



# Kwong Lung Enterprise (8916 TT/TW)

Investor Presentation



*Aug 2020*



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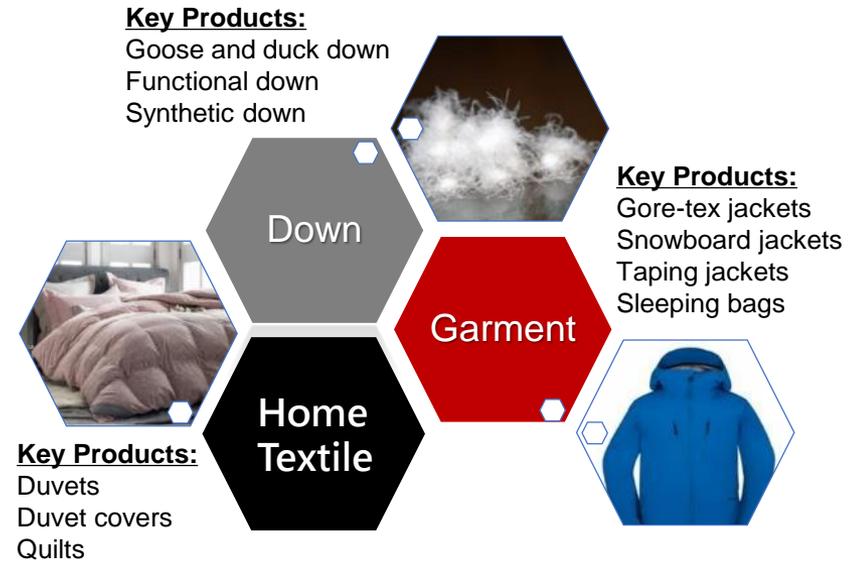
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# Company Background

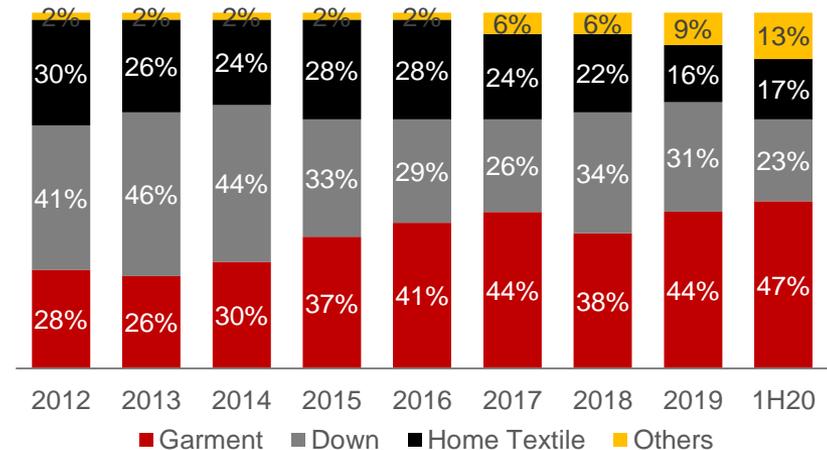


# Who we are and why invest in us?

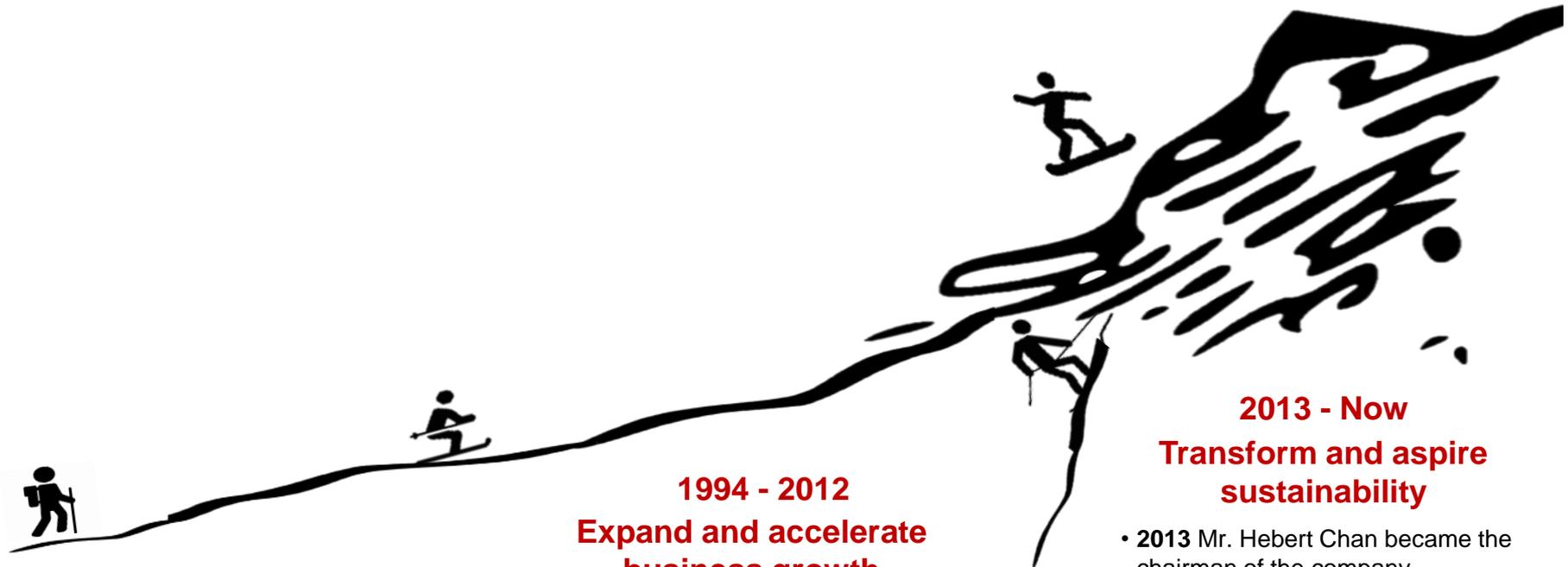
- We are a global leading vertically-integrated textile producer focusing on outdoor/sports garment and home textiles.
- Our key strengths lie in our deep knowledge of operating down materials (over 50 years) and our strong R&D and production capability.
- Our ability to meet our customers' strict ESG and quality requirements has allowed us to establish a long-term partnership with many leading outdoor wear companies in the world.
- We see huge growth opportunities globally in outdoor/sports wear, thanks to growing popularity of outdoor activities and consumers demanding higher functional/performance apparel.
- We will continue to seek growth by expanding our production facilities in multiple countries and broaden our product offerings to better meet the needs of our existing and potential new customers.
- Excluding the one-off fire incident in 2017, we have delivered a solid earnings CAGR of 19% in 2011-2019 through topline growth and margin expansion.
- We are committed to return our earnings back to our shareholders. We paid out over 70% on avg. of our earnings in cash during the past five years.



**Kwong Lung consolidated sales breakdown**



# Company milestone



## 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
- **2012** Revenue doubled since 1999 (CAGR 5%)

## 2013 - Now Transform and aspire sustainability

- **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

# Our global footprint

**Poland**

- Down rep office
- Coordinate local suppliers and partners
- Penetrating European market

**Japan & Korea**

- Japan: Sales channel of down, garment and home textile products
- Korea: Sales channel of down

**20 Countries served**  
**106 Garment production lines**  
**6,188 Employees**  
**20% Down market share in Japan**

**China**

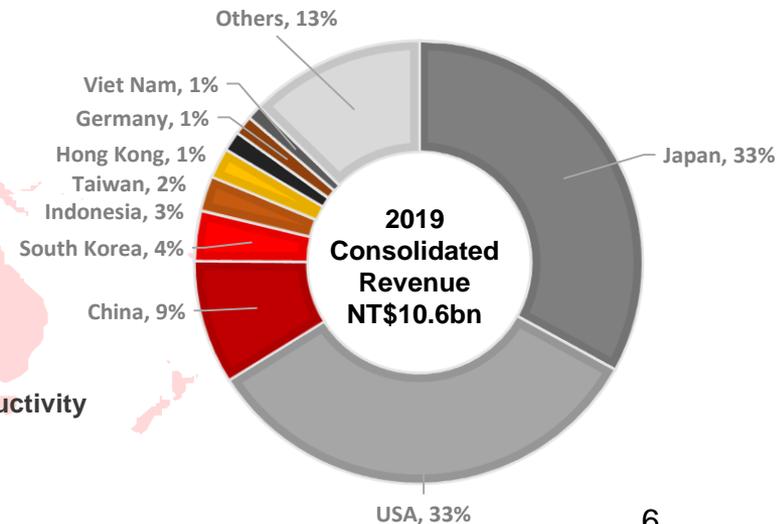
- Down production
- Home textile production

**Taiwan**

- Headquarter
- Financial and R&D center
- Down production

**Vietnam**

- Garment production
- Down production
- Home textile production



**Each garment plant in Vietnam specializes in different category to maximum our productivity**

- BO HSING : High-end products like seamless taped jackets and Gore-Tex jackets.
- MEKO : Down jackets and sleeping bags
- DONG NAI : Casual garment

# Our competitive strengths



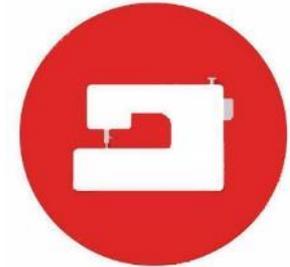
## Material R&D Capability

We have the ability to produce unique, differentiated products such as functional down with waterproof, insulated function, translating need into demand for our customers



## Superior Patterning Skills

We have accumulated more than 20 years of experience in garment design and patterning that allows us to help our customers to create higher performing products



## Agile Production Management

We have the ability to provide one-stop services to our customers to support their sales and marketing goals with lower unit costs



## Product Traceability & Safety

We are the world's first down producer to pass bluesign®, a standard for environmental health and safety in the manufacturing of textiles. We are also certified by RDS and DownPass.

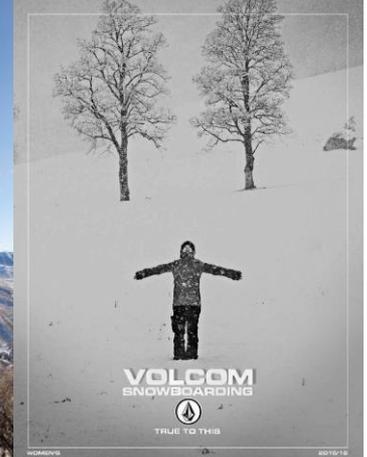


## Strong Customers Relationship

By providing the highest manufacturing standard and product quality to our customers, we have earned the trust of many global leading brands with commitment in long-term partnerships.

Most of our garment clients are international brands

**BURTON**  **Marmot** **mont-bell**  **Columbia** **VOLCOM**

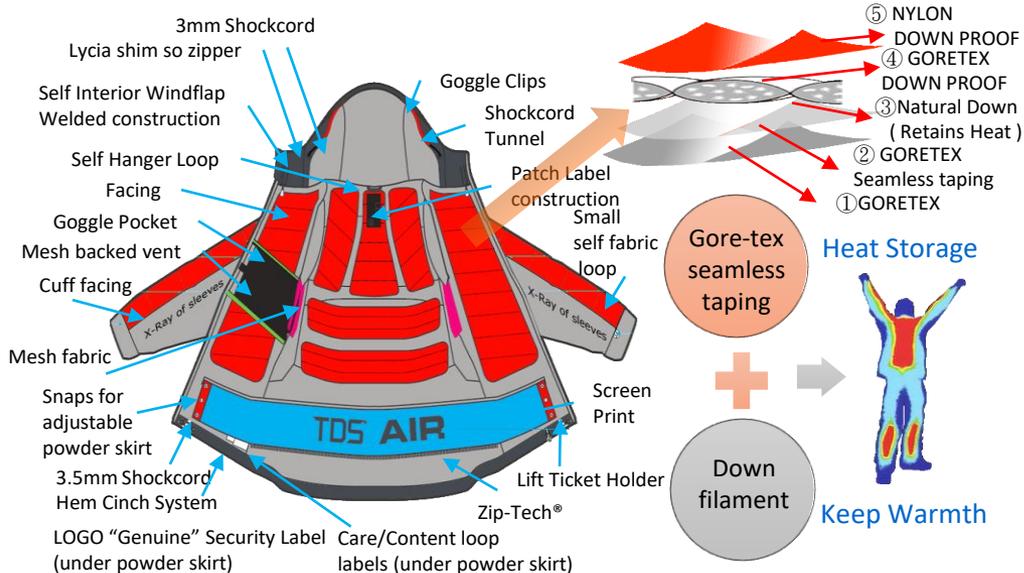


# Focusing on functional jackets with highest entry barrier

## High-end outdoor GORE-TEX taping jacket



## High-end functional down jacket



### Highly functional 3D spacer structure

**3D spacer mesh fabric Down**

**Heat passing through**

- Allows down material to expand, hence more warmth.
- Using mesh fabric as spacer allows heat passing through, creating a uniformed layer of warmth.

