

Stella International Holdings Limited  
九興控股有限公司

# CORPORATE PRESENTATION

Annual Results 2022



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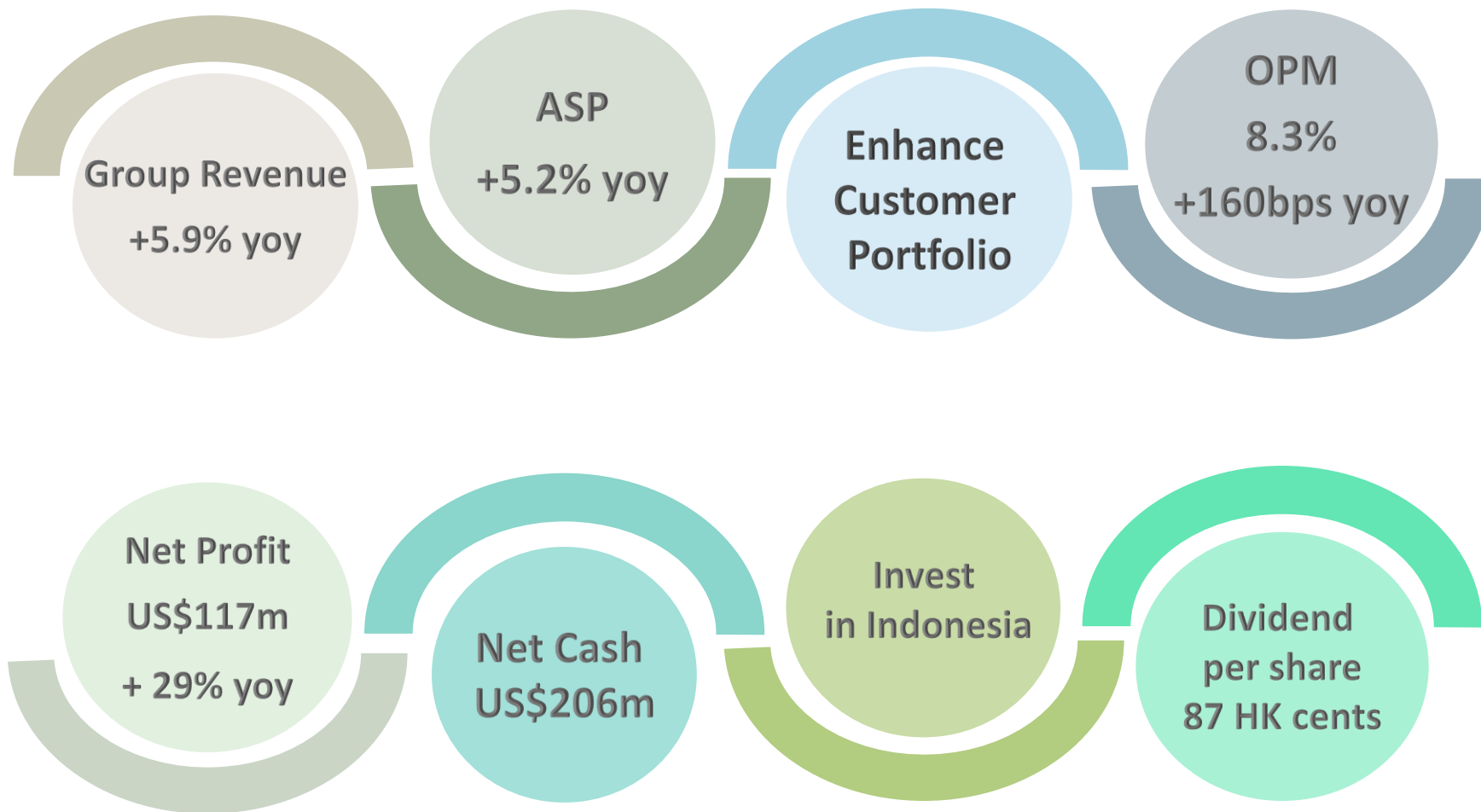
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# Financial Highlights

## Group

# Group Overview: 2022 Highlights



# Financial Highlights

|   | For the year ended 31 December |                |                |
|---|--------------------------------|----------------|----------------|
|   | 2021                           | 2022           |                |
|   | (audited)                      | (audited)      | Change         |
| <b>Shipment Volume (m pairs)</b>  | 55.8                           | <b>56.0</b>    | <b>0.4%</b>    |
| <b>ASP (US\$)</b>   | 27.1                           | <b>28.5</b>    | <b>5.2%</b>    |
| US\$ m  |                                |                |                |
| <b>Revenue</b>  | 1,540.6                        | <b>1,630.8</b> | <b>5.9%</b>    |
| <b>Gross Profit</b>   | 316.8                          | <b>352.1</b>   | <b>11.1%</b>   |
| <i>GP Margin</i>  | 20.6%                          | <b>21.6%</b>   | <b>+100bps</b> |
| <b>Operating Profit</b>   | 103.0                          | <b>134.8</b>   | <b>30.9%</b>   |
| <i>OP Margin</i>  | 6.7%                           | <b>8.3%</b>    | <b>+160bps</b> |
| <b>Net Profit</b>   | 90.8                           | <b>117.2</b>   | <b>29.1%</b>   |
| <i>Net fair value loss on financial instruments<br/>(related to Lanvin Group)</i> | 0.0                            | <b>2.3</b>     | <b>N/A</b>     |
| <b>Adjusted Net Profit</b>  | 90.8                           | <b>119.5</b>   | <b>31.6%</b>   |
| <hr/>   |                                |                |                |
| <b>EPS (US¢)</b>  | 11.3                           | <b>14.9</b>    | <b>31.9%</b>   |
| <b>Dividend per share (HK¢)</b>   | 77                             | <b>87</b>      | <b>13.0%</b>   |

