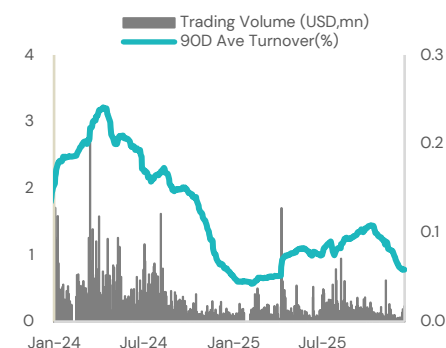
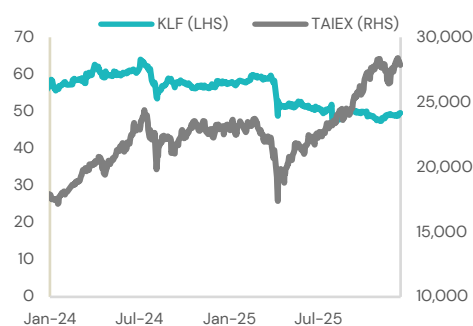


2025/12/16
TruePulse Equity Research
research@truepulsecapital.com

Key Statistics

| | |
|------------------------------------|-------------------|
| Ticker: | 8916.TW / 8916 TT |
| Current Price: | TWD 49.6 |
| 52-Week Range: | TWD 47.3 - 59.9 |
| Avg. Vol. (30-Day, k share) | 66.1 |
| Outstanding Shares (MN) | 150.0 |
| FINI Holding (%) | 3.42 |
| Market Cap (US\$MN) | 238.0 |

Price Performance



Financial Summary

| NT\$ mn | 2023 | 2024 | 2025E | 2026E |
|---------------------------|--------|-------|--------|-------|
| Revenue | 7,708 | 7,893 | 8,666 | 8,553 |
| Revenue YoY (%) | (25.2) | 2.4 | 9.8 | (1.3) |
| Gross Margin (%) | 17.9 | 17.3 | 15.8 | 17.6 |
| OP Margin(%) | 7.7 | 7.3 | 6.2 | 7.8 |
| Net Profit | 578 | 609 | 439 | 692 |
| Net Profit YoY (%) | (37.1) | 5.5 | (28.1) | 57.6 |
| Net Margin(%) | 7.5 | 7.7 | 5.1 | 8.1 |
| EPS (NT\$) | 3.95 | 4.04 | 2.91 | 4.58 |
| BPS (NT\$) | 38.2 | 39.6 | 33.7 | 35.5 |
| ROE (%) | 10.4 | 10.7 | 8.1 | 13.3 |
| Yield (%) | 7.3 | 7.2 | 6.3 | 7.5 |
| P/E (x) | 12.9 | 12.2 | 17.0 | 10.8 |
| P/B (x) | 1.3 | 1.3 | 1.5 | 1.4 |
| P/S (x) | 1.2 | 0.9 | 0.9 | 0.9 |
| EV/EBITDA (x) | 13.3 | 13.7 | 13.4 | 11.5 |

Kwong Lung Enterprise

Order Recovery and Multi-Country Platform Maturation Anchor a New Growth Cycle

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.

Key Points

Order Visibility Extends; New Customers Reinforce Growth Momentum: Management highlighted improved demand visibility in apparel, with core customers stabilizing and U.S. brands benefiting from China order diversion, supplier consolidation, and an ongoing inventory replenishment cycle. As a result, order visibility has extended from end-2025 to 2Q26, providing improved planning certainty. New customers are expected to ramp from 2H25 and contribute 10–15% of revenue in 2026, supporting higher utilization and continued product-mix optimization. In home textiles, new European and Japanese customers are set to enter mass production in 2026, reinforcing visibility for sustained double-digit growth next year.

Multi-Country Manufacturing Platform Moves into Execution Phase: Kwong Lung continues to advance its multi-country manufacturing strategy with clearer functional roles across regions. Vietnam remains the core base for higher-value and higher-complexity orders, while Indonesia is transitioning toward flexible mid-price and quick-response products. Bangladesh has completed initial setup, secured trial orders, and is expected to begin shipments in 1H26, supporting large-volume basic styles. The complementary positioning enhances order flexibility, cost efficiency, and ESG compliance, with management emphasizing that the platform has evolved into a source of structural competitiveness over 2026–2028.