**Normal down jacket**

The stitches are squeezed or sealed

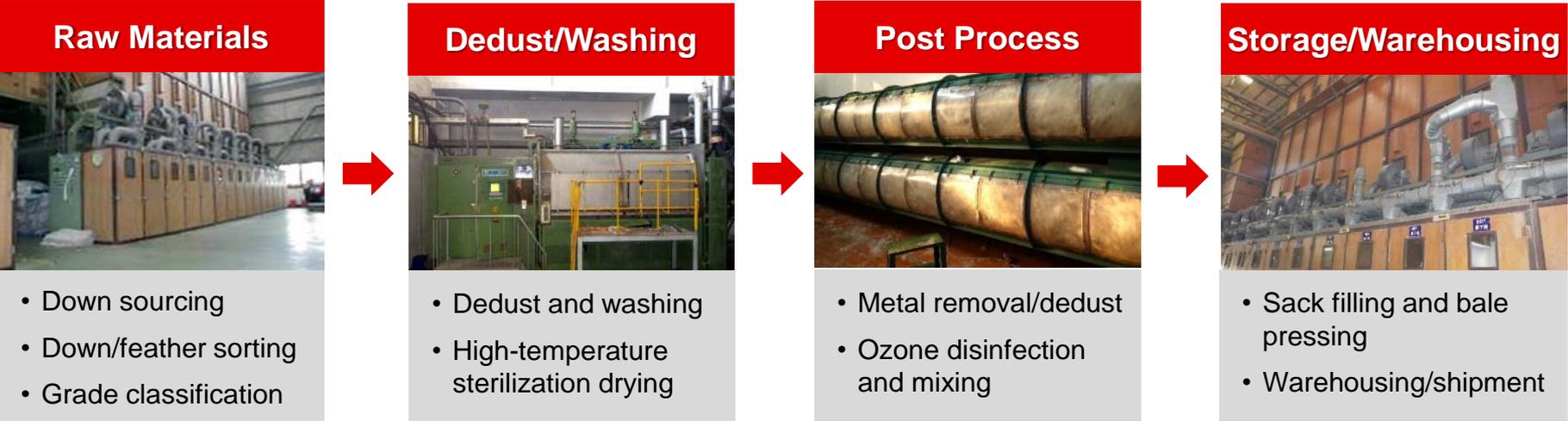
- Down materials are not able to expand in a squeezed space.
- Hence, heat could not pass through, creating cold spot.

### 3D cutting on sleeve structure

- Ergonomic design
- Larger stretch
- More comfort during activities

# Our down & feather business

## State-of-the-art production facilities



## Strict product testing to ensure the highest quality



Analysis of the ultra-structure of fiber to ensure no damage in down structure

Analysis of trace chemicals to detect for any residual chemical, or any vapor and odor remaining in product

Microbiological testing to monitor any pathogenic bacteria on down products

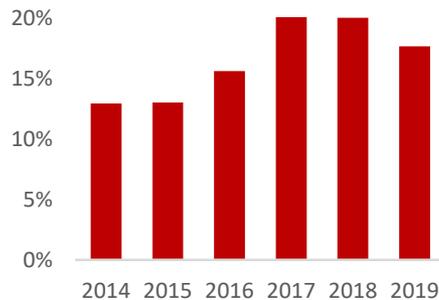
## Giving our customers peace of mind



# Our advantages in down business

## 1 Our share in non-China supply and ability to sell it at a higher ASP

Down purchase market share in Europe & North America



- We have a 18% market share of down supply in the Europe and North America.
- Our shares in non-China down supply allow us to fulfill our customers needs.
- Our shares in non-China down supply also allows us to sell our products at a relatively higher ASP

## 2 Our ability to supply to world-renowned brands



## 3 Our ability to diversify country risk



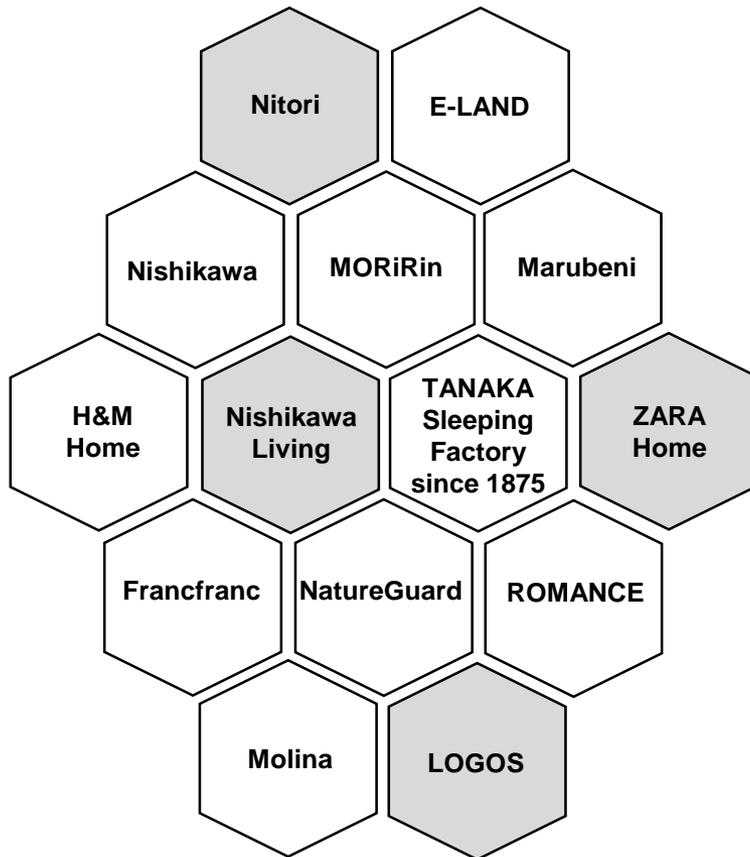
- In the case of bird flu outbreak in China in 2013, we were able to sell non-China down to our customers, even in the following years where our customers have concerns over China down feather.

## 4 Our ability to design functional materials



# Our home textiles business

## Strong portfolio of customers



## Diverse bedding product offerings



### Bed Sheet Set

Flat sheet, fitted sheet and pillow cases



### Fashion Bedding

Comforters, bed in bag, quilts and coverlets, decorative pillows



### Utility Bedding

Comforters, bed in bag, quilts and coverlets, decorative pillows



### Functional Bedding

Quilt cover and pillow cover

# We continue to deliver breakthrough on two aspects

## New Materials

### Environment

#### Reduce Pollution

Blending color with color masterbatch to reduce steps in the process.



#### Waste Reuse

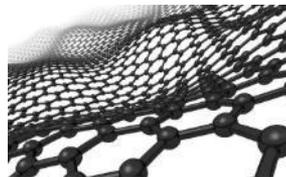
Produce comforters which are made by coconut fiber.



### Stuffing

#### Use of Graphene

Through nanotechnology, helps to improve insulation, anti-bacteria, UV-protection, and anti-fire



#### Other new materials

- Quick-dry polyester staple fiber
- Polyester fiber filler with thermal and moisture wicking function



MOISTURE WICKING/  
QUICK DRY



THERMAL HEAT RETENTION

## Product Design

### Ergonomic Design

- Making continual adjustments to meet market demand.
- Change different stuffing according to the requirement for the support.



- PCM All-Season Temperature Regulating Down Alternative Comforter



### Bedding pattern design

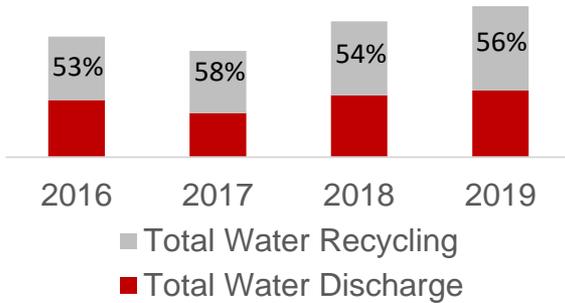
- Whether it's a splash of color, floral print or geometric patterns, we understand consumer preferences and stay on top of trends



# CSR is an integral part of our operations

## Water Recycling

Water Consumption in Taiwan



## Waste Recycling

Category (Ton)	Residue	Sludge
2016	0.44	176.7
2017	0.44	99.94
2018	0.48	113.63
2019	0.19	159.31

## Social Services

- **Winter Warm Wear Program :** Provide care to vulnerable populations.
- **Vietnam Child Care Program :** Provide school lunch and necessities.
- **Industry-Academy Cooperation :** Lead internship program to cultivate future employees.

## Corporate Governance

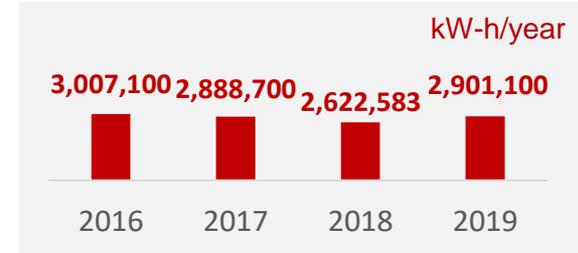
- 2019 Ranked as top 5% in Corporate Governance Evaluation
- 2020 appointed CG Officer
- 2014 started to publish ESG report



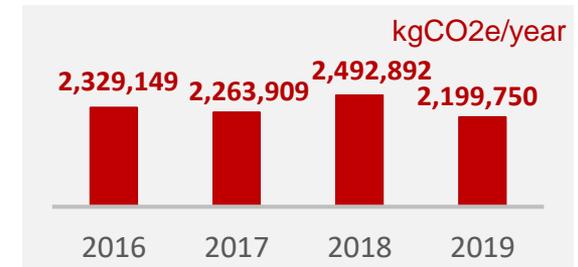
## Employee Care

- We have 34% turnover rate in main production region Vietnam, lower than industry average (40%).
- The participant of the healthcare course increase 30% and participation hours increase 249% in 2019.