# Capex and Cash Flow Summary

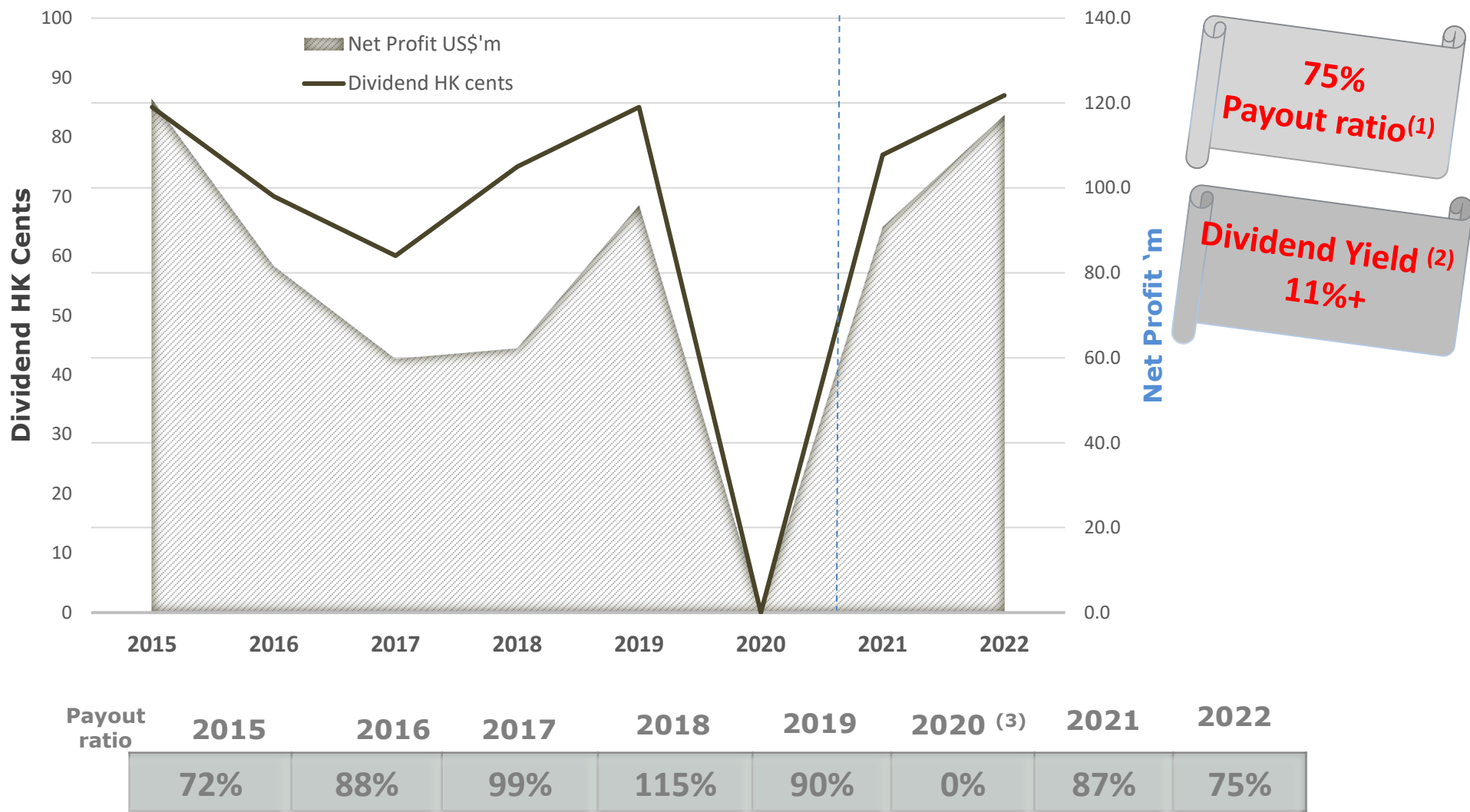
| US\$ m   | For the year ended 31 December |                   |                |
|--|--------------------------------|-------------------|----------------|
|  | 2021<br>(audited)              | 2022<br>(audited) | Change         |
| <b>Cash flows (used in)/ from operating activities</b> | <b>120.3</b>                   | <b>240.1</b>      | <b>99.6%</b>   |
| Profit before Tax                                      | 103.5                          | <b>133.2</b>      | <b>28.7%</b>   |
| Depreciation   | 57.0                           | <b>56.4</b>       | <b>-1.1%</b>   |
| Changes in working capital                             | (107.3)                        | <b>65.5</b>       | <b>N/A</b>     |
| Other operating cash flows                             | 67.1                           | <b>(15.0)</b>     | <b>122.4%</b>  |
| <b>Cash flows used in investing activities</b>         | <b>(71.4)</b>                  | <b>(53.8)</b>     | <b>-24.6%</b>  |
| Capital Expenditure                                    | (55.9)                         | <b>(57.9)</b>     | <b>3.6%</b>    |
| Others   | (15.5)                         | <b>4.1</b>        | <b>126.5%</b>  |
| <b>Cash flows from financing activities</b>            | <b>(22.6)</b>                  | <b>(106.4)</b>    | <b>370.8%</b>  |
| Dividend paid  | (21.4)                         | <b>(99.1)</b>     | <b>363.1%</b>  |
| Bank borrowings  | 4.9                            | <b>(0.2)</b>      | <b>-104.1%</b> |
| Others   | (6.1)                          | <b>(7.1)</b>      | <b>16.4%</b>   |
| <b>Net (outflow)/inflow of cash</b>                    | <b>26.3</b>                    | <b>79.9</b>       | <b>203.8%</b>  |

