

FST Corp. NASDAQ - KBSX

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From Steel Shafts to Golf Lifestyle Brand: Initiating FST Corp. with a Buy Rating and \$4 Target

Analyst: Barry M. Sine, CFA, CMT

- **Initiating coverage with a Buy rating and \$4 target:** FST is one of the three dominant global steel golf shaft manufacturers, but we believe the market is missing the broader KBS lifestyle brand opportunity.
- **KBS is more than a component supplier:** Its shafts are used by professionals, serious amateurs, and presidents, while KBS Golf Experience locations, tour trucks, apparel, events, and even a sponsored Sumo wrestling house extend the brand beyond equipment.
- **Steel dominance funds graphite expansion:** FST already has strong positioning in steel shafts, while the company's "dominate steel, grow carbon fiber" strategy targets the faster-growing graphite opportunity.
- **Margins should improve after public-company costs:** 1Q26 showed positive operating income, net income, and EBITDA, and we forecast profitability to continue as transaction costs fade and scale improves.
- **Premium growth deserves a premium valuation:** KBSX trades at only 1.2x our 2027 revenue estimate, while our \$4 target applies 3.1x revenue to a faster-growing, better-positioned golf lifestyle platform.

Rating	Buy	Earnings Per Share		Normalized to exclude unusual items			
Target Price	\$4.00	FYE - December	2024	2025	2026E	2027E	
Ticker Symbol	KBSX	1Q - March		(\$0.06)	\$0.04 A	\$0.02	
Market	NASDAQ	2Q - June		(\$0.07)	\$0.00	\$0.02	
Stock Price	\$1.26	3Q - September		(\$0.02)	\$0.00	\$0.02	
52 wk High	\$6.33	4Q - December		(\$0.01)	\$0.00	\$0.02	
52 wk Low	\$1.04	Year	(\$0.09)	(\$0.16)	\$0.05	\$0.07	
Shares Outstanding:	44.8 M	Revenue (\$mm)	36.5	48.0	57.2	64.1	
Public Market Float:	24.0 M	EV/Rev	2.1X	1.6X	1.4X	1.2X	
Avg. Daily Volume	8,822	EBITDA (\$mm)	(0.2)	2.2	6.6	8.5	
Market Capitalization:	\$56.5 M	EV/EBITDA		34.9X	12.0X	9.2X	
Institutional Holdings:	4.1%						
Dividend Yield:	0.0%						

Risks/Valuation

- **Golf Market Weakness or Share Loss Could Pressure Growth:** FST already dominates steel shafts, so sustaining double-digit growth increasingly depends on continued golf participation growth and successful expansion in the competitive graphite shaft market.
- **Any escalation in cross-Strait tensions could disrupt supply chains, customer demand, investor sentiment, and global trade conditions.**

Company description: FST Corp., through its KBS Shafts business, is a premium sporting goods company focused primarily on high-end golf club shafts. The company currently dominates the steel shaft category while expanding into graphite and carbon fiber products. Management is also positioning the business beyond equipment and toward a broader golf lifestyle brand through KBS Golf Experience retail and social locations as well as the annual KBS Open tournament in Taiwan, initiatives designed to strengthen customer engagement, expand brand visibility, and support premium brand positioning and valuation multiples over time.



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From Steel Shafts to Golf Lifestyle Brand: Initiating FST Corp. with a Buy Rating and \$4 Target

We initiate coverage of FST Corp. with a Buy rating and a \$4 twelve-month price target. FST was founded in 1976 as part of Taiwanese steel pipe and machinery manufacturer Femco and is today one of three main manufacturers of golf club shafts. Golf club shafts are incredibly complex, with products developed over decades of experience, and there are significant barriers to entry. But our thesis is that it is much more than an industrial golf club shaft maker. It is building a lifestyle brand around its KBS shafts, which are used by presidents (including Obama and Trump), professional golfers, and serious amateurs, similar to how Nike transformed sneakers, or Lululemon transformed yoga apparel into lifestyle brands. It has a members-only club, a private lounge at its flagship store in Taipei, and a private hospitality and entertainment venue in Japan. While this effort is in its early stages, we think that FST has the ability to tap into the golfer market – one of the highest average income demographics – and build out a broader luxury golf lifestyle brand. This should allow it to command premium pricing, grow unit sales, and add on sales of ancillary products such as golf attire. As such, we assign KBSX shares a premium, luxury, lifestyle valuation.

Legally, it is a Cayman Islands holding company with no material operations of its own and conducts all of its business through its operating subsidiaries in Taiwan, primarily Femco Steel Technology Co., Ltd. Importantly, it is not a Variable Interest Entity (VIE); unlike the common Cayman-China structure in which the parent company does not legally own its operating subsidiaries and instead relies solely on contractual control, FST directly owns its operating subsidiary in Taiwan through standard equity ownership.

We see two key business risks to our thesis. First, the overall golf market must remain strong with continued global growth in rounds played projected at roughly 4% annually over the next five years, with U.S. growth expected closer to 1.5% annually. And second, FST must gain share to continue to grow at its current double-digit pace. It already dominates the steel shaft market, but has a low share in graphite, so its strategy, as espoused by the CEO, is to “dominate steel, grow carbon fiber.”

There are well-known geopolitical risks associated with China–Taiwan relations. That said, China did not take military action during Operation Epic Fury—reported widely at the time—when three U.S. aircraft carrier strike groups were deployed simultaneously to active Middle East operations, representing a meaningful real-world test of U.S. force availability. The absence of opportunistic action under those conditions suggests that near-term escalation risk may be lower than commonly assumed. While geopolitical risk cannot be dismissed, we view the probability of an imminent disruption as relatively low. A byproduct of cross-Strait tensions since 1949 is that Taiwanese companies, including FST, have built supply chains with limited dependence on China. As China increasingly uses export restrictions and industrial policy as trade leverage, this positioning has become a clear structural advantage.

Additionally, as an exporter to the U.S., the company faces tariff exposure. Recent U.S.–Taiwan negotiations reduced tariffs on certain export categories from 20% to 15%, so we view this risk factor as settled.

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From Steel Pipes To Golf Shafts: How FEMCO Built A Global Manufacturing Platform Behind KBS

Its roots stem from Far East Machinery Co., Ltd. (“FEMCO”), founded in 1949 in Chiayi, Taiwan by the current CEO’s grandfather, entrepreneur Chuang Zhuan Ming. His earlier ventures reportedly included a toy company that manufactured yo-yos and other products. FEMCO initially specialized in steel bicycle rims and related products as Taiwan emerged as one of the world’s leading bicycle manufacturing centers. The company later expanded into industrial machinery, steel tubing, and large-scale manufacturing equipment, building a significant export business. Today, FEMCO’s operations include steel pipe and tubing products serving industries such as oil and gas, with products ranging from small-diameter tubing to large industrial pipe. The company also benefited from Taiwan’s rapid post-war industrialization following the relocation of approximately two million mainland Chinese residents after the Chinese Civil War, a period that accelerated infrastructure, manufacturing, and military development on the island. The golf shaft business was established as Femco Steel Technology Co., Ltd. in 1976 and entered golf shaft manufacturing in 1989. Today, FEMCO continues to own approximately 25% of FST, with significant family ownership remaining across both organizations.

From Yo-Yos and Bicycle Wheels to Steel Tubing to Golf Shafts



Source: Litchfield Hills Research

Kim Braly, now around age 70 and based in Arizona, is one of the most influential golf shaft designers in modern golf equipment history and has been a key member of the FST team since 2006. His father, Joseph M. Braly, better known in the industry as “Doc” Braly, was a veterinarian, Air Force pilot, and pioneering golf equipment designer widely regarded as the “Father of Frequency Matching” in golf shafts. Doc Braly began pioneering modern shaft frequency matching concepts in the late 1970s, and in 1977, he and Kim Braly filed an early patent after studying inconsistencies in golf shaft performance using the Wilson Golf “Iron Byron” testing system. Growing up around both engineering and clubmaking gave Kim Braly early exposure to the technical side of golf equipment design, an influence that would later shape his career.

The Bralys later commercialized many of these concepts through a company called Royal Precision, where Kim Braly developed several of the industry’s most successful premium shaft designs, including the Rifle and later Project X shaft lines, both now owned by True Temper. True Temper acquired Royal Precision in June 2006, a notable event because Kim Braly joined FST shortly thereafter to help develop what would become the KBS platform (Kim Braly Signature). He is widely credited with helping pioneer modern frequency matching, advanced shaft fitting, and stepless steel shaft technology, innovations that materially changed how golf shafts are designed, fit, and marketed.