## Total Electricity Consumption



## Total Carbon Emissions



## Green production



- Bluesign certificate
- Responsible Down Standard
- ISO50001 certificate
- Oeko-Tex Standard 100
- Higg Index
- Global Recycle Standard certificate

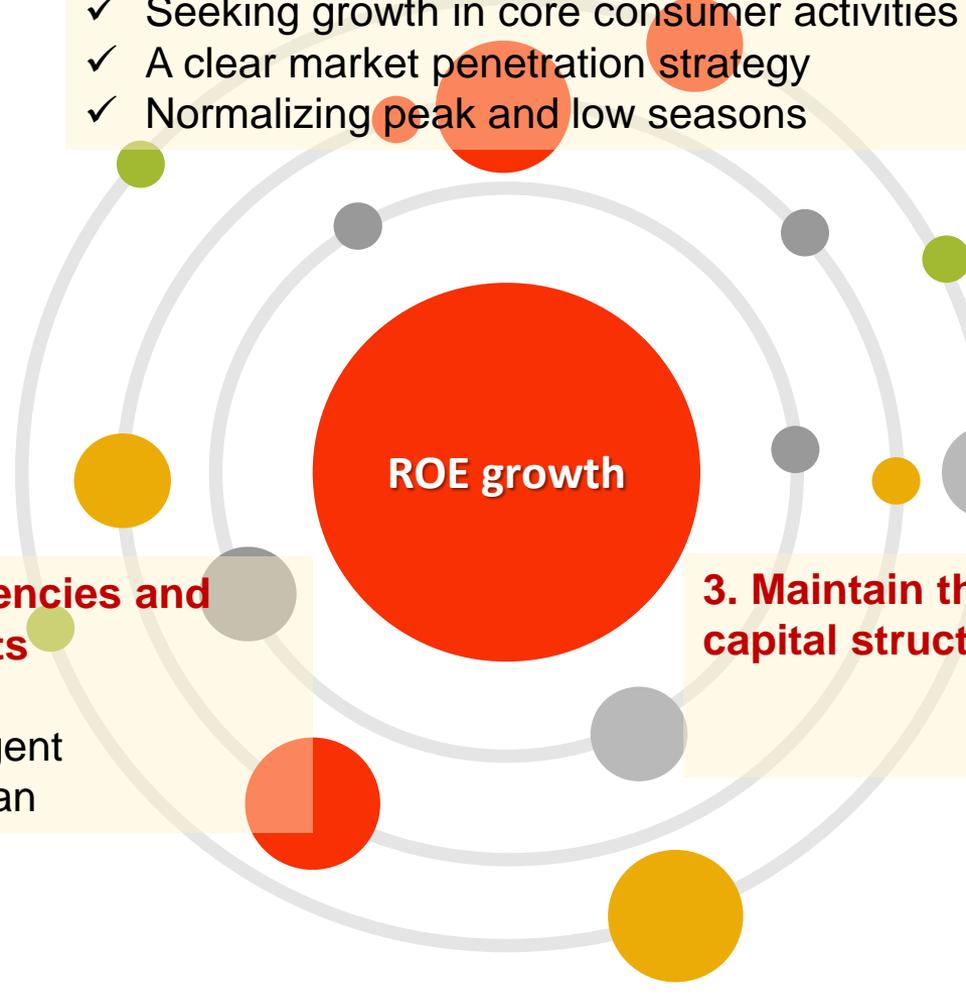
# Our Goals & Strategies



# ROE growth to drive shareholder value

## 1. Continue to grow our higher-margin garment business

- ✓ Seeking growth in core consumer activities
- ✓ A clear market penetration strategy
- ✓ Normalizing peak and low seasons



ROE growth

## 2. Optimizing efficiencies and manufacturing costs

- ✓ Implement TPI
- ✓ Implement Intelligent Manufacturing Plan

## 3. Maintain the most appropriate capital structure

# Seeking growth in core consumer activities

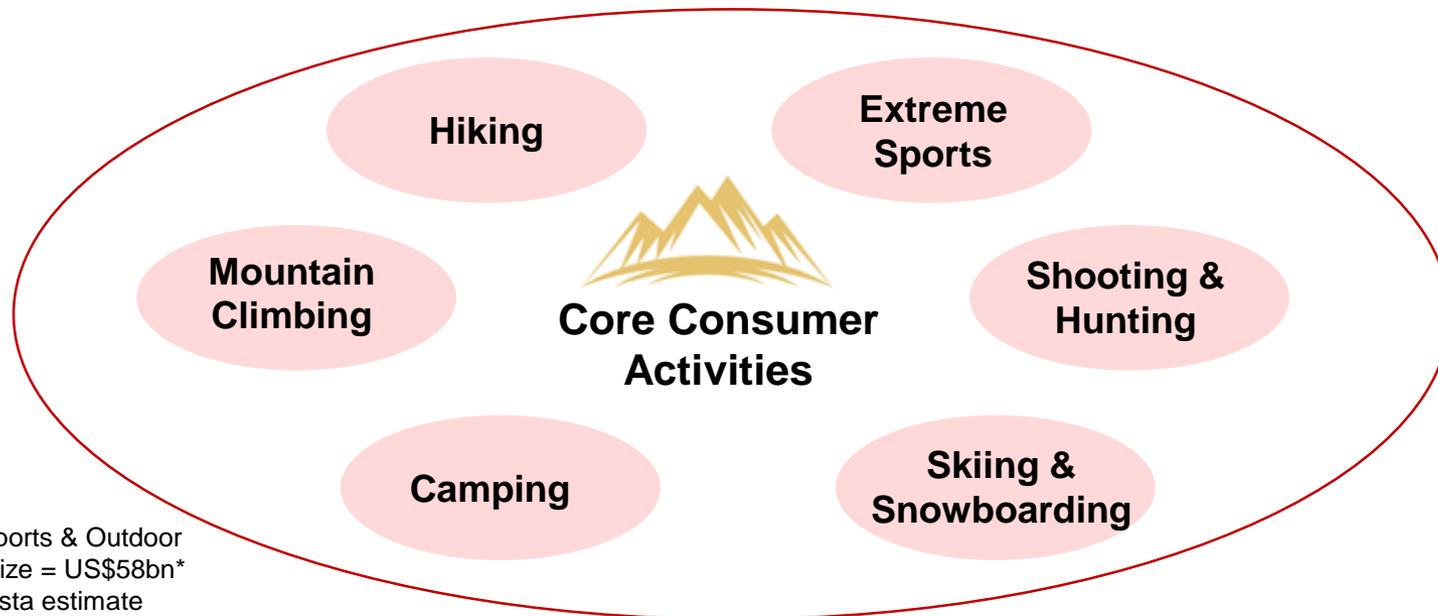
## Professional OEM/ODMs are lacking in high-end outdoor functional clothing - an opportunity for Kwong Lung

- Enter market segments that match our core consumers' passions and outdoor activities

- Ability to leverage existing relationship with potential targets.

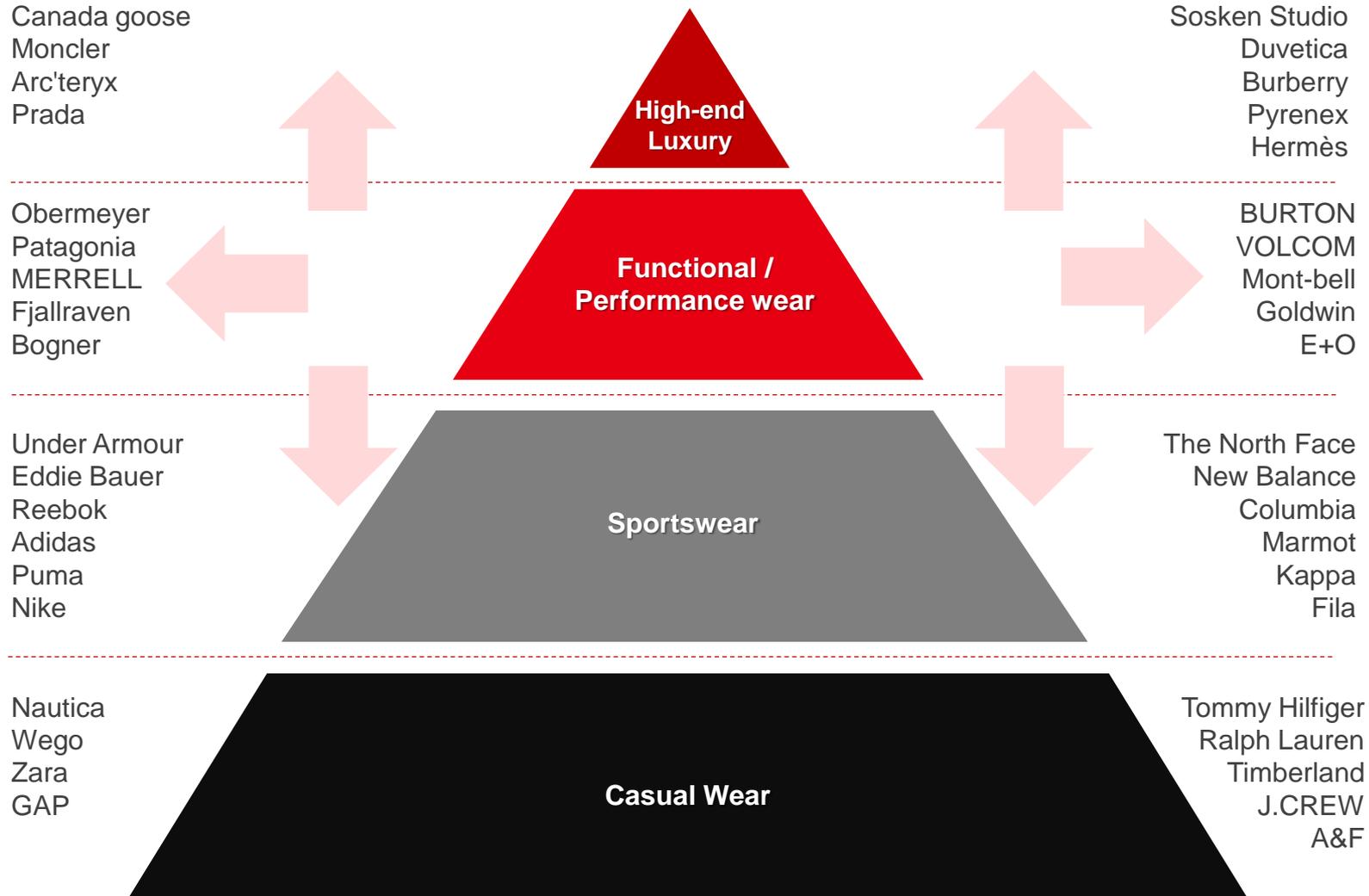
- Support and retain people who have an deep understanding of the end consumer, and clear point of view on how to "win" in their category.

- Seek brands that mirror our approach to repeatable success: **authenticity**, **relentless innovation**, and **differentiation** in the market



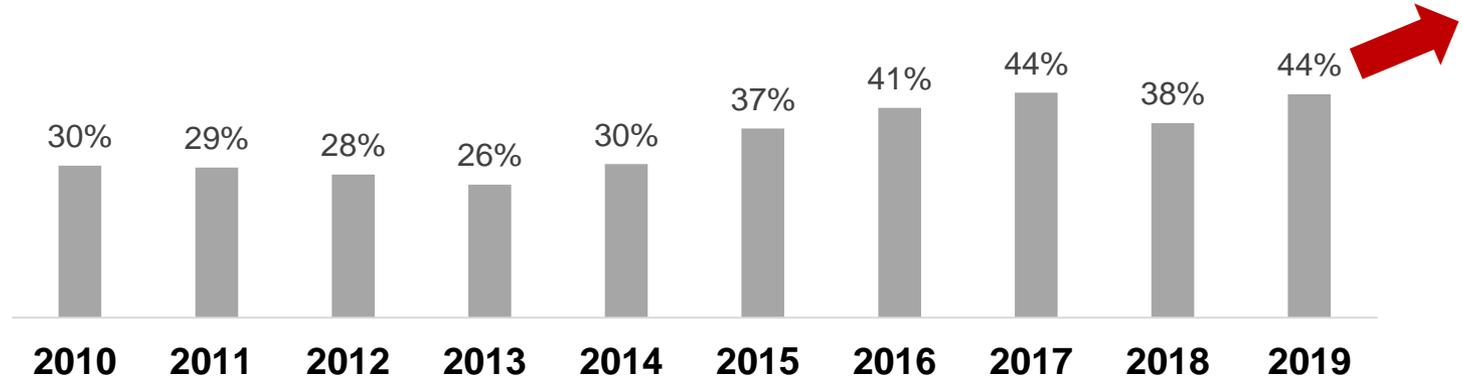
Global sports & Outdoor Market Size = US\$58bn\*  
 \*Statista estimate