Stepped Dividend Framework Strengthens Long-Term Value Visibility: The chairman outlined a long-term capital allocation strategy focused on value growth rather than capacity-driven expansion, reflecting rising land, labor, and construction costs across the industry. The company aims to combine stable operating earnings with diversified cash-flow sources to improve the predictability and resilience of shareholder returns. A stepped dividend framework targets a NT\$0.5 increase every two years, supported by core operations and rental income from commercial assets in Taiwan and Japan, establishing a clear and more disciplined path for long-term shareholder value creation.

Forecast Revisions Reflect Timing, Core Momentum Intact: We updated 2025–2027 forecasts primarily to reflect earlier property project recognition and revised profitability assumptions. The Qingzhe project lifts 2025 revenue by ~5.9%, while 2026 revenue moderates as one-off contributions roll off; updated assumptions for the Huashan and Taichung projects reduce 2026–2027 net profit by 14–16%. Importantly, core operations remain intact, with operating profit still expected to deliver double-digit growth. Based on 2026E EPS of NT\$4.58, the base-case implied valuation range is NT\$50–60 (11–13x P/E), underpinned by improving visibility and cash-flow flexibility.

Management Takeaways from Investor Conference

At the investor conference on December 16th, management provided a comprehensive overview of Kwong Lung's competitive positioning, multi-country production strategy, and, most importantly, unveiled a clearer long-term capital allocation and dividend framework. We view this session not only as an update on near- to mid-term operating visibility, but also as a key step in articulating the company's long-term value creation logic.

From a competitive standpoint, Kwong Lung reaffirmed its positioning in the functional outdoor apparel segment, focusing on high-value, performance-driven products. The company has obtained B Corp certification, embedding sustainability standards into its operating model—an increasingly important differentiator, particularly for global outdoor and European customers. On the manufacturing side, Kwong Lung continues to leverage Toyota Production System (TPS) principles, utilizing U-shaped production lines and one-piece-flow management to enhance quality control and production flexibility. This system is particularly well-suited for outdoor brands' complex order profiles, characterized by high SKU counts and small batch sizes. Synergies across the apparel, down, and home textile divisions further enhance vertical integration and operational leverage.

Kwong Lung's multi-country manufacturing strategy is progressing toward a more structured and resilient configuration. Vietnam remains the core production base, accounting for approximately 80–90% of output in 2026 and focusing on higher-complexity and higher-value orders. Indonesia serves as a supplementary site to provide supply-chain diversification and flexible capacity. Bangladesh has been positioned as a new growth engine, targeting large-volume, structurally simpler products such as T-shirts, athleisure, and fast-fashion items, leveraging its cost advantages to penetrate new customer segments. The company has established a local office and expanded to six partner factories (with three additional sites under evaluation), with shipments expected to commence in 1H26. Over the longer term, management does not rule out investment or M&A to establish owned capacity in Bangladesh.

Regarding order visibility and the 2026 outlook, management indicated that apparel order visibility has now extended through 2Q26. Confidence in sustaining double-digit growth in apparel is supported by three key drivers: (1) a broadly positive outlook from existing customers, (2) order transfers driven by geopolitical factors and supplier consolidation as customers shift sourcing away from China and smaller vendors, and (3) the maturation of customers acquired over the past two to three years, whose order volumes are expected to ramp meaningfully beginning in 1H26. Management expects new customers to contribute approximately 10–15% of apparel revenue in 2026, up from 5–10% in 2025, with three of the current top ten apparel customers having been added in recent years.

On profitability, management reiterated its expectation that gross margin in 2025 will remain within the 18–20% range. Potential tariff impacts have already been factored into pricing discussions with customers, and management does not expect material margin pressure from tariff-related factors. In Europe, B Corp certification has become an important enabler for customer engagement, with sampling and quotation processes currently underway; however, there are no near-term plans to establish manufacturing facilities in Europe, pending further evaluation of economic viability.

The most significant strategic update from this conference was the introduction of a dual-track asset strategy combined with a stepped fixed-dividend framework. Management highlighted that manufacturing expansion typically involves a “J-curve” period of upfront losses and depreciation, which can create volatility in earnings and dividend capacity. To mitigate this effect, Kwong Lung plans to develop commercial assets in parallel to generate stable

and recurring cash flows. Key initiatives include the conversion of the Zhongli facility into income-generating commercial property, a mixed-use development in Taichung Nantun with lower floors retained for rental income and upper floors sold for capital recovery, and an investment in a boutique hotel in Osaka (approximately 50 rooms) expected to commence operations in 2026. Commercial assets are projected to contribute approximately NT\$50–60 million in pre-tax income in 2026, classified as non-operating income.