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- 2006: FST recruited Kim Braly to help develop a new premium golf shaft platform and brand strategy.
- 2007: Prototype KBS shafts were introduced to professional tour players, helping establish early tour validation and industry awareness.
- 2008: FST officially launched KBS (“Kim Braly Signature”), a premium golf shaft brand now wholly owned by FST and built around Braly’s designs, tour relationships, and advanced fitting philosophy.

Rather than competing as a low-cost commodity manufacturer, KBS focused on performance differentiation, tour adoption, and premium branding. That strategy has helped KBS become one of the leading premium steel shaft brands on professional tours while continuing to expand into graphite and carbon fiber products.

Golf Market Overview

The broader U.S. golf industry (including equipment, courses, tourism, and related spending) generated direct revenue of \$102 billion. The United States is the largest single market, followed by Japan and South Korea. FST’s home market of Taiwan ranks outside the top 10 globally.

There are 29 million on-course golfers in the U.S. and 48 million Americans (age 6+) who played golf in any format (on-course plus off-course) in 2025. Globally, estimates suggest 100 million people participate in golf across various formats. The average U.S. golfer has a net worth materially above the national average — industry surveys indicate household income three times higher than average — making this an ideal sport for targeting affluent consumers.

To play the game, golfers go to a golf course or driving range. There are 16,000 golf courses at nearly 14,000 facilities in the U.S. Globally, there are 39,000 golf courses. The top five countries ranked by the number of golf courses are the United States, Japan, Canada, England, and Australia. In the U.S., 75% of courses are public (municipal or daily-fee), offering much cheaper greens fees that make the sport accessible to the general public. Some of these, such as Bethpage Black in Long Island, New York, are world-class facilities that have hosted major tournaments.

An important metric is the number of rounds of golf played annually, which is the most reliable indicator for forecasting demand for golf equipment. In 2025, U.S. rounds reached a record 552 million — the sixth consecutive year above 500 million and the fourth record in five years. This represents an increase of 25% from the pre-COVID level of 441 million in 2019. Estimated global rounds stood at 1.12 billion in 2025. Golf saw a surge in popularity beginning around 2020 and lasting through 2022, as it was one of the few allowable outdoor activities during COVID. Play has remained elevated rather than reverting to pre-pandemic levels. Industry forecasts project continued annual growth of approximately 1.5% in the U.S. through 2030, when U.S. rounds are expected to reach 595 million. Additionally, golfers are spending more on equipment as modern technology has demonstrated clear performance benefits.

Projected global growth for golf remains steady through 2030, with on-course rounds and total participation following these specific trajectories:

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Global Rounds and Participation (2026–2030)

- Annual Rounds Played Growth: Global on-course rounds are projected to grow at an approximately 4% CAGR, led primarily by Asia-Pacific and emerging golf markets.
- Total Participants: The total number of people engaged in golf (on and off-course) is projected to reach 50 million in the U.S. alone by the end of 2026, with global figures expected to rise at an annual rate of 6%.
- Golf rounds played have shown resilience and growth, particularly post-2020, driven by the sport's appeal as a safe, outdoor activity during the COVID-19 pandemic. While U.S. data indicates records of over 500 million rounds annually since 2020 (peaking at 552 million in 2025), global figures are estimated at 1.1-1.2 billion, reflecting broader participation in markets like Asia (e.g., Japan and Korea with 20 million+ golfers). Forecasts suggest steady growth through 2030, reaching 1.24 billion globally, at a 2% CAGR. However, challenges like weather variability, economic pressures, and supply constraints could moderate this.

Historical Trends (2000-2025)

- Boom and Decline (2000-2013): The early 2000s saw peaks around 518 million U.S. rounds (global 1 billion+), fueled by Tiger Woods' popularity and economic prosperity. Rounds declined post the 2008 recession, hitting lows of 420 million in the U.S. by 2013 due to oversupply of courses, time constraints for players, and shifting leisure preferences.
- Stabilization and Pre-Pandemic (2014-2019): U.S. rounds hovered at 440-470 million, with global estimates at 900 million. Participation stabilized as course closures balanced supply and demand, but youth engagement lagged.
- Pandemic Surge (2020-2025): A 13.9% jump in 2020 (U.S.: 502 million) marked a turning point, with golf seen as socially distanced recreation. Records were set in 2021 (529m), 2023 (531m), 2024 (545m), and 2025 (552m). Globally, this translated to over 1 billion rounds, boosted by 44% growth in on-course golfers since 2016. Factors included remote work enabling more play, health benefits, and family participation.

Key Factors Explaining Trends

1. Economic and Demographic Shifts: High disposable income in developed markets (U.S., Europe) supports play, while emerging markets (Asia-Pacific) drive growth via urbanization and middle-class expansion. Women and juniors increased roughly 30% in participation since 2020.
2. Pandemic and Lifestyle Changes: Golf's outdoor nature led to a 21% average increase over pre-2019 levels. Off-course formats (simulators, ranges) added 20 million participants globally, indirectly boosting on-course rounds.
3. Weather and Seasonality: Rounds fluctuate 2-3% annually due to weather; mild winters boosted 2020-2025 play.
4. Infrastructure and Accessibility: U.S. course closures (2,000 since 2000) concentrated demand, raising utilization. Globally, new courses in Vietnam/China (projected 200+ by 2026) and tech like apps/simulators enhance access.
5. Marketing and Tourism: Events like the Masters attract tourists; the golf tourism market grew to \$28 billion in 2025, adding millions of rounds.
6. Challenges: High costs, time commitment, and competition from sports like pickleball limit growth. Environmental concerns (water use) may impact future development.

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Year	U.S. Rounds Played (mm)	Est. Rounds Played (mm)	Notes/Source
2000	518	1050	Peak during Tiger Woods boom; NGF historical data
2001	518	1050	Stable peak; NGF
2002	502	1020	Slight decline; NGF
2003	518	1050	Peak levels; NGF
2004	500	1010	Post-peak stabilization; NGF/Golf Datatech
2005	490	990	Decline begins; NGF
2006	495	1000	NGF
2007	480	970	Economic factors; NGF
2008	475	960	Recession impact; NGF
2009	465	940	NGF
2010	475	960	Slight recovery; NGF
2011	490	990	NGF
2012	462	930	Weather-impacted; Golf Datatech (5.7% increase from prior low)
2013	420	850	Low point; NGF
2014	420	850	Stable low; NGF
2015	441	890	Pre-pandemic average; NGF
2016	469	950	NGF/Golf Datatech
2017	456	920	2.7% decline; NGF
2018	441	890	NGF
2019	441	890	Pre-COVID baseline; NGF
2020	502	1020	13.9% surge due to COVID (safe outdoor activity); Golf Datatech
2021	529	1070	Record; NGF
2022	505	1020	Slight dip; NGF
2023	531	1070	New record; NGF
2024	545	1100	Record; NGF
2025	552	1120	1.2% over 2024; NGF/Golf Datatech
2026	560	1140	Forecast: 1.5% US growth, 2% global
2027	568	1160	Forecast
2028	577	1190	Forecast
2029	586	1210	Forecast
2030	595	1240	Forecast

Source: National Golf Foundation

Forecasts for 2026-2030

- **Optimistic Growth:** Assuming 1.5-2% annual increases, U.S. rounds could reach 595 million and global rounds 1.24 billion by 2030. Drivers: tech integration (AI coaching, virtual play), sustainability initiatives, and expansion in Asia (26 million engaged adults).
- **Risks:** Economic slowdowns could reduce disposable spending; climate change may disrupt seasons. If growth stalls at 1%, global rounds might plateau at 1.15 billion.
- **Opportunities:** Focus on inclusivity (e.g., 9-hole rounds up 46% since 2020) and digital engagement could accelerate growth to 3%+ CAGR.

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Regional Growth:

- Asia-Pacific: Highest projected growth at 6.17% annually.
- Middle East: Growth projected at 5.5% through 2030.
- North America: Forecasted at 4.2% annual growth.

In addition to average consumers, the sport is hugely popular with CEOs, presidents, and royalty. Barack Obama, Donald Trump (both of whom have been photographed playing with KBS Shafts), and King Charles III are all avid golfers. The last U.S. president not known to have been a regular golfer was Jimmy Carter. Looking ahead, JD Vance is an avid golfer, but Gavin Newsom is not.

In terms of professional golf, U.S. tournaments are primarily sanctioned by the PGA Tour, which held 46 official events in 2025. The women's equivalent, the LPGA Tour, hosted 32 official tournaments in 2025. The PGA Tour has faced competition from the upstart LIV Golf, which hosted 14 tournaments in 2025, although they appear now to be defunct. Professional tournaments draw widespread television viewership, with 47 million Americans watching golf in 2025 and the 2026 Masters Tournament final round averaging 14 million viewers. More than 1,200 colleges and universities in the U.S. have golf teams. At the high school level, participation exceeds 500,000 students in the United States.

