

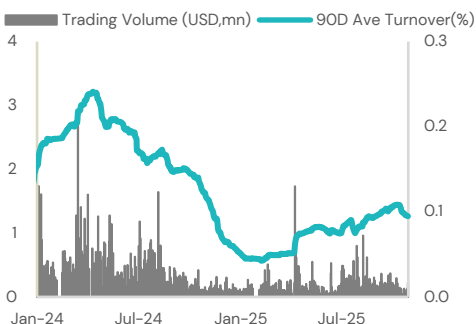
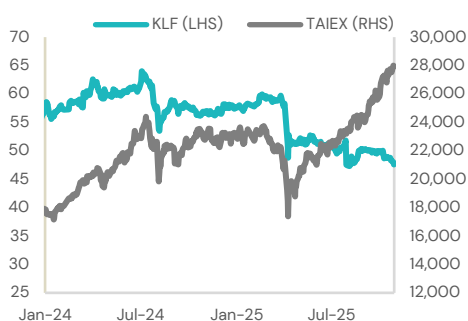
2025/10/23

TruePulse Equity Research
research@truepulsecapital.com

Key Statistics

Ticker:	8916.TW / 8916 TT
Current Price:	TWD 48.75
52-Week Range:	TWD 47.3 - 59.9
Avg. Vol. (30-Day, k share)	113.5
Outstanding Shares (MN)	152.0
FINI Holding (%)	3.06
Market Cap (US\$MN)	237.0

Price Performance



Financial Summary

NT\$ mn	2023	2024	2025E	2026E
Revenue	7,708	7,893	8,186	9,402
Revenue YoY (%)	(25.2)	2.4	3.7	14.9
Gross Margin (%)	17.9	17.3	16.4	17.9
OP Margin(%)	7.7	7.3	7.4	8.6
Net Profit	578	609	464	807
Net Profit YoY (%)	(37.1)	5.5	(23.8)	73.7
Net Margin(%)	7.5	7.7	5.7	8.6
EPS (NT\$)	3.95	4.04	3.07	5.34
BPS (NT\$)	37.3	38.6	33.2	35.6
ROE (%)	10.3	10.5	8.6	15.5
Yield (%)	7.4	7.4	6.4	8.9
P/E (x)	12.8	12.1	15.7	9.0
P/B (x)	1.3	1.3	1.5	1.4
P/S (x)	1.2	1.2	0.9	0.8
EV/EBITDA (x)	13.0	13.3	12.0	9.4

Kwong Lung Enterprise

Scaling Apparel and Home Textiles With Consistent Payout

Company Overview

Founded in 1966, Kwong Lung Enterprise (8916.TW) has evolved from a traditional down materials supplier into a diversified manufacturer spanning apparel, home textiles, and insulation materials. With a global production network and a focus on product innovation, the company serves a diverse global brand customers. Kwong Lung continues to enhance operational efficiency and expand its market presence while maintaining financial discipline. Over the years, it has sustained a stable dividend policy, reflecting its commitment to long-term financial stability and shareholder returns.

KeyPoints

Strategic Shift to Functional Outerwear Fuels Growth: Kwong Lung has transformed from a down material supplier into a leading functional outerwear manufacturer, a complex, high-seasonality segment. Despite steep learning curves, it has built a strong reputation and become a trusted partner for top outdoor brands such as Burton, montbell, and Fjällräven. Its U-Shape Cell Lines production model allows high agility in handling small-batch, varied orders while maintaining profitability. This flexibility lets Kwong Lung benefit from the long-tail effect, attracting outdoor brands beyond the top three that larger manufacturers often overlook. The company continues to add three to five clients annually, reinforcing market position and long-term growth potential.

Garment Expansion Drives Margin Growth and Global Competitiveness: As garment revenue surpassed 50% of sales, Kwong Lung expanded gross margin from the low teens to high teens and operating margin from low single digits to nearly double digits in five years. With a 70% garment target by 2027, further gains are expected. Production bases in Vietnam and Indonesia benefit from US brands shifting sourcing away from China amid geopolitical risk. Ongoing capacity growth in Indonesia provides flexibility to take larger orders at lower FOB prices, enhancing competitiveness. By balancing high-mix agility with larger-volume efficiency, Kwong Lung has positioned its garment division as the primary engine for margin expansion and global competitiveness.

Home Textiles Expanding With New Strategic Clients: Beyond its long partnership with Nitori, Kwong Lung has added two new strategic clients: a leading European home furnishing brand and a Japanese daily essentials company. Both placed initial trial orders in 4Q24, with discussions underway to expand product coverage. These collaborations align with the aggressive growth plans of all three brands, positioning Kwong Lung for sustained momentum in home textiles. Leveraging expertise in eco-friendly, high-quality design, the company is well placed to secure long-term orders. As a result, home textiles are evolving from a steady contributor into a new growth driver, broadening Kwong Lung's revenue mix and customer base.

Stable Returns, Visible Re-Rating Potential: Kwong Lung delivered resilient 2024 results with revenue of NT\$7.89bn (+2.4% YoY) and net profit of NT\$609m (+5.5% YoY), reflecting solid fundamentals. The company has sustained NT\$3+ dividends for 11 consecutive years, maintaining an 80%+ payout ratio and 6%+ yield, underscoring disciplined capital management. Looking ahead, apparel ODM and home textile expansion should further enhance earnings quality. Our scenario analysis implies an equity value range of NT\$48-85 (base NT\$58-69), indicating continued valuation recovery potential alongside strong operational and financial resilience.

1. Company Introduction

1.1 Heritage and Corporate Evolution

Kwong Lung Enterprise was founded in 1966 in Taiwan as a traditional down material supplier serving bedding and apparel industries. Over nearly six decades, the company has transformed into a diversified global manufacturer, now spanning Apparel OEM/ODM, Home Textiles, and Insulation Materials.

When the company began its pivot into apparel, it deliberately chose to enter the functional outerwear segment — one of the most demanding and complex areas in the garment industry. Unlike knitted or casual wear, which is produced in large quantities with fewer SKUs, functional outerwear requires:

- **Smaller batch sizes with higher SKU complexity**, often more than 100 individual components in a single jacket.
- **Precise workmanship and technical know-how**, as performance apparel must withstand harsh weather conditions.
- **Challenging seasonality**, where manufacturers must manage labor and costs despite long off-seasons.

Because of these challenges, many outerwear manufacturers fail to survive over time, and larger OEM peers often prefer to focus on high-volume knitwear instead. For Kwong Lung, however, entering this difficult niche was both a necessity and an opportunity: it was the space with fewer competitors, higher barriers to entry, and greater room for long-term growth.

Under current Chairman Hebert Chan, who brought outside corporate experience before rejoining the family business, Kwong Lung has accelerated this strategy — moving beyond OEM assembly into ODM capabilities that now include design and material sourcing. This has enabled the company to become a one-stop solutions provider for functional outerwear and related apparel categories.

Exhibit 1.1: Kwong Lung's Corporate History



Source: Company Data, TruePulse Equity Research

1.2 Business Model and Segment Overview

Kwong Lung's revenue base reflects a deliberate shift downstream toward higher-value apparel:

- **Apparel OEM/ODM** – The largest and fastest-growing division, focused on functional outerwear and lifestyle apparel. Recent expansion into four-season categories (sleeping bags, tents, T-shirts, hoodies, shirts) positions the company to serve more diversified demand. Apparel surpassed 50% of group revenue in 2022 and has become the structural growth driver.

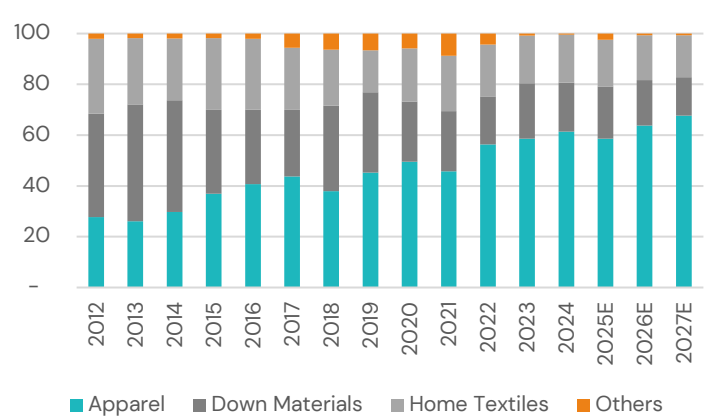
- **Home Textiles** – Bedding and household products. While cyclical and lower growth, this business provides scale efficiency and absorbs down-processing capacity.
- **Insulation Materials** – Down feather and technical alternatives supplied to both internal apparel lines and external brands. Innovations such as water-repellent down illustrate Kwong Lung’s R&D capacity and strengthen ties with global outdoor clients.

Exhibit 1.2: Kwong Lung’s Products Portfolio



Source: Company Data, TruePulse Equity Research

Exhibit 1.3: Kwong Lung’s Revenue Breakdown (%)



Source: Company Data, TruePulse Equity Research

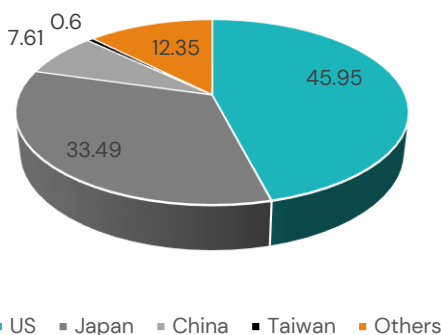
1.3 Customer Base and Market Exposure

Kwong Lung serves a diversified portfolio of leading global brands across apparel, outdoor, lifestyle, and home textile markets.