# Solid Financial Position with Net Cash

|                                  | <i>For the year ended 31 December</i> |                   |
|----------------------------------|---------------------------------------|-------------------|
| US\$ m                           | 2021<br>(audited)                     | 2022<br>(audited) |
| <b>Cash and cash equivalents</b> | 135.2                                 | <b>213.3</b>      |
| <b>Debt</b>                      | 7.7                                   | <b>7.2</b>        |
| <b>Net Cash / (Debt)</b>         | 127.5                                 | <b>206.1</b>      |
| <b>Net Gearing Ratio*</b>        | -12.5%                                | <b>-20.3%</b>     |
| <b>Current assets</b>            | 734.9                                 | <b>726.0</b>      |
| <b>Non-current assets</b>        | 563.3                                 | <b>532.1</b>      |
| <b>Current liabilities</b>       | 257.6                                 | <b>219.9</b>      |
| <b>Non-current liabilities</b>   | 23.9                                  | <b>22.3</b>       |
| <b>Net assets</b>                | 1,016.7                               | <b>1,015.9</b>    |
| <b>Quick ratio</b>               | 2.0                                   | <b>2.4</b>        |
| <b>Current ratio</b>             | 2.9                                   | <b>3.3</b>        |

*\*Net gearing ratio = net debt/shareholder equity*

# Valuation & Dividend Yield



(1) Using HK/US exchange rate 7.849 on 16 March, 2023

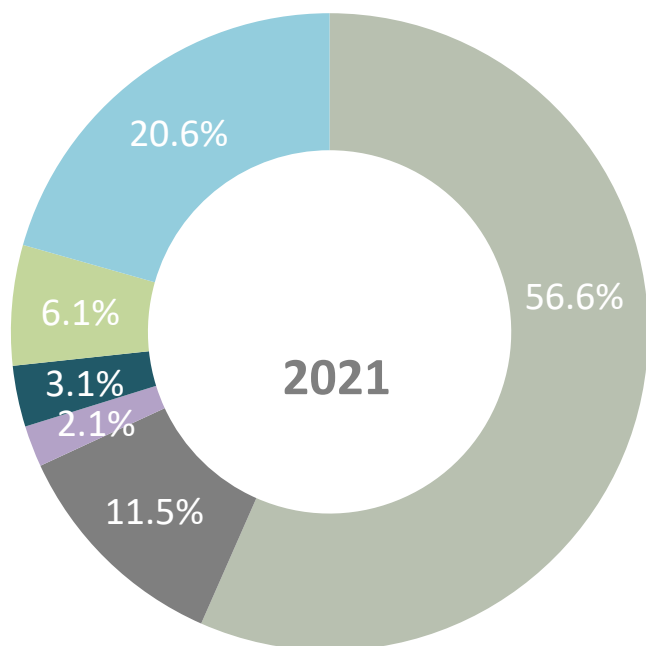
(2) Based on share price HK\$7.52 on 15 March, 2023

