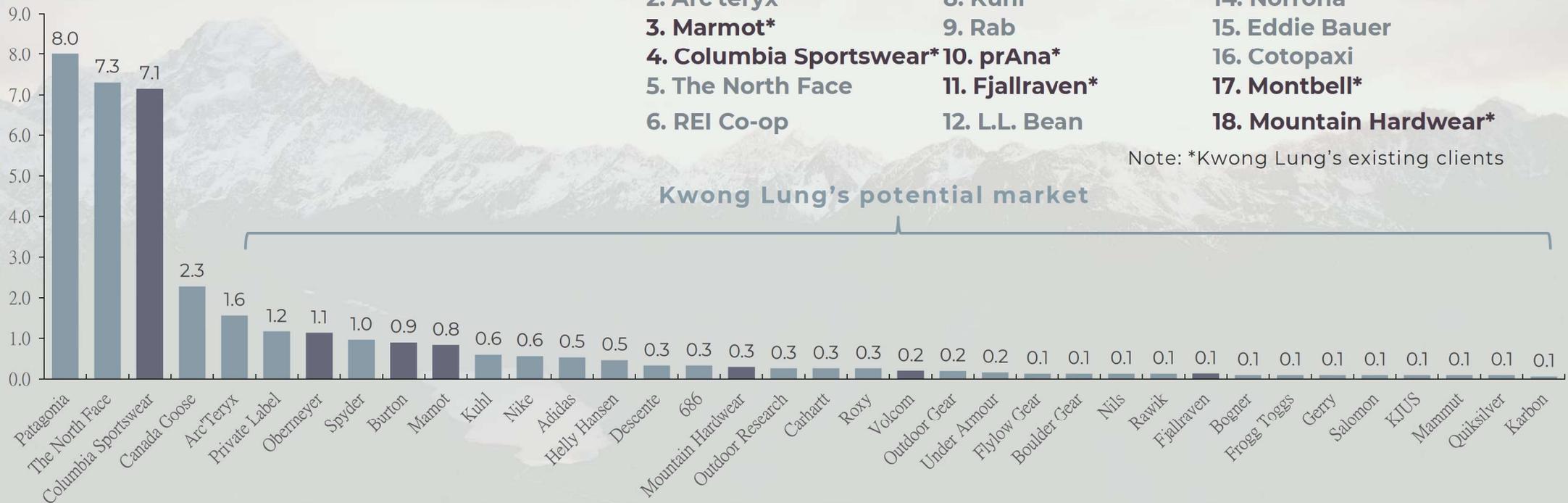
Source: Euromonitor

# KWONG LUNG'S PERFECT FIT WITH SMALLER BRANDS

The long tail theory applies to the functional outerwear industry as newly emerged or boutique brands tend to have higher growth

## GLOBAL OUTERWEAR BRANDS

### MARKET SHARE 2021 (%)



## BEST OUTDOOR CLOTHING BRANDS OF 2022

- |                         |                     |                             |
|-------------------------|---------------------|-----------------------------|
| 1. Patagonia            | 7. Outdoor Research | 13. Black Diamond Equipment |
| 2. Arc'teryx            | 8. Kuhl             | 14. Norrona                 |
| 3. Marmot*              | 9. Rab              | 15. Eddie Bauer             |
| 4. Columbia Sportswear* | 10. prAna*          | 16. Cotopaxi                |
| 5. The North Face       | 11. Fjallraven*     | 17. Montbell*               |
| 6. REI Co-op            | 12. L.L. Bean       | 18. Mountain Hardwear*      |

Note: \*Kwong Lung's existing clients

Kwong Lung's potential market

Source: Euromonitor, Switch Back Travel, Company data  
 Note: Dark grey color are Kwong Lung's existing clients

# OUR UPSIDE IS LIMITLESS

Outdoor apparel ODM market remains fragmented, so even a one percent increase of our market share suggests nearly 50% growth of our garment ODM revenue

## KWONG LUNG'S GLOBAL MARKET SHARE IN OUTDOOR APPAREL ODM (2022)

2022E GLOBAL OUTDOOR APPAREL MARKET (US\$MN)	<b>36,382</b>
2022E GLOBAL OUTDOOR APPAREL ODM MARKET (US\$MN)	<b>8,085</b>
2022 KWONG LUNG GARMENT ODM REVENUE (US\$MN) (US\$1 : NT\$30)	<b>193</b>
2022 KWONG LUNG GLOBAL MARKET SHARE (2021 KWONG LUNG GLOBAL MARKET SHARE: 1.7%)	<b>2.4%</b>

