

Kwong Lung Enterprise Co Ltd (8916 TT)

Scaling Apparel and Home Textiles With Consistent Payouts

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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 customer. 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

Strategic Shift to Functional Outerwear Fuels Growth: Kwong Lung has successfully transitioned from a down materials supplier to a leading functional outerwear manufacturer, a highly demanding apparel segment known for its product complexity and strong seasonality. Despite steep learning curves, the company has built a strong reputation and is now a trusted partner for top-tier outdoor brands, including Burton, MontBell, and Fjällräven. Its U-Shape Cell Lines production model enables high agility in handling small-batch, high-variety orders, maintaining strong profitability. This operational flexibility allows Kwong Lung to capitalize on the long-tail effect, attracting outdoor brands outside the top three, which larger manufacturers typically overlook. As a result, the company continues to gain 3-5 new clients annually, further solidifying its market position and long-term growth potential.

Garment Expansion Drives Margin Growth and Global Competitiveness: As garment revenue contribution surpassed 50%, Kwong Lung has successfully expanded its gross margin from the low teens to high teens and operating margin from low single digits to near double digits over the past five years. With a target of 70% garment contribution by 2027, further margin expansion is expected. The company's production bases in Vietnam and Indonesia continue to benefit from US export demand as brands shift sourcing away from China due to geopolitical uncertainties. Additionally, with ongoing capacity expansion in Indonesia, Kwong Lung now has greater flexibility to take on larger volume orders at lower FOB prices, strengthening its competitiveness in the global market.

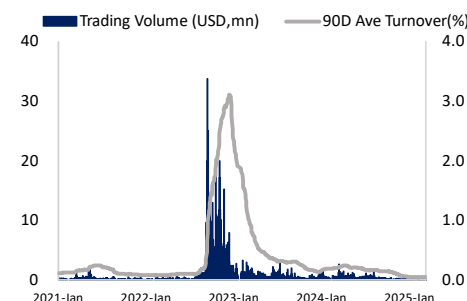
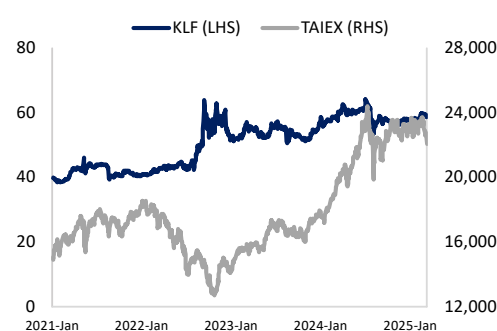
Home Textiles Expanding With New Strategic Clients: In addition to its long-standing partnership with Nitori, Kwong Lung has secured two new strategic clients—a leading European home furnishing brand and a Japanese daily essentials brand. Both clients placed initial trial orders in 4Q24, with discussions underway to broaden product offerings. These partnerships align with the aggressive expansion plans of all three brands, positioning Kwong Lung for sustained growth in the home textile segment. By leveraging its expertise in eco-friendly and high quality designs, the company is well-positioned to capture long-term opportunities, making home textiles an additional growth driver for its business.

Stable Dividend Policy with Long-Term Financial Consistency: Kwong Lung reported 2024 consolidated revenue of NT\$7.89 billion (+2.4% YoY), with stable contributions from garment and down material divisions. Operating profit declined 3.4% to NT\$577 million due to rising input costs, while net profit increased 5.5% to NT\$609 million, with EPS of NT\$4.04 and a net margin of 7.7%. The company has consistently distributed cash dividends exceeding NT\$3 per share for 11 consecutive years, maintaining an average payout ratio above 80% and a dividend yield exceeding 6%. With ongoing garment and home textile expansion, and additional cash inflows expected from residual real estate projects in 1Q25, the company continues to follow a disciplined and stable dividend policy.

KEY STATISTICS

Ticker:	8916 TT
Current Price:	NT\$ 59
52-Week Range:	NT\$ 53.5 - 64
Average Volume (30-Day, k shares)	95.6
Outstanding Shares (MN)	151
FINI Holding (%)	3.45
Market Cap (MN)	US\$ 271

PRICE PERFORMANCE



FINANCIAL SUMMARY

mn,NTD	FY21	FY22	FY23	FY24
Revenue	8,061	10,304	7,708	7,893
Revenue YoY (%)	-5.2	27.8	-25.2	2.4
Gross Margin (%)	12.3	17.1	17.9	17.3
Op. Margin (%)	2.3	9.3	7.7	7.3
Net Income	515	919	578	609
Net Income YoY (%)	49.6	78.4	-37.1	5.5
Net Margin (%)	6.4	8.9	7.5	7.7
EPS (NTD)	3.58	6.54	3.93	4.04
ROA (%)	6.5	10.9	7.0	6.7
ROE (%)	10.4	17.5	10.3	10.7
ROIC (%)	1.2	7.0	0.1	0.9
P/E (x)	10.3	7.9	14.9	14.7
P/B (x)	1.1	1.3	1.5	1.5
P/S (x)	0.7	0.7	1.1	1.1
EV/EBITDA (x)	19.9	7.0	12.1	11.3

Source : TEJ

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