# A clear market penetration strategy

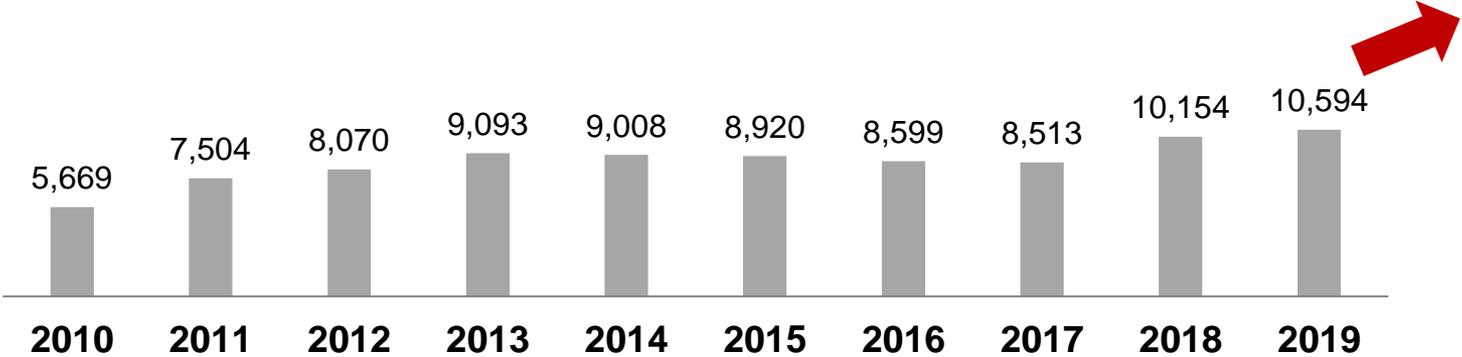


# Our profitability grows with garment contribution

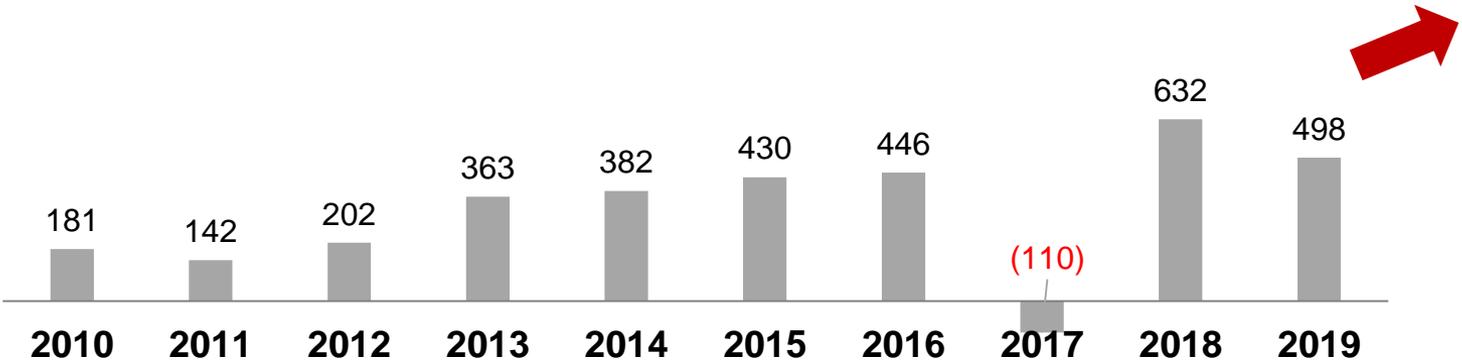
**Garment Business Revenue portion (%)**



**Total Revenue (NT\$ mn)**



**Earnings (NT\$ mn)**



Notes: 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 totaled NT\$310m. If we exclude the one-off non-operating income, our earnings in 2019 grew over 50% YoY.

# Capacity expansion plan

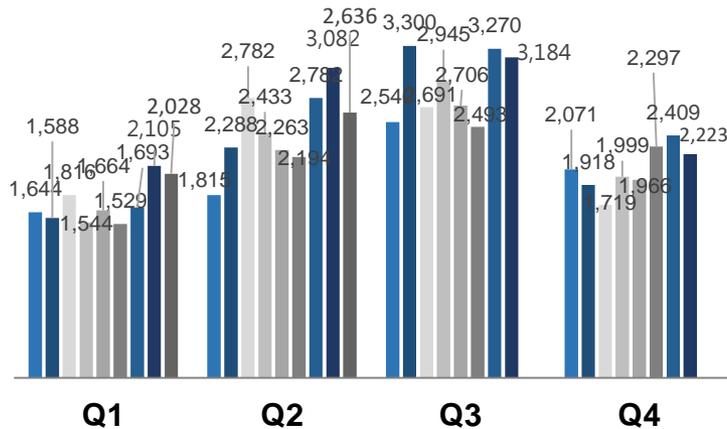


## 2020-2021 Capability and expansion plan for BUs

BU	Region	Existing factory #	Type	Existing product line	2020 Estimated product line expansion	2020 Estimated totaled product line	2021 Estimated product line expansion	2021 Estimated totaled product line
Garment	Vietnam	4	Sewing	78	10	88	10	98
		Outsourcing	-	28	-	28	-	28
	<b>Total</b>	<b>4</b>		<b>106</b>	<b>8</b>	<b>116</b>	<b>10</b>	<b>126</b>
Home textile	China	1	Sewing	2	0	2	0	2
	Vietnam	3	Sewing	8	2	10	6	16
	<b>Total</b>	<b>4</b>		<b>10</b>	<b>2</b>	<b>12</b>	<b>6</b>	<b>18</b>
Down	Taiwan	1	Mixing thread	5	1	6	0	6
	China	1	Mixing thread	5	0	5	1	6
	Vietnam	1	Mixing thread	4	2	6	0	6
	<b>Total</b>	<b>3</b>		<b>14</b>	<b>3</b>	<b>17</b>	<b>1</b>	<b>18</b>

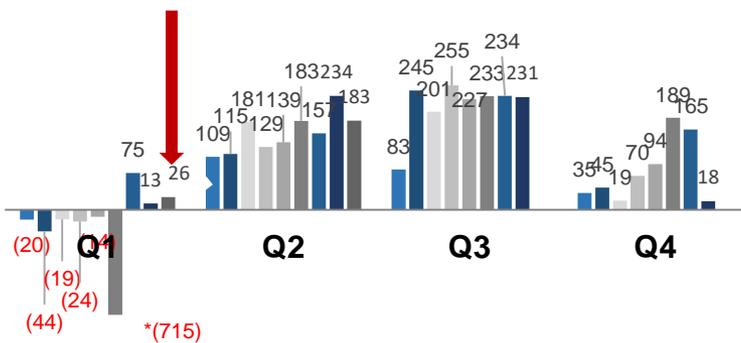
# Normalizing peak and low seasons

Revenue  
(NT\$ mn)



Our 1Q19 operating profit turned profit thanks to our effort in balancing seasonality

Earnings  
(NT\$ mn)



■ 2012 ■ 2013 ■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ 2020

- As our products are mainly seasonal down products for autumn and winter season, raw materials are generally prepared late in the year, with mass production beginning early the following year and the majority of shipments lasting from June to October.
- Therefore, revenue figures are typically the lowest in 1Q, while 3Q is generally the peak for shipments.
- As a result, we tend to post losses in 1Q due to low revenue figures, but would post profit as revenues pick up in 2Q. This cycle is typical of the down jacket industry. In order to normalize this seasonality, we have begun to improve planning of our production pipeline. We aim to have our customers place pre-orders to reduce the production pressure during peak season and ensure on-time delivery.
- Also, we have also begun looking to expand into other categories such as spring/summer/sleeping bag.
- We already reversed the situation in 1Q19 and **further expanded our probability in 1Q20.**

\*Note: In 1Q17 our Vietnam plant suffered a fire accident ; In 1Q18 our earnings are positive mainly due to one-time non-operating income(insurance claim from our fire incidence in Vietnam and gain from asset disposal)

## Key initiatives

### Materials

- Develop qualified local suppliers in Vietnam and expand the share of local procurement
- Regularly review suppliers and implement scorecard
- Drive commonality to optimize cost and leverage volume

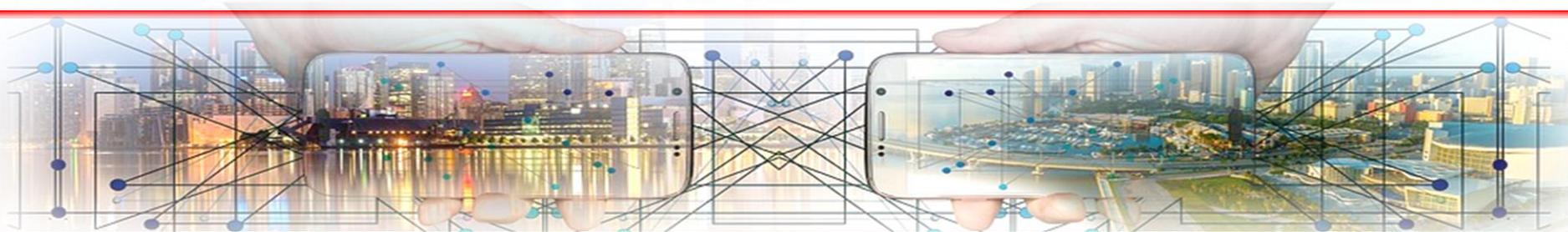
### Direct labor

- Improve productivity and enhance quality by implementing Total Production Innovation (TPI)
- Accelerate learning curves by well-designed training and analyze production sections in depth
- Continue to invest in automation

### Manufacturing overhead

- Acquire manufacturing management professionals from other industries and introduce advanced factory management
- Promote qualified local talents as managers and deepen communication with local stakeholders

# Intelligent Manufacturing Plan



**We initiated a 4-stage Intelligent Manufacturing Plan in 2019 with target to finish implementation over next 3-5 years. The intelligent Manufacturing Plan is expected to significantly improve our operating margin.**

## 1<sup>st</sup> Stage



### MES System Implement

- Instant production reporting system
- Smart shipping



## 2<sup>nd</sup> Stage

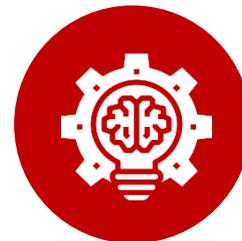


### MES System PLUS

- Process semi-automation
- Product traceability system
- Production equipment alarm traceability system



## 3<sup>rd</sup> Stage

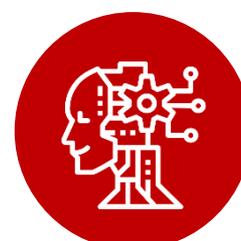


### Smart Manufacturing

- Equipment prediction & maintain system implement
- Consumables life prediction
- Factory power monitor system



## 4<sup>th</sup> Stage

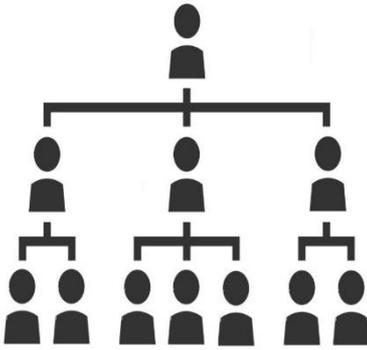


### Intelligent Manufacturing

- Order output schedule and quality prediction system
- Complete the construction of the control center
- Green energy factory
- World Class Maker

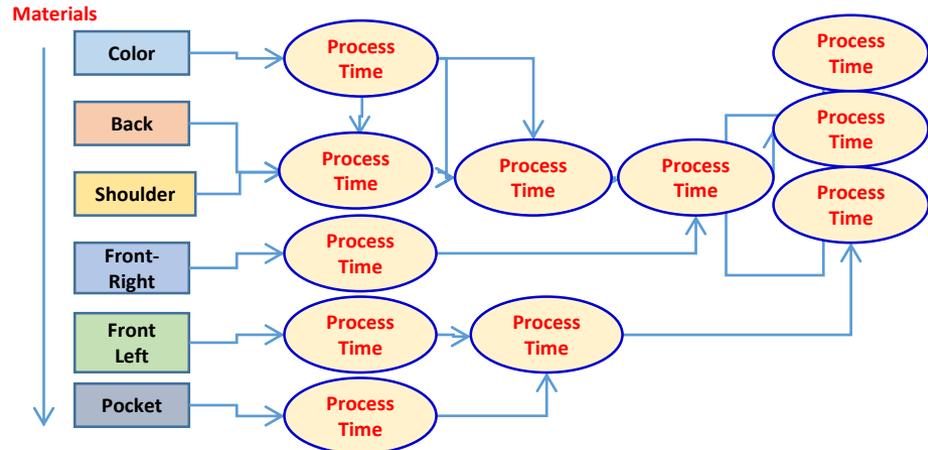
# KL's TPI Effort

## 1 A Group-wide implementation

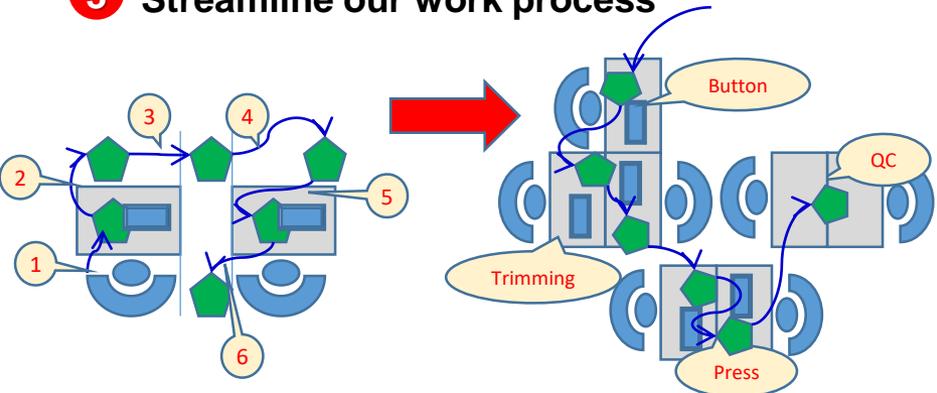


- It extends from Chairman to senior managements to plant managers to line operators.
- We create it from the bottom up, with comprehensive training for each new employee.
- All employees are assigned to innovate and improve upon current production techniques.
- Each employees is incentivized to meet the targets.