Source: Euromonitor, Company data

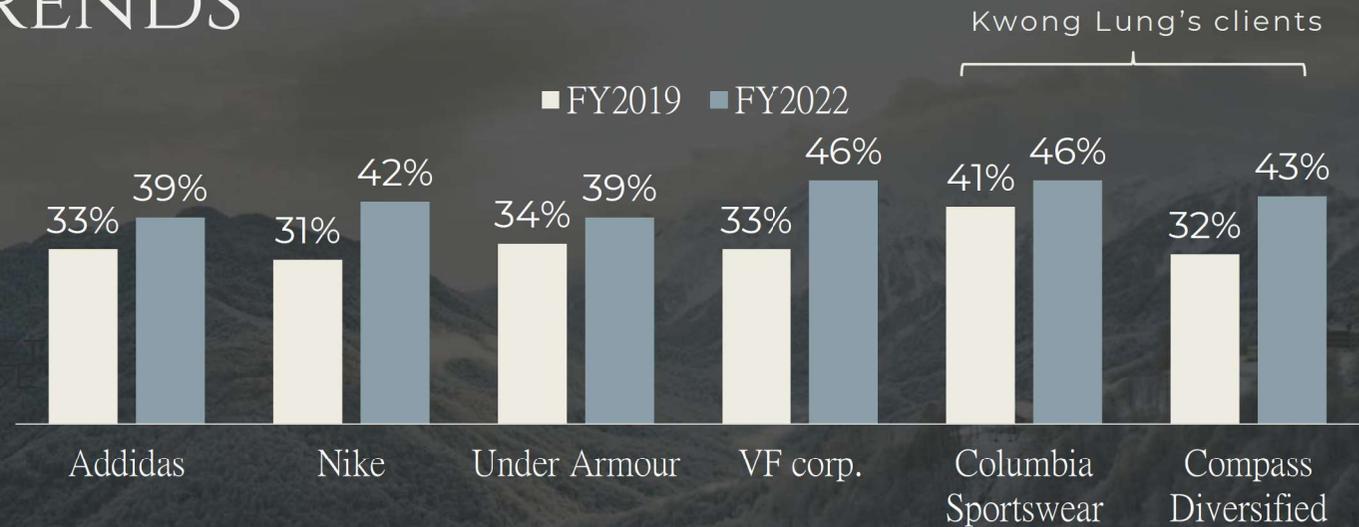
## KWONG LUNG'S GLOBAL MARKET SHARE SENSITIVITY ANALYSIS

MARKET SHARE (%)	<b>3%</b>	<b>3.5%</b>	<b>4%</b>	<b>4.5%</b>	<b>5%</b>	<b>5.5%</b>	<b>6%</b>
SUGGESTED ODM REVENUE (US\$MN)	<b>243</b>	<b>283</b>	<b>323</b>	<b>364</b>	<b>404</b>	<b>445</b>	<b>485</b>
UPSIDE TO KWONG LUNG'S GARMENT REVENUE	<b>25%</b>	<b>46%</b>	<b>67%</b>	<b>88%</b>	<b>109%</b>	<b>130%</b>	<b>151%</b>

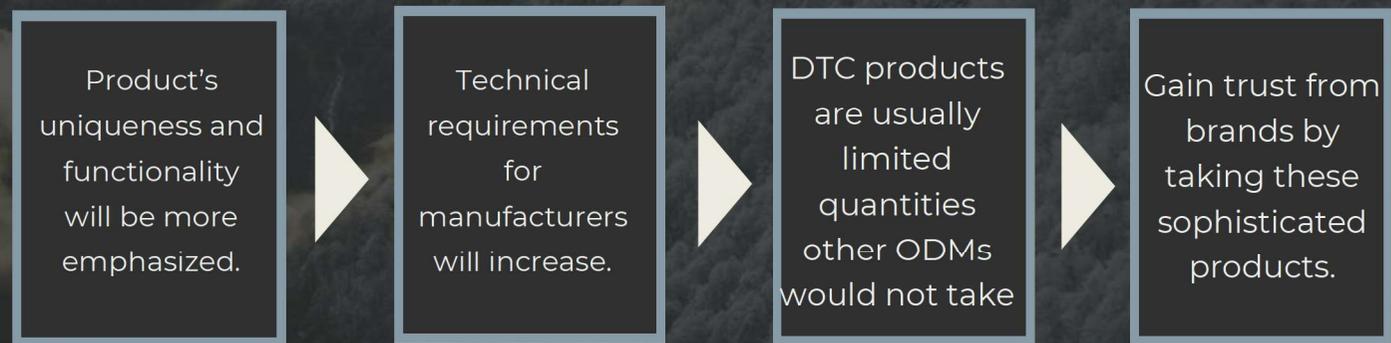
Note: Calculation based on 2022 estimated market size