To play golf, golfers need a set of clubs and golf balls. Since balls are frequently lost, golf ball sales represent recurring revenue. The global golf ball market was valued at \$1.2 billion. A basic set of golf clubs can be purchased for as little as a few hundred dollars at mass retailers such as Walmart or Target, but typical pricing for even semi-serious golfers is \$2,000 for a quality full set. Golf clubs are also sold at the pro shops of most golf courses.

Major golf retailers in the U.S. include:

- PGA Tour Superstore — Headquarters: Roswell, Georgia (Private)
- Golf Galaxy — Headquarters: Coraopolis, Pennsylvania (Private, subsidiary of Dick's Sporting Goods)
- Dick's Sporting Goods — Headquarters: Coraopolis, Pennsylvania (Public, market cap approximately \$20 billion)

An important development over the last two decades is professional club fitting. This process uses launch monitors and software (from providers such as TrackMan or FlightScope) in large bays where the golfer hits balls into a screen. The software lets the fitter optimize the equipment based on the golfer's physical characteristics and style of play. FST operates three fitting centers, in Carlsbad, California (opened 2019), Tokyo, Japan (opened 2021), and Taipei, Taiwan (opened 2024). Carlsbad is particularly important as it is located near major manufacturers (including Callaway, TaylorMade, Cobra, and others) and numerous golf courses.

While there are numerous manufacturers of golf clubs, the dominant players include:

- Callaway — Headquarters: Carlsbad, California (Public, market cap approximately \$2.8 billion)
- TaylorMade — Headquarters: Carlsbad, California (Private, owned by Centroid Investment Partners)



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- Titleist (Acushnet Holdings) — Headquarters: Fairhaven, Massachusetts (Public, market cap approximately \$5.85 billion)
- PING — Headquarters: Phoenix, Arizona (Private, family-owned)

Most of these manufacturers focus on producing clubheads; shafts, grips, and final assembly complete the club. The two main grip suppliers are Golf Pride and Lamkin. The leading shaft suppliers are Nippon (headquartered in Japan), True Temper (U.S., owned by private equity for many years and better known in consumer markets for garden tools under its parent brand), and FST. True Temper sells shafts under brands such as Dynamic Gold and Project X to avoid direct association with its garden-tool heritage.

FST markets shafts under the KBS (Kim Braly Signature) brand as well as FST and private label to OEMs. Developed within FST in 2007 and led by shaft designer Kim Braly, who joined the company in 2006, KBS combines Braly’s design expertise with the company’s manufacturing scale and distribution. The brand is fully integrated and represents FST’s proprietary premium shaft platform.

Golf Equipment Terminology and Club Types

Golf equipment terminology is a legacy issue. “Woods” are no longer made of wood, “irons” are not made of iron, and the numbering system primarily reflects loft angle rather than any intuitive progression. These names persist from earlier eras of the game, but modern clubs are engineered from titanium, stainless steel, carbon composites, and other advanced materials. The practical way to understand a golf set is by function — distance, control, and precision — not by historical names.

A regulation set by the United States Golf Association (USGA) and The R&A (The Royal and Ancient Golf Club of St Andrews) allows a maximum of 14 clubs. The structure of the bag follows a clear progression: maximum distance at the top, controlled approach shots in the middle, and precision scoring tools at the bottom.

Club Type	Typical Clubs Included	Quantity	Typical Price (Each)	Subtotal Range
Driver	1-wood	1	\$400–\$650	\$400–\$650
Fairway Woods	3-wood, 5-wood	1–2	\$200–\$400	\$200–\$800
Hybrids	3H, 4H	1–2	\$150–\$300	\$150–\$600
Irons	5–9 iron	5	\$1,000/set	\$600–\$1,400
Wedges	PW, SW, LW	2–4	\$120–\$200	\$240–\$800
Putter	Blade or mallet	1	\$100–\$450	\$100–\$450
Total	—	14 max	—	\$1,690–\$4,700

Source: United States Golf Association

- Driver (also called 1-wood): The longest-hitting club, used almost exclusively off the tee on longer holes. Modern drivers feature large, hollow titanium or composite heads designed for maximum ball speed and forgiveness on off-center strikes. Typical price: \$500.
- Fairway Woods (3-wood, 5-wood, sometimes 7-wood): Provide distance with added control compared to the driver. Used from the fairway, rough, or tee when accuracy matters. Despite the name, these are metal-headed. Most players carry two; typical price: \$300 each.

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- Hybrids (3H, 4H, etc.): Easier-to-hit replacements for difficult long irons, combining wood-like launch with iron-like control. Ideal for beginners and long approach shots. Most sets include two; typical price: \$225 each.
- Irons (typically 5-iron through 9-iron): The core of the set for mid-range approach shots. Lower numbers produce longer shots; higher numbers offer more loft and stopping power. Sold as matched sets in stainless or forged steel with perimeter weighting for forgiveness. Typical set pricing (5–9 irons): \$1,000.
- Wedges (Pitching Wedge – PW, Sand Wedge – SW, Lob Wedge – LW): High-loft clubs for short-game precision, bunker escapes, and scoring shots near the green. A typical set includes three; typical price: \$150 each.
- Putter: The only club designed to roll the ball along the ground rather than launch it. Used primarily on the green, with styles ranging from traditional blade to more forgiving mallet designs. Typical price: \$250.

In total, a full set of up to 14 clubs generally costs \$2-3,000, depending on brand and quality. Many beginners start with affordable complete packages and upgrade over time.

The key point is that these naming conventions are historical, not functional. When viewed by purpose — distance (driver and woods), transition (hybrids), approach (irons), scoring (wedges), and finishing (putter) — the structure of a golf bag becomes logical and consistent.

Global Golf Shaft Market Context

The global golf shaft market was valued at \$460 million in 2024 and is projected to grow at a CAGR of 5.1% to reach \$720 million by 2033. Steel shafts continue to dominate (55–60% of the total golf shaft market value) due to their stability and consistent performance, especially among professional and stronger players. FST is one of the three leading players that together control 96% of the steel shaft segment, giving the company significant pricing power, lower manufacturing and shipping costs, and a high barrier to entry for competitors.

The KBS Premium Product Catalog

The KBS brand is segmented into three primary categories: Premium, Standard, and Economy. The Premium line, sold under the KBS label, represents the highest-margin and most technologically advanced offerings, making up approximately 52.5% of the group's revenue in 2025. These shafts are distinguished by proprietary designs, advanced coatings, and rigorous quality inspection standards.

Premium Steel Iron Shafts

The steel iron shaft remains the core of the KBS brand, catering to professional athletes and competitive amateurs who prioritize feel and trajectory control. Iron shaft retail prices range from \$34.95 to \$69.95 on the company's [KBSgolfs shafts.com](https://www.kbsgolfs shafts.com) website.



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Premium Steel Iron Shafts

Product Model	Weight Class	Flex Options	Launch / Spin	Characteristics
KBS TOUR	110g-130g	R, R+, S, S+, X	Mid / Mid	Flagship shaft; maximizes energy transfer; consistent step pattern.
KBS C-TAPER	110g-130g	R, R+, S, S+, X	Low / Low	Engineered for high-swing speeds; piercing trajectory; stiff tip section.
KBS \$-TAPER	110g-130g	R, R+, S, S+, X	Mid / Low	"Money Taper"; blend of Tour feel with C-Taper stability; micro-steps.
KBS TOUR-V	100g-120g	R, S, X	Low-Mid / Low-Mid	Lightweight with large outer diameter; stable tip; tight dispersion.
KBS TOUR LITE	95g-105g	R, S, X	High / High	20% lighter than standard KBS Tour; maximizes distance and carry.
KBS C-TAPER LITE	105g-115g	R, S, X	Mid-High / Mid	Higher launch than standard C-Taper; maintains stability in lighter package.
KBS \$-TAPER LITE	95g-105g	R, S, X	Mid-High / Low-Mid	Tour-level performance for moderate swing speeds; lightweight feel.
KBS MAX 80	111g	R, S, X	High / High	Designed for mid-to-high handicap players; parallel tip combination flex.
KBS TOUR FLT	110g-130g	R, S, X	Variable	Flighted design; higher launch in long irons, lower in short irons.