- **Home Textiles** – Kwong Lung’s single largest customer is Nitori (Japan), which anchors the bedding and home textile business. This relationship reflects the company’s heritage strength in down-based home products and provides a stable revenue base.
- **Apparel OEM/ODM** – Key clients include Burton (U.S.), mont-bell (Japan), and 5.11 Tactical (U.S.), along with outdoor and lifestyle brands such as Columbia Sportswear, Marmot, Volcom, Obermeyer, Fjällräven, Mountain Hardwear, and Spyder. These partnerships highlight Kwong Lung’s credibility in functional outerwear and small-batch production, where flexibility and quality are prized.
- **Insulation/Down Materials** – Kwong Lung also supplies leading brands with down materials, including Nike, underscoring its continued role in the global down value chain.

No single customer accounts for more than 10–15% of revenue, ensuring that Kwong Lung is not dependent on any single brand. Instead, its strength lies in its ability to support a wide set of international labels across geographies, with the U.S. (~40%) and Japan (~35–40%) as core markets.

Exhibit 1.4: Kwong Lung’s Products Portfolio



Source: Company Data, TruePulse Equity Research

Exhibit 1.5: Top 5 Customers Revenue Contributions 1H25

Nitori	10% ~ 15%
Burton	10% ~ 15%
Nike	10% ~ 15%
5.11 Tactical	10% ~ 15%
mont-bell	10% ~ 15%

Source: Company Data, TruePulse Equity Research

1.4 Global Production Footprint and Capability Shift

Kwong Lung operates a multi-country manufacturing network, with each site optimized for different products, cost structures, and labor skill sets:

- **Taiwan** – Headquarters and sample development center, housing R&D, design teams, and client-facing logistics. Taiwan serves as the hub for ODM activities, where Kwong Lung collaborates with clients on product design, fabric selection, and material sourcing.
- **Vietnam** – The company's largest apparel hub, hosting multiple factories (Meko, Bo Hsing, O Mon, Toptex). Vietnam combines skilled labor for functional outerwear with competitive labor costs, making it the backbone of Kwong Lung's high-value apparel production.
- **China (Kunshan)** – Specializes in down processing and home textile manufacturing, leveraging established supply chain infrastructure and scale.
- **Indonesia** – A newer base, positioned as a cost-effective production hub for simpler apparel categories, while also serving as a geographic diversification play.
- **Bangladesh** – The most recent expansion, designed to address ultra cost-sensitive categories such as T-shirts, hoodies, and mass-volume basics. Bangladesh also provides tariff-advantaged exports to the U.S. and Europe.

Importantly, Kwong Lung has evolved from a traditional OEM contractor to an ODM partner. Beyond assembly, the company now offers product design, technical development, and material sourcing, enabling it to provide clients with a one-stop solution from concept to finished product. This shift enhances client stickiness, expands Kwong Lung's value capture, and differentiates it from peers who remain purely OEM-focused.

Exhibit 1.6: Kwong Lung's Production Capacity



Source: Company Data, TruePulse Equity Research

1.5 Structural Growth Drivers and Competitive Advantages

Kwong Lung's growth trajectory is supported by several long-term structural drivers that differentiate it from traditional textile peers:

(1) Expanding Functional Outerwear Market

Global demand for functional outerwear continues to grow, driven by the convergence of outdoor performance and everyday lifestyle fashion. With less than 2% global market share, Kwong Lung has substantial room to expand, particularly among mid-tier brands that seek quality, flexibility, and reliability without the scale constraints of top-tier OEMs. These brands are often willing to accept higher margins and longer payment terms — areas where Kwong Lung's flexibility and service model excel.

(2) OEM to ODM Transition: Capturing Greater Value

By moving beyond OEM manufacturing to offer product design, pattern development, and material sourcing, Kwong Lung now acts as a one-stop ODM partner. This not only increases value capture per client but also strengthens long-term partnerships through design collaboration and technical know-how. The company's adoption of U-shaped production cells (Toyota Production System) enhances efficiency and scalability even in small-batch, high-SKU environments — a critical advantage in functional outerwear.

(3) Product Diversification Within Apparel

Kwong Lung continues to expand its apparel product range — from cold-weather outerwear to sleeping bags, tents, uniforms, and light apparel such as T-shirts and hoodies. This broadening portfolio reduces seasonality risk and allows the company to maintain utilization across multiple product categories.

(4) Digitalization and Smart Manufacturing

Management has invested early in digital systems and factory automation to manage complex workflows, reduce human error, and improve cost visibility. These initiatives have contributed to steady operating margin expansion despite FX and tariff headwinds.

(5) Home Textile and Non-Core Income as Stabilizers

While apparel drives structural growth, the home textile segment and non-core income streams — including property development and rental — add a layer of earnings stability. These support Kwong Lung's long-standing dividend policy and reinforce management's focus on predictable shareholder returns. Together, these drivers position Kwong Lung as a rare mid-cap manufacturer that combines growth optionality with earnings resilience, setting it apart from peers that remain either commoditized or overly dependent on brand customer cycles.

1.6 Financial Snapshot

Kwong Lung's transformation into an apparel-driven ODM business is translating into steadily improving fundamentals, though near-term results will reflect temporary headwinds.

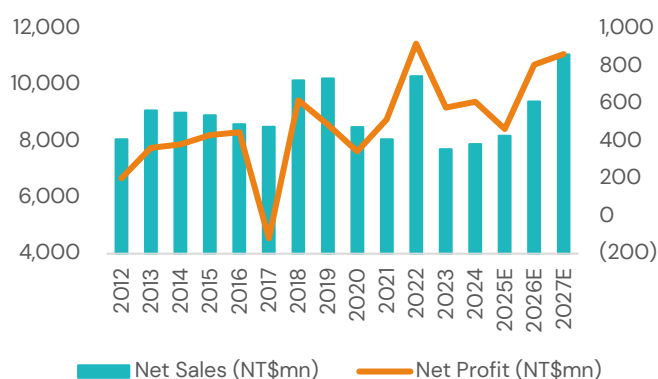
We forecast revenue to grow at a CAGR of roughly 15.1% from 2024 to 2026, with apparel rising from 61% of sales in 2024 to over 64% by 2026. The company's 2025 earnings are expected to soften modestly, primarily due to two transitory factors:

- U.S. tariff uncertainty in early 2025 that prompted short-term order delays and shipment rescheduling; and
- a sharp NT-dollar appreciation in 1H25, which caused non-cash translation and valuation losses on USD-denominated assets.

Excluding these effects, underlying operations remain healthy. We expect a recovery in 2H25 and further normalization in 2026 as FX stabilizes and the U.S. tariff policy becomes more predictable.

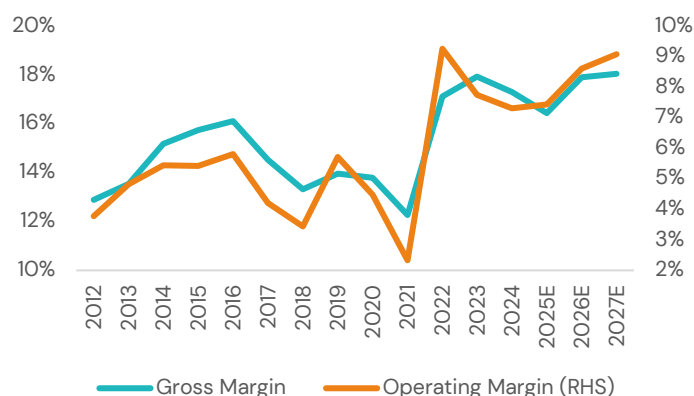
Operating margin should expand from 7.3% (2024E) to 8.6% (2026E), driven by higher ODM contribution, digital efficiency, and improved cost absorption. Net profit is forecast to rebound sharply in 2026 and reach record levels by 2027.

Exhibit 1.7: Kwong Lung's Revenue and Net Profit Trends



Source: Company Data, TruePulse Equity Research

Exhibit 1.8: Kwong Lung's GPM and OPM Trends



Source: Company Data, TruePulse Equity Research

Exhibit 1.9: Kwong Lung's Financial Summary and Forecast

Revenue Breakdown (%)	2023	2024	2025E	2026E	2027E
Apparel	58.56	61.44	58.60	63.78	67.69
Down Materials	21.85	19.23	20.50	17.85	15.15
Home textile	18.84	18.95	18.44	17.66	16.49
Others	0.75	0.39	2.46	0.72	0.67
(NT\$mn)					
Revenue	7,708	7,893	8,186	9,402	11,073
Gross Profit	1,382	1,365	1,345	1,683	1,998
Operating Profit	597	577	609	809	1,005
Non-op Profit	149	165	(36)	171	48
Pretax Profit	746	742	573	980	1,053
Net Profit	578	609	464	807	864
EPS (NT\$)	3.9	4.0	3.1	5.3	5.7
Margins					
Gross Margin	17.9%	17.3%	16.4%	17.9%	18.0%
OPEX Ratio	10.2%	10.0%	9.0%	9.3%	9.0%
Operating Margin	7.7%	7.3%	7.4%	8.6%	9.1%
Pretax Margin	9.7%	9.4%	7.0%	10.4%	9.5%
Net Margin	7.5%	7.7%	5.7%	8.6%	7.8%
YoY					
Revenue	-25.2%	2.4%	3.7%	14.9%	17.8%
Gross Profit	-21.6%	-1.2%	-1.5%	25.2%	18.7%
Operating Profit	-37.4%	-3.4%	5.5%	32.9%	24.3%
Net Profit	-37.1%	5.5%	-23.8%	73.7%	7.1%
EPS (NT\$)	-42.6%	2.5%	-24.0%	73.7%	7.1%

Source: Company Data, TruePulse Equity Research

1.7 Valuation Summary and Peer Context

We benchmark Kwong Lung against Taiwan textile peers (Eclat, Makalot, Great Giant, Quang Viet), international OEM/ODMs (Youngone, Shenzhou International), and global outerwear brands (adidas, VF Corp, Moncler, Canada Goose).