# KWONG LUNG ALSO BENEFIT FROM BRANDS' DTC TRENDS

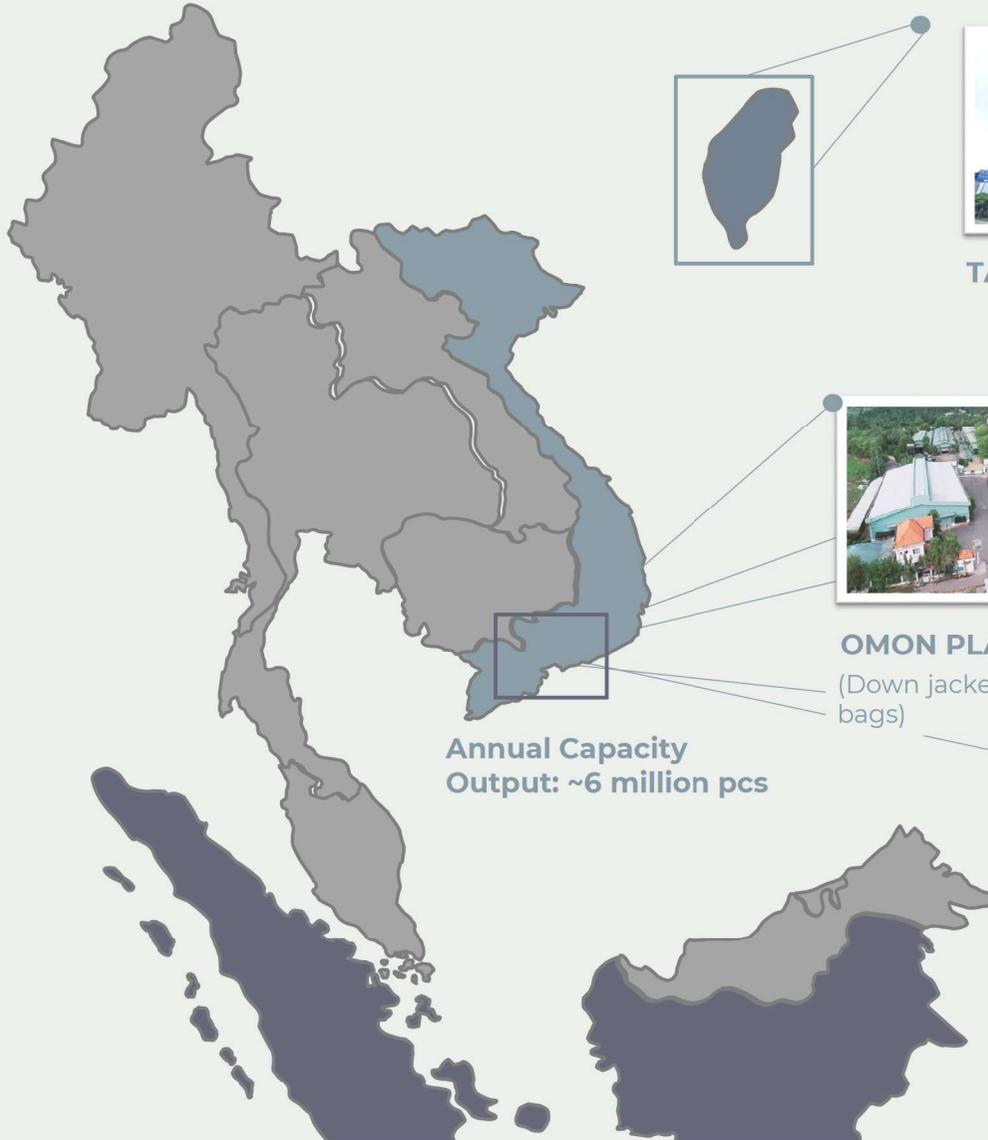
DTC has become a major growth driver for apparel brands in the past couple years as brands continue to offer differentiated products