## 2 Breakdown our work structures



## 3 Streamline our work process



- Minimum handling (getting rid off non-value-added procedures)
- Minimum time needed
- Allows defect feedback

## 4 Real-time monitoring and improvement

本日生産力

組別	客戶	訂單號	Style NO	IE值	投入工時	產出工時	產出件數	生產力%
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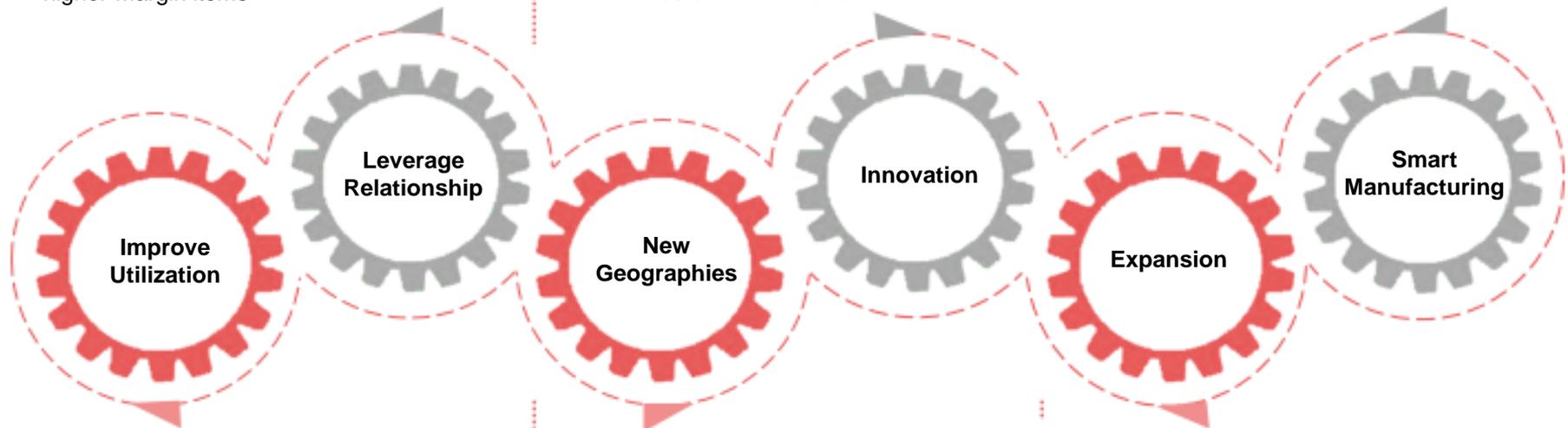
# Our Goal and Strategy

## Near-term

- Leverage existing customer relationship to further grow our wallet share
- Expand our portfolio of products to include higher-margin items

## Mid-to-long-term

- Continue to focus on innovation and develop value-added products (i.e. high-end co-branding products)
- Fully adopt smart manufacturing to enhance operation efficiency and embrace customization trend



- Standardize patterning procedures through new technology, improve product development efficiency, and optimize capacity utilization.
- Continue to improve operational efficiencies and minimize the production lead-time through TPI program.
- Promote the purchasing process and accuracy through AI intelligence.

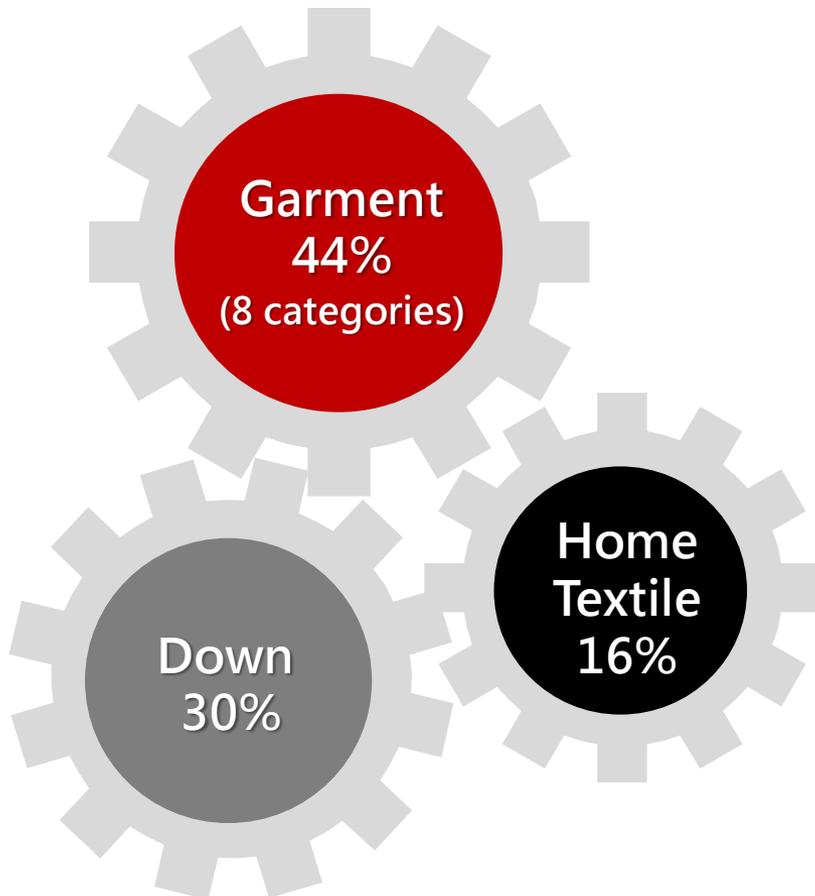
- Consolidate our market position and target new markets to diversify customer base geographically to further expand our businesses
- Expand our business through organic growth and strategic inorganic opportunities
- Asset optimization and disposal.

**Our goal is to emerge as a trusted partner to the top global apparel brands and fashion houses**

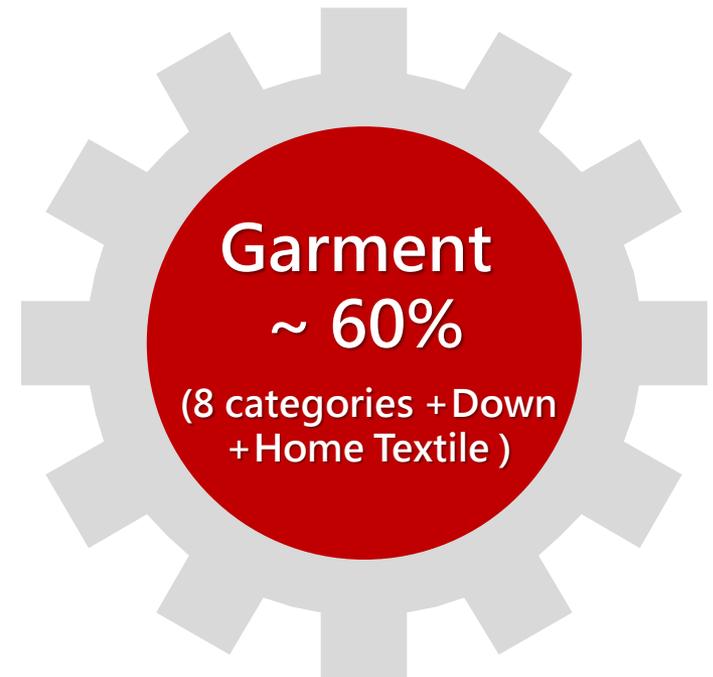
# From garment-driven to garment manufacturer

- Cultivate 10 new garment customers in 5 years.
- Operating profit contribution from garment business over 80% (2019: 74%) · operating profit margin of the company up to 12% (2019:10%) following .

## sales breakdown (2019)

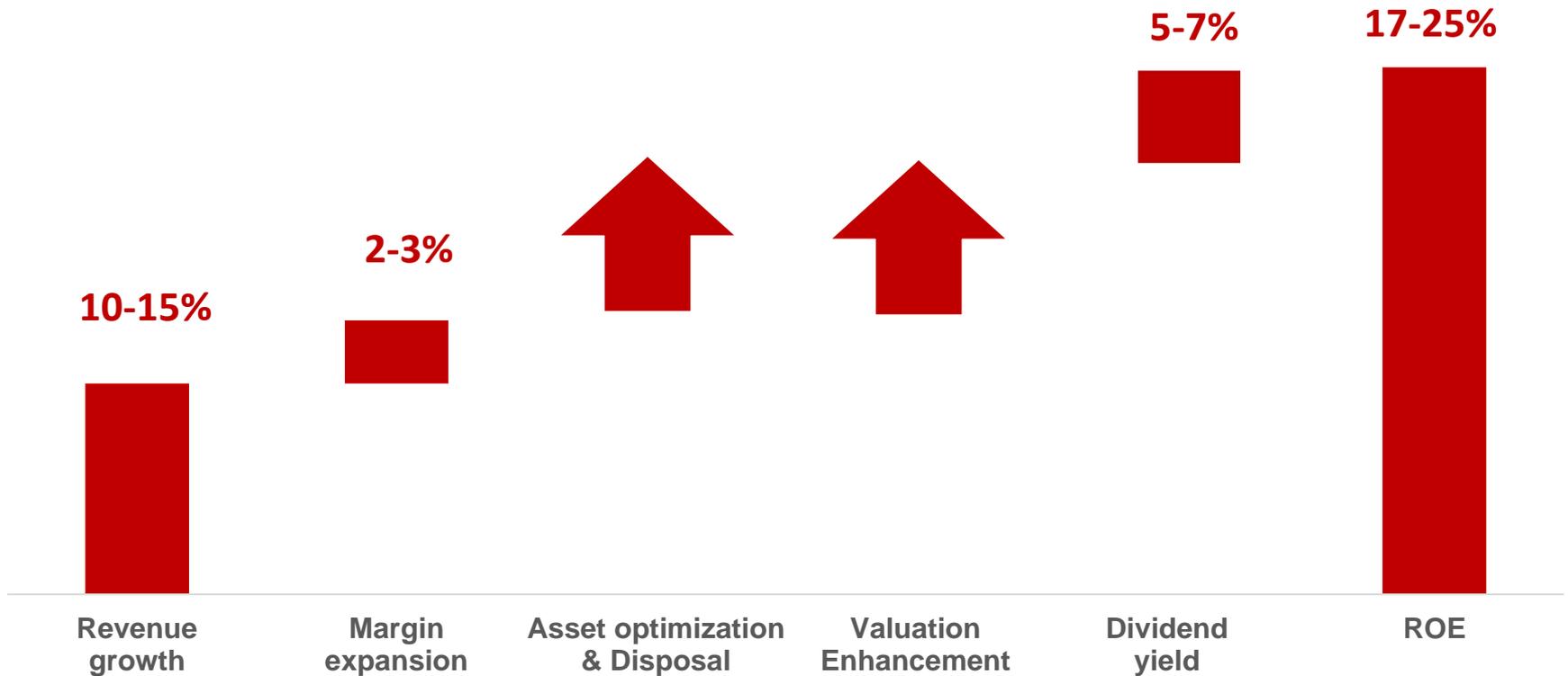


## sales breakdown (3-5years)



We will focus on providing higher return to our shareholders

### Our Goal

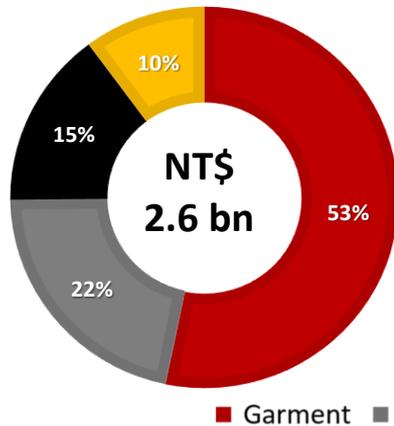




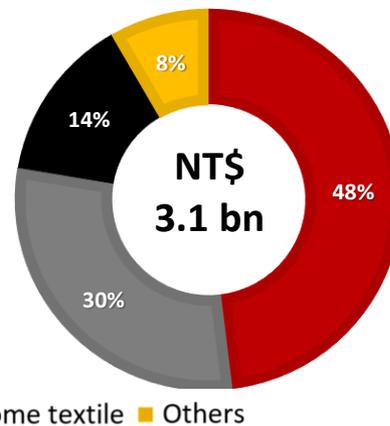
# Financial Performance

# Revenue Breakdown (2Q20 v.s. 2Q19)

## 2Q20 REVENUE



## 2Q19 REVENUE



## Garment



Revenue NT\$ 1,4 bn (- 5% YoY)

Operating Profit NT\$ 204 m (+ 0% YoY)

Revenue impacted from the pandemic is limited as most of the order is assured in 2H19. Our operating profit remained the same level even under revenue decrease, mainly thanks to the higher ASP of taping jackets and TPI effort.