At 9.0x 2026E P/E, Kwong Lung trades at a steep discount to the Taiwan peer average (14x-15x) and to the global outerwear group (~19x).

We believe this discount can be attributable to:

- **Legacy perception** – investors continue to associate Kwong Lung with its cyclical down-materials business rather than its fast-expanding apparel ODM platform.

- **Limited visibility** – the company receives little sell-side coverage compared to Eclat, Makalot.
- **Smaller market capitalization and outerwear seasonality** – its small-cap scale and exposure to a highly seasonal outerwear segment constrain liquidity and drive valuation volatility.

However, we consider this gap excessive relative to its earnings quality, dividend stability, and long-term apparel growth trajectory.

Exhibit 1.10: Kwong Lung's Peer Valuation Comparison Table

	Market Cap	EPS CAGR	P/E (x)			P/B (x)			ROE (%)			Dividend Yield (%)		
	(US\$mn)	2024-2026E	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
Taiwan Textile Peers														
Kwong Lung	237	15.1%	12.0	15.7	9.0	1.3	1.5	1.4	10.5	8.6	15.5	7.4	6.4	8.9
Quang Viet	237	15.3%	18.2	18.5	13.7	0.9	0.7	0.7	4.8	6.8	-	4.5	9.0	-
Eclat	3,894	-2.5%	18.1	23.4	19.0	4.2	4.1	3.9	24.3	18.4	22.5	3.9	3.3	3.7
Makalot	2,297	-4.7%	17.2	20.3	18.9	4.8	5.2	4.9	27.2	24.9	26.8	6.0	4.8	4.5
Great Giant	562	12.7%	18.7	19.6	14.7	3.5	3.3	3.1	19.7	14.2	18.9	3.2	3.0	4.3
Average		7.2%	16.8	19.5	15.1	2.9	3.0	2.8	17.3	14.6	20.9	5.0	5.3	5.4
Global Textile Peers														
Youngone	1,800	2.9%	6.1	6.8	5.7	0.7	0.7	0.6	7.9	9.9	10.8	2.3	2.5	2.8
Shenzhou Int'l	13,224	6.9%	15.1	14.6	13.2	2.6	2.4	2.2	18.2	17.3	17.6	3.7	4.1	4.5
Average		4.9%	10.6	10.7	9.5	1.7	1.5	1.4	13.0	13.6	14.2	3.0	3.3	3.7
TW Footwear Peers														
Feng Tay	4,212	3.2%	22.1	24.3	20.8	4.8	4.9	4.6	23.3	20.3	23.1	3.9	3.4	3.8
Fulgent Sun	675	28.2%	15.1	12.8	9.2	1.4	1.4	1.3	10.4	11.3	14.9	4.8	4.7	6.2
Lai Yih	1,938	6.6%	15.6	18.0	13.8	2.4	2.3	2.1	18.9	14.0	16.3	3.8	3.4	4.1
Sports Gear	759	8.2%	14.6	16.2	12.5	1.5	1.6	1.5	11.1	9.1	11.4	5.3	5.4	6.2
Chung Jye	460	-27.5%	8.3	15.2	15.8	1.2	1.1	1.2	18.7	7.5	8.4	6.6	2.7	3.3
Average		3.7%	15.2	17.3	14.4	2.3	2.3	2.1	16.5	12.5	14.8	4.9	3.9	4.7
Global Outerwear														
adidas	39,430	59.4%	44.4	24.8	17.5	6.2	5.0	4.4	15.3	22.2	27.4	1.1	1.5	2.2
Columbia Sportswear	2,989	-11.5%	13.4	16.8	17.1	1.7	1.7	1.6	12.0	10.0	9.7	2.2	2.2	2.3
V.F. Corporation	6,207	n.a.	-	25.9	17.3	3.7	3.8	3.1	10.2	17.3	20.8	2.3	2.3	2.3
Canada Goose	1,300	26.9%	25.1	19.4	15.6	3.7	3.3	3.1	18.3	16.7	12.5	-	-	-
Moncler	16,889	0.5%	22.7	24.2	22.5	4.0	3.8	3.5	18.8	16.3	16.4	2.4	2.2	2.3
Amer Sports	17,547	193.6%	241.7	36.5	28.0	3.5	3.2	2.8	3.2	8.6	10.3	-	-	-
Average		53.8%	69.4	24.6	19.6	3.8	3.5	3.1	9.6	15.2	16.2	2.0	2.1	2.3

Source: Company Data, Capital IQ TruePulse Equity Research

Although 2025 earnings are expected to experience a temporary dip due to tariff and FX headwinds, the company's structural growth trajectory remains intact. The continued expansion of the ODM mix and enhancement of digital capabilities should drive a gradual margin recovery. Kwong Lung's long-standing dividend policy of at least NT\$3 per share provides a 6–7% yield floor, underscoring healthy cash generation and shareholder commitment. Meanwhile, its diversified production footprint and recurring non-core income further stabilize cash flows, reinforcing downside protection and supporting long-term valuation re-rating potential.

Based on our scenario analysis, Kwong Lung's implied value range lies between NT\$48–85 per share, with a base-case range of NT\$58–69, representing a 20–43% upside from current levels. Overall, the company combines growth, yield, and defensiveness, yet its current market valuation has not fully reflected its medium- to long-term potential.

Exhibit 1.11: Kwong Lung’s Implied Value Scenario Analysis

Scenario	Applied P/E (x)	Implied Value (NT\$)	Underlying Assumptions
Bear Case	9–10	48–53 元	Prolonged FX headwinds, slower ODM scaling
Base Case	11–13	58–69 元	FX normalization, apparel growth
Bull Case	14–16	74–85 元	Apparel > 70%, home textile traction

Source: Company Data, TruePulse Equity Research

1.8 Risk and Challenges

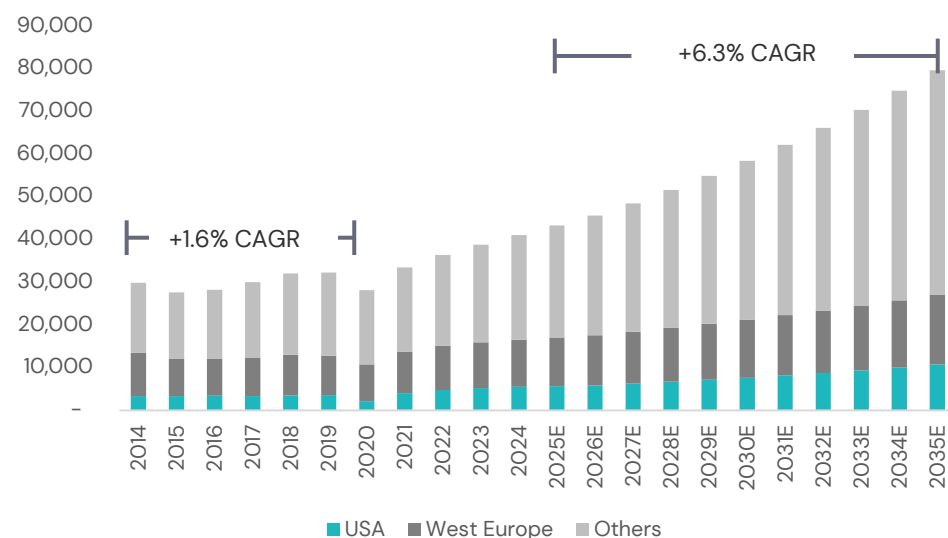
- **FX Volatility:** Over 70 % of revenue comes from exports, leaving earnings exposed to NT-dollar fluctuations. Natural hedging and offshore USD assets provide partial protection, but sharp NTD appreciation could compress annual margins by 50–100 bps.
- **Customer Concentration & Seasonality:** Top five clients contribute around 40 % of sales; any shipment rescheduling or inventory correction may create quarterly revenue swings.
- **Trade-Policy Uncertainty:** Production sites across Vietnam, Indonesia, China, and Bangladesh remain exposed to U.S. and EU tariff or quota changes that could shift sourcing patterns.
- **Labor Costs & Productivity:** Rising regional wages and the complexity of functional-outerwear assembly heighten cost pressure; ongoing automation and lean-manufacturing gains are essential.
- **Raw-Material Price Fluctuation:** Feather and down still account for 25–30 % of revenue; climate- or disease-driven price spikes could squeeze margins.
- **Non-Core Income Exposure:** Properties rental and other projects underpin dividends but are subject to property-market related risks.

2 Outlook and Growth Drivers

2.1 Functional Outerwear Moat – Growth Opportunity Beyond the Top 5 Brands

The global outdoor apparel market is entering a new expansion phase. According to Euromonitor and OIA, the market is projected to grow at a 10-year CAGR of 6.3% from 2025 to 2035, significantly outpacing the pre-COVID 5-year CAGR of just 1.6% during 2014–2019. This acceleration reflects the combined impact of rising outdoor participation, health and wellness trends, and the mainstreaming of performance apparel as part of everyday lifestyle wear.