## DTC's impact on Kwong Lung



# ONGOING PRODUCTION DIVERSIFICATION



**TAIPEI HEADQUARTER**



**CHUNG-LI RESEARCH & LOGISTICS CENTER**  
(R&D and components warehousing)



**YILAN DEVELOPMENT CENTER**  
(Design center)



**OMON PLANT**  
(Down jackets, sleeping bags)



**MEKO PLANT**  
(Down materials and home textile products)



**MEKO II PLANT**  
(Down jackets, sleeping bags)

**Annual Capacity Output: ~6 million pcs**



**BOSING PLANT**  
(Goretex, taping jackets)



**TOPTEX PLANT**  
(Casual wear)

**OUR NEXT STOP:  
INDONESIA**

# EXPANSION PLAN IN VIETNAM AND INDONESIA

## Establish JV to construct new factory in Central Java, Indonesia

- The JV partner is a local garment manufacturer whose past production capacity has been mainly contracted by a Tier 1 customer. They will be building a new factory together with Kwong Lung.
- Combining Kwong Lung's advanced technology and our partner's production efficiency, the new factory will primarily serve Tier 1 brands.
- Development will be divided into four phases, with a total production capacity of up to 38 lines.
- 6-10 new production lines will be built in the first phase, with annual production value of US\$6-12 mn. Earliest start of operation will be in 4Q23.

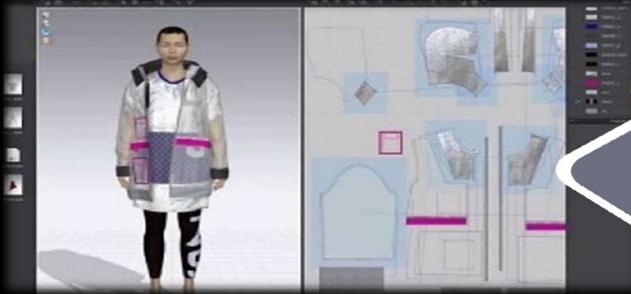
## New production plant in Vinh Long, Vietnam

- Establish 10 garment production lines.
- Expected to start operating in 3Q23.



# DRIVING MARGIN GROWTH THROUGH TECHNOLOGY APPLICATION

## R&D



### Global Marker Center

- Expand R&D capability through our unique proofing cloud database, even less experienced pattern-makers can quickly perform proofing and remaking as masters with decades of experience.



## Production

### Total Productive Innovation (TPI)

- Improve production efficiency through breakdown, streamline work process and real-time monitoring.

### Intelligent Manufacturing Plan

- Realize auto manufacturing, product traceability, order output schedule and quality prediction through intelligent manufacturing system.

## Purchasing/Sales



### Robotic Process Automation (RPA)

- Improve efficiency and accuracy through business process automation.

### Electronic Data Interchange (EDI)

- Respond our clients' needs immediately and shorten processing time through electronically communicating information.



## Our Clients

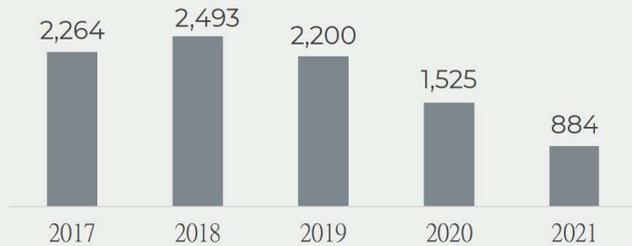


# ESG IS AN INTEGRAL PART OF OUR OPERATIONS



## TOTAL CARBON EMISSION

(Ton CO2e / Year)



## WASTE RECYCLING

Year	Amount (Ton)
2018	193.48
2019	202.45
2020	136.03
2021	78.30

## SOCIAL SERVICES

### Winter Warm Wear Program:

Provide care to vulnerable populations

- **Vietnam Child Care Program:**

Provide school lunch to necessities

- **Industry-Academy Cooperation:**

Lead internship program to cultivate employees

## CORPORATE GOVERNANCE

- 2019-2020 Ranked as top 5% in Corporate Governance Evaluation
- 2020 appointed CG Officer
- 2014 started to publish ESG report

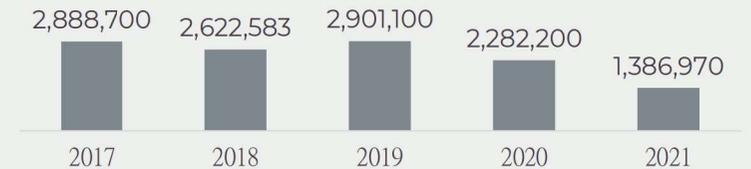


## EMPLOYEE CARE

- In 2021, hold annual labor health education and service, 1 batch in Taiwan, 2 in Vietnam

