

# CORPORATE PRESENTATION

Interim Results 2022



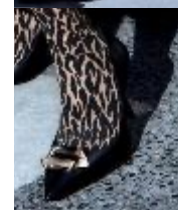
Stella International Holdings Limited  
九興控股有限公司



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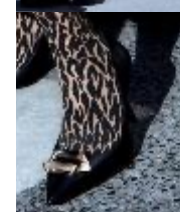


# FINANCIAL SUMMARY

# Operational Highlights for 3Q 2022

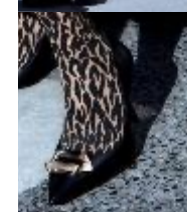
For the three months ended 30 Sept  
(Unaudited)

Group		2022	2021	Change
	Revenue (US\$ million)	460.5	439.3	4.8%
Manufacturing business	Revenue (US\$ million)	453.6	431.6	5.1%
	Quantity (million pairs)	15.0	14.9	0.7%
	ASP (US\$/pair)	30.2	28.9	4.5%



# Operational Highlights YTD Sept 2022

		For the nine months ended 30 Sept (Unaudited)		
		2022	2021	Change
Group	Revenue (US\$ million)	1,287.7	1,134.8	13.5%
Manufacturing business	Revenue (US\$ million)	1,261.0	1,115.3	13.1%
	Quantity (million pairs)	44.1	41.4	6.5%
	ASP (US\$/pair)	28.6	27.0	5.9%





# Interim Results

## 2022



# Highlights

Revenue increased by 18.9% with support from 9.4% growth in shipment volume

ASP increased by 7.8% mainly due to higher raw material costs

Net profit increased to US\$60.2 million, significantly improved from US\$32.2 million for the same period last year

Continued to enhance customer portfolio, esp. in Sports, Luxury and Fashion categories

Production capacity almost fully utilized during the period under review

Operating profit margin increased to 8.3%, an improvement of 3.1 percentage point compared to that of same period last year

Continued investment in Indonesia as part of our long-term margin expansion plan and capacity diversification strategies

Declared interim dividend of HK42 cents, representing a payout ratio of about 70%



# Financial Highlights

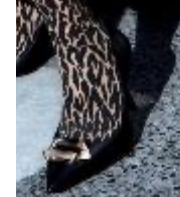
For the six-months ended 30 June			
US\$ m	2021 (unaudited)	2022 (unaudited)	Change
<b>Revenue</b>	<b>695.5</b>	<b>827.2</b>	<b>18.9%</b>
<b>Gross Profit</b>	<b>139.0</b>	<b>163.9</b>	<b>17.9%</b>
<b>Operating Profit</b>	<b>36.3</b>	<b>68.6</b>	<b>89.0%</b>
<b>Net Profit</b>	<b>32.2</b>	<b>60.2</b>	<b>87.0%</b>
<b>EPS (US¢)</b>	<b>3.9</b>	<b>7.6</b>	<b>94.9%</b>
<b>Dividend per share (HK¢)</b>	<b>21</b>	<b>42</b>	<b>100%</b>
<hr/>			
<b>Shipment Volume (m pairs)</b>	<b>26.5</b>	<b>29.0</b>	<b>9.4%</b>
<b>ASP (US\$)</b>	<b>25.8</b>	<b>27.8</b>	<b>7.8%</b>