Exhibit 2.1: Kwong Lung’s Production Capacity



Source: Euromonitor, Statista, Company Data, TruePulse Equity Research

Despite this structural tailwind, the industry remains fragmented. Kwong Lung currently holds just 1.8% of the global outdoor apparel ODM market (2024), equivalent to approximately US\$162 million in revenue. Even modest market share gains could translate into significant upside: at 2.5% share, Kwong Lung’s ODM garment revenue would expand by 41%

Exhibit 2.2: Kwong Lung’s Estimated Market Share (2024)

2024 Global Outdoor Apparel Market (US\$m)	41,044
2024 Global Outdoor Apparel ODM Market (US\$m)	9,121
2024 Kwong Lung Garment Apparel ODM Revenue (US\$m) (US\$1 : NT\$30)	161.6
2024 Kwong Lung Global Market Share (2023 Kwong Lung Global Market Share:1.60%)	1.8%

Source: Company Data, TruePulse Equity Research

Exhibit 2.3: Projected Growth via Market Share Gain

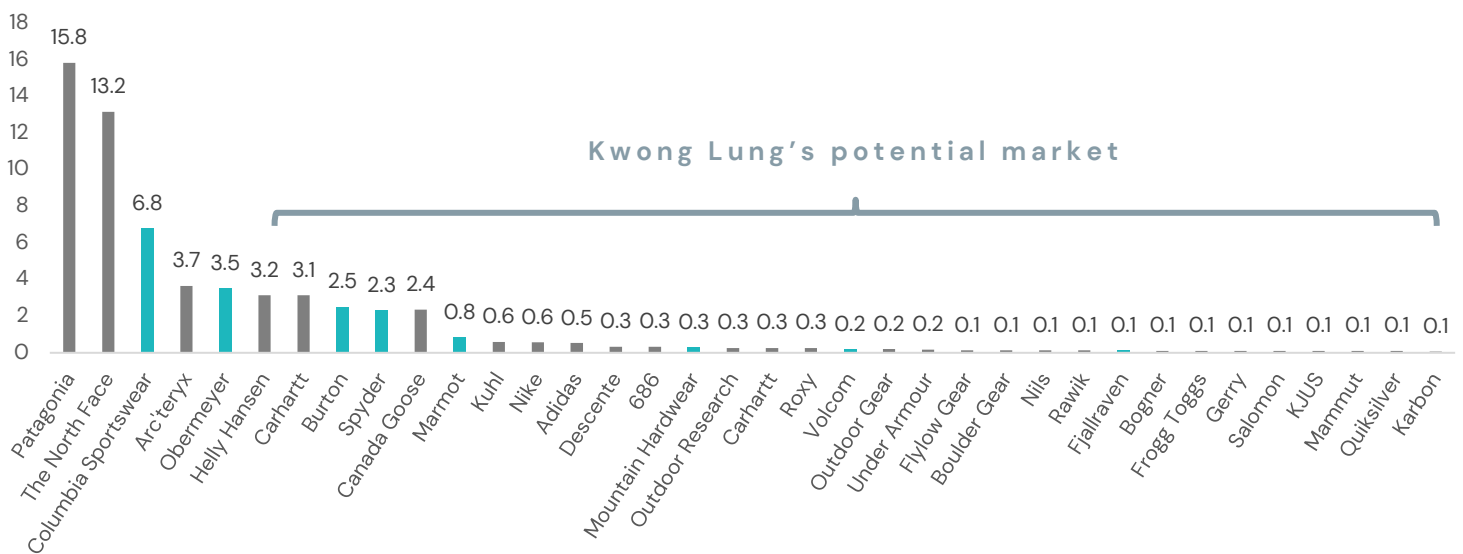
Market Share	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
Suggested Apparel ODM Revenue (US\$m)	182	228	274	316	365	410	456
Upside to Kwong Lung’s Apparel Revenue	12%	41%	70%	96%	126%	153%	182%

Source: Company Data, TruePulse Equity Research

Kwong Lung’s strategic focus differentiates it from larger global OEM/ODM peers. While major players compete fiercely for contracts with the global “top 5” outdoor brands such as Patagonia, Arc’teryx, Columbia, The North Face, and Moncler, these accounts often come with intense pricing pressure and limited margin potential due to the brands’ bargaining power. Instead, Kwong Lung has carved out a strong position among mid-tier regional and country-specific outdoor brands, a segment often overlooked by larger manufacturers. This positioning offers several advantages:

- **Higher margins**, as these brands are more flexible on pricing.
- **More favorable payment terms**, improving working capital efficiency
- **Greater reliance on small-batch flexibility**, where Kwong Lung’s operational model — including its adoption of U-shape cell lines based on the Toyota Production System — provides a unique edge.

Exhibit 2.4: Global Outdoor Brands Market Share (2023)



Source: Euromonitor, Switch Back Travel, Company Data, Capital IQ TruePulse Equity Research
Note: Green represents Kwong Lung’s existing customers

In our view, Kwong Lung’s ability to combine deep technical expertise in outerwear, flexibility in serving long-tail brands, and a still-subscale market share creates an unusually attractive growth runway. With the global market expanding and top 5 brands increasingly crowded, the real opportunity lies in the long-tail segment — a space where Kwong Lung is already best positioned to grow.

Exhibit 2.5: Kwong Lung’s Estimated Market Share (2024)



Source: Company Data, TruePulse Equity Research

Exhibit 2.6: TPS Advantages vs. Hanger System

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

Source: Company Data, TruePulse Equity Research

2.2 Apparel Expansion Driving Mix Shift and Margin Uplift

Kwong Lung’s growth trajectory is increasingly anchored in its apparel business, which already accounts for 61% of consolidated revenue and 72% of operating profit in 2024. Management’s goal is to lift apparel’s contribution to ~70% of group revenue by 2027, supported by growth in existing client orders and the addition of 3–4 new clients annually.

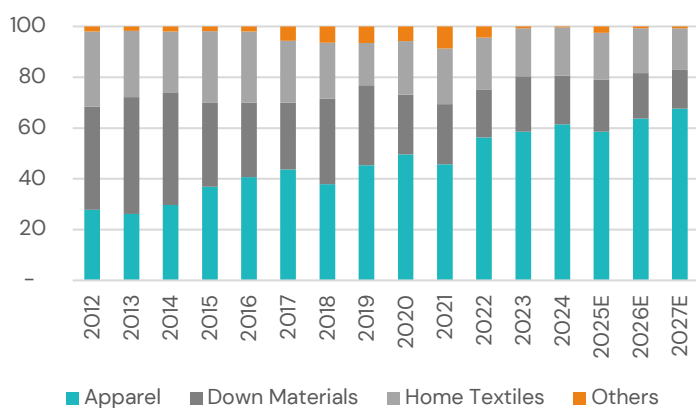
Apparel carries the highest gross margin among Kwong Lung’s three business segments, at 18–20% (versus 14–19% for home textiles and 12–14% for down materials). This margin profile underscores the strategic importance of the company’s ongoing mix shift.

To capture a larger wallet share of client spend, Kwong Lung has broadened its product portfolio beyond core Gore-Tex outerwear and seam-sealed jackets. Today, its offerings include down jackets, synthetic insulation, sleeping bags, tents, and developing knitted wear and uniforms. This expansion allows the company to move beyond seasonal products and into more versatile categories, smoothing revenue across the year.

At the same time, Kwong Lung is evolving from a traditional OEM contractor to an ODM solutions partner. By contributing to design, material sourcing, and technical development, it strengthens its role in the value chain and enhances client stickiness. The ODM shift not only adds margin uplift relative to OEM-only contracts, but also positions Kwong Lung as a strategic collaborator rather than a commoditized supplier.

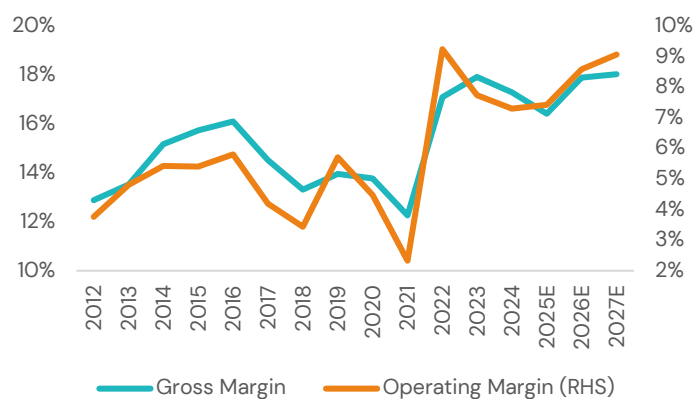
Taken together, the rising share of apparel, broader product offering, and transition to ODM provide a structural tailwind for group profitability, reinforcing the company’s capital-efficient growth model.