On shareholder returns, Kwong Lung reiterated that “fixed dividends” form the core of its investment proposition. Supported by both operating earnings and commercial asset cash flows, management aims to increase fixed cash dividends in a stepwise manner—raising the dividend by one level every two years—with the long-term objective of delivering approximately 20% annualized total shareholder returns through a combination of dividends and capital appreciation.

Exhibit 1.1: Kwong Lung’s 2025–2027E Forecasts Revision

| NT\$m | 2025E | | | 2026E | | | 2027E | | |
|------------------|---------|----------|--------|---------|----------|--------|---------|----------|--------|
| | Revised | Original | Change | Revised | Original | Change | Revised | Original | Change |
| Revenue | 8,666 | 8,186 | 5.9% | 8,553 | 9,402 | -9.0% | 9,761 | 11,073 | -11.9% |
| Gross Profit | 1,365 | 1,345 | 1.5% | 1,503 | 1,683 | -10.7% | 1,722 | 1,998 | -13.8% |
| Operating Profit | 538 | 609 | -11.6% | 664 | 809 | -17.8% | 820 | 1,005 | -18.4% |
| Pretax Profit | 574 | 573 | 0.2% | 855 | 980 | -12.7% | 930 | 1,053 | -11.7% |
| Net Profit | 439 | 464 | -5.4% | 692 | 807 | -14.2% | 742 | 864 | -14.1% |
| EPS (NT\$) | 2.91 | 3.07 | -5.3% | 4.58 | 5.34 | -14.1% | 4.92 | 5.72 | -14.0% |
| | | | | | | | | | |
| Gross Margin | 15.8% | 16.4% | | 17.6% | 17.9% | | 17.6% | 18.0% | |
| Operating Margin | 6.2% | 7.4% | | 7.8% | 8.6% | | 8.4% | 9.1% | |
| Pretax Margin | 6.6% | 7.0% | | 10.0% | 10.4% | | 9.5% | 9.5% | |
| Net Margin | 5.1% | 5.7% | | 8.1% | 8.6% | | 7.6% | 7.8% | |

Source: Company Data, TruePulse Equity Research

Exhibit 1.2: Kwong Lung's Financial Summary and Forecast

| Revenue Breakdown (%) | 2023 | 2024 | 2025E | 2026E | 2027E |
|-----------------------|--------|-------|--------|-------|-------|
| Apparel | 58.56 | 61.44 | 54.79 | 61.06 | 64.21 |
| Down Materials | 21.85 | 19.23 | 18.94 | 19.19 | 16.82 |
| Home textile | 18.84 | 18.95 | 17.89 | 19.03 | 18.34 |
| Others | 0.75 | 0.39 | 8.38 | 0.72 | 0.63 |
| (NT\$m) | | | | | |
| Revenue | 7,708 | 7,893 | 8,666 | 8,553 | 9,761 |
| Gross Profit | 1,382 | 1,365 | 1,365 | 1,503 | 1,722 |
| Operating Profit | 597 | 577 | 538 | 664 | 820 |
| Non-op Profit | 149 | 165 | 36 | 191 | 110 |
| Pretax Profit | 746 | 742 | 574 | 855 | 930 |
| Net Profit | 578 | 609 | 439 | 692 | 742 |
| EPS (NT\$) | 3.9 | 4.0 | 2.91 | 4.58 | 4.92 |
| Margins | | | | | |
| Gross Margin | 17.9% | 17.3% | 15.8% | 17.6% | 17.6% |
| OPEX Ratio | 10.2% | 10.0% | 9.5% | 9.8% | 9.2% |
| Operating Margin | 7.7% | 7.3% | 6.2% | 7.8% | 8.4% |
| Pretax Margin | 9.7% | 9.4% | 6.6% | 10.0% | 9.5% |
| Net Margin | 7.5% | 7.7% | 5.1% | 8.1% | 7.6% |
| YoY | | | | | |
| Revenue | -25.2% | 2.4% | 9.8% | -1.3% | 14.1% |
| Gross Profit | -21.6% | -1.2% | 0.0% | 10.1% | 14.6% |
| Operating Profit | -37.4% | -3.4% | -6.7% | 23.5% | 23.4% |
| Net Profit | -37.1% | 5.5% | -27.9% | 57.6% | 7.2% |
| EPS (NT\$) | -42.6% | 2.5% | -28.1% | 57.6% | 7.2% |