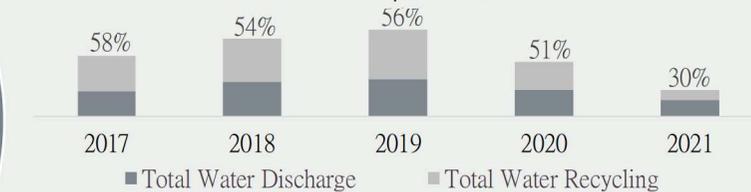
## TOTAL ELECTRICITY CONSUMPTION

kWh/year



## WATER RECYCLING

Water Consumption in Taiwan



## GREEN PRODUCTION



Bluesign certificate

Responsible Down Standard (RDS)

ISO50001 certificate

OEKO-TEX Standard 100

High Index

Global Recycle Standard Certificate (GRS)

# ROBUST TOPLINE GROWTH DRIVEN BY FUNCTIONAL APPAREL ODM

**REVENUE SHARE OF GARMENT ODM BUSINESS**



2022: Revenue share to reach 56%

**REVENUE OF GARMENT ODM BUSINESS (NT\$MN)**



2017 – 2022 CAGR = 9.3%  
2022 Revenue Growth = 57.3% YoY

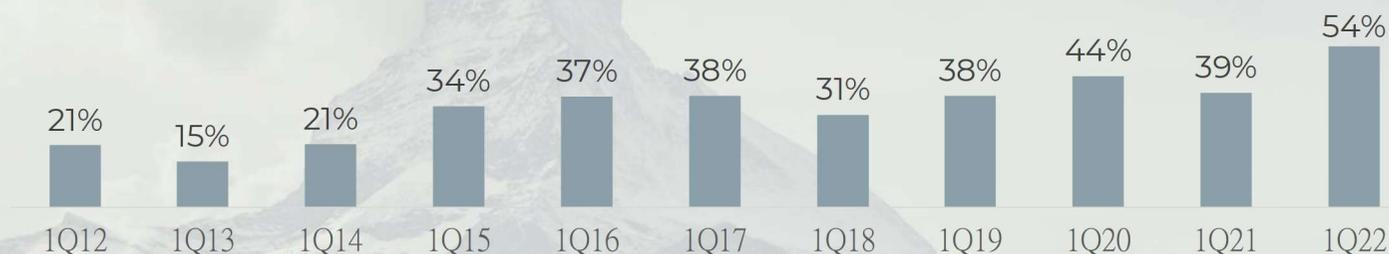
**REVENUE OF FUNCTIONAL APPAREL ODM BUSINESS (NT\$MN)**



2017 – 2022 CAGR = 11.1%  
2022 Revenue Growth = 55.2% YoY

# SEASONALITY IMPACT HAS REDUCED AS SHARE OF GARMENT ODM BUSINESS INCREASES

GARMENT  
SHARE (%)