## Down



Revenue NT\$ 570 m (- 38% YoY)

Operating Profit NT\$ -16 m (- 70% YoY)

Revenue declined mainly due to strategy to control at current scale. Operating profit declined under the price declining of down material.

## Home textile

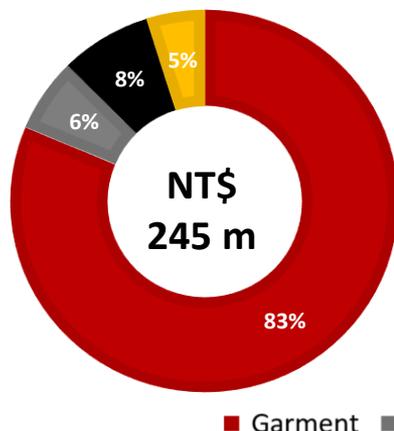


Revenue NT\$ 400 m (- 8% YoY)

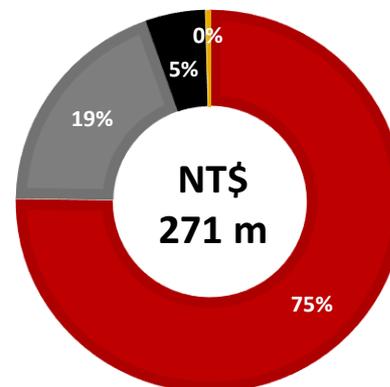
Operating Profit NT\$ 19 m (+ 42% YoY)

Revenue declined due to orders adjustment from European customers, while orders from our largest Japanese customer continued to see meaningful rebound. Our operating profit increased thanks to lower down material price and shipment of down-related products increasing.

## 2Q20 NET PROFIT

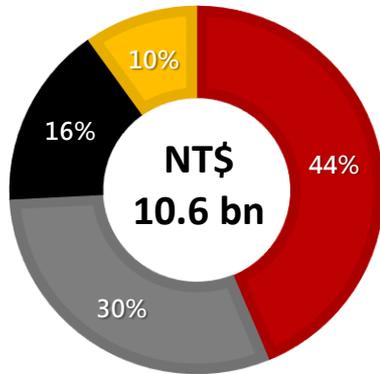


## 2Q19 NET PROFIT



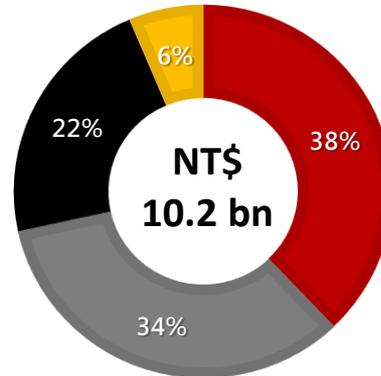
# Revenue Breakdown (2019 v.s. 2018)

2019 REVENUE

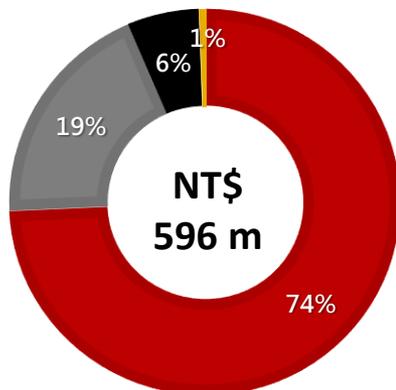


■ Garment ■ Down ■ Home textile ■ Others

2018 REVENUE

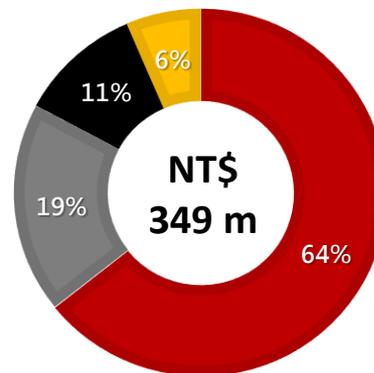


2019 OPERATING PROFIT



■ Garment ■ Down ■ Home textile ■ Others

2018 OPERATING PROFIT



## Garment



Revenue NT\$ 4.63 bn (YoY + 20%)

Operating Profit NT\$ 442 m (YoY + 97%)

Revenue grew due to portfolio expansion in low season, strong growth in outdoor products and contribution from new customers. Operating profit increased due to better operating leverage and TPI effort.

## Down



Revenue NT\$ 3.23 bn (YoY -6%)

Operating Profit NT\$ 115 m (YoY +77%)

Revenue declined mainly due to strategy to control at current scale. Operating profit grew thanks to gross margin improvement under better inventory management of our down material.

## Home textile



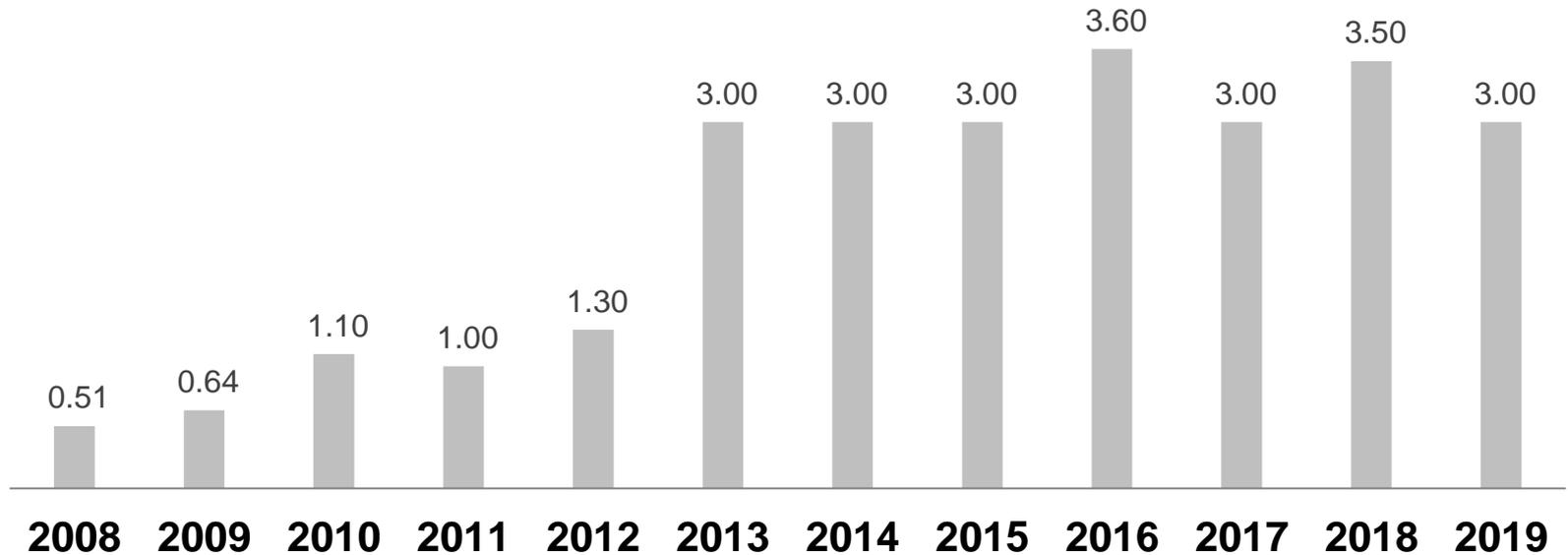
Revenue NT\$ 1.69 bn (YoY - 25%)

Operating Profit NT\$ 35 m (YoY - 7%)

Revenue and operating profit declined due to lower shipments as the previous warm winter in Japan has caused some customers to be conservative in placing new orders.

# Dividend policy

## Cash Dividends, Payout Ratio and Dividend yields (2008-2019)



Payout ratio (%)



Dividend yields (%)



\*Note: Cash yield is calculated based on Kwong Lung's closing share price on 2020/8/25.

# Income Statement Highlights

NT\$m	2015	2016	2017	2018	2019	1H20	YoY(%)					
							2015	2016	2017	2018	2019	1H20
<b>Revenue</b>	<b>8,920</b>	<b>8,599</b>	<b>8,513</b>	<b>10,154</b>	<b>10,594</b>	<b>4,664</b>	<b>(1.0)</b>	<b>(3.6)</b>	<b>(1.0)</b>	<b>19.3</b>	<b>4.3</b>	<b>(10.1)</b>
Gross Profit	1,404	1,385	1,237	1,352	1,438	637	2.7	(1.4)	(10.7)	9.3	6.4	(7.2)
Operating Expenses	(921)	(886)	(879)	(1,003)	(843)	(364)	4.9	(3.9)	(0.7)	14.1	(15.9)	(11.5)
<b>Operating Profit</b>	<b>483</b>	<b>499</b>	<b>357</b>	<b>349</b>	<b>596</b>	<b>273</b>	<b>(1.3)</b>	<b>3.4</b>	<b>(28.4)</b>	<b>(2.2)</b>	<b>70.4</b>	<b>(0.8)</b>
Non Operating Income/(Loss)	27	12	(408)	379	15	(4)	75.7	(54.3)	(3,382.5)	-	(96.0)	(115.3)
Pretax Income	510	512	(51)	728	611	269	1.0	0.3	(109.9)	-	(16.1)	(11.5)
Tax Expenses	(80)	(66)	(59)	(96)	(112)	(60)	(34.9)	(17.9)	(10.5)	63.0	16.4	5.5
<b>Net Income to Parent</b>	<b>431</b>	<b>447</b>	<b>(118)</b>	<b>618</b>	<b>488</b>	<b>204</b>	<b>12.9</b>	<b>3.7</b>	<b>(126.5)</b>	<b>-</b>	<b>(21.1)</b>	<b>(15.3)</b>
<b>Basic EPS (NT\$)</b>	<b>4.1</b>	<b>4.2</b>	<b>(1.1)</b>	<b>5.7</b>	<b>4.1</b>	<b>1.2</b>	<b>2.3</b>	<b>2.4</b>	<b>(126.3)</b>	<b>-</b>	<b>(28.6)</b>	<b>(43.7)</b>
<b>Key Financial Ratios (%)</b>												
Gross Margin	15.7	16.1	14.5	13.3	13.6	13.7						
Operating Expense Ratio	10.3	10.3	10.3	9.9	8.0	7.8						
Operating Margin	5.4	5.8	4.2	3.4	5.6	5.9						
Effect Tax Rate	15.8	12.9	-	13.2	18.4	22.3						
Net Margin	4.8	5.2	(1.4)	6.1	4.6	4.4						

## Notes:

- In 2017, we suffered a fire accident at our Vietnam plant.
- Our gross and operating margins dropped in 2018 due to 1) higher revenue contribution from our down business, 2) higher inventory costs for our down business since the fire incidence in 2017 destroyed our low cost inventories, 3) some one-off expenses resulted from production sites adjustment following the fire incidence.
- 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.
- Our EPS growth for 2019 was mostly undermined by our CB conversion, and higher comp base from insurance claim and one-off asset disposal in 1H18, we will not have these impact going forward. (Dilution from the CB conversion is 15%)