Exhibit 2.7: Kwong Lung’s Revenue Breakdown (%)



Source: Company Data, TruePulse Equity Research

Exhibit 2.8: Kwong Lung’s GPM and OPM Trends

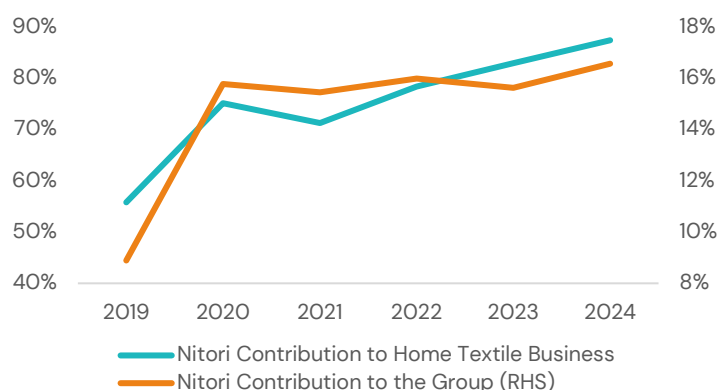


Source: Company Data, TruePulse Equity Research

2.3 Home Textiles – Optionality Through Global Retail Expansion

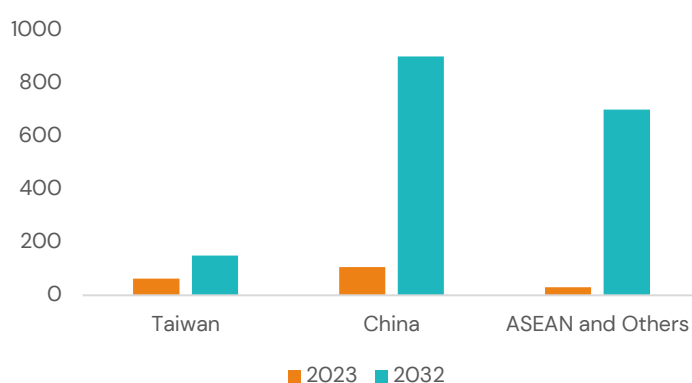
While apparel is the near-term growth engine, Kwong Lung’s home textile business represents a valuable long-term growth option. The segment is anchored by its 20+ year partnership with Nitori (Japan), which contributed ~17% of group revenue in 2024 and ~87% of the home textile business, growing at a 6.8% CAGR between 2019–2024. Nitori’s ambitious expansion plan — targeting 3,000 stores globally by 2032 (from 902 in 2022) — provides Kwong Lung with a stable foundation for continued volume growth.

Exhibit 2.7: Kwong Lung's Revenue Breakdown (%)



Source: Company Data, TruePulse Equity Research

Exhibit 2.8: Nitori Group's Store Expansion Target



Source: Company Data, TruePulse Equity Research

Beyond Nitori, Kwong Lung has also made progress with new strategic retail accounts. While not officially disclosed by the company due to confidentiality, we understand these include:

- A **European home furnishings leader** with >€25 billion in annual revenue and 400+ global stores.
- A **Japanese daily essentials retailer** with >¥500 billion in revenue and over 1,000 stores worldwide.

Both relationships have already advanced beyond the exploratory stage. Factory audits and supplier registrations are complete, sample products have been approved, and initial shipments are underway. Importantly, discussions are ongoing for expanding product scope, suggesting the potential for these accounts to grow into material contributors over the medium term.

It is important to note that home textile products carry their own seasonality, though less pronounced than outerwear. In addition, Kwong Lung operates dedicated home textile plants, ensuring that growth in this segment does not constrain apparel capacity. For investors, home textiles should not be seen as a near-term earnings driver. Instead, the segment offers incremental diversification and long-term upside. Anchored by Nitori and supported by emerging global retail accounts, this business line adds strategic depth and could provide an additional growth leg over time.

2.4 Digitalization and Smart Factories – Driving Structural Efficiency Gains

Kwong Lung stands out in the textile industry as an early adopter of digitalization and smart factory systems. While many peers remain reliant on labor-intensive production models, the company has invested in a multi-stage digital transformation framework designed to create long-term operational advantages.

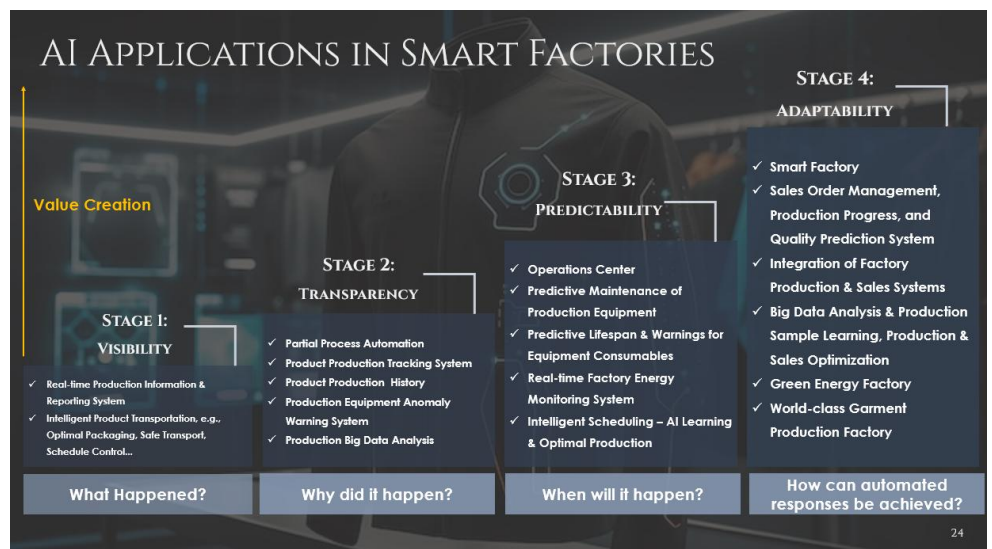
The roadmap spans four stages of value creation:

1. **Visibility** – Real-time production information and reporting systems; intelligent transportation and scheduling.
2. **Transparency** – Partial process automation, production tracking, anomaly detection, and big data analysis.
3. **Predictability** – Predictive maintenance of equipment, lifespan monitoring of consumables, AI-driven scheduling, and real-time energy monitoring.
4. **Adaptability** – Full integration of production and sales systems, AI-enabled quality prediction, green energy factories, and world-class garment production standards.

This focus on digitalization is particularly critical for Kwong Lung, given its concentration in complex functional outerwear. In industrial engineering (IE) terms, outerwear typically requires a much higher Standard Allowed Minute (SAM) per piece, with production often involving over 100 individual components. Without advanced planning, automation, and real-time monitoring, such complexity can erode margins. By embedding digital and AI-driven systems, Kwong Lung is able to manage these challenges efficiently, ensuring consistent quality and protecting profitability.

The impact is already visible in the company’s profitability. Over the past several years, Kwong Lung’s operating margin has steadily expanded, despite industry-wide cost inflation and outerwear’s inherent production complexity. This margin trajectory underscores the tangible benefits of early digitalization and lean manufacturing investments, and suggests further upside as AI-enabled initiatives continue to scale.

Exhibit 2.11: Kwong Lung’s Smart Factories Blueprint



Source: Company Data, TruePulse Equity Research

3. Historical Financials and Forecasts

3.1 Historical Performance (2012–2024)

Kwong Lung's revenue mix has undergone a transformational shift over the past decade. In 2012, the business was still primarily anchored in down materials (41%) and home textiles (30%), with apparel contributing less than 30%. By 2024, however, apparel accounted for over 61% of sales, reflecting the company's deliberate strategic pivot into functional outerwear OEM/ODM. This transition has structurally lifted margins and earnings quality, even as the company navigated external shocks and one-off events.

2017–2019: Fire and Recovery

A major disruption occurred in 2017, when a fire at Kwong Lung's Vietnam plant temporarily constrained production. In 2018, the company booked NT\$310m in non-operating income from insurance claims and asset disposals. Stripping out this one-off, underlying momentum was robust — net profit in 2019 grew over 50% YoY, underscoring the resilience of the apparel-led strategy.

2020–2021: COVID-19 Disruptions

Performance in 2020 and 2021 was adversely affected by pandemic-related supply chain bottlenecks and demand softness. Results in 2021 were further distorted by NT\$500m in gains from equity and real estate disposals, which masked weaker underlying earnings.

2022: Peak Year, Supported by Exceptional Tailwinds

2022 marked a temporary peak, with revenue reaching NT\$10.3bn and operating profit NT\$954m. Drivers included:

- 57.3% YoY growth in apparel ODM, which surpassed 50% of consolidated revenue for the first time.
- A recovery in down materials, where gross margin improved from 5% to 13%, swinging from operating loss to profit.
- Additional support from NT\$130m in FX gains.

This performance was amplified by post-COVID restocking demand and shipments pushbacks, creating an exceptional year that is unlikely to be repeated annually.

2023–2024: Normalization with Higher Structural Base

As expected, 2023–2024 saw normalization, with revenue easing to NT\$7.9bn in 2024. While sales were lower than the 2022 peak, the underlying earnings base was structurally stronger than pre-2018 levels, supported by apparel's growing dominance, digitalization initiatives, and improved operational discipline. Gross margin held at ~17% and operating margin at 7.3%, compared with ~13% and 3–4% a decade earlier. EPS reached NT\$3.9 in 2024, a more stable level after post-2022 adjustment.

3.2 Forecasts (2025–2027E)

We forecast consolidated revenue to expand at a 17.9% CAGR from 2024–2027E, reaching NT\$11bn by 2027E. Growth will be driven primarily by apparel, complemented by selective contributions from home textiles.

- **Apparel:** Expected to rise from 61% of revenue in 2024 to 67% by 2027E, driven by deeper penetration with existing clients, onboarding of 3–4 new clients annually, and product diversification into sleeping bags, tents, knitted wear, and uniforms.
- **Down Materials:** Forecast to decline from 19% in 2024 to 15% in 2027E, reflecting the segment's commoditized nature and lower strategic emphasis.
- **Home Textiles:** Expected to contribute ~16–18%, anchored by Nitori while building optional upside from trial accounts with major global retailers.

Margins are expected to continue expanding:

- **Gross margin** from 17.1% in 2024 to 18.0% by 2027E, driven by apparel mix and ODM integration.
- **Operating margin** from 7.3% in 2024 to ~9% by 2027E, reflecting efficiency gains from smart factories and operating leverage.
- **Net margin** from 7.7% in 2024 to 7.8% by 2027E.