Advanced Composite and Graphite Architectures

Recognizing the industry shift toward carbon fiber, FST has developed a series of graphite shafts designed to mimic the performance of steel while offering the speed benefits of composites. It sold roughly \$6 million in graphite shafts in 2025, or about 13% of revenue.

Players Graphite Woods (PGW) and TGBlack

The PGW series, launched for the 2025 season, serves as a high-performance wood shaft designed to fit a wide range of swing speeds through optimized launch and spin characteristics. The TGBlack, released in February 2026, is positioned for elite ball strikers, combining the responsive feel of steel with high-modulus graphite construction. Graphite shaft retail prices range from \$66.95 to \$200 on the company's [KBSgolfshafts.com](https://www.kbsgolfshafts.com) website.

Players Graphite Woods & TGBlack

Product Model	Weight (g)	Flex Range	Launch / Spin	Key Technology
KBS PGW	40, 50, 60, 70, 80	R2 to TXX	Mid / Mid	Smooth, stable profile; optimized for fairway woods and drivers.
KBS TGBlack	40, 50, 60, 70, 80	R to TXX	Low / Low	High modulus graphite; low-resin profile; handles 120+ mph speeds.
KBS TD Driver/Wood	40, 50, 60, 70, 80	A to Tour X	Mid / Low	Optimized spin/launch angles; high torque stiffness; original KBS feel.
MAX HL Wood	40, 42, 45, 50, 52, 55	R2 to X	High / High	"Swing speed" fitting system; ultra-low weight for maximum carry.

Graphite Irons and Hybrids

The Tour Graphite Iron (TGI) is engineered with the same E.I. curve as the KBS Tour steel shaft, providing a seamless transition for players moving into composites. The Players Graphite Iron (PGI) targets even tighter tolerances and dispersion.

Graphite Irons and Hybrids

Product Model	Weight Class	Flex Options	Tip Size	Characteristics
KBS TGI	50g-110g	Jr to X	0.355	Steel-like playability; optimized stiffness per weight class.
KBS PGI	50g-110g	Lite to X	0.370	Tighter dispersion than standard graphite; lightweight control.
KBS MAX Graphite	45g-85g	Lite to Regular	0.355	High launch and spin; ideal for maximizing swing speed assistance.
KBS PGH Hybrid	45g-105g	Lite to X	0.370	Based on PGI platform; easier launch for all skill levels.
Graphite Hybrid Prototype	65g-105g	R to X	0.370	Inspired by KBS Tour steel; preferred by tour professionals.

Short Game and Putter Specific Architectures

The short game is the latest frontier for KBS innovation, with the group introducing the first high-performance graphite putter shaft designed to stabilize the stroke. Putter shaft retail prices range from \$59.95 to \$160 on the company's website, and wedge prices range from \$45.95 to \$69.95.



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Short Game and Putter Specific

Product Model	Type	Weight	Tip Size	Characteristics
KBS GPS Graphite	Putter	124g	0.355 / 0.370	Minimizes deflection on long putts; 15+ color finishes; high MOI.
KBS One Step	Putter	130g	0.355	Amplified feel; vibration reduction; stable for heavy heads.
KBS CT Tour	Putter	124g	0.355 / 0.370	Constant Taper technology; straight, single, or double bend options.
KBS Wedge	Wedge	110g - 125g	0.355	Classic tour feel with a stiffer tip for controlled trajectory and spin.
KBS HI-REV 2.0	Wedge	115g-135g	0.355	Active tip section; increases effective loft and stopping power.
KBS 610 Wedge	Wedge	110g-125g	0.355	Lower, penetrating flight; controlled spin for workable shots.
KBS Custom Series	Wedge	110g-130g	0.355	Specialized finishes (Black/White Pearl); silk-screened labels.
KBS Tour-V Wedge		110g-130g	0.355	Balanced tour-preferred profile with outstanding feedback and consistency.

Standard and Economy Product Segments

While the KBS brand dominates the organization's public identity, FST Corp. remains a significant player in the high-volume standard and economy markets, providing shafts to major golf club manufacturers for their non-premium lines. These products often utilize versatile "combo-flex" designs that allow club builders to achieve multiple flexes from a single raw shaft through specific trimming.

Standard & Economy Shafts (FST Series)

FST Model	Weight (g)	Flex Configuration	Tip Size	Design Pattern
FST 90	100g	A/R Combo	0.370	Step pattern; 25% lighter than standard steel.
FST 115	115g	A/R or S/X Combo	0.370	Lightweight design; increases ball flight.
FST 125	125g	S/X Combo	0.370	Conventional weight; traditional feel for better players.
FST Pro 115	115g	Stepless	0.370	Sleek stepless design; tip-stiff for lower flight.
FST Pro 125	125g	Stepless	0.370	"Tour weighted"; undistorted head feedback.

Trimming and Customization Framework

The FST standard series is built for flexibility. The "A/R" (Amateur/Regular) and "S/X" (Stiff/Extra Stiff) combinations are achieved by altering the length of the tip cut, as detailed in FST's official technical guides. This modular approach provides an economic advantage for club builders and OEMs, as it minimizes inventory requirements while allowing for a high degree of player-specific tuning.

Prices on some of its top-selling products are:

- Generation (for the youth player) \$24.95- \$39.95
- Limited Edition shafts \$59.95 - \$74.95
- Limited Edition Custom + Tour Irons: \$359.70 - \$519.60

Market Integration and Retail Ecosystem

The company has expanded beyond simple hardware manufacturing into an experiential retail model that reinforces brand loyalty. The "KBS Golf Experience" flagship stores, located in Carlsbad (opened 2019), Tokyo (opened 2021), and Taipei (opened 2024), provide customers with personalized fittings using state-of-the-art simulation tracking. These facilities allow FST to record firsthand consumer swing data, which is then fed back to the R&D team in Taiwan to inform future product development.

A critical component of this retail strategy is the "Retrobuilt" service, which allows golfers to purchase KBS shafts online and mail their existing clubs to an FST facility for professional re-shafting. This service effectively addresses the high-margin aftermarket segment, where individual consumers seek to upgrade their equipment without purchasing entirely new clubheads. Furthermore, for each of the 45 annual PGA



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Tour events, FST deploys customized "KBS Tour Trucks" to provide on-site build and build-retro services for professional players, ensuring that the "Tour Proven" claim remains anchored in active competition.

Intellectual Property and Technological Assets

FST initially secured its market position through a robust portfolio of utility patents and trademarks developed by Kim Braly. As of December 31, 2025, the company owns 66 trademarks and several critical patents related to its manufacturing equipment. Notable technological assets include Patent M639659 for a "Material-feeding device" and Patent M639660 for a "Discharging apparatus," both of which are integral to the automated production lines that reduce reliance on manual labor and increase final-pass yields.

The group's R&D team, comprising 19 full-time employees including doctoral- and master's-level engineers, focuses on "Proprietary Torque and Center of Gravity Matching Technology." This allows FST to develop shafts that balance light weight with uncompromising impact control, a key requirement for the modern high-MOI (Moment of Inertia) clubhead environment.

Modestly Diversified Business Operations

While 97.2% of revenue comes from sales of shafts, it has modestly diversified its revenue streams to include activities outside the immediate golf sector. In 2024, FST became an authorized agent for Parametric Technology Corporation, reselling software rights and providing technical services to related parties and external customers. This transition from a software user to a distributor generated \$248,688 in revenue in its first year.

The group operates Hit Cat Kitchen and Hit Cat Café, both in Chiayi near the company's factory and headquarters, and Hit Cat Brewing in Taipei, establishments that sell craft beer and western cuisine. These venues are decorated with KBS merchandise and are located near golf resorts, functioning as high-visibility touchpoints for the brand lifestyle. One of the CEO's hobbies is cooking, and the unique recipes at these locations are from his own kitchen. We think these concepts are very well done and can see value in growth and an eventual spinout.

FST also leverages the KBS brand to sell a variety of accessories, including Jones Golf Bags, Vessel Bags, and proprietary KBS apparel.