(3) Performance impacted by COVID-19 pandemic

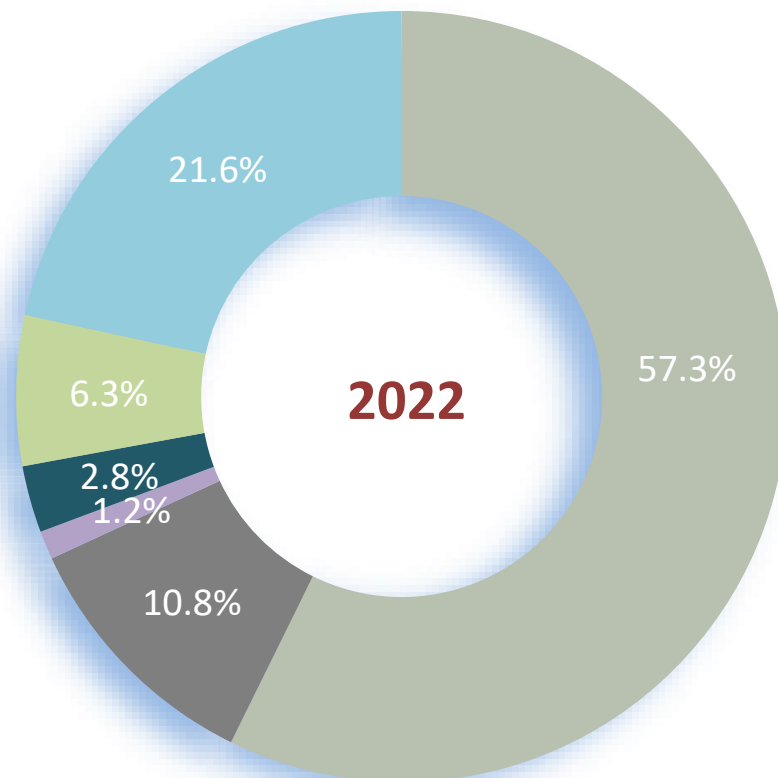


# Cost Structure

## Breakdown for Costs of Sale (as % of Revenue)



- Direct Materials
- Subcontracting Costs
- Manufacture Overhead
- Direct Labour
- Depreciation
- Gross Profit





# Business Review

## Manufacturing Business

# World's Leading Footwear Brand Customers

Our client base includes well-known global Sports, Luxury, Fashion and Casual footwear brands