EPS is projected to grow from NT\$3.9 in 2024 to NT\$5.7 in 2027E, implying a CAGR of ~12%, positioning Kwong Lung among the faster earnings compounders in Taiwan's apparel manufacturing sector.

Exhibit 3.1: Kwong Lung's Financial Summary and Forecast

Revenue Breakdown (%)	2023	2024	2025E	2026E	2027E
Apparel	58.56	61.44	58.60	63.78	67.69
Down Materials	21.85	19.23	20.50	17.85	15.15
Home textile	18.84	18.95	18.44	17.66	16.49
Others	0.75	0.39	2.46	0.72	0.67
(NT\$m)					
Revenue	7,708	7,893	8,186	9,402	11,073
Gross Profit	1,382	1,365	1,345	1,683	1,998
Operating Profit	597	577	609	809	1,005
Non-op Profit	149	165	(36)	171	48
Pretax Profit	746	742	573	980	1,053
Net Profit	578	609	464	807	864
EPS (NT\$)	3.9	4.0	3.1	5.3	5.7
Margins					
Gross Margin	17.9%	17.3%	16.4%	17.9%	18.0%
OPEX Ratio	10.2%	10.0%	9.0%	9.3%	9.0%
Operating Margin	7.7%	7.3%	7.4%	8.6%	9.1%
Pretax Margin	9.7%	9.4%	7.0%	10.4%	9.5%
Net Margin	7.5%	7.7%	5.7%	8.6%	7.8%
YoY					
Revenue	-25.2%	2.4%	3.7%	14.9%	17.8%
Gross Profit	-21.6%	-1.2%	-1.5%	25.2%	18.7%
Operating Profit	-37.4%	-3.4%	5.5%	32.9%	24.3%
Net Profit	-37.1%	5.5%	-23.8%	73.7%	7.1%
EPS (NT\$)	-42.6%	2.5%	-24.0%	73.7%	7.1%

Source: Company Data, TruePulse Equity Research

3.2.1 Financial Update: 1H25 Performance

Kwong Lung reported 1H25 consolidated revenue of NT\$4.10bn (+1.8% YoY), with operating profit of NT\$272m (-18% YoY) and an operating margin of 6.6%. Net profit after tax came in at NT\$153m (-61.4% YoY), translating to EPS of NT\$1.00. The sharp YoY decline in net income was largely due to non-operating foreign exchange losses from the NT dollar's rapid appreciation in Q2, which generated valuation losses on USD-denominated holdings.

2Q25 Snapshot:

- Revenue NT\$2.43bn (-3.4% YoY, +45.7% QoQ).
- Operating profit NT\$239m (-13.5% YoY, +606% QoQ); operating margin 9.8%.
- Net profit NT\$101m (-58.9% YoY); EPS NT\$0.67.

Despite FX headwinds, operating fundamentals showed resilience. All three segments saw margin compression in Q2, but apparel remained robust at 20.4% gross margin, while home textiles posted 17% YoY revenue growth driven by Japanese clients. Importantly, functional products (seam-taped outerwear, technical sleeping bags) rose to 70% of apparel shipments, reflecting the company's strength in high-value niches.

Looking ahead, management expects FX impacts to ease as the NT dollar has already started to depreciate in Q3, potentially reversing ~NT\$114m of Q2's valuation losses. Full-year apparel revenue is still expected to exceed 2024 levels, supported by stabilized customer orders and lower-than-feared U.S. tariffs on Vietnam and Indonesia. Management also reiterated expectations that 2H25 gross margin and operating margin will improve vs. 1H25, helped by higher apparel contribution and continued cost control.

Exhibit 3.2: Kwong Lung's Financial Summary and Forecast (Quarterly)

Revenue Breakdown (%)	1Q25	2Q25	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E
Apparel	51.34	60.86	66.41	53.26	55.84	65.28	70.00	61.39
Down Materials	27.63	25.90	13.68	15.16	24.03	22.23	11.54	13.98
Home textile	20.28	12.53	19.32	23.30	19.41	11.82	17.92	23.64
Others	0.75	0.71	0.58	8.28	0.72	0.67	0.54	0.99
(NT\$m)								
Revenue	1,668	2,430	2,165	1,922	1,918	2,832	2,567	2,085
Gross Profit	231	411	411	293	297	558	493	335
Operating Profit	34	239	235	101	81	352	268	107
Non-op Profit	37	(114)	8	33	78	49	30	14
Pretax Profit	71	125	244	134	159	401	299	122
Net Profit	51	101	201	111	130	330	246	101
EPS (NT\$)	0.34	0.67	1.33	0.73	0.86	2.18	1.63	0.66
Margins								
Gross Margin	13.8%	16.9%	19.0%	15.2%	15.5%	19.7%	19.2%	16.1%
OPEX Ratio	11.8%	7.1%	8.1%	10.0%	11.3%	7.3%	8.7%	10.9%
Operating Margin	2.0%	9.8%	10.9%	5.2%	4.2%	12.4%	10.5%	5.2%
Pretax Margin	4.3%	5.1%	11.2%	7.0%	8.3%	14.1%	11.6%	5.8%
Net Margin	3.1%	4.2%	9.3%	5.8%	6.8%	11.7%	9.6%	4.8%
YoY								
Revenue	10.4%	-3.4%	-2.5%	16.8%	14.9%	16.5%	18.6%	8.4%
Gross Profit	-6.2%	-11.9%	3.3%	14.5%	28.8%	35.9%	19.9%	14.6%
Operating Profit	-40.1%	-13.5%	21.5%	98.4%	140.0%	47.5%	14.0%	6.5%
Net Profit	-65.4%	-58.9%	44.2%	47.6%	153.2%	226.1%	22.5%	-9.3%
EPS (NT\$)	-65.7%	-59.1%	45.6%	47.1%	153.2%	226.1%	22.5%	-9.3%

Source: Company Data, TruePulse Equity Research

3.2.2 Non-Core Earnings Support Enhancing Resilience and Cash Stability

An important but often overlooked aspect of Kwong Lung's financial model is the role of non-core earnings in supporting profitability and dividend consistency. Chairman Hebert Chan has emphasized a balanced approach to growth: while driving apparel ODM expansion, he has also ensured that the company is underpinned by a diversified stream of recurring income sources. This provides resilience against industry cyclicality and enhances visibility for both cash flow and shareholder returns.

Key contributors include:

- **Real estate rental income:** Commercial properties in Taiwan and Japan, alongside hospitality assets, are expected to generate at least NT\$48m annually from 2025, offering stable recurring cash inflows.
- **Real estate development projects:** Select projects are reaching delivery, with management estimating EPS contribution of NT\$0.25–0.35 in 2H25.
- **Capital recycling discipline:** Properties are acquired with clear commercial value and disposed of at the right timing to accelerate cash turnover, ensuring that fixed assets remain highly liquid and value-supportive.

These non-core income streams are not substitutes for operating performance but complement the core business by smoothing earnings volatility and reinforcing dividend sustainability. In contrast to many textile peers that depend solely on volatile operating profits, Kwong Lung has constructed a financial model that balances growth with resilience, providing investors with both upside potential and downside protection.

3.3 Dividend Policy & Shareholder Returns

A defining feature of Kwong Lung’s capital management has been its stable and consistent dividend policy, a reflection of Chairman Hebert Chan’s philosophy of delivering predictable returns to shareholders. Since assuming control, Chairman Chan has set NT\$3 per share as a de facto floor for dividends, regardless of short-term fluctuations in earnings.

The rationale is clear: while earnings may at times be impacted by macroeconomic cycles, FX volatility, or other systematic risks, the company believes that shareholder returns should not be jeopardized by temporary headwinds. This approach provides investors with downside protection and visibility, ensuring a minimum return even during industry downturns.

Dividend Stability: From 2013 to 2024, dividends have consistently exceeded NT\$3.0 per share, with 2022 reaching NT\$3.79, reflecting profit expansion.

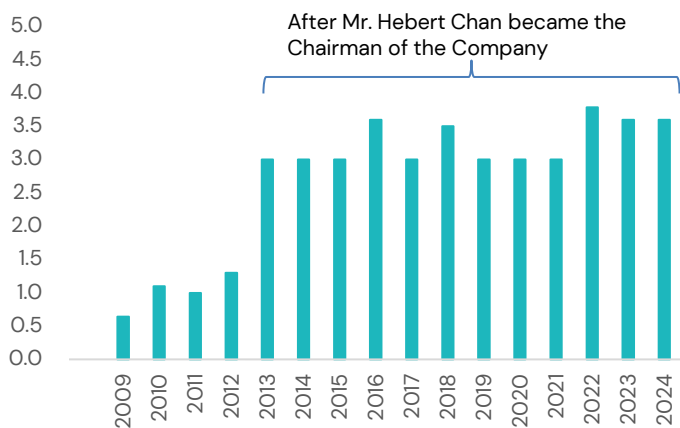
Payout Ratio: Over the past decade, the payout ratio has averaged ~75%, signaling management’s willingness to return the bulk of earnings to shareholders.

Dividend Yield: Yields have ranged from 5%–7%, competitive with Taiwan mid-cap peers and well above government bond yields.

Capex Discipline: Despite investing in digital transformation and overseas capacity (capex-to-sales ~3–5%), dividend payouts have been maintained, supported by robust cash flows and diversified non-core income streams.