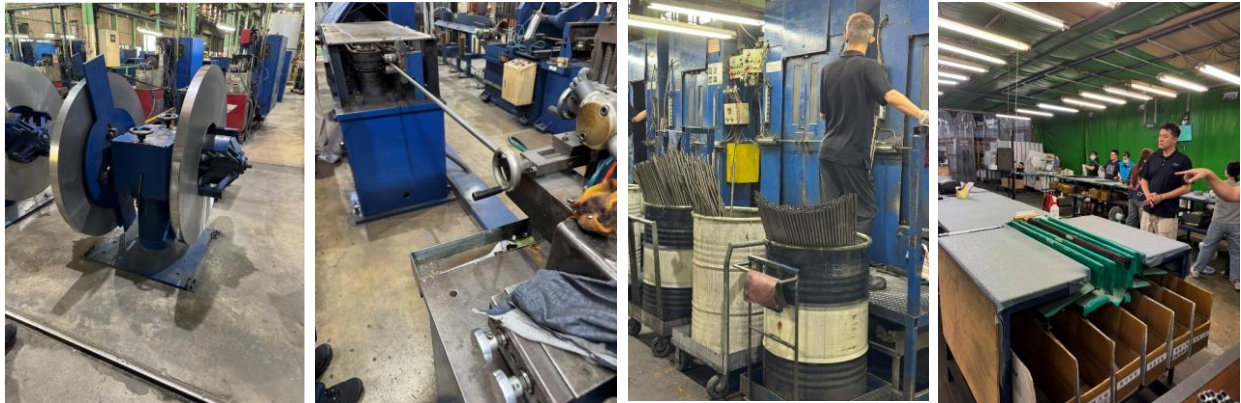
Proprietary Manufacturing Based on Years of Experience and Trade Secrets, Rather than Patents

The manufacturing process FST uses involves 17 steps and has evolved over decades under current management. The CEO grew up in the business as his grandfather founded Femco, and he has personally worked every stage of the manufacturing line. Its patents are all expired, but its competitive moat is that its process involves multiple proprietary steps, such as the custom blend of alloy and how hot to heat the shafts during the manufacturing process. The other barrier to entry is that equipping a factory with the tooling to make a golf shaft would likely require around \$30 to \$40 million in capital. But even if a competitor did so, it would likely take years of trial and error to perfect what FST has done. We visited the FST factory in Chiayi and saw each of the steps in the process. The company's factory is a relatively old building, but

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there is plenty of room. About a third is used for warehousing, which could be moved to add space and capacity.

FST Factory in Chiayi, Taiwan



Source: Litchfield Hills Research

Rolls of Steel – the company receives steel rolls from China Steel Corporation, headquartered in Kaohsiung, Taiwan. Each roll is about five feet tall and weighs roughly a ton with a three-inch width. The steel is SAE 4135 spec with special modifications ordered by FST, such as the inclusion of additional metals, including copper. Like the rest of the process, this blend has been perfected over many years and, like the Colonel's recipe, it is not patented but is a trade secret. Competitor True Temper uses SAE 4140, which would not work with FST's process. All of FST's steel shafts go through this process, and the decision on which product each will become is sometimes made during quality control, where shafts with minor, imperceptible defects are sold as cheaper, lower-end shafts.

1. Tubing Forming (Welding steel coils) – in the first step, the roll of flat steel is formed into a tube and welded together. Individual lengths are then cut.
2. Normalizing (Spheroidizing annealing): This thermal process improves the ductility of the steel and relieves internal stresses, allowing the tubes to be further worked without compromising structural integrity.
3. Phosphate Coating (Pickling & lubricating): The tubes are coated with phosphate to enhance corrosion resistance and provide essential lubrication for the subsequent drawing phases.
4. Automatic Swaging (Tube edge preparation):
5. Bench Draw (Pipe end reduction) – the company recently added an automated drawing machine, which substantially reduces manpower and increases throughput, but still has several more manual machines that require five operators each. A further cost-reduction and capacity-increase investment in automated machines would likely improve margins.
6. Cut to Length (Preliminary cutting) – This is the second of three cutting steps to further refine the length as the metal has been stretched and formed.
7. Polishing (Preliminary polishing)
8. Stepping (Forming processing): The signature "steps" of a KBS shaft are created through a tempering process where the shafts are heated above a critical temperature and then quenched in an oil bath. This step is vital for improving toughness and ensuring that the E.I. (Elasticity/Inertia) curve is uniform throughout the shaft's length.

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9. Quench (Increase hardness) – in this step the company uses its new hydrogen ovens. As an inert gas, it protects the product from corrosion during the quench. This investment also increased capacity, and the company has spare space for a second such machine, as needed.
10. Straightening (Preliminary straightening) – during processing, as the tubing is turned into a golf shaft, some of the shafts come out with a slight bend. This is the first of two steps to straighten them.
11. Final Length Cut (Final cut)
12. Edge Polishing (Remove burrs)
13. Final Straightening (Computer-precision straightening)
14. Annealing (Increase ductility)
15. Plating (Surface finishing) – the shafts are finished through electroplating, physical vapor deposition (PVD), or metal coating to achieve various aesthetics, including Chrome, Black Gloss, and Satin. Shafts are sent out to a nearby vendor for this process.
16. Polishing (Final polishing)
17. Quality Control (Final item inspection, appearance, dimension) – We inspected shafts that failed quality control and could not find any defects. Even after the inspector pointed out the minor blemish the shaft was rejected for, we still could barely see it.
18. Warehousing (Shipping and sales) – the company packages each shaft into a plastic sleeve and ships one hundred shafts per box. It currently has an inventory of 2.5 million shafts in Chiayi and another 850,00 at its distribution center in Garden Grove, California (it also operates a small distribution center in Japan). The company increased inventory in response to COVID-era demand but has worked down inventory in the last two years to present levels. Under GAAP, it has to write off shafts that are over five years old, but they are usable indefinitely and are often sold after this. The oldest product we saw in the warehouse was from 2023, as each box is labeled. The company keeps such a large inventory since it has a wide range of product options with 1,000 SKUs, but it must build each SKU in large enough batches to be economical.

Inside Nearly Every Major Golf Brand's Bag

KBS's customer list reads like a map of the global premium golf equipment industry. The company supplies shafts or works with nearly every major OEM brand, including TaylorMade, Cobra Golf, Titleist, PING, Srixon, Callaway Golf, Mizuno, and Wilson Sporting Goods. Several of these companies are headquartered in Carlsbad, California, which has effectively become the center of the U.S. golf equipment industry and creates a dense ecosystem of club designers, fitters, tour representatives, and engineering talent.

The breadth of the customer base is notable because these companies collectively represent much of the premium global iron and wood market. In many cases, KBS shafts are offered as stock or upgrade options directly through OEM custom ordering systems, placing the brand alongside the most established names in the shaft industry. The relationships also provide validation that KBS products meet the performance, manufacturing consistency, and tour adoption standards required by the industry's largest brands.

Beyond OEMs, KBS also has relationships with leading custom-fitting networks, including Club Champion, New York Golf Center, and Cool Clubs. These channels are strategically important because custom fitting continues to take share within premium golf equipment. Serious golfers increasingly purchase clubs through fitting sessions rather than directly off the rack, which tends to favor premium aftermarket shaft brands with strong performance reputations and broad fitting matrices.

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OEM Customers



Custom Fitters



Golf Retailers



Company	HQ Location	Ticker
TaylorMade	Carlsbad, California, USA	PRIVATE
Cobra Golf	Carlsbad, California, USA	PRIVATE
Titleist	Fairhaven, Massachusetts, USA	GOLF
PING	Phoenix, Arizona, USA	PRIVATE
Srixon	Kobe, Japan	PRIVATE
Callaway Golf	Carlsbad, California, USA	CALY
Mizuno	Osaka, Japan	8022.T
Wilson Sporting Goods	Chicago, Illinois, USA	PRIVATE
Club Champion	Willowbrook, Illinois, USA	PRIVATE
New York Golf Center	New York, NY	PRIVATE
Cool Clubs	Scottsdale, Arizona, USA	PRIVATE
The GolfWorks	Newark, Ohio, USA	PRIVATE
PGA Tour Superstore	Roswell, Georgia, USA	PRIVATE

Source: Company reports and Litchfield Hills Research

The company also maintains relationships with golf-focused retail channels such as The GolfWorks and PGA TOUR Superstore. These outlets provide both direct consumer visibility and access to club builders, repair shops, and hobbyist fitters that remain an important part of the fragmented golf equipment ecosystem.

Geographically, the customer list also highlights the international nature of the business. KBS works with companies headquartered across the United States and Japan, including Osaka-based Mizuno and Kobe-based Srixon. That international exposure potentially reduces dependence on any single golf OEM cycle

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or regional market trend while reinforcing the global recognition of the KBS brand within premium golf shafts.

Management Team is a Mini-Herd of Buffaloes

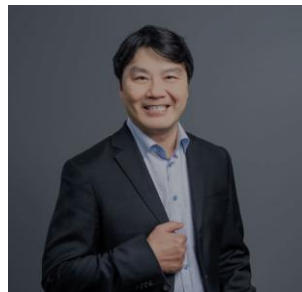
We have met each of the four key executives running FST. Except for one Taiwanese elder statesman, the team includes three University of Colorado - Boulder friends who form an especially cohesive team that works seamlessly across the globe.