# Balance Sheet Highlights

NT\$m	2015	2016	2017	2018	2019	1H20	YoY(%)					
							2015	2016	2017	2018	2019	1H20
<b>Total Assets</b>	<b>6,050</b>	<b>6,212</b>	<b>6,615</b>	<b>7,031</b>	<b>7,571</b>	<b>8,384</b>	<b>4.2</b>	<b>2.7</b>	<b>6.5</b>	<b>6.3</b>	<b>7.7</b>	<b>(7.8)</b>
Cash	489	797	510	794	881	854	48.0	62.9	(36.1)	55.8	11.0	12.1
AR & NR	954	952	1,033	1,048	981	1671	27.8	(0.3)	8.6	1.4	(6.4)	9.1
Inventories	2,510	2,249	2,251	2,619	2,373	2488	(18.3)	(10.4)	0.1	16.3	(9.4)	(25.7)
Fixed Assets	1,296	1,254	1,589	1,574	1,505	1,530	14.8	(3.2)	26.7	(1.0)	(4.3)	(1.2)
<b>Total Liabilities</b>	<b>2,748</b>	<b>2,705</b>	<b>3,758</b>	<b>2,931</b>	<b>2,479</b>	<b>3,569</b>	<b>1.8</b>	<b>(1.5)</b>	<b>38.9</b>	<b>(22.0)</b>	<b>(15.4)</b>	<b>(26.0)</b>
AP & NP	709	583	798	788	548	781	(27.5)	(17.8)	37.0	(1.3)	(30.5)	(27.5)
<b>Total Equity</b>	<b>3,302</b>	<b>3,507</b>	<b>2,857</b>	<b>4,100</b>	<b>5,092</b>	<b>4,815</b>	<b>6.3</b>	<b>6.2</b>	<b>(18.5)</b>	<b>43.5</b>	<b>24.2</b>	<b>12.7</b>
<b>Key Financial Ratios (%)</b>												
A/R Days	34.3	39.9	42.0	36.9	34.5	25.6						
Inventory Days	133.7	118.7	111.3	99.6	98.1	54.3						
A/P Days	40.4	32.2	34.2	32.4	26.3	14.9						
Cash Conversion Days	127.6	126.4	119.1	104.1	106.4	65.1						
ROE (%)	13.5	13.1	(3.7)	18.0	10.7	8.3						
ROA (%)	7.3	7.3	(1.8)	9.1	6.7	5.1						
Net debt (cash)/Equity (%)	28.6	20.3	64.3	14.4	6.1	13.9						

# Dividend Payout and Capex

(NT\$m)	2014	2015	2016	2017	2018	2019
Net profit	382	431	447	(118)	618	488
Dividend paid	314	319	390	328	387	392
DPS (NT\$)	3.0	3.0	3.6	3.0	3.5	3.0
Payout ratio (%)	74.3	73.1	85.4	-	61.4	73.1
Dividend yield (%)	8.4	5.9	7.8	5.7	6.9	6.9
Capex	110	312	143	626	265	139

Notes:

1. Cash yield is calculated based on Kwong Lung's closing share price on 2020/8/25.



# Industry Trends



# COVID-19 drives residential outdoor living demand

- According to CivicScience's survey, over 43% of US people over 13 years old said that in accordance with the social distancing concerned, they will tend to attend more outdoor activities afterwards.
- The pandemic has led to an explosion of interest in bikes and biking. New York City Department of Transportation mentioned that the rate of riding bicycles in the City has increased by 60%.
- Also the leading bicycle manufacturer such as Giant and Merida are optimistic for the business in the future with strong demand.



V.F. Corporation

" We believe people will place greater value on exploring the outdoors after spending so much time in their homes and there will be an increased commitment to personal well-being and active lifestyles with health becoming a major new priority. "



Columbia Sportswear

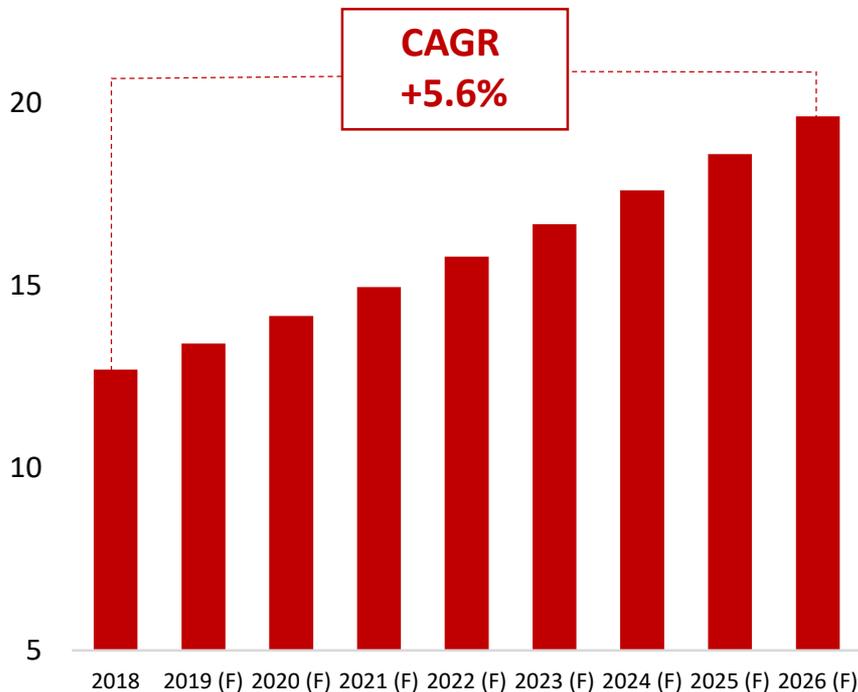
"It is clear that consumer interest in the outdoors has surged during the pandemic and we are well positioned to equip these adventurers with innovative products as they recreate responsibly."

- China, the first country who face the pandemic, started to see a recovery for outdoor activities and travel in April after lockdown
- According to Pinduoduo, a local ecommerce player who listed on NASDAQ, the sales of outdoor and tourism-related products on the platform have increased significantly across the board after April. The promotion in the platform (around 20-30% discount) also stimulated consumption.
  - ✓ Sales of sneakers and sportswear increased by more than three times, especially Nike, Adidas, and Li Ning.
  - ✓ Sales of disposable sheets, travelling bags increased by more than two times.
  - ✓ Sales of sports-related equipment increased by more than four times, especially Nike, Adidas, Anta, Li Ning.

# On-going trend of global apparel/sportswear brands entering into outerwear segment

Increasing participation in outdoor activities and generational shifts toward healthier lifestyles (especially for Millennials) are major drivers for the growth of global outerwear market. According to AOI, half of American attend at last one outdoor activity in 2018.

Outdoor clothing market value worldwide (USD bn)



Source: Statista

More and more global apparel/sportswear brands (such as Adidas, VF) are focusing more on outdoor/outerwear segment. More investments are also pouring into outdoor companies.



Adidas launched Adidas TERREX, an outdoor brand in 2017.



Walmart acquired Moosejaw in 2017 to expand product to active outdoor category.



V.F. Corporation (NYSE:VFC) announced acquisition of Icebreaker New Zealand, a retailer of Merino wool apparel for outdoor activities and sports in 2017.



“what we're also doing a much better job of now is actually continuing to build out our Fleece program, and adding on top of that, much better outerwear as we go into 2020.”-Patrik Frisk, CEO, 2020/2/11



“We continue to expand the key categories of bras and outerwear, with comps and outerwear being particularly strong.”-Calvin McDonald, CEO & Director, 2019/12/11



Goode Partners has made an investment in Marolina Outdoor, Inc., a manufacturer of fishing and hunting apparel in 2018.



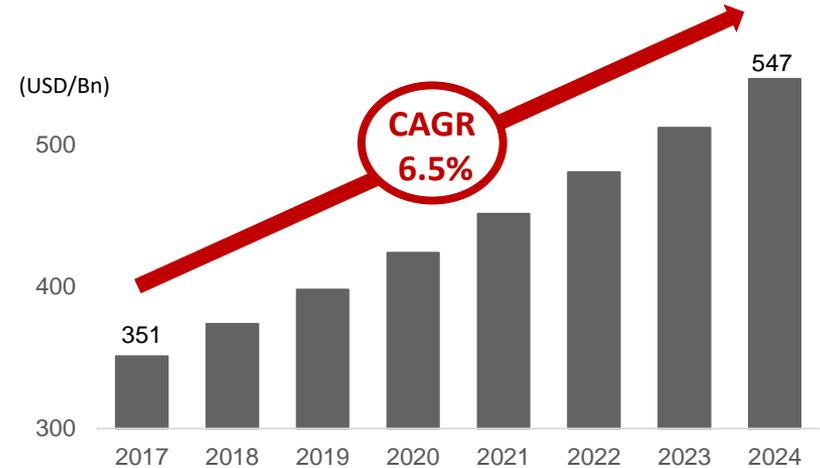
Kathmandu Holdings announced plans to acquire Oboz, an outdoor footwear and apparel manufacturer and retailer in 2018.

# Outdoor/snowboard jacket market industry overview

## We believe the outdoor/snowboard demand will remain strong

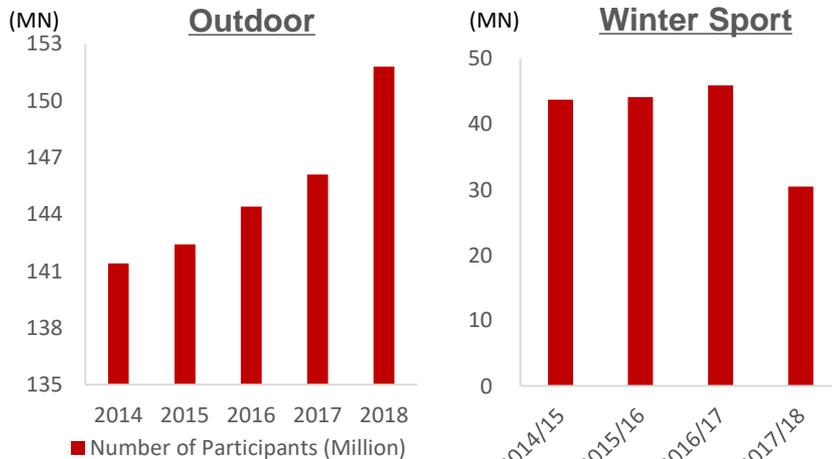
- Global Activewear Market is expected to deliver a 6.5% CAGR from 2017 to 2024.
- US is the largest market of sportswear sales market. As US outdoor and winter sport participation keeps going up, the market is expected to expand in next couple years.
- Besides US, Asia market will have a significant boost thanks to economic growth and demographic dividend.
- With outdoor and sportswear expected to continuously outgrow the casual/fashion segment, we believe the outerwear segment will maintain its stronger growth.