Source: Company Data, TruePulse Equity Research

Exhibit 1.3: Kwong Lung's Financial Summary and Forecast (Quarterly)

| (NT\$m) | 1Q25 | 2Q25 | 3Q25 | 4Q25E | 1Q26E | 2Q26E | 3Q26E | 4Q26E |
|------------------|--------|--------|-------|-------|--------|--------|-------|--------|
| Revenue | 1,668 | 2,430 | 2,165 | 2,402 | 1,771 | 2,593 | 2,329 | 1,859 |
| Gross Profit | 231 | 411 | 404 | 320 | 276 | 488 | 441 | 298 |
| Operating Profit | 34 | 239 | 186 | 79 | 79 | 286 | 220 | 79 |
| Non-op Profit | 37 | (114) | 100 | 13 | 44 | 58 | 52 | 36 |
| Pretax Profit | 71 | 125 | 286 | 93 | 123 | 344 | 273 | 115 |
| Net Profit | 51 | 101 | 211 | 76 | 100 | 279 | 221 | 93 |
| EPS (NT\$) | 0.34 | 0.67 | 1.40 | 0.50 | 0.66 | 1.85 | 1.46 | 0.62 |
| Margins | | | | | | | | |
| Gross Margin | 13.8% | 16.9% | 18.7% | 13.3% | 15.6% | 18.8% | 18.9% | 16.0% |
| OPEX Ratio | 11.8% | 7.1% | 10.1% | 10.0% | 11.1% | 7.8% | 9.5% | 11.8% |
| Operating Margin | 2.0% | 9.8% | 8.6% | 3.3% | 4.5% | 11.0% | 9.5% | 4.3% |
| Pretax Margin | 4.3% | 5.1% | 13.2% | 3.9% | 7.0% | 13.3% | 11.7% | 6.2% |
| Net Margin | 3.1% | 4.2% | 9.7% | 3.2% | 5.6% | 10.7% | 9.5% | 5.0% |
| YoY | | | | | | | | |
| Revenue | 10.4% | -3.4% | -2.5% | 46.0% | 6.1% | 6.7% | 7.6% | -22.6% |
| Gross Profit | -6.2% | -11.9% | 1.6% | 25.1% | 19.7% | 18.8% | 9.1% | -6.7% |
| Operating Profit | -40.1% | -13.5% | -3.8% | 56.0% | 134.4% | 19.7% | 18.2% | -0.1% |
| Net Profit | -65.4% | -58.9% | 51.2% | 1.0% | 93.9% | 175.5% | 4.7% | 22.8% |
| EPS (NT\$) | -65.7% | -59.1% | 52.8% | 0.8% | 94.0% | 175.7% | 4.7% | 22.8% |