David Chuang
Chairman and CEO

Warren Cheng-Teng Huang
President and Head of Production

Rob Cheng
President and Head of FST Golf

Sebastian Tadla
Chief Financial Officer



University of Colorado - Boulder
Bachelor's degree in Biology

National Chengchi University
Bachelor's degree

University of Colorado - Boulder
Bachelor's degree in Business

University of Colorado - Boulder
Bachelor's degree in Accounting

Source: Company reports

The company is run by the Femco founder's grandson, David Chuang. David is an outgoing, visionary CEO who shared his vision to turn the company into more of a high-end brand, rather than just an industrial manufacturer of steel shafts. In addition to the vision, he has the bona fides to run the manufacturing business as he has personally worked every stage of the manufacturing line in Chiayi. We spent half a day touring the line with him, and his detailed knowledge was indeed impressive.

Sebastian Tadla, the CFO, is also a Buffalo alum and runs finances from San Diego. We found him to fit the ideal characteristics we look for in a CFO – in-depth knowledge of the financial statements and the levers that a CFO can pull to improve returns for shareholders.

Warren Cheng-Teng Huang is the Taiwanese elder statesman with a long career in manufacturing with the parent steel company and a solid grasp of manufacturing and supply chain. We view him as invaluable to the CEO since he is a hands-on, local manager running the manufacturing plant, freeing Mr. Chuang up for more long-term, strategic pursuits.

Rob Cheng is the third Buffalo on the senior team, and his formal job description has him in charge of the global business of shaft sales and marketing. In the section below, we discuss the company's strategic goals for 2026. Each of these, except for cost reductions in manufacturing, is the responsibility of Mr. Cheng.



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Strategy: KBS Is Becoming a Golf Lifestyle Brand

In its quarterly earnings releases, FST updates investors on its strategic goals for the year. For 1Q 2026, the company reiterated five key priorities: expanding domestic and export sales, pursuing additional OEM business, growing KBS Graphite Shafts, implementing further cost controls, and increasing marketing around the KBS Open and other brand-building events.

Taking KBS Across the Pond

FST's priority is expansion in both domestic and export markets, including Europe and Asia. We discussed this at length with Rob Cheng, who highlighted the company's new sales hire and London office, which should help FST better address the large European market and the golf-crazy U.K. market. The most obvious opportunity is deeper penetration of golf shops, pro shops, and fitters actively stocking and selling KBS shafts, rather than relying only on pull-through demand from OEM relationships. Its Asian focus is Japan, the world's second-largest golf market, with the company taking several innovative steps as we discuss below.

OEM Momentum Is Moving the Needle

FST's second priority is pursuing additional OEM business with strategic partners. The company's largest customer is TaylorMade, while it has smaller penetration with other major golf club manufacturers such as Callaway and Titleist. The TaylorMade relationship generated significant revenue growth during the COVID golf surge, and FST is now trying to get into more programs with the other major OEMs. That strategy appears to be working. In 1Q26, revenue increased 36.2%, with management citing a 70% increase in OEM sales and a 64% increase in KBS Graphite Shaft sales.

Graphite Is No Longer Grandpa's Shaft

The third priority is the continued growth of KBS Graphite Shafts. FST manufactures steel shafts but currently outsources graphite shaft production. Unlike the more concentrated steel shaft industry, graphite shafts remain a more fragmented market, with multiple manufacturers also producing other graphite or composite products. That makes the category a logical acquisition target if FST wants to become vertically integrated in graphite the way it already is in steel.

Graphite shafts once carried a stigma as products mainly for older golfers looking for lighter clubs. That has changed. Graphite is now increasingly viewed as a performance category, particularly in woods, hybrids, driving irons, and higher-end custom fittings. FST's hottest new graphite product is the KBS TGBlack Driver Shaft, which management specifically cited as a driver of 1Q26 growth. Among its two main steel-shaft competitors, Nippon Shaft is owned by a larger steel company, while True Temper's U.S. operations are staffed by United Steelworkers union members. FST may have its own steel bias, but we believe its structure and dynamic young CEO give it more flexibility to chase the faster-growing graphite opportunity.

Automation Is Hiding in Plain Sight

FST's fourth priority is implementing additional cost-control measures to improve margins. We saw a good example during our plant tour. One machine in the drawing process in the company's manufacturing



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sequence is a new, automated, higher capacity, and operated by just one person, while the older manual lines each require five or six workers. We can see the company gradually automating more of this part of the operation. Importantly, CEO David Chuang has personally worked every station on the line, so this is not spreadsheet cost-cutting from the executive suite. He knows the bottlenecks because he has stood in them.

Lifestyle Brand

The fifth priority is increased marketing of the KBS Open and other events designed to promote the KBS brand. We think this is what sets FST apart and positions KBS as more than a component supplier. In our view, the company is trying to turn KBS into a premium golf lifestyle brand, supported by tournaments, fitting studios, retail experiences, social media, OEM relationships, and direct consumer engagement.

KBS Open

The inaugural KBS Open was held December 4–5, 2025, at Chiayi Palm Lakes Resort in Chiayi County, Taiwan. Approximately 60 professional and amateur golfers participated all using KBS-branded shafts, with a purse of more than \$70,000. The event was live-streamed across KBS Taiwan's website, YouTube channel, and Facebook page. The tournament was designed as more than a traditional golf competition. It combined tour-style play, customer engagement, OEM relationship building, social media exposure, and direct promotion of the broader KBS ecosystem.

Management has indicated plans to hold the next KBS Open in January 2027, suggesting the company intends to make the event an annual part of its broader brand-building strategy. While detailed public information on the 2027 event has not yet been released, the inaugural tournament showed how FST can use the KBS Open, together with its KBS Golf Experience retail and fitting locations, to position KBS as both a premium equipment brand and a broader golf lifestyle platform.

KBS Golf Experience Stores

KBS operates KBS Golf Experience locations in Carlsbad, California; Taipei, Taiwan; and Tokyo, Japan. We have visited the Carlsbad and Taipei locations.

The Taipei store is the flagship. It is modern, well-lit, and stocked with a full range of golf products, with the obvious focus on KBS shafts. It has two fitting bays and a well-stocked workshop for building new clubs or retrofitting old clubs with new KBS shafts and third-party grips. The highlight is the second floor, with a luxury bar, seating areas to watch golf tournaments, and a walk-in cigar room. That space captures the opportunity: KBS is not just trying to sell shafts; it is trying to create a premium golf culture around the brand.

The Carlsbad store is located near major golf courses and manufacturers in one of the most important golf equipment hubs in the world, including TaylorMade, Callaway, and Titleist. It also has a social area, ancillary products such as apparel, a workshop, and fitting bays.

KBS Golf Experience Store in Taipei



Source: Litchfield Hills Research

Japan: Small Steps in a Very Big Golf Market

Japan is one of the world's largest golf markets and also the home market of Nippon Shaft, one of FST's most important competitors. FST is wisely not letting that deter it. The company has taken several small but highly visible steps to improve its visibility in Japan, including its Tokyo presence, a mansion near major golf courses in Karuizawa, Nagano prefecture, and sponsorship of the Nishonosekibeya sumo house (<https://nishonosekibeya.com>). It is a major, newer, more innovative house with 23 sumo wrestlers. KBS Shafts is listed as one of 13 top-level sponsors on its website, and it is the only non-Japanese one of the 13. These may sound unusual to U.S. investors, but that is exactly the point. KBS is not trying to look like another shaft catalog. It is trying to make the brand visible, social, and memorable in a market where relationships and prestige matter.

A previous priority was the introduction of new products in 2026, but this has now been achieved. Two major launches have occurred and are driving revenue:

- TG Black Driver Shaft
- Generations shafts for youth players.

Rolling R&D Labs Put KBS Inside Professional Golf's Inner Circle

One of the more important but less visible parts of the golf equipment industry is the network of tour trucks that travel week-to-week with the PGA Tour and other professional circuits. These massive tractor-trailers operate as fully functional mobile workshops where clubs are built, rebuilt, adjusted, and tested for professional golfers under tournament conditions. KBS sends its own (leased) trucks to major tournaments on the PGA Tour in the U.S. For KBS, presence within this ecosystem is strategically important because it places the company directly inside the weekly workflow of the best players, fitters, and club technicians in the world.

KBS shafts are also regularly stocked and installed inside the tour truck operations of major OEM partners. These trucks carry extensive inventories of KBS models across multiple weight classes, flexes, launch



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profiles, and finishes so technicians can quickly build clubs tailored to individual player preferences. A professional player may request a slightly different launch angle, tighter dispersion pattern, lower spin rate, softer feel, or modified trajectory depending on course setup and weather conditions for a given tournament week. The trucks arrive at the start of the week, work with the players, and then must leave by Thursday morning before the weekend tournament play starts.