Increased customer demand and order recovery

Stable GPM despite changes in customer and product mix

Better operating leverage

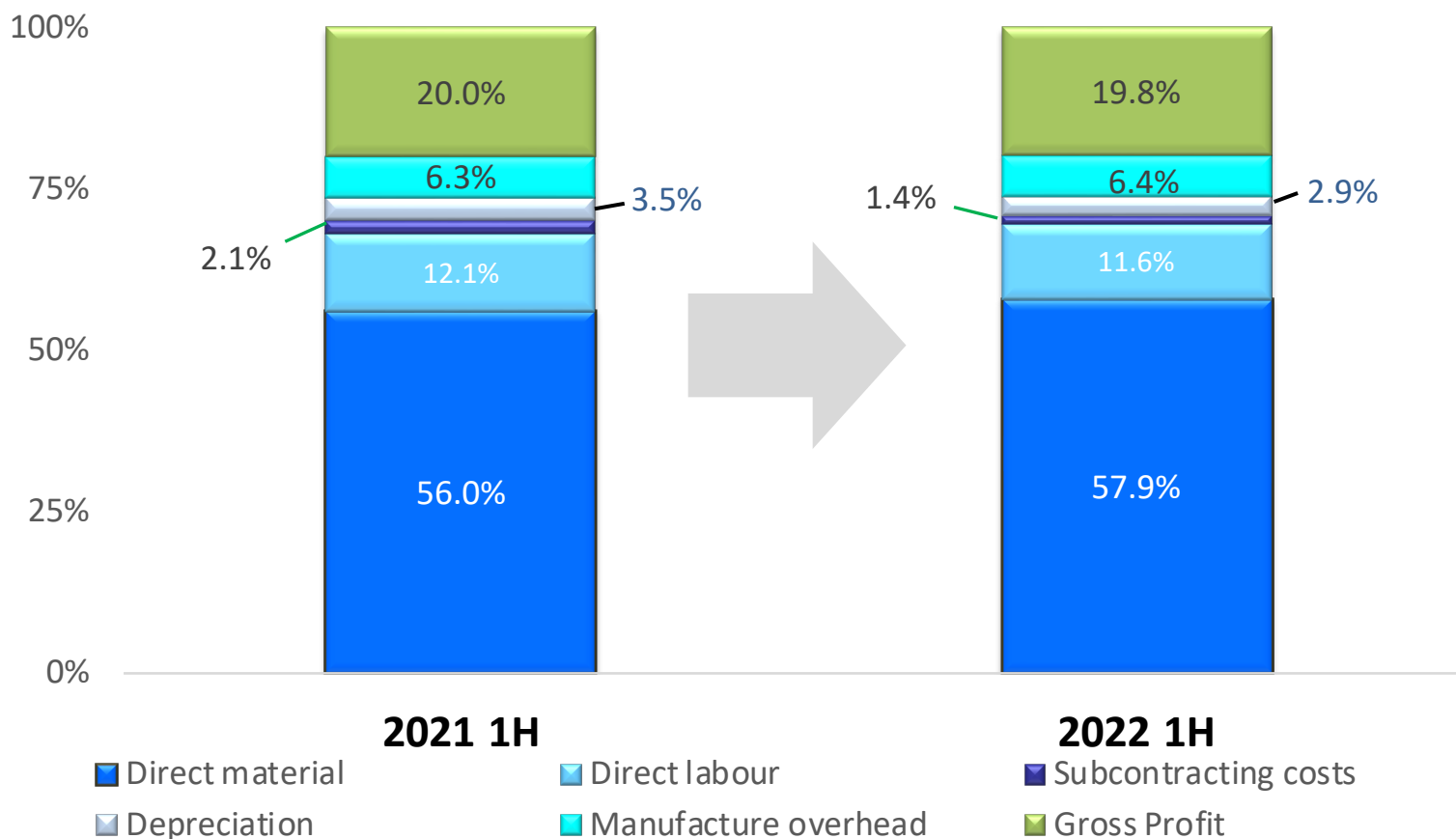
About 70% payout ratio





# Cost Structure

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



*\*Manufacturing only*

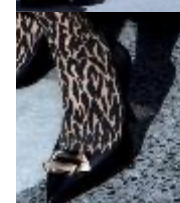


# Capex and Cash Flow Summary

US\$ m	For the six-months ended 30 June		
	2021 (unaudited)	2022 (unaudited)	Change
<b>Cash flows (used in)/ from operating activities</b>	<b>(9.3)</b>	<b>33.5</b>	<b>460.2%</b>
Profit before Tax	36.7	68.4	86.4%
Depreciation	27.7	30.3	9.4%
Changes in working capital	(68.7)	(72.1)	4.9%
Other operating cash flows	(5.0)	6.9	N/A
<b>Cash flows used in investing activities</b>	<b>(26.7)</b>	<b>(31.6)</b>	<b>18.4%</b>
Capital Expenditure	(21.7)	(32.2)	48.4%
Others	(5.0)	0.6	-112.0%
<b>Cash flows from financing activities</b>	<b>1.3</b>	<b>(61.2)</b>	<b>N/A</b>
Dividend paid	0.0	(56.6)	N/A
Bank borrowings	5.0	(0.1)	N/A
Others	(3.7)	(4.5)	21.6%
<b>Net (outflow)/inflow of cash</b>	<b>(34.7)</b>	<b>(59.3)</b>	<b>70.9%</b>

