



## Stella Sees Narrowing of Shipment Decline in 3Q 2020

Hong Kong, October 15, 2020 – Stella International Holdings Limited (“Stella”, or the “Group”; SEHK: 1836), a leading designer, manufacturer and retailer of quality footwear and leather goods products, today announced its unaudited third quarter business update for the three months and nine months ended 30 September 2020.

### Financial & Operational Highlights:

	For the three months ended 30 September (Unaudited)		For the nine months ended 30 September (Unaudited)	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue (US\$ million)				
- Manufacturing	<b>336.7</b>	447.9	<b>841.2</b>	1,190.4
Shipment volume (million pairs)	<b>12.3</b>	16.1	<b>32.6</b>	45.6
Average selling price (manufacturing) (US\$/pair)	<b>27.5</b>	27.8	<b>25.8</b>	26.1

The Group’s shipment volume for the three months ended 30 September 2020 declined by 23.6% on a year-on-year basis. Nevertheless, as the retail stores of our brand customers’ gradually reopened following COVID-19 related shutdown and their business started to recover, the rate of decline in our year-on-year revenue and shipment volume was reduced in the third quarter as compared to that in the second quarter of 2020.

For the three months ended 30 September 2020, our unaudited consolidated revenue<sup>1</sup> decreased by 23.3% to approximately US\$344.5 million (2019: US\$449.3 million). For the nine months ended 30 September 2020, our unaudited consolidated revenue decreased by 28.7% to approximately US\$855.7 million (2019: US\$1,199.9 million).

The year-on-year fall in revenue and shipment volume for the three months ended 30 September 2020 was attributable to decreased demand from our brand customers due to the COVID-19 pandemic, while the fall in the average selling value (‘ASP’) for the three months ended 30 September 2020 was mostly driven by changes to our product mix and customer mix.

Looking forward, we are cautiously optimistic about shipment volume levels for the fourth quarter of 2020 as our brand customers closely monitor their products sell-through in the upcoming holiday peak season amidst a second wave of COVID-19 in the North American and European retail markets. Some of our shipments of Spring 2021 seasonal products may be delayed from the fourth quarter of 2020 to the first quarter of 2021 if our brand customers experience weak sell-through during the upcoming holiday period and high inventory levels. Nevertheless, we will continue to push forward with our long-term strategies, including accelerating the migration of our production capacity to Southeast Asia to enhance our long-term cost structure, having taken effective steps earlier in the year to secure our financial position.

<sup>1</sup> Including our manufacturing business, branding business and other businesses not covered hereof, and after the elimination of inter-segment sales.

Our financial position continues to remain solid with sufficient cash on hand and total undrawn bank facilities of over US\$180 million – more than enough to meet our current business needs. Nevertheless, we will continue to prioritise and improve our risk and cash flow management and safeguard our strong balance sheet to weather the ongoing COVID-19 pandemic and the current global recession.

**Mr. Chi Lo-Jen, Chief Executive Officer** of the Group, said, “It was encouraging to see some signs of recovery in our shipment volumes during the third quarter and we are cautiously optimistic about shipment volumes for the fourth quarter of 2020. We remain confident about weathering any volatility in the months ahead, thanks to the significant improvements we have already made to protect our balance sheet and safeguard our financial resources.”

**Mr. Lawrence Chen, Chairman** of the Group, said, “The gradually improving outlook validates our early decision to push ahead with our long-term margin-accretive strategies. We also remain highly focused on growing our fashion sports customer base from both sports brands that are seeing increasing demand and high-fashion brands expanding into the athleisure category. These customers will support our margin growth in the coming years and will enable us to continue creating value and generating sustainable returns for our shareholders.”

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