The KBS brand has historically been particularly strong among better players and tour-level iron fitting because of its reputation for feel consistency and tightly controlled manufacturing tolerances. Its shafts are commonly used in professional and elite amateur fittings, giving KBS broad representation across different player profiles ranging from high-speed low-launch players to golfers seeking smoother feel and higher launch characteristics.

The trucks themselves resemble miniature precision manufacturing facilities. Inside are loft and lie machines, swing-weight systems, shaft cutting and extraction stations, frequency analyzers, grinding equipment, and launch monitor systems. Technicians can build or modify clubs within hours, sometimes minutes, before a player heads to the practice range. Because shafts are one of the primary determinants of launch, spin, feel, and timing, KBS products are often central to these last-minute adjustments.

The tour environment also serves as a rolling product development laboratory for KBS. Feedback from players, fitters, and OEM tour representatives can rapidly influence future shaft designs, profile refinements, weight distributions, and stiffness characteristics. In many respects, tour validation functions as both R&D and marketing simultaneously. A shaft model that gains traction on professional tours often migrates into the fitting channel and eventually broader retail demand.

Importantly, visibility inside tour trucks reinforces KBS's competitive positioning against other shaft manufacturers. Golf remains one of the few consumer industries where serious amateurs often want to play the exact same equipment configurations used by professionals. Seeing KBS shafts in use by tour players at PGA Tour events helps strengthen the company's premium image with custom fitters, competitive amateurs, and avid golfers who increasingly view shaft selection as a critical component of club performance rather than an accessory purchase.



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Premium Pricing Power Drives Strong Shaft Economics

We forecast revenue of \$57.2 million this year, up 19.2%, and \$64.1 million next year, up 12.0%. Our forecast represents a continuation of the strong growth trajectory since the company began trading on the NASDAQ in January 2025. For 2025, revenue increased 31.4% to \$48.0 million. Growth accelerated further in the March quarter, when revenue reached \$14.6 million, up 33.5%.

Of the \$48.0 million in revenue generated last year, 97.2% came from shaft sales. The company further categorizes shaft revenue in its investor presentation into premium, standard, and economy shafts, as shown in the table below. The company manufactured approximately 5.5 million shafts during the year and sold roughly 7.5 million. The 2.0-million-unit difference was primarily driven by inventory drawdowns, with inventory declining by approximately \$2.7 million, as well as sales of graphite shafts that the company designs but outsources for manufacturing.

Using these figures, we can estimate average selling prices by category and in total. Overall, shafts sold for an average of approximately \$6.22 each, ranging from \$12.91 for premium shafts to \$3.09 for economy shafts. By comparison, the company's direct-to-consumer website (<https://kbsgolfshafts.com>) lists products ranging from approximately \$24.95 for a Generations youth shaft to more than \$500 for limited-edition custom iron shaft sets. While retail pricing is naturally much higher than wholesale pricing to OEMs and distributors, these price points illustrate the premium positioning of the KBS brand and help explain how both KBS and its channel partners can earn attractive margins.

Applying the company's approximately 43% gross margin to the blended ASP calculated below implies an average production cost of roughly \$3.54 per shaft. We believe this spread between manufacturing cost and selling price reinforces the idea that KBS operates more like a premium performance and lifestyle brand than a commodity steel products manufacturer. We also believe that FST's cost is considerably below both of its two main competitors.

Importantly, the company reports annual production capacity of more than 14 million shafts, suggesting substantial room to support double-digit growth for several years without requiring major incremental manufacturing expansion.

	<u>Revenue</u>	<u>Shafts</u>	<u>Revenue per Shaft</u>
Shafts			
Premium	25,183,590 52.50%	1,950,000 26.00%	\$12.91
Standard	21,394,059 44.60%	5,100,000 68.00%	\$4.19
Economy	1,391,094 2.90%	450,000 6.00%	\$3.09
Total Shafts	46,625,617 97.20%	7,500,000	\$6.22
Apparel/other	1,343,125 2.8%		
Total Revenue	\$47,968,742		

Source: Company reports and Litchfield Hills Research



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Last year, profitability was negatively impacted by transaction costs associated with becoming a public company, resulting in negative operating income. By contrast, 1Q26 was profitable on an operating income, net income, and EBITDA basis, and we expect that trend to continue. The operating margin came in at 14.9%, although we model somewhat lower margins going forward out of conservatism.

A key point to highlight in the income statement is the company's significant and ongoing commitment to research and development. Last year, it spent \$1.4 million on R&D, equal to 3.0% of revenue, and we model modest increases in both 2026 and 2027. The company's 19-person R&D team consists of one PhD, four employees with master's degrees, and 14 employees with undergraduate degrees.

The company got off to a strong start in 2026 with operating income of \$2.2 million, EBITDA of \$3.0 million, and EPS of \$0.04 in 1Q26. For the full year 2026, we forecast EBITDA of \$6.6 million, growing to \$8.5 million in 2027. Our full model is included at the end of this report.

The company has a relatively clean balance sheet, with \$7.4 million in cash and \$29.5 million in debt, resulting in a balanced debt-to-total-capital ratio of roughly 50%. Management plans to use cash flow to pay down debt in 2026, although with just a 3.0% blended interest, the debt is certainly not onerous. One item that stands out is inventory, which totaled \$12.5 million, representing approximately 80 days on hand. FST holds approximately 2.5 million shafts at its plant in Chiayi, Taiwan, and another 850,000 at its U.S. distribution center in Garden Grove, California. Given the many possible combinations of flex, weight, finish, and shaft profile, the company manages more than 1,000 SKUs (3,000 with various labelling options). Maintaining substantial inventory is essential to the business model, allowing it to quickly fulfill orders for pro shops, club fitters, golf retailers, and OEM partners.

Premium Positioning and Faster Growth Should Command a Higher Valuation

We value KBSX shares at \$4.00 per share. As noted earlier, the company is increasingly positioning itself as a premium golf lifestyle brand. The golf industry is particularly well-suited to this strategy, as golfers have historically demonstrated strong brand loyalty and a willingness to pay for premium performance products. The eight lifestyle companies in our comparable group trade at an average of 1.6x 2027 revenue estimates, versus just 1.2x for FST. By contrast, FST is growing nearly twice as fast and, in our view, has stronger positioning within its niche. As a result, we believe the shares deserve a premium valuation of 3.1x our 2027 revenue estimate, resulting in our \$4.00 price target.

Ticker	Company	Price Last	Cap \$ millions	EV \$ millions	2025E Rev. \$mils	2026e Rev. \$mils	2027e Rev. \$mils	Growth vs. 2026E	EV/Rev. 2027E
KBSX	FST Corp.	\$1.42	63.57	\$78.32	47.97	57.20	64.06	12.0%	1.2x
KBSX	FST @ target price	\$4.00	179.06	\$200.89	47.97	57.20	64.06	12.0%	3.1x
ADS-DE	adidas AG	\$169.45	30,275	33,238	24,811	26,522	28,461	7.3%	1.2x
AS	Amer Sports, Inc.	\$32.84	18,990	19,644	6,566	7,767	8,892	14.5%	2.2x
DECK	Deckers Outdoor Corporation	\$93.56	13,281	11,299	5,439	5,820	6,211	6.7%	1.8x
GOLF	Acushnet Holdings Corp.	\$85.40	5,001	6,259	2,559	2,672	2,752	3.0%	2.3x
LULU	lululemon athletica inc.	\$119.14	13,710	11,996	11,103	11,473	11,988	4.5%	1.0x
CALY	Callaway Golf Company	\$15.23	2,738	2,577	2,060	2,062	2,130	3.3%	1.2x
NKE	NIKE, Inc. Class B	\$41.88	62,020	62,440	46,257	46,518	48,582	4.4%	1.3x
YETI	YETI Holdings, Inc.	\$42.67	3,233	3,287	1,868	2,006	2,145	7.0%	1.5x
Average								6.3%	1.6x
KBSX vs. Comps								1.9x	78.3%

Source: Litchfield Hills Research and FactSet Research Systems



FST Corp. NASDAQ - KBSX

The detailed math behind this valuation is as follows:

	Current	Target
In millions except per share price/ U.S. dollars		
Share Price	\$1.26	\$4.00
Shares outstanding	44.77	44.77
Market capitalization	\$56.49	\$179.06
(+) Total Debt	\$29.54	\$29.54
(-) Cash & Equivalents	(7.37)	(7.37)
ENTERPRISE VALUE (EV)	\$78.66	\$201.23
	\$64.06	\$64.06
EV/Revenue	1.2x	3.1x

Source: Company reports and Litchfield Hills Research

Technical Suggest this is an Ideal Entry Point

Since bottoming at just over \$1 per share on February 20, KBSX shares have risen by over 30% on the strength of strong full-year 2025 results and even strong first-quarter 2026 results. Management is actively touting the good news with a renewed investor relations program. The combination of great results, a strong story, and enhanced marketing is already moving the shares higher, and we believe that the rally has much further to go.