Generated positive net cashflow from operations

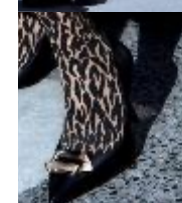
Slowed down incremental capacity expansion in existing factories



# Solid Financial Position with Net Cash

US\$ m	As of 30 June	
	2021 (unaudited)	2022 (unaudited)
<b>Cash and cash equivalents</b>	76.6	<b>76.4</b>
<b>Debt</b>	(7.8)	<b>(7.4)</b>
<b>Net Cash / (Debt)</b>	68.8	<b>69.0</b>
<b>Net Gearing Ratio*</b>	-7.2%	<b>-6.8%</b>
<b>Current assets</b>	691.8	<b>748.0</b>
<b>Non-current assets</b>	520.4	<b>549.9</b>
<b>Current liabilities</b>	228.8	<b>263.0</b>
<b>Non-current liabilities</b>	22.3	<b>20.4</b>
<b>Net assets</b>	961.1	<b>1014.5</b>
<b>Quick ratio</b>	2.1x	<b>1.9</b>
<b>Current ratio</b>	3.0x	<b>2.8</b>

\*Net gearing ratio = net debt/shareholder equity



# Impact of COVID-19 on Operations

## Timeline

**2020**

**Feb**

- COVID-19 outbreak in China
- Disruption to factory operations in China

**Mid-Mar onwards**

- Europe and US lockdowns affected our customers, leading to shipment postponement and order cancellation

**Apr**

- China reopened and retail sales improved

**May - Jun**

- Slow re-opening of retail stores in Europe and US markets

**Oct - Dec**

- Improvement of retail sales in Europe and US, esp. holiday periods in 4Q20

**2021**

**1<sup>st</sup> Qtr**

**Mar – May**

- 2nd wave of lockdowns in Europe and US
- Vaccination programs started to roll out in various countries
- Gradual release of lockdown measures in Europe and US

**July – Oct**

- Resurgence of Covid-19 infection cases in S.E. Asia
- Some S.E. Asian countries (e.g. Bangladesh, Vietnam) implemented lockdown again in some cities
- the supply chain in S. Viet was affected from mid-Jul to Oct

*<\*Stella's operation in N. Viet maintained normal operation during the period>*

**Nov**

- Peers' factories in S. Viet resumed operation
- Omicron variant led a new wave of pandemic

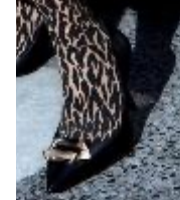
**2022**

**Feb/Mar**

**Apr – May**

**Jun**

- Omicron impacting all of Vietnam
- Omicron caused stringent restrictions in a few cities in China, including Shanghai
- Release of lockdown measures in Shanghai and most cities in China





# 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



OOFOS®

saucony



## Luxury

AMBUSH® A M I R I

ALEXANDER WANG



BALMAIN  
PARIS

Chloé

JIMMY CHOO

LANVIN

MONCLER®

Off-White™

PRADA

sergio rossi

STELLA MCCARTNEY

## Fashion



COLE HAAN



kate spade  
NEW YORK



rag & bone  
NEW YORK



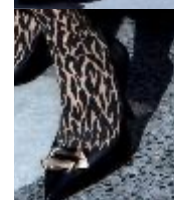
## Casual

MERRELL.