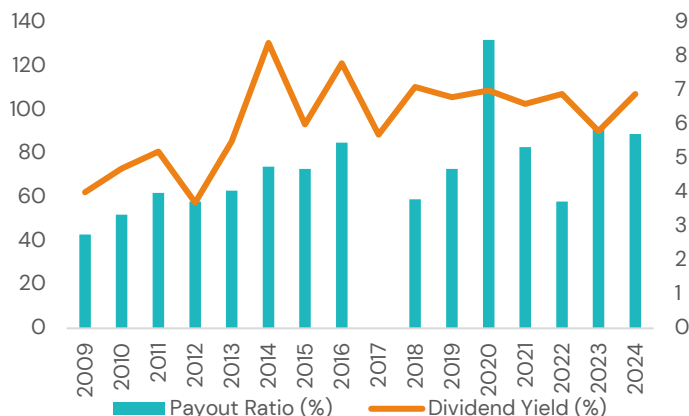
Looking forward, management’s ultimate goal is to grow dividends in line with profit expansion, but investors can take confidence that the company’s payout philosophy emphasizes consistency first, growth second. This is underpinned by both the earnings visibility of the apparel ODM business and recurring non-core income (real estate rentals, solar, USD assets), which act as a stabilizer across cycles.

Exhibit 3.3: Kwong Lung’s Dividend Payout (NT\$)



Source: Company Data, TruePulse Equity Research

Exhibit 3.4: Kwong Lung’s Payout Ratio & Yield



Source: Company Data, TruePulse Equity Research

4. Valuation & Scenario Analysis

4.1 Valuation Framework

We value Kwong Lung Enterprise primarily using peer multiple comparison, anchored on forward P/E ratios (2025–2026E). Given the company's transition toward a structurally higher-margin apparel ODM business, P/E is the most relevant valuation metric to capture earnings power and market re-rating potential. P/B is used as cross-checks, while dividend yield serves as an important complementary perspective due to management's fixed dividend payout strategy.

Our peer universe spans:

- Taiwan textile peers (Eclat, Makalot, Great Giant, Quang Viet)
- International textile peers (Youngone, Shenzhou International)
- Taiwan footwear peers (Feng Tay, Fulgent Sun, Lai Yih, Sports Gear, Chung Jye)
- Global outerwear brands (adidas, Columbia Sportswear, VF Corp, Canada Goose, Moncler, Amer Sports)

This breadth ensures a balanced comparison between local manufacturers and global brand owners.

Kwong Lung's current trading multiples reveal a valuation disconnect relative to its growth, dividend yield, and financial profile:

Valuation Multiples

- Kwong Lung trades at **9.0x 2026E P/E**, well below Taiwan textile peers (15.1x) and global outerwear peers (19.6x). Even Taiwan footwear OEMs, with similar models, trade at ~14.4x.
- Its **P/B of 1.4x** is modest relative to Taiwan peers averaging ~2.8x, despite comparable ROE.
- **Dividend yield** is the outlier: Kwong Lung offers **6.4% (2025E)** versus peer averages of 3–5%, underpinned by a fixed NT\$3/share payout floor.

Financial Ratios & Fundamentals

- **Earnings CAGR:** Kwong Lung's ~15.1% EPS CAGR (2024–26E) is among the fastest in the peer set, driven by apparel growth and ODM transition.
- **ROE:** Projected to recover to ~15.5% by 2026, on par with industry averages, but still trailing premium leaders like Eclat and Makalot (>20%).
- **Margins:** Operating margin is forecast to normalize toward 8–9%, narrowing the gap with premium peers, supported by ODM expansion and digital manufacturing.
- **Capital Structure:** While not net cash, Kwong Lung maintains manageable gearing and augments earnings with recurring non-core income, giving it a level of stability peers often lack.

Exhibit 4.1: Kwong Lung's Peer Valuation Comparison Table

	Market Cap (US\$mn)	EPS CAGR 2024-2026E	P/E (x)			P/B (x)			ROE (%)			Dividend Yield (%)		
			2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
Taiwan Textile Peers														
Kwong Lung	237	15.1%	12.0	15.7	9.0	1.3	1.5	1.4	10.5	8.6	15.5	7.4	6.4	8.9
Quang Viet	237	15.3%	18.2	18.5	13.7	0.9	0.7	0.7	4.8	6.8	-	4.5	9.0	-
Eclat	3,894	-2.5%	18.1	23.4	19.0	4.2	4.1	3.9	24.3	18.4	22.5	3.9	3.3	3.7
Makalot	2,297	-4.7%	17.2	20.3	18.9	4.8	5.2	4.9	27.2	24.9	26.8	6.0	4.8	4.5
Great Giant	562	12.7%	18.7	19.6	14.7	3.5	3.3	3.1	19.7	14.2	18.9	3.2	3.0	4.3
Average		7.2%	16.8	19.5	15.1	2.9	3.0	2.8	17.3	14.6	20.9	5.0	5.3	5.4
Global Textile Peers														
Youngone	1,800	2.9%	6.1	6.8	5.7	0.7	0.7	0.6	7.9	9.9	10.8	2.3	2.5	2.8
Shenzhou Int'l	13,224	6.9%	15.1	14.6	13.2	2.6	2.4	2.2	18.2	17.3	17.6	3.7	4.1	4.5
Average		4.9%	10.6	10.7	9.5	1.7	1.5	1.4	13.0	13.6	14.2	3.0	3.3	3.7
TW Footwear Peers														
Feng Tay	4,212	3.2%	22.1	24.3	20.8	4.8	4.9	4.6	23.3	20.3	23.1	3.9	3.4	3.8
Fulgent Sun	675	28.2%	15.1	12.8	9.2	1.4	1.4	1.3	10.4	11.3	14.9	4.8	4.7	6.2
Lai Yih	1,938	6.6%	15.6	18.0	13.8	2.4	2.3	2.1	18.9	14.0	16.3	3.8	3.4	4.1
Sports Gear	759	8.2%	14.6	16.2	12.5	1.5	1.6	1.5	11.1	9.1	11.4	5.3	5.4	6.2
Chung Jye	460	-27.5%	8.3	15.2	15.8	1.2	1.1	1.2	18.7	7.5	8.4	6.6	2.7	3.3
Average		3.7%	15.2	17.3	14.4	2.3	2.3	2.1	16.5	12.5	14.8	4.9	3.9	4.7
Global Outerwear														
adidas	39,430	59.4%	44.4	24.8	17.5	6.2	5.0	4.4	15.3	22.2	27.4	1.1	1.5	2.2
Columbia Sportswear	2,989	-11.5%	13.4	16.8	17.1	1.7	1.7	1.6	12.0	10.0	9.7	2.2	2.2	2.3
V.F. Corporation	6,207	n.a.	-	25.9	17.3	3.7	3.8	3.1	10.2	17.3	20.8	2.3	2.3	2.3
Canada Goose	1,300	26.9%	25.1	19.4	15.6	3.7	3.3	3.1	18.3	16.7	12.5	-	-	-
Moncler	16,889	0.5%	22.7	24.2	22.5	4.0	3.8	3.5	18.8	16.3	16.4	2.4	2.2	2.3
Amer Sports	17,547	193.6%	241.7	36.5	28.0	3.5	3.2	2.8	3.2	8.6	10.3	-	-	-
Average		53.8%	69.4	24.6	19.6	3.8	3.5	3.1	9.6	15.2	16.2	2.0	2.1	2.3

Source: Company Data, Capital IQ TruePulse Equity Research

4.2 Scenario-Based Implied Valuation

We derive an implied valuation range for Kwong Lung based on forward EPS forecasts and peer multiples. Using 2026E EPS of NT\$5.3 as the valuation anchor:

Exhibit 1.11: Kwong Lung's Implied Value Scenario Analysis

Scenario	Applied P/E (x)	Implied Value (NT\$)	Underlying Assumptions
Bear Case	9–10	48–53 元	Prolonged FX headwinds, slower ODM scaling
Base Case	11–13	58–69 元	FX normalization, apparel growth
Bull Case	14–16	74–85 元	Apparel > 70%, home textile traction

Source: Company Data, TruePulse Equity Research

Kwong Lung's current valuation reflects a clear disconnect. Despite delivering an EPS CAGR of ~15.1% (2024–26E), maintaining one of the most attractive dividend yields in the sector at over 6%, and executing a structural transition into higher-margin apparel ODM, the stock trades at only 9x forward earnings. This is at a steep discount to Taiwan textile peers (14–15x) and global outerwear brands (19x).

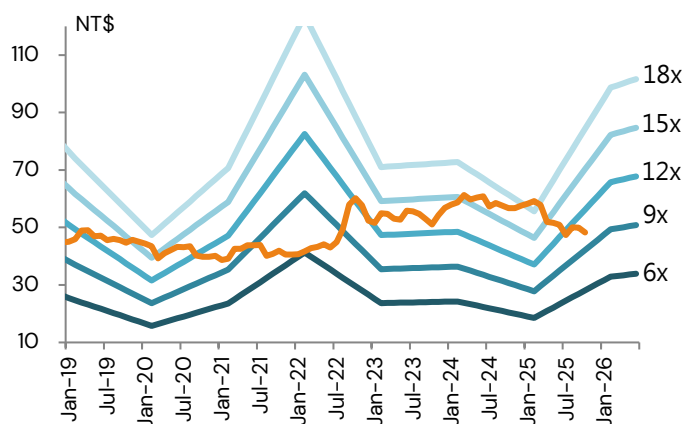
We believe this discount is attributable to:

- Legacy perception — investors continue to associate Kwong Lung with its cyclical down-materials business rather than its fast-expanding apparel ODM platform.
- Limited visibility — the company receives little sell-side coverage compared to Eclat, Makalot, or Shenzhou.
- Short-term macro headwinds — FX volatility and near-term order disruptions have masked underlying earnings recovery.