Source: FactSet Research Systems



FST Corp.

NASDAQ - KBSX

FST Income Forecast

Fiscal years ended December 31	2025					2026E					2027E				
	1Q	2Q	3Q	4Q	YEAR	1QA	2Q	3Q	4Q	YEAR	1Q	2Q	3Q	4Q	YEAR
Total Revenue	10,967,595	11,225,837	12,554,939	13,220,371	47,968,742	14,646,354	12,909,713	14,438,180	15,203,427	57,197,673	16,403,916	14,458,878	16,170,761	17,027,838	64,061,394
Year-over-year growth	20.9%	28.1%	47.2%	30.4%	31.4%	33.5%	15.0%	15.0%	15.0%	19.2%	12.0%	12.0%	12.0%	12.0%	12.0%
Sequential growth	8.1%	2.4%	11.8%	5.3%		10.8%	-11.9%	11.8%	5.3%		7.9%	-11.9%	11.8%	5.3%	
Cost of Sales	5,917,599	6,060,698	7,631,555	7,725,031	27,334,883	7,089,883	6,971,245	7,796,617	8,209,850	30,067,595	8,530,037	7,518,617	8,408,796	8,854,476	33,311,925
As a percent of revenue	54.0%	54.0%	60.8%	58.4%	57.0%	48.4%	54.0%	54.0%	54.0%	52.6%	52.0%	52.0%	50.0%	52.0%	52.0%
Gross Profit	5,049,996	5,165,139	4,923,384	5,495,340	20,633,859	7,556,471	5,938,468	6,641,563	6,993,576	27,130,078	7,873,880	6,940,261	7,761,965	8,173,362	30,749,469
Gross margin	46.0%	46.0%	39.2%	41.6%	43.0%	51.6%	46.0%	46.0%	46.0%	47.4%	48.0%	48.0%	48.0%	48.0%	48.0%
Selling expenses	3,079,111	3,153,777	2,851,623	3,312,809	12,397,320	2,867,913	3,098,331	3,465,163	3,648,822	13,080,230	3,772,901	3,325,542	3,719,275	3,916,403	14,734,121
As a percent of revenue	28.1%	28.1%	22.7%	25.1%	25.8%	19.6%	24.0%	24.0%	24.0%	22.9%	23.0%	23.0%	23.0%	23.0%	23.0%
General and administrative expenses	2,376,814	2,434,307	2,675,791	2,707,125	10,194,037	2,116,984	2,194,651	2,454,491	2,584,583	9,350,708	2,460,587	2,168,832	2,425,614	2,554,176	9,609,209
As a percent of revenue	21.7%	21.7%	21.3%	20.5%	21.3%	14.5%	17.0%	17.0%	17.0%	16.3%	15.0%	15.0%	15.0%	15.0%	15.0%
Research and development expenses	345,784	354,589	342,679	397,640	1,440,692	393,372	346,729	387,781	408,334	1,536,216	410,098	361,472	404,269	425,696	1,601,535
As a percent of revenue	3.2%	3.2%	2.7%	3.0%	3.0%	2.7%	2.7%	2.7%	2.7%	2.7%	2.5%	2.5%	2.5%	2.5%	2.5%
Total Operating expenses	5,801,709	5,942,673	5,870,093	6,417,574	24,032,049	5,378,269	5,639,711	6,307,435	6,641,739	23,967,154	6,643,586	5,855,846	6,549,158	6,896,274	25,944,864
As a percent of revenue	52.9%	52.9%	46.8%	48.5%	50.1%	36.7%	43.7%	43.7%	43.7%	41.9%	40.5%	40.5%	40.5%	40.5%	40.5%
Operating income	(751,713)	(777,534)	(946,709)	(922,234)	(3,398,190)	2,178,202	298,756	334,128	351,837	3,162,924	1,230,294	1,084,416	1,212,807	1,277,088	4,804,605
Operating Margin	-6.9%	-6.9%	-7.5%	-7.0%	-7.1%	14.9%	2.3%	2.3%	2.3%	5.5%	7.5%	7.5%	7.5%	7.5%	7.5%
Other (Income)/Expenses															
Interest (expense) income, net	(198,831)	(203,660)	(231,789)	(211,121)	(845,401)	(226,416)	(200,000)	(200,000)	(200,000)	(826,416)	(200,000)	(200,000)	(200,000)	(200,000)	(800,000)
Foreign exchange (loss) gain	(1,094,513)	(1,121,140)	705,508	657,962	(852,183)	394,072	-	-	-	394,072	-	-	-	-	-
Other income	139,528	142,877	(20,033)	99,726	362,098	39,100	-	-	-	39,100	-	-	-	-	-
Unrealized loss on change in FV OET derivative	(931,085)	(953,739)	-	-	(1,884,824)	-	-	-	-	-	-	-	-	-	-
Total Other (Income)/Expenses	(2,084,901)	(2,135,662)	453,686	546,567	(3,220,310)	206,756	(200,000)	(200,000)	(200,000)	(393,244)	(200,000)	(200,000)	(200,000)	(200,000)	(800,000)
Pretax income	(2,836,614)	(2,913,196)	(493,023)	(375,667)	(6,618,500)	2,384,958	98,756	134,128	151,837	2,769,680	1,030,294	884,416	1,012,807	1,077,088	4,004,605
Taxes	38,151	39,085	222,933	244,887	545,056	507,390	19,751	26,826	30,367	584,334	206,059	176,883	202,561	215,418	800,921
Tax rate	-1.3%	-1.3%	-45.2%	-65.2%	-8.2%	21.3%	20.0%	20.0%	20.0%	21.1%	20.0%	20.0%	20.0%	20.0%	20.0%
Non-controlling interest			(43,184)	(4,095)	(47,279)	12,392	12,000	12,000	12,000	48,392	12,000	12,000	12,000	12,000	48,000
Net income	(2,874,765)	(2,952,281)	(672,772)	(616,459)	(7,116,277)	1,865,176	67,005	95,303	109,470	2,136,954	812,235	695,533	798,246	849,670	3,155,684
Net income margin	-26.2%	-26.2%	-5.4%	-4.7%	-14.8%	12.7%	0.5%	0.7%	0.7%	3.7%	5.0%	4.8%	4.9%	5.0%	4.9%
Diluted shares outstanding	44,477,649	44,766,003	44,766,003	44,766,003	44,766,003	44,766,003	44,816,003	44,866,003	44,916,003	44,841,003	44,966,003	45,016,003	45,066,003	45,116,003	45,041,003
Seq change							50,000	50,000	50,000		50,000	50,000	50,000		
EPS diluted - continuing	(\$0.06)	(\$0.07)	(\$0.02)	(\$0.01)	(\$0.16)	\$0.04	\$0.00	\$0.00	\$0.00	\$0.05	\$0.02	\$0.02	\$0.02	\$0.02	\$0.07
Adjusted EBITDA															
Operating Income	(751,713)	(777,534)	(946,709)	(922,234)	(3,398,190)	2,178,202	298,756	334,128	351,837	3,162,924	1,230,294	1,084,416	1,212,807	1,277,088	4,804,605
Addback:															
Depreciation and amortization	550,000	560,000	570,000	320,000	2,000,000	550,000	560,000	570,000	570,000	2,250,000	580,000	590,000	600,000	600,000	2,370,000
Stock-based compensation	270,000	280,000	290,000	360,000	1,200,000	270,000	280,000	290,000	300,000	1,140,000	310,000	320,000	330,000	340,000	1,300,000
Non-recurring					2,442,410										
Adjusted EBITDA	68,287	62,466	(86,709)	(242,234)	2,244,220	2,998,202	1,138,756	1,194,128	1,221,837	6,552,924	2,120,294	1,994,416	2,142,807	2,217,088	8,474,605
EBITDA Margin	0.6%	0.6%	-0.7%	-1.8%	4.7%	20.5%	8.8%	8.3%	8.0%	11.5%	12.9%	13.8%	13.3%	13.0%	13.2%

Source: Company reports and Litchfield Hills Research



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