## Global Activewear Market



Source: businesswire

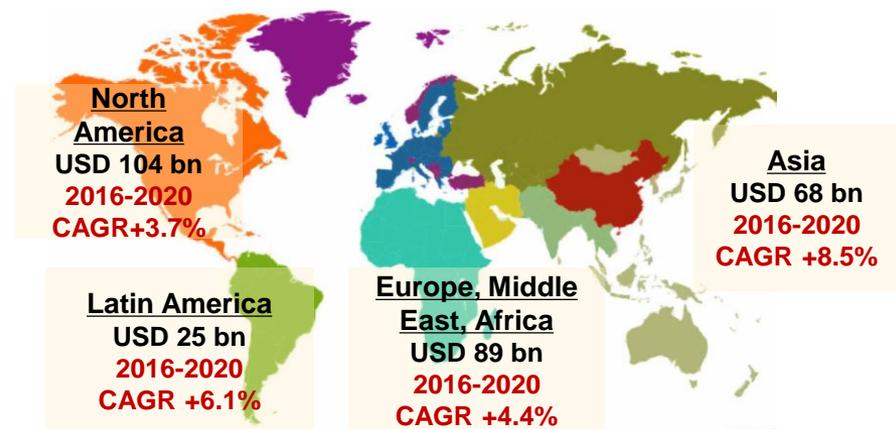
## US Outdoor and winter sport Participation Trends



Source: Outdoor Foundation

\*Note: 2014/15 means 2014/8-2015/3

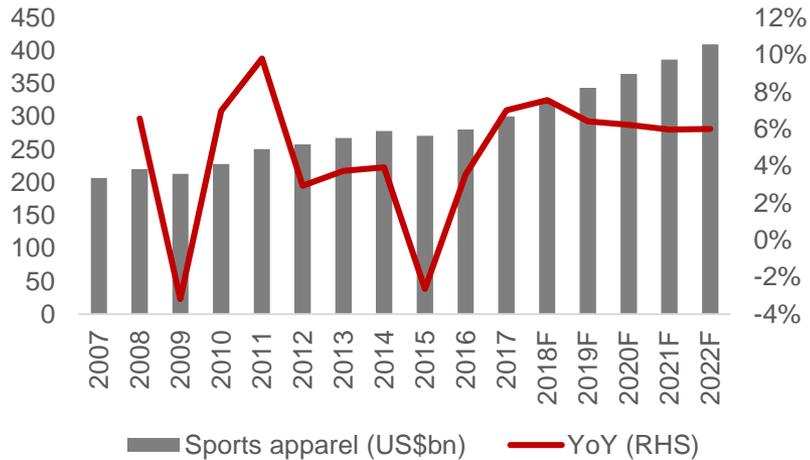
## Sales of Global Sportswear by Region (2016)



Source: Euromonitor

# Demand for outerwear jackets supported by industry growth

### Global sports apparel market size



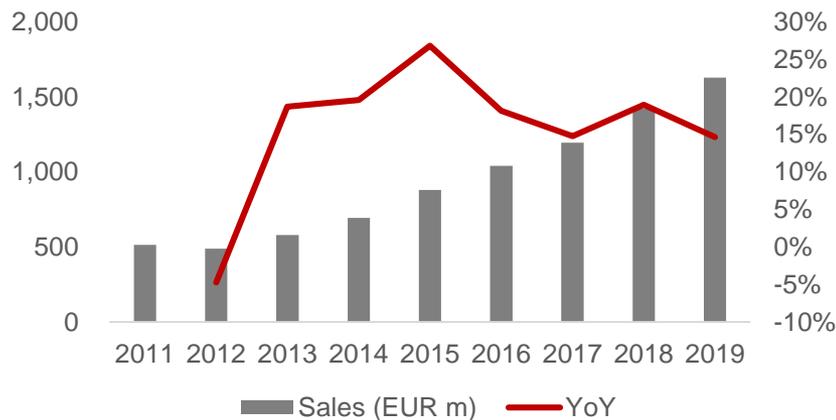
Source: Euromonitor

### Global casual / fashion apparel market size



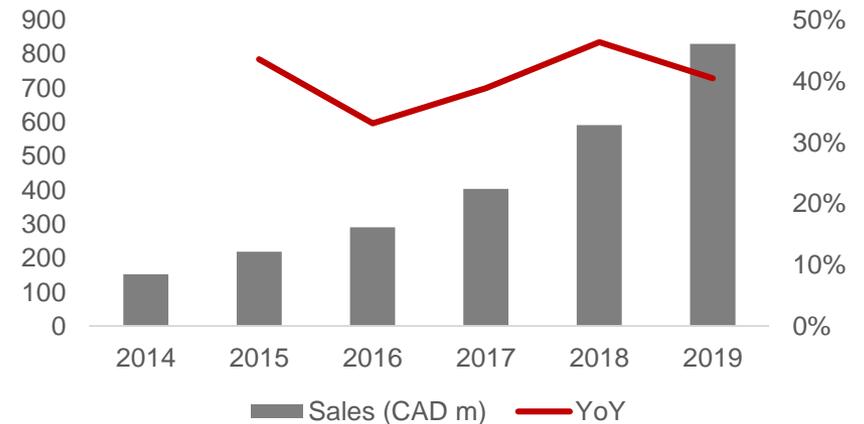
Source: Euromonitor

### Moncler sales and YoY growth



Source: Bloomberg, Company data

### Canada Goose sales and YoY growth



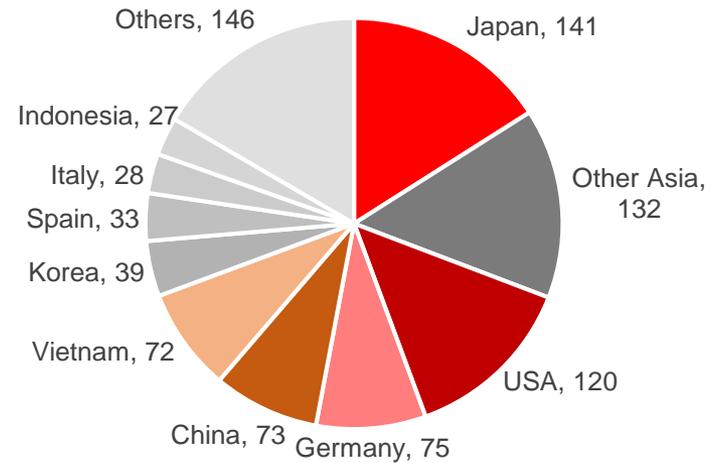
Source: Bloomberg, Company data

# Down industry overview

## Global down market to grow 7% CAGR in 2018-2026

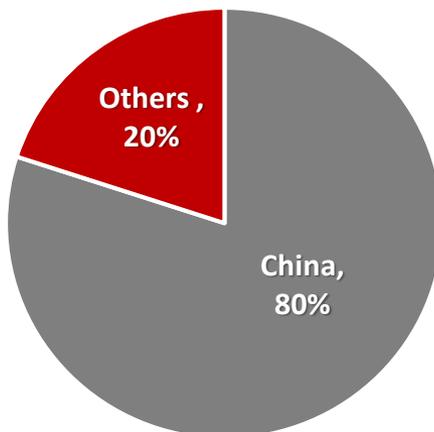
- According to the United Nations comtrade data, global import of down materials reached US\$886m in 2016.
- Kwong Lung currently has ~8% of global market share in down materials, based on down materials export of US\$70m.
- According to ADFC, 80% of the down and feathers used globally is produced in China.
- According to Transparency Market Research, the global down and feather market is expected to grow at a 7% CAGR from 2018-2026 to reach US\$8.2bn.
- However, an increase in poultry diseases could cause prices to fluctuate. Down price in 2018 has been up 30% YoY year-to-date.

## Global down feather import breakdown (US\$m)



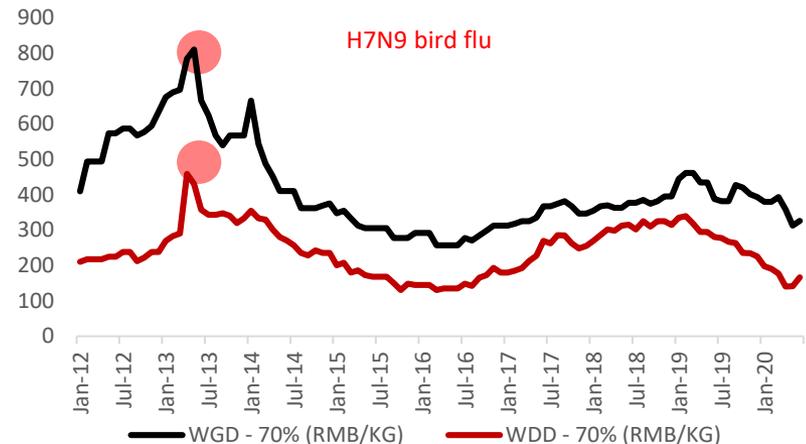
Source: United Nations Comtrade

## Geographic breakdown of global down supply



Source: American Down and Feather Council

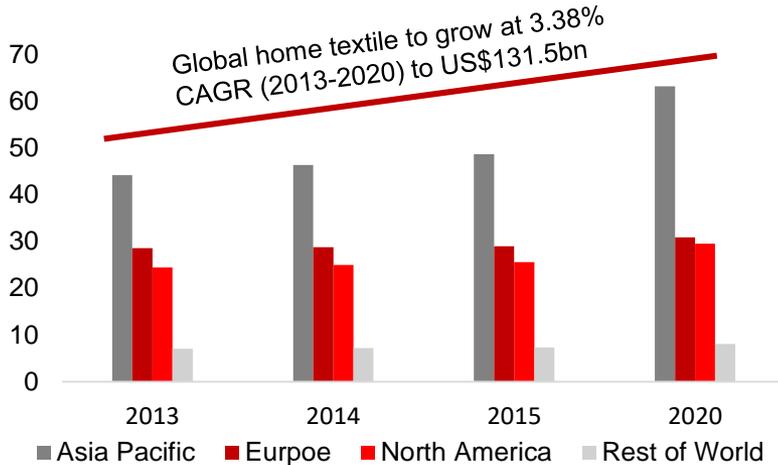
## China down pricing trends



Source: CN-down.com

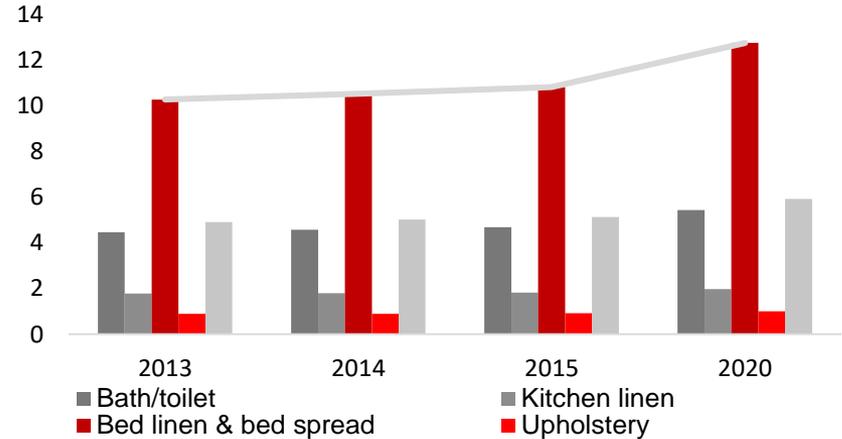
# Home textile industry overview

Global home textile market by region (US\$bn)



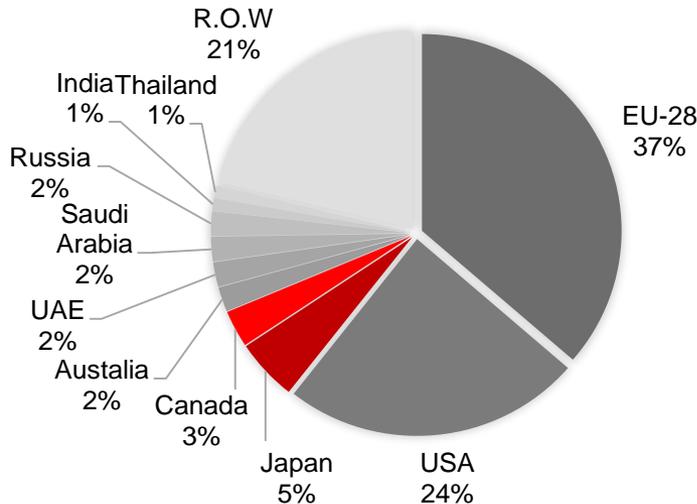
Source: Statista

Home textile market size in the US by category (U\$bn)



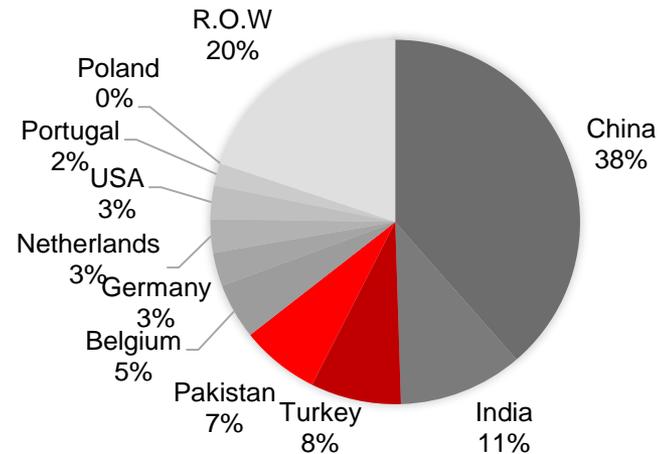
Source: Statista

Share of global home textile import (2017)



Source: United Nations Comtrade

Share of global home textile export (2017)



Source: United Nations Comtrade