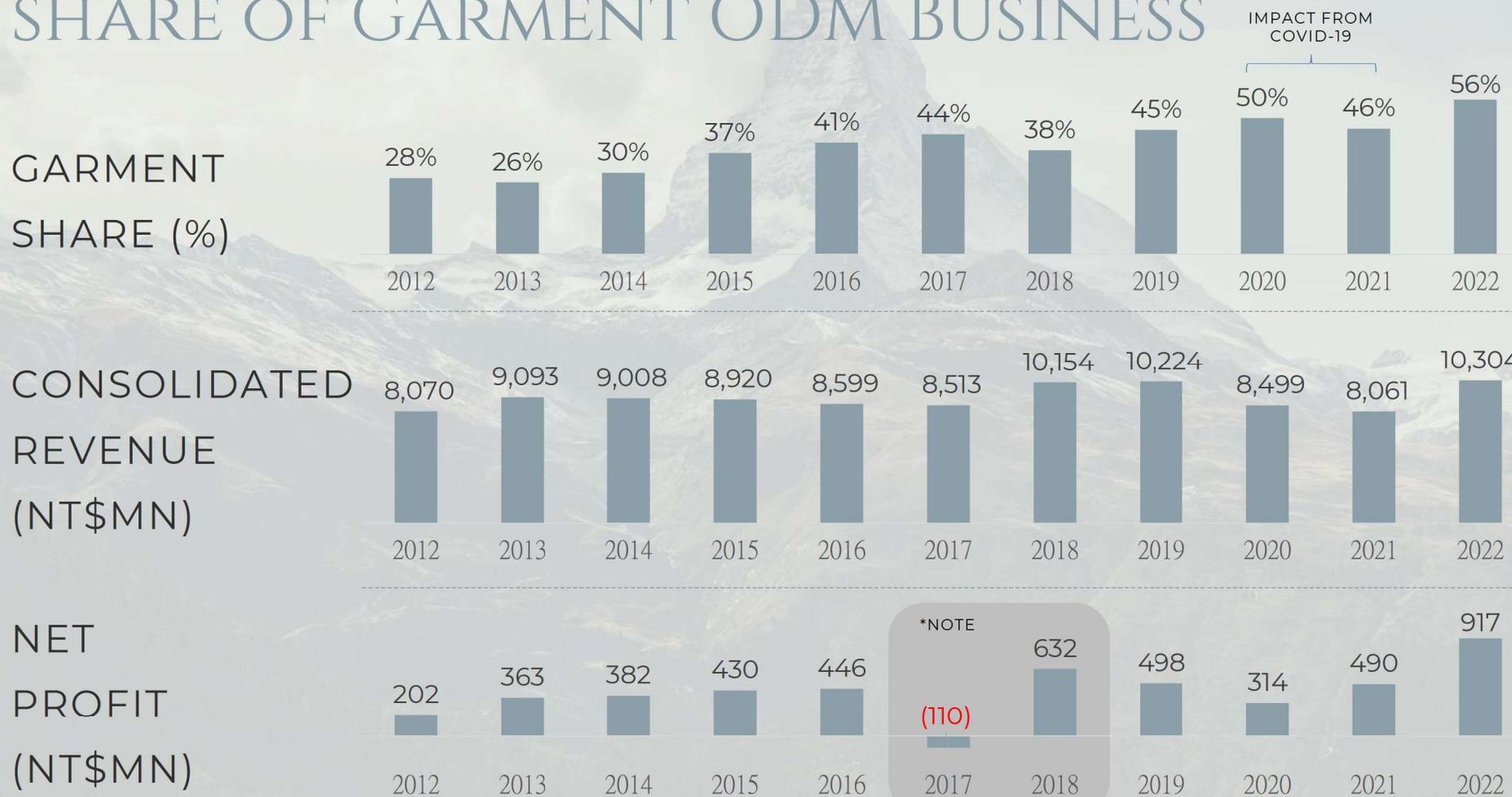
GARMENT  
REVENUE  
(NT\$MN)



OPERATING  
PROFIT  
(NT\$MN)