Timberland®

UGG®  
australia

VIONIC®

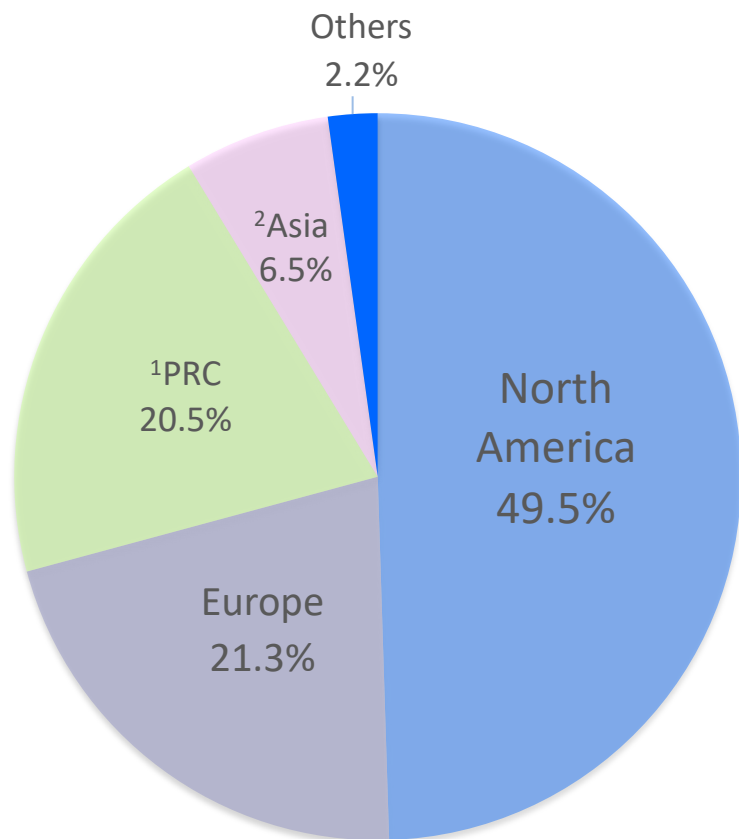




# Stable Geographic Breakdown for Group Revenue

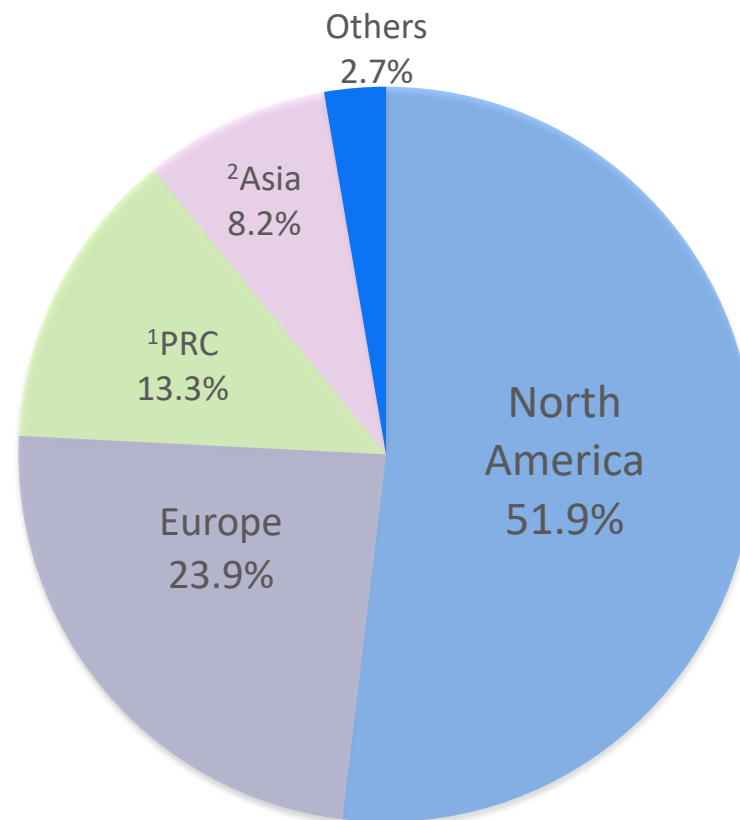
## 1H2021 Revenue

US\$695.5 m



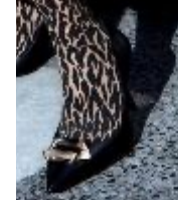
## 1H2022 Revenue

US\$827.2 m



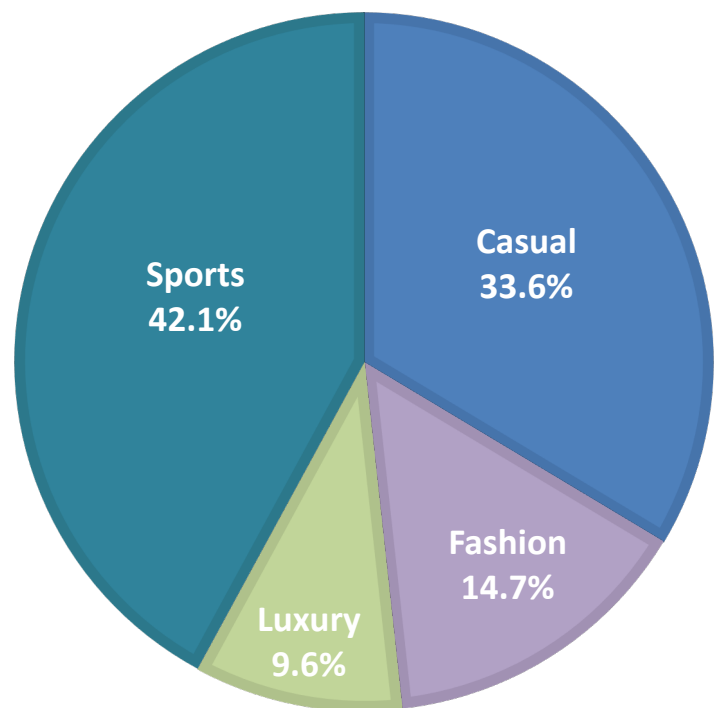
<sup>1</sup>PRC included Hong Kong

<sup>2</sup>Asia excluded the PRC

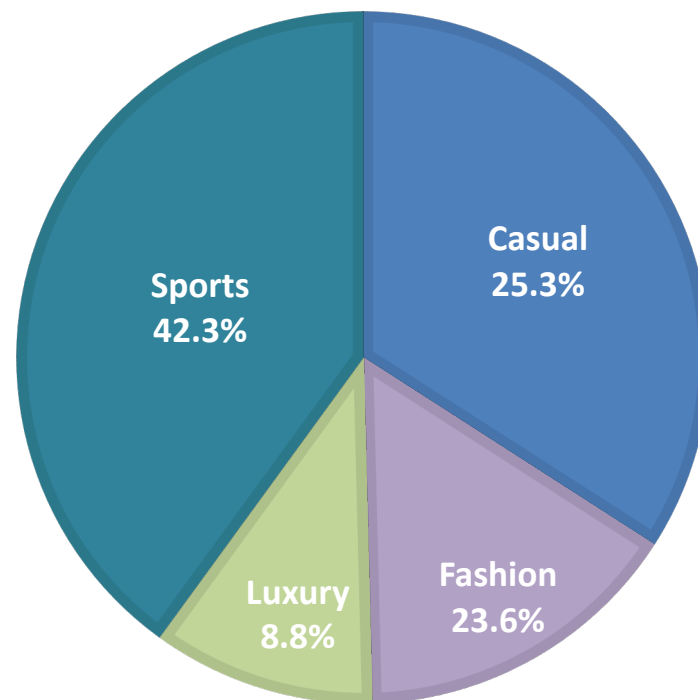


