



Stella Sees Shipments Solidify Further in 4Q 2020

Hong Kong, January 14, 2021 – 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 fourth quarter business update for the three months and year ended 31 December 2020.

Financial & Operational Highlights:

	For the three months ended 31 December (Unaudited)		For the year ended 31 December (Unaudited)	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Revenue (US\$ million)				
- Manufacturing	275.9	339.9	1,117.1	1,530.3
Shipment volume (million pairs)	10.8	13.8	43.4	59.4
Average selling price (manufacturing) (US\$/pair)	25.6	24.7	25.7	25.8

The Group’s shipment volume for the three months ended 31 December 2020 declined by 21.7% on a year-on-year basis. This was the second consecutive quarter in which we saw the decline of our year-on-year quarterly shipment volume narrow compared to the previous quarter, as the business of our customers began to recover with some seeking to replenish their inventory levels after experiencing understocking ahead of the holiday season.

For the three months ended 31 December 2020, our unaudited consolidated revenue¹ decreased by 18.9% to approximately US\$280.1 million (2019: US\$345.4 million). For the year ended 31 December 2020, our unaudited consolidated revenue decreased by 26.5% to approximately US\$1,135.8 million (2019: US\$1,544.8 million).

The year-on-year fall in revenue and shipment volume for the three months and the year ended 31 December 2020 was attributable to decreased demand from our brand customers due to the COVID-19 pandemic. The increase in the average selling price (‘ASP’) for the three months ended 31 December 2020 was mostly driven by changes to the Group’s product mix and customer mix.

Based on the preliminary review of our unaudited consolidated management accounts for the year ended 31 December 2020, and currently available information, the Group expects to record a net profit within the range of US\$0 million to US\$5 million for the year, which will be well below the net profit for the year ended 31 December 2019. The expected breakeven in net profit is mainly attributable to:

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

- (a) a significant decrease in shipment volumes during the year ended 31 December 2020 due to our customers' delay in or cancellation of orders and shipments as a result of the COVID-19 pandemic;
- (b) the higher one-off costs incurred from:
 - i. severance payments and impairment of property, plant and equipment made and incurred in connection with the permanent closure of factories in Mainland China, as we accelerated our planned migration of production capacity to Southeast Asia;
 - ii. a temporary scale-down of operations in Southeast Asia to seek improvements in cost efficiency as a result of the reduced number of orders received due to the COVID-19 pandemic; and
 - iii. overhead costs related to temporary factory closures in Mainland China, the Philippines and Bangladesh, which was incurred in order to comply with local government measures to curb the spread of COVID-19; and
- (c) operating deleverage resulting from the reduction in orders which led to lower utilisation of our production facilities.

Looking forward to 2021, while we are cautiously optimistic about order levels for the upcoming Spring and Summer 2021 seasons, we still have low visibility for the second half of 2021 due to the recent COVID-19 driven lockdowns in many countries around the world.

Despite the global roll-out of COVID-19 vaccines, the pandemic remains a concern in 2021. As of 31 December 2020, our financial position remained 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. We will continue to prioritise and improve the management of our risk and cash flow, while safeguarding our strong balance sheet.

Mr. Chi Lo-Jen, Chief Executive Officer of the Group, said, “We continued to see incremental demand recovery in the fourth quarter of 2020 with customers across the board becoming more confident. While we do expect to continue feeling the impact of the pandemic going forward, we are cautiously optimistic about the first half of 2021.”

Mr. Lawrence Chen, Chairman of the Group, said, “We will continue to work and grow with our customers as they expand into new categories, particularly athleisure products. Following the effective steps taken in 2020 to improve our risk management and balance sheet, margin growth will be our main priority as we are committed in creating value and generating sustainable returns for our shareholders.”

####

For further information, please contact:

Macy Leung
Head of Investor Relations
Email: macy.leung@stella.com.hk