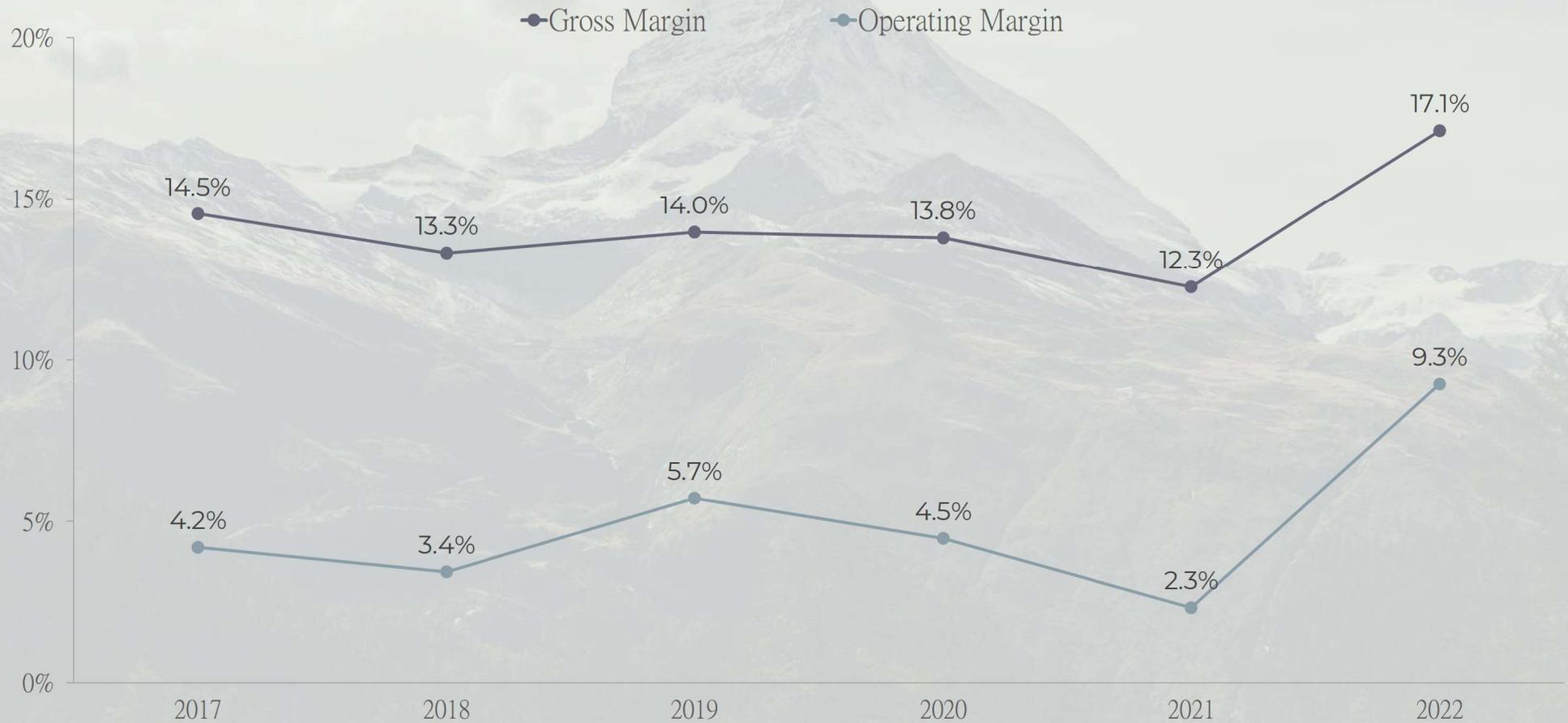
# PROFIT GROWTH DRIVEN BY INCREASING SHARE OF GARMENT ODM BUSINESS



Note: In 2017, we suffered from a fire accident at our Vietnam plant

In 2018, we have one-off non operating income from insurance claim and one-off asset disposal. Excluding those one-off effects, the net profit in 2019 grew over 50%

# INCREASING OPERATIONAL EFFICIENCY DRIVE MARGIN EXPANSION



# 4Q22 INCOME STATEMENT

	4Q22	4Q21	YoY (%)
Revenue	2,151	2,179	(1.2)
Gross Profit	387	189	105.3
<b>Gross Margin (%)</b>	<b>18.0</b>	<b>8.7</b>	<b>+9.3 pts</b>
Operating Expenses	215	197	8.8
Operating Profit	173	(9)	-
<b>Operating Margin (%)</b>	<b>8.0</b>	<b>(0.4)</b>	<b>+8.4 pts</b>
Non Operating Income/(Loss)	(37)	307	-
Net Income	109	244	(55.1)
Net Income to Parent	110	244	(55.0)
<b>Net Margin (%)</b>	<b>5.1</b>	<b>11.2</b>	<b>-6.1 pts</b>
Basic EPS (NT\$)	0.8	1.9	(59.7)

# 2022 CASH FLOW

	2022	2021
<b>Beginning Balance</b>	<b>1,311</b>	<b>1,070</b>
Operating Cash Flow	1,592	(498)
Capital Expenditures	(276)	(305)
Investments and Others	(287)	988
Financing Cash Flow	(965)	102
Effects of Exchange Rate Changes on the Balance of Cash and Cash Equivalents Held in Foreign Currencies	154	(46)
<b>Ending Balance</b>	<b>1,530</b>	<b>1,311</b>

# INCOME STATEMENT SUMMARY

<b>NT\$m</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Revenue	8,599	8,513	10,154	10,224	8,499	8,061	10,304
Gross Profit	1,385	1,237	1,352	1,427	1,172	989	1,763
Operating Expenses	(886)	(879)	(1,003)	(843)	(791)	(801)	(809)
Operating Profit	499	357	349	585	380	188	954
Non Operating Income/(Loss)	12	(408)	379	26	37	423	177
Pretax Income	512	(51)	728	611	417	611	1,131
Tax Expenses	(66)	(59)	(96)	(112)	(103)	(121)	(214)
Net Income to Parent	447	(118)	618	488	344	515	919
Basic EPS (NT\$)	4.2	(1.1)	5.7	4.1	2.3	3.6	6.5

## Key Financial Ratios (%)

Gross Margin	16.1	14.5	13.3	14.0	13.8	12.3	17.1
Operating Expense Ratio	10.3	10.3	9.9	8.2	9.3	9.9	7.9
Operating Margin	5.8	4.2	3.4	5.7	4.5	2.3	9.3
Effect Tax Rate	12.9	-	13.2	18.4	24.7	19.9	18.9
Net Margin	5.2	(1.4)	6.1	4.8	4.1	6.4	8.9