## Sports



## Luxury

**BALENCIAGA**

sergio rossi

**AMIRI**

**ALEXANDER WANG**

Chloé

**LANVIN**  
PARIS

**BALMAIN**  
PARIS

JIMMY CHOO

**Off-White™**

  
**MONCLER®**

**AMBUSH®**

## Fashion

**COLE HAAN**

**TORY BURCH**

 **MICHAEL**  
MICHAEL KORS

**LACOSTE** 

  
**COACH**

  
kate spade  
NEW YORK

rag & bone  
NEW YORK

## Casual

**UGG**

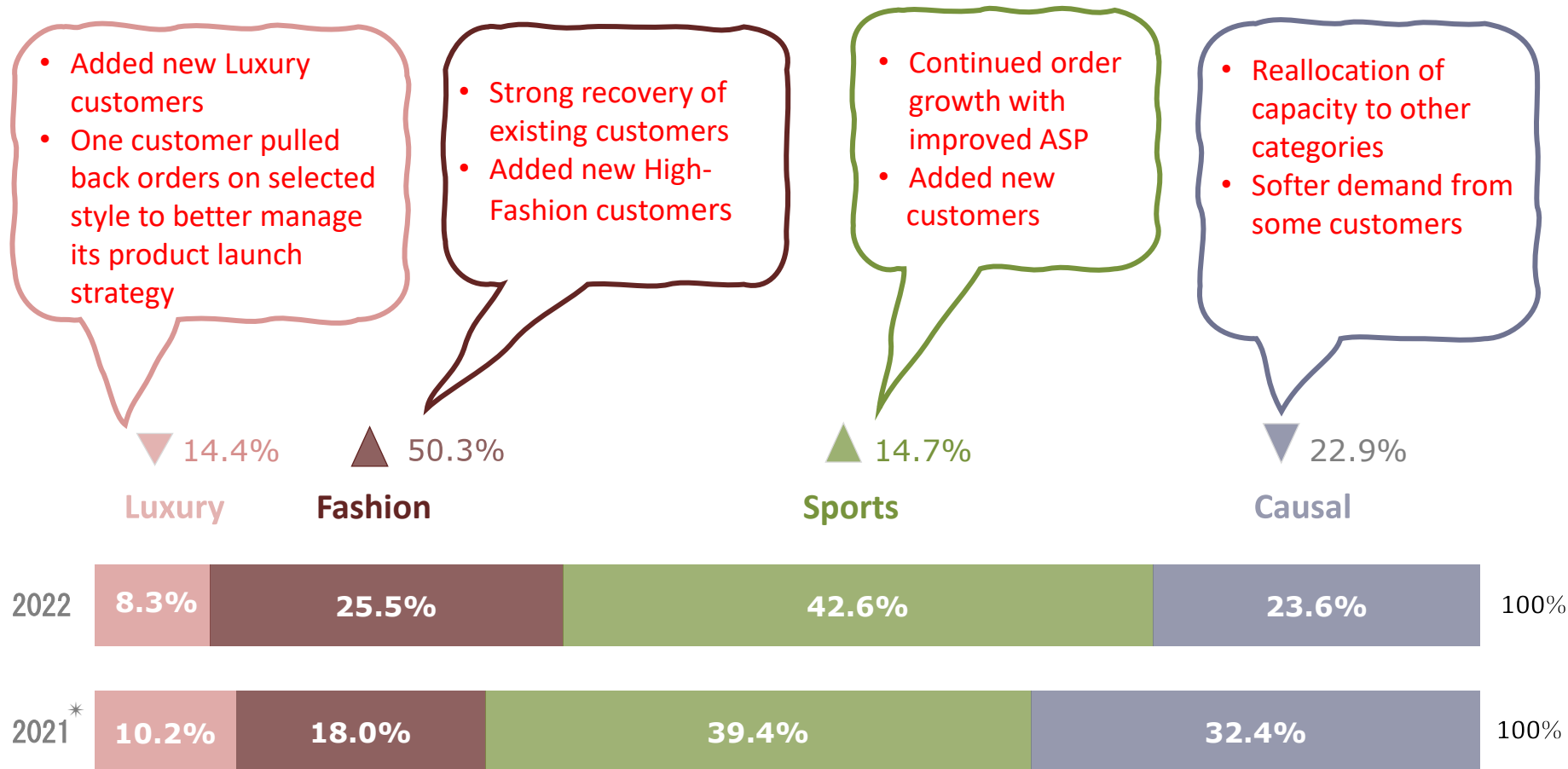
**Timberland** 

**MERRELL**

**CAMPER**

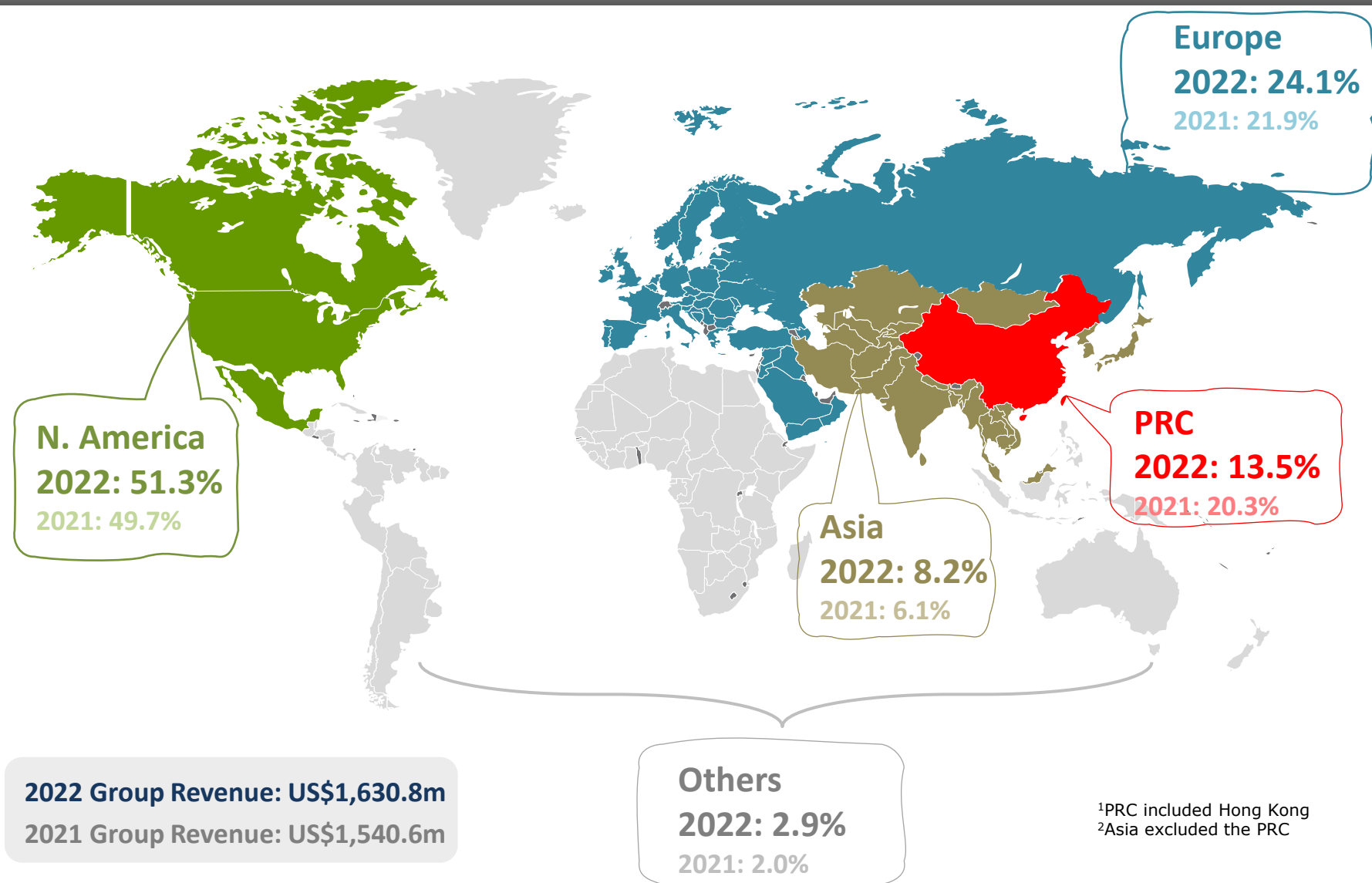
**VIONIC®**

# Breakdown of Manufacturing Revenue by Product Category



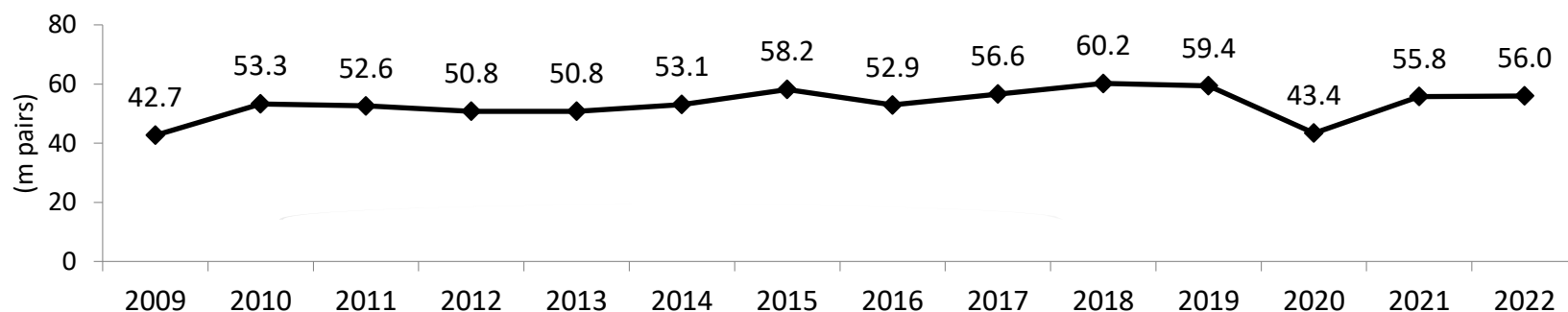
\* Restated the product category mix in 2021 to reflect the current brand positioning of the Group's customer brands.