# Breakdown of Manufacturing Revenue by Product Category

1H2021



1H2022



*\*Excluding sales from samples and others*



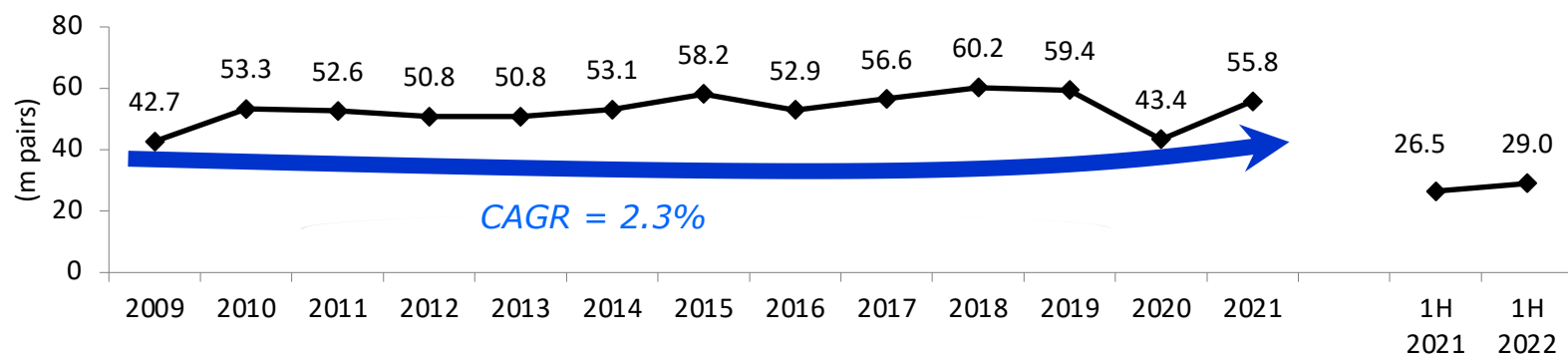
# Revenue Growth by Product Category

Category	Revenue growth YoY	Remarks
Sports	+18.7%	<ul style="list-style-type: none"> <li>Continued order growth</li> <li>Added new customers</li> </ul>
Luxury	+7.8%	<ul style="list-style-type: none"> <li>Strong 1H shipment from