Source: Company Data, TruePulse Equity Research

Exhibit 1.4: Kwong Lung's Peer Valuation Comparison Table

| | Market Cap | EPS CAGR | P/E (x) | | | P/B (x) | | | ROE (%) | | | Dividend Yield (%) | | |
|-----------------------------|------------|--------------|-------------|-------------|-------------|------------|------------|------------|-------------|-------------|-------------|--------------------|------------|------------|
| | (US\$m) | 2025-2027E | 2024 | 2025 | 2026 | 2024 | 2025 | 2026 | 2024 | 2025 | 2026 | 2024 | 2025 | 2026 |
| Taiwan Textile Peers | | | | | | | | | | | | | | |
| Kwong Lung | 238 | 30.1% | 12.2 | 17.0 | 10.8 | 1.3 | 1.5 | 1.4 | 10.5 | 8.1 | 13.3 | 7.2 | 6.3 | 7.5 |
| Quang Viet | 258 | 97.5% | 20.1 | 25.6 | 15.1 | 1.0 | 0.8 | 0.8 | 4.8 | 6.8 | 17.3 | 4.1 | 8.2 | - |
| Eclat | 3,417 | 14.4% | 16.1 | 19.6 | 16.6 | 3.7 | 3.6 | 3.4 | 24.3 | 18.9 | 21.8 | 4.4 | 3.9 | 4.1 |
| Makalot | 2,316 | 12.3% | 17.6 | 20.4 | 18.2 | 5.0 | 5.3 | 4.9 | 27.2 | 24.8 | 28.0 | 5.8 | 4.7 | 4.7 |
| Great Giant | 463 | 27.0% | 15.6 | 15.4 | 12.0 | 2.9 | 2.9 | 2.7 | 19.7 | 16.6 | 20.8 | 3.8 | 3.8 | 5.2 |
| Average | | 36.3% | 16.3 | 19.6 | 14.5 | 2.8 | 2.8 | 2.6 | 17.3 | 15.0 | 20.2 | 5.1 | 5.4 | 5.4 |
| Global Textile Peers | | | | | | | | | | | | | | |
| Youngone | 2,679 | 10.7% | 9.2 | 8.6 | 7.7 | 1.1 | 1.0 | 0.9 | 7.9 | 11.8 | 12.0 | 1.5 | 1.7 | 2.0 |
| Shenzhou Int'l | 11,899 | 11.2% | 13.4 | 13.0 | 11.7 | 2.3 | 2.2 | 2.0 | 18.2 | 17.3 | 17.7 | 4.2 | 4.6 | 5.1 |
| Average | | 11.0% | 11.3 | 10.8 | 9.7 | 1.7 | 1.6 | 1.4 | 13.0 | 14.6 | 14.9 | 2.8 | 3.1 | 3.5 |
| TW Footwear Peers | | | | | | | | | | | | | | |
| Feng Tay | 3,831 | 17.2% | 20.4 | 23.7 | 19.1 | 4.5 | 4.7 | 4.2 | 23.3 | 18.6 | 23.2 | 4.2 | 3.5 | 4.2 |
| Fulgent Sun | 690 | 55.4% | 15.7 | 16.7 | 10.8 | 1.5 | 1.5 | 1.4 | 10.4 | 9.3 | 14.6 | 4.7 | 4.5 | 6.0 |
| Lai Yih | 2,047 | 25.4% | 16.8 | 19.0 | 15.1 | 2.6 | 2.5 | 2.3 | 18.9 | 13.2 | 15.9 | 3.5 | 3.1 | 3.9 |
| Sports Gear | 735 | 17.2% | 14.4 | 16.3 | 12.8 | 1.5 | 1.6 | 1.4 | 11.1 | 9.2 | 11.0 | 5.4 | 4.6 | 5.9 |
| Chung Jye | 425 | 6.9% | 7.8 | 21.4 | 15.4 | 1.2 | 1.0 | - | 18.7 | 5.2 | 6.4 | 7.1 | 2.9 | 3.5 |
| Average | | 24.4% | 15.0 | 19.4 | 14.6 | 2.2 | 2.3 | 2.3 | 16.5 | 11.1 | 14.2 | 5.0 | 3.8 | 4.7 |
| Global Outerwear | | | | | | | | | | | | | | |
| adidas | 34,910 | 29.7% | 38.9 | 22.0 | 15.6 | 5.4 | 4.6 | 3.9 | 5.3 | 22.2 | 27.2 | 1.2 | 1.7 | 2.5 |
| Columbia Sportswear | 3,074 | -1.2% | 13.8 | 18.0 | 19.0 | 1.8 | 1.8 | 1.7 | 12.0 | 9.8 | 8.9 | 2.1 | 2.1 | 2.0 |
| V.F. Corporation | 7,529 | 16.9% | - | 31.9 | 21.0 | 4.5 | 4.6 | 3.9 | 7.5 | 16.5 | 19.9 | 1.9 | 1.9 | 1.9 |
| Canada Goose | 1,228 | 19.2% | 23.3 | 19.5 | 16.2 | 3.4 | 3.0 | 2.8 | 18.3 | 18.4 | 11.8 | - | - | - |
| Moncler | 18,047 | 8.0% | 24.0 | 25.6 | 24.1 | 4.3 | 4.0 | 3.7 | 18.8 | 16.2 | 16.1 | 2.3 | 2.1 | 2.2 |
| Amer Sports | 21,650 | 26.2% | 298.2 | 41.4 | 33.0 | 4.3 | 3.9 | 3.5 | 3.2 | 9.3 | 10.6 | - | - | - |
| Average | | 16.5% | 79.6 | 26.4 | 21.5 | 3.9 | 3.7 | 3.2 | 10.0 | 15.4 | 15.7 | 1.9 | 1.9 | 2.1 |

Source: Company Data, TruePulse Equity Research

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