# Stable Geographic Breakdown for Group Revenue

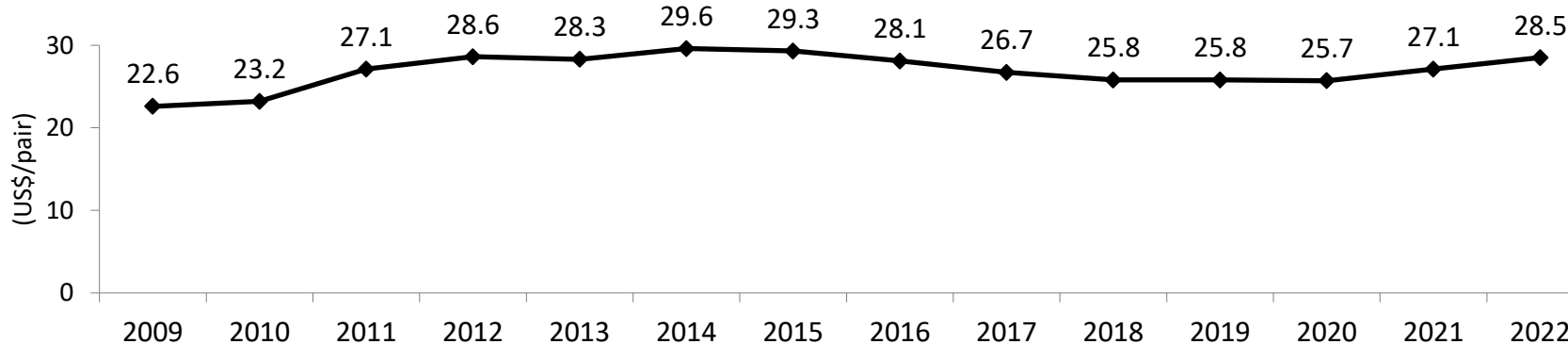


# Volume & ASP Trends

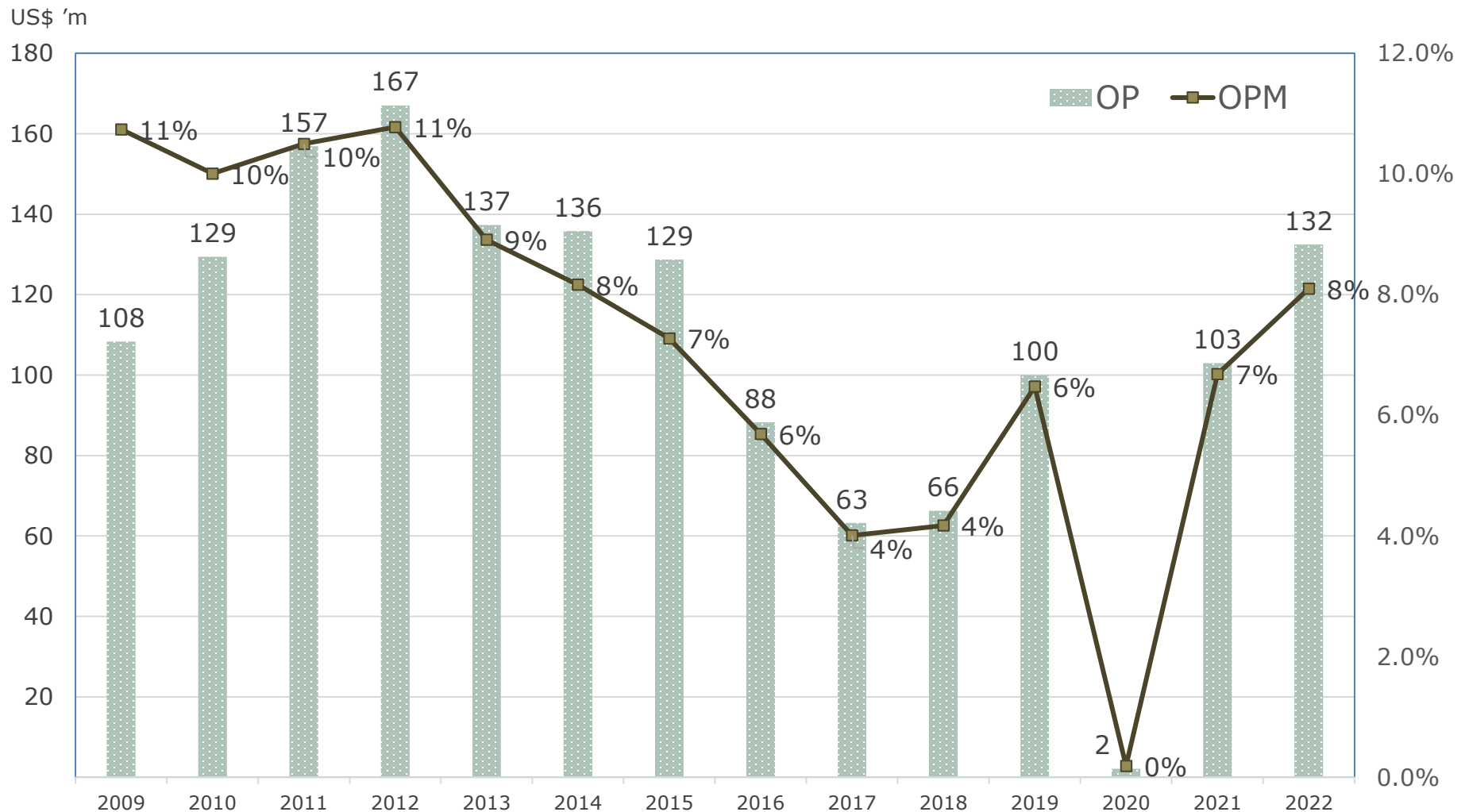
## Shipment Volume



## ASP



# Operating Profit and Margin



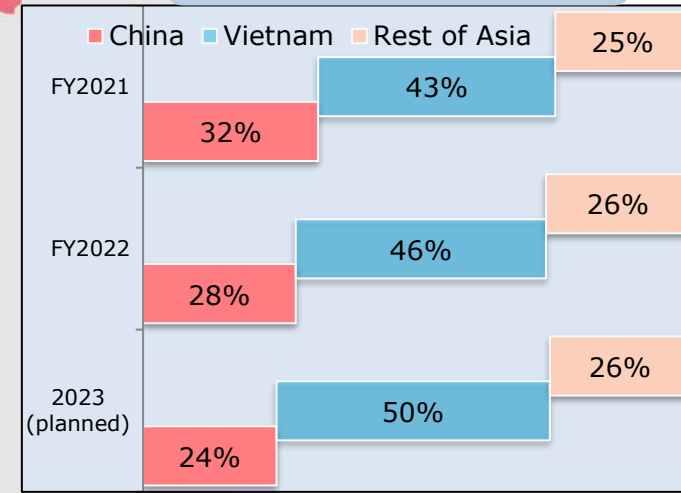
\*2009-2019 Operating Profit used PBT (Profit before Tax) in Annual Report

2020-2021 Operating Profit used OP before changes in fair value of financial instruments in Annual Report