## YoY Growth (%)

Revenue	(3.6)	(1.0)	19.3	0.7	(16.9)	(5.2)	27.8
Gross Profit	(1.4)	(10.7)	9.3	5.6	(17.9)	(15.6)	78.3
Operating Profit	3.4	(28.4)	(2.2)	67.3	(34.9)	(50.6)	407.7
Net Income to Parent	3.7	(126.5)	-	(21.1)	(29.4)	49.6	78.4
Basic EPS	2.4	(126.3)	-	(28.6)	(44.4)	57.0	82.7

- In 2017, we suffered a fire accident at our Vietnam plant. In 2018, we have one-off non-operating income from insurance claim and one-off asset disposal. If we exclude the one-off non-operating income of NT\$310m in 2018 (insurance claim from our fire incidence in Vietnam and gain from asset disposal), our net profit in 2019 grew over 50% YoY.
- In 2020 and 2021, the financial performance was affected under COVID-19.
- In 2022, revenue of the garment ODM business increased by 57.3%, representing over 50% of the total consolidated revenue. Furthermore, the gross margin of the down material business increased from 5% to 13%, and its operating profit transformed from a loss to a profit. Additionally, in 2022, there was an exchange gain of NT\$130 million beyond the main business operations, whereas in 2021, there was a disposal of equity and real estate that amounted to NT\$500 million.

# BALANCE SHEET SUMMARY

<b>NT\$m</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Total Assets	6,212	6,615	7,031	7,571	7,512	8,294	8,567
Cash and Cash Equivalents	797	510	794	881	1,070	1,311	1,530
AR & NR	952	1,033	1,048	858	924	957	978
Inventories	2,249	2,251	2,619	2,373	1,725	2,396	2,118
PP&E	1,254	1,589	1,574	1,505	1,877	1,557	1,632
Total Liabilities	2,705	3,758	2,931	2,479	2,575	3,312	2,995
AP & NP	583	798	788	548	693	847	850
Total Equity	3,507	2,857	4,100	5,092	4,938	4,982	5,572
<b>YoY Growth (%)</b>							
Total Assets	2.7	6.5	6.3	7.7	(0.8)	10.4	3.3
Cash and Cash Equivalents	62.9	(36.1)	55.8	11.0	21.4	22.5	16.7
AR & NR	(0.3)	8.6	1.4	(18.2)	7.8	3.5	2.2
Inventories	(10.4)	0.1	16.3	(9.4)	(27.3)	38.9	(11.6)
PP&E	(3.2)	26.7	(1.0)	(4.3)	24.7	(17.0)	4.8
Total Liabilities	(1.5)	38.9	(22.0)	(15.4)	3.9	28.6	(9.6)
AP & NP	(17.8)	37.0	(1.3)	(30.5)	26.6	22.2	0.3
Total Equity	6.2	(18.5)	43.5	24.2	(3.0)	0.9	11.8
<b>Key Financial Ratios (%)</b>							
A/R Days	40	42	37	34	38	42	34
Inventory Days	119	111	100	102	101	105	95
A/P Days	32	34	32	27	30	39	36
Cash Conversion Days	126	119	104	108	108	108	93
ROE (%)	13.1	(3.7)	18.0	10.7	6.9	10.4	17.5
ROA (%)	7.3	(1.8)	9.1	6.7	4.6	6.5	10.9
Net Debt (Net Cash) to Equity ratio (%)	20.3	64.3	14.4	6.7	1.9	8.2	(4.9)
Debt ratio (%)	43.6	56.8	41.7	32.7	34.3	39.9	35.0

# DIVIDEND PAYOUT AND CAPEX



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
PAYOUT RATIO (%)	43	52	62	58	63	74	73	85	N/A	59	73	132	83	61
DIVIDEND YIELD (%)	4.0	4.7	5.2	3.7	5.5	8.4	6.0	7.8	5.7	7.1	6.8	7.0	6.6	7.3
CAPEX (NT\$ MN)	236	206	138	81	103	110	312	143	626	265	140	495	305	276
CAPEX TO SALES (%)	5.3	3.6	1.8	1.0	1.1	1.2	3.5	1.7	7.4	2.6	1.4	5.8	3.8	2.7

1. The Board of Directors has approved a 2022 cash dividend of NT\$4.0/share, subject to approval at the upcoming AGM.
2. Cash yield for 2009-2021 is calculated based on Kwong Lung's market cap on the day before ex-dividends.
3. 2022 cash yield is based on Kwong Lung's market capitalization as of market close on 19 April 2023.



# CONTACT INFORMATION

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