existing customers</li> <li>Ramp-up of new customers</li> </ul>
Fashion	+90.1%	<ul style="list-style-type: none"> <li>Strong recovery of existing customers</li> <li>Added new customers</li> </ul>
Casual	-11.1%	<ul style="list-style-type: none"> <li>Reallocation of capacity to other categories</li> <li>Softer demand from some customers</li> </ul>

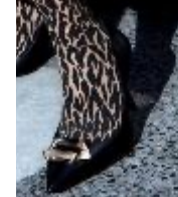
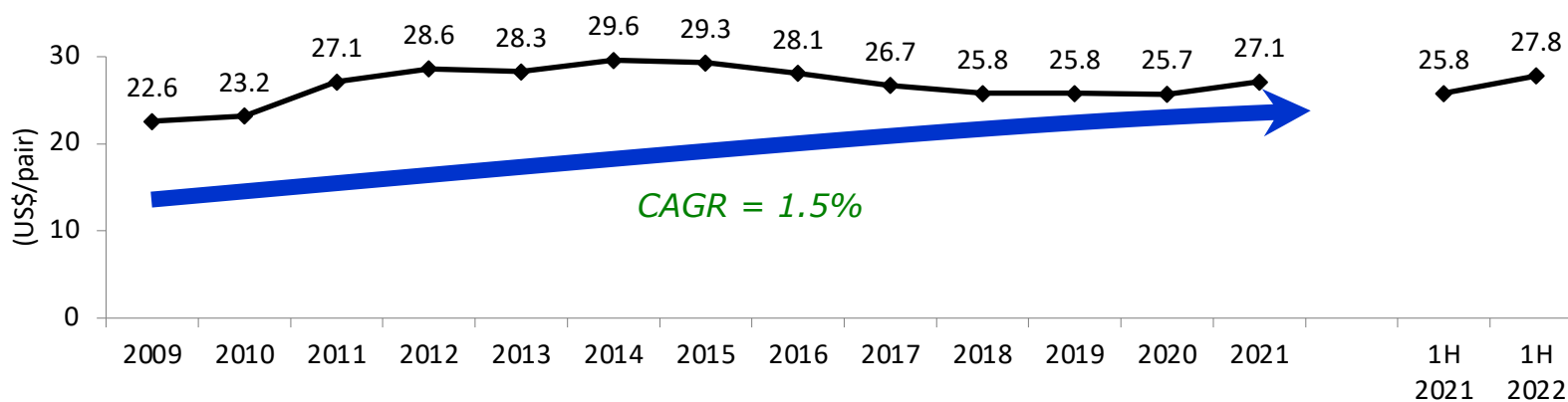