# Our Manufacturing Facilities



## Geog. Mix of Footwear Production







Outlook for 2023

# Market Opportunities

**A**thleisure trend remains popular, after booming during Covid-19 period

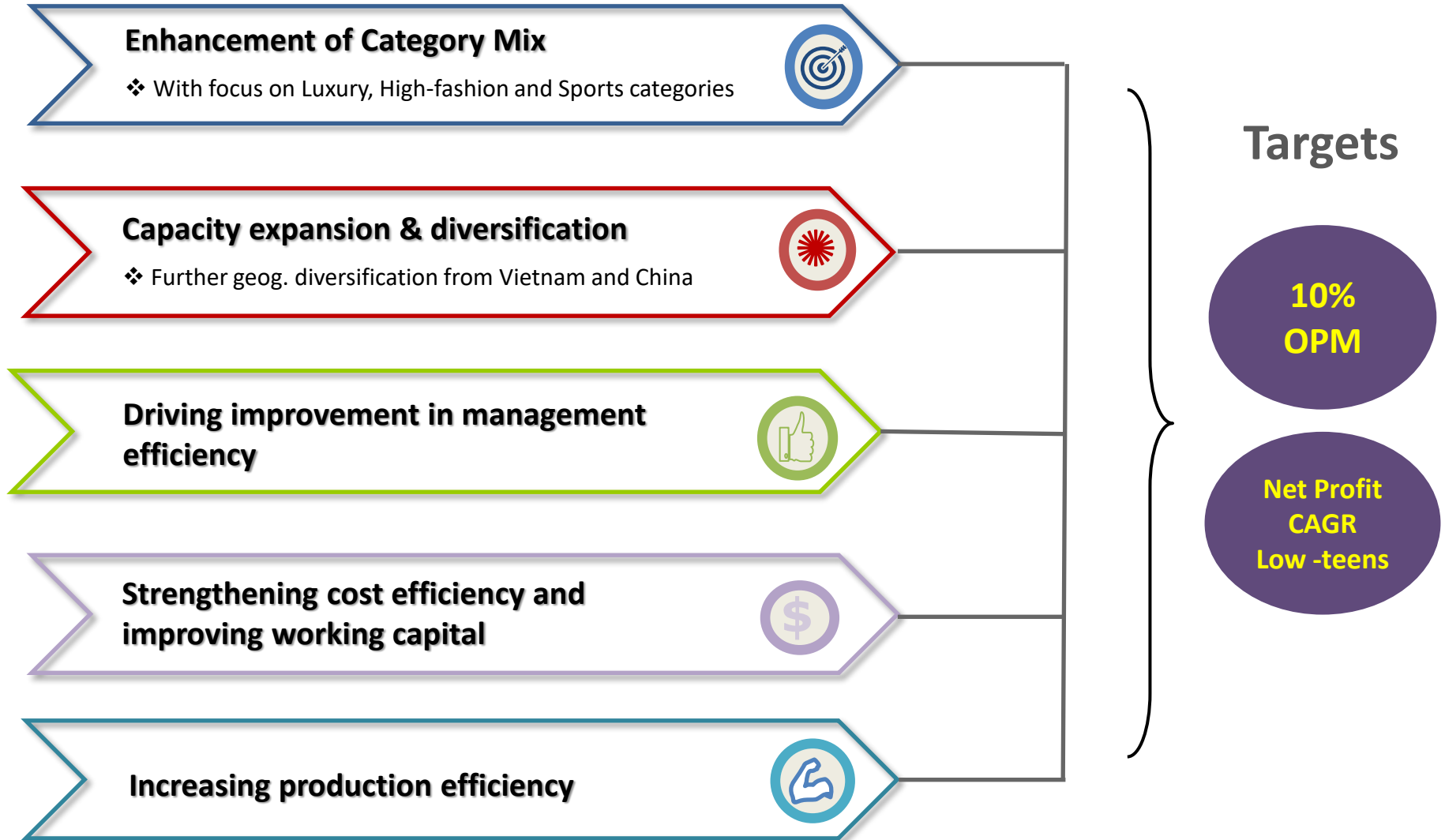
**L**uxury and Fashion brands catching up with and expanding athleisure product lines

**G**rowing with new customers in Luxury, Fashion and Sports segments

**A**ccelerated re-opening of Chinese border since Jan 2023

**G**rowth of Luxury and high-end Fashion brands continues post-pandemic

# 3-Year Plan (2023 – 2025) - Growth Strategies



# 3-Year Plan (2023 – 2025) - Growth Strategies

## ➤ Enhance category mix to better align with our unique strengths and capabilities

- ❑ Grow with our major global sports customers as they continue to expand their athleisure and luxury-priced footwear categories
- ❑ Partner with additional Luxury and High-fashion brands that are introducing sports and athleisure styles into their collections
- ❑ Add more well-established but fast-growing boutique Sports and Fashion customers that are leading athleisure fashion trends

## ➤ Expand and diversify capacity away from China and Vietnam to protect our cost base

- ❑ Ramping up new factory in Solo, Indonesia which commenced production in end of 2022
- ❑ Announcing plans to jointly develop an exclusive sports footwear factory in Indonesia with a major brand partner
- ❑ Commit to increasing capacity in Bangladesh, starting in 2023

# 3-Year Plan (2023 – 2025) - Growth Strategies

## ➤ Optimise our management effectiveness and efficiency

- ❑ Re-organizing organizational structure, centralizing account management teams to provide better customer service and refocusing factory operational teams on day-to-day manufacturing excellence
- ❑ Combining R&D teams to enhance design and commercialization capabilities and better serve our customers
- ❑ Aligning manager incentive schemes with transparent short-term and long-term operational targets

## ➤ Strengthen cost efficiency and improve working capital

- ❑ Enhancing customer portfolio to reduce overall risk
- ❑ Improving inventory and cashflow management
- ❑ Further strengthening cost controls across divisions

## ➤ Increase operational efficiency

- ❑ Encouraging the sharing of best practices among factories
- ❑ Pursuing operational excellence through process optimization and moving supply chain closer to new production areas

# Outlook for 2023

- Expect overall full-year volume to decline in 2023, esp. 1H23
  - ❑ Volume decline led by Sports customers will be partially offset by growth of newly-added Luxury and High-fashion customers
- Expect to maintain strong GPM & OPM levels, despite full-year volume decline
  - ❑ ASP and volume guidance no longer good indicator for margin performance due to changes in category mix
- Tighten up cost control
- Resume capacity expansion plan
  - ❑ Indonesia, Bangladesh and existing facility sites
- Lateral expansion – Continue ramping up handbag business to facilitate synergies
  - ❑ its ramp-up may be slowed down by weaker macroeconomic environment



Thank You