Looking forward, we see multiple drivers for a structural re-rating: apparel approaching 70% of revenues, ODM penetration increasing, digital manufacturing efficiencies, and new home textile clients creating longer-term growth optionality.

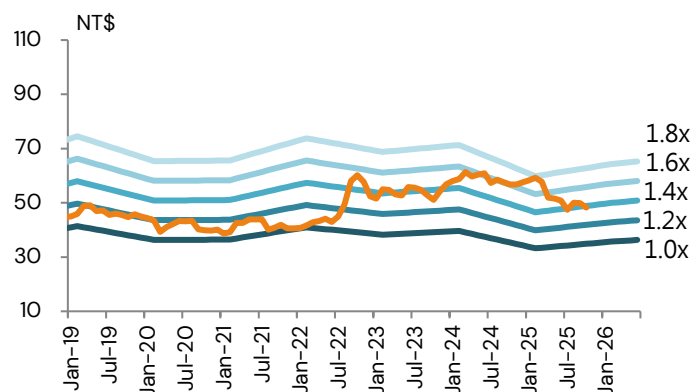
Our scenario analysis implies a valuation range of NT\$48–85 per share, with a base case of NT\$58–69, suggesting 20–43% upside from current levels. In our view, Kwong Lung offers investors a rare combination of growth, yield support, and optionality that is not yet reflected in its market multiple.

Exhibit 4.3: Kwong Lung’s Forward P/E Chart



Source: Company Data, TEJ TruePulse Equity Research

Exhibit 4.4: Kwong Lung’s Forward P/B Chart



Source: Company Data, TEJ, TruePulse Equity Research

4.3 Risk Considerations

While Kwong Lung’s strategic transformation into a technology-enabled functional outerwear ODM has strengthened its structural outlook, several risk factors could influence earnings trajectory and valuation outcomes.

- **FX Volatility and Currency Exposure:** Kwong Lung generates more than 70% of its revenue from export markets while maintaining a cost base partially denominated in New Taiwan dollars. Consequently, short-term earnings are sensitive to abrupt NT-dollar movements.
- **Client Concentration and Order Seasonality:** Despite a diversified portfolio across more than 20 international brands, Kwong Lung’s top five customers account for roughly 40% of revenue, with Nitori, Burton, mont-bell, and 5.11 among the largest. Functional outerwear’s strong seasonality—front-loaded toward 2Q–3Q—can amplify quarterly volatility in utilization and working capital. A major client’s schedule shift or inventory correction can therefore distort interim earnings, even if full-year demand remains intact.
- **Tariff and Trade Policy Uncertainty:** Kwong Lung’s production network spans Vietnam, Indonesia, China, and Bangladesh—regions periodically subject to changes in U.S. and EU trade regimes. While recent confirmation of lower-than-feared U.S. tariffs on Vietnamese and Indonesian exports has eased immediate pressure, renewed protectionist measures, or quota adjustments could alter customer sourcing behavior.

- **Labor Costs and Production Efficiency:** As functional outerwear involves high SAM (Standard Allowed Minutes) and complex assembly—often exceeding 100 components per piece—labor productivity directly drives profitability. A sustained rise in regional wages, particularly in Vietnam and Indonesia, could erode margins unless offset by continued process automation and lean-manufacturing gains.
- **Raw-Material Price Fluctuation:** Feather and down materials, while now a smaller portion of revenue, still contribute ≈25–30% of group sales. Price spikes in raw down—driven by climate events, avian-flu disruptions, or livestock cycle shifts—can compress spreads, particularly when inventory replenishment lags.
- **Non-Core Income Sustainability:** Kwong Lung’s steady dividend payout partly benefits from recurring non-operating income, including rental yield from commercial properties and projects sales through underpin earnings resilience but also introduce exposure to property-market conditions.

5. Appendix

5.1 Management Profile

Chairman and CEO – Mr. Hebert Chan

Hebert Chan represents the third generation of leadership at Kwong Lung Enterprise, a company founded by his grandfather in 1966 and once among Taiwan's top 50 enterprises. Having witnessed both the rise and subsequent fragmentation of the family business through multiple equity divisions, Mr. Chan combines legacy stewardship with modern corporate discipline.

After graduating from university, Mr. Chan began his career outside the family business, joining Lite-On IT, a subsidiary of the Lite-On Group, where he was responsible for establishing a new factory in Guangzhou. This early exposure to industrial engineering, process automation, and cost-efficiency management profoundly shaped his operating philosophy.

While working in the technology sector, he quietly accumulated shares of Kwong Lung using his own savings—eventually becoming one of its top five shareholders by the time he formally joined in 2007. His decision was driven by conviction that the family enterprise could be rebuilt into a professionally managed, globally competitive manufacturer.

At that time, Kwong Lung relied heavily on low-margin down-material trading. Upon assuming leadership, Mr. Chan initiated a comprehensive restructuring:

- Streamlined unprofitable production lines and outsourced low-value-added feather processing.
- Refocused resources on higher-margin R&D and product innovation, developing functional materials such as water-repellent down.
- Expanded downstream into functional outerwear, home textiles, and lifestyle bedding.
- Introduced digitalized production planning, replacing traditional manual methods with data-driven optimization tools.

Rejecting the industry's conventional "expand capacity to grow" mindset, Mr. Chan emphasized productivity through technology. Over five years, SG&A expenses fell from roughly 16% to 8% of revenue, while apparel productivity rose from 7% to more than 65%—well above the 40–50% industry norm.

The 2017 Vietnam-plant fire—destroying roughly 70% of Kwong Lung's capital base—tested his leadership. Instead of retrenching, Mr. Chan rebuilt the facilities with upgraded equipment, refreshed management, and full integration of the Manufacturing Technology Division to enable cross-site digital coordination. This recovery became the inflection point for Kwong Lung's evolution into a technology-enabled apparel ODM.

Today, Mr. Chan continues to lead the company with a focus on:

- Capital efficiency, maintaining a flexible 60/40 mix between in-house and outsourced production.
- Operational excellence through digitalization, improving yield and cycle-time visibility.
- Stable shareholder returns, reinforced by a minimum NT\$3 per-share annual dividend policy that underscores predictability and financial discipline.

Mr. Chan's leadership blends engineering pragmatism, strategic foresight, and risk-controlled growth. Under his direction, Kwong Lung has transformed from a cyclical materials supplier into a structurally resilient, innovation-led apparel ODM—an example of next-generation management reshaping Taiwan's traditional manufacturing base.

Chief Strategy Officer & Vice President – Ms. Demi Hsu

Ms. Demi Hsu currently serves as Chief Strategy Officer (CSO) and Vice President, overseeing both corporate strategy and the Apparel Division at Kwong Lung Enterprise. She joined the company in late 2017 and has since played a pivotal role in driving Kwong Lung’s transformation from a traditional feather processor into a diversified, innovation-led apparel ODM.

Prior to joining Kwong Lung, Ms. Hsu built a solid foundation in financial institutions, consulting, and corporate management — spanning over a decade across Taiwan’s leading firms:

- Manager of Investor Relations, Cathay Financial Holdings (2015–2017) — led communication strategy with global institutional investors and analysts, enhancing market transparency and financial positioning.
- Manager, Chairman’s Office, Shin Kong Life Insurance (2014–2015) — responsible for strategic initiatives and cross-departmental coordination at the group level.
- Senior Associate, The Boston Consulting Group (BCG) (2010–2014) — advised clients on corporate strategy, organizational restructuring, and performance improvement across finance, insurance, and industrial sectors.
- Associate Manager, Grand Cathay Investment Services Corp. (2004–2008) — focused on capital market advisory and investment analysis.

Her diverse experience — combining global consulting insight with deep exposure to Taiwan’s capital markets — has been instrumental in shaping Kwong Lung’s strategic framework and external communication. Since joining, Ms. Hsu has:

- Led the company’s strategic planning and long-term transformation agenda, focusing on digitalization, global supply-chain optimization, and product diversification.
- Spearheaded the apparel business expansion, developing partnerships with major outdoor and lifestyle brands while improving operational visibility and profitability.
- Strengthened corporate governance and investor relations, helping elevate Kwong Lung’s market transparency and long-term shareholder engagement.

Ms. Hsu holds an MBA and is recognized for her ability to integrate analytical rigor with pragmatic execution. Her leadership bridges corporate strategy, market communication, and operational delivery — reflecting the company’s broader shift toward value creation and global competitiveness.

5.2 Core Products and Design Capabilities

Kwong Lung Enterprise has established a strong presence in the field of outdoor functional apparel. Its core products include ski jackets, ski pants, mountaineering jackets, trekking pants, and down sleeping bags, all of which fall under high technical-barrier categories. The company primarily serves professional outdoor and sportswear brands in Europe, the U.S., and Japan.

These products emphasize waterproofing, windproofing, and high breathability, requiring multi-layer lamination and precision sewing techniques—among the most technically demanding segments in the apparel industry. Leveraging years of expertise in prototyping and material integration, Kwong Lung has repeatedly assisted global brand partners in winning the ISPO Award, the most prestigious recognition in the international outdoor industry. This highlights its leadership in both functional design and manufacturing craftsmanship.

In addition, Kwong Lung’s outstanding design and R&D team also contributed to the U.S. Ski Team’s uniform design and production for the 2022 Beijing Winter Olympics, further underscoring the company’s design excellence and global visibility in the premium functional apparel sector.

Exhibit 5.1: KL's Designs Achieved Many ISPO Awards



Source: Company Data, TruePulse Equity Research

Exhibit 5.2: US Olympic Team Uniform Designed by KL



Source: Company Data, TruePulse Equity Research

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