# Volume & ASP Trends

## Shipment Volume



## ASP

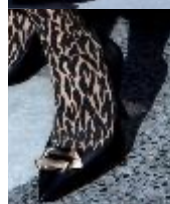
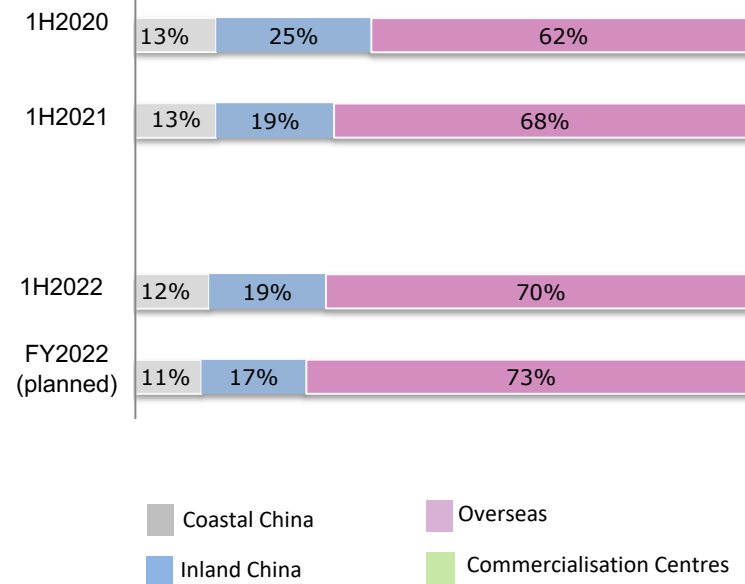


# Our Manufacturing Facilities

## Facility Locations (Footwear)



## Geog. Mix of Production



# High Vaccination Rate Against Covid-19 at Factories

Location	2-shot Full Vaccination Rate	3 <sup>rd</sup> Booster Shot Vaccination Rate
Vietnam	~ 100%	> 93%
Indonesia	~ 100%	~ 100%
Philippines	~ 100%	~ 20%
Bangladesh	~ 100%	3 <sup>rd</sup> shot - waiting for local government's approval
China	~ 100%	~ 90%

As of Mid-Aug 2022





# OUTLOOK

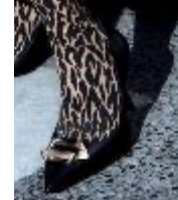
# Opportunities and Challenges

## Opportunities

- Athleisure trend remains popular
- Luxury and Fashion brands experimenting with and expanding athleisure product lines
- Speed-to-market & direct-to-consumer trends leading brands to seek new suppliers to meet different requirements
- Brands to diversify their supply chain base
- Consolidation of footwear manufacturing industry

## Challenges

- High inventory issues faced by customers
- Macroeconomic headwinds e.g. inflation and higher interest rates
- Geopolitical tensions e.g. War in Ukraine
- Risk of new wave of COVID-19 pandemic that may affect supply chain
- Global logistic issues
- Global trade policies (e.g. US–China trade tensions)



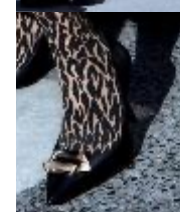
# Outlook for 2H2022

## ➤ Committed to L-T capacity expansion & diversification

- ❑ Reduced 2022 capex from \$110m to \$80m as a result of delaying capacity expansion
- ❑ Slowed down incremental expansion on existing production sites
- ❑ Ramp-up of the new factory in Solo, Indonesia
- ❑ Adding new factory for key sports customer in 3<sup>rd</sup> location in Indonesia

## ➤ Enhancing customer and product portfolio

- ❑ Adding and nurturing new customers
- ❑ Growing with newly-acquired customers



# Outlook for 2H2022

- Expect full-year 2022 ASP and volume growth rate to moderate from 1H2022 YoY growth rate
- Increased logistics cost for raw materials & lower capacity utilization will impact 2H2022 gross margin
- Tighten up cost control
  - ❑ To reduce impact from lower capacity utilization in 2H2022
- Lateral expansion – Continue building handbag business to facilitate synergies
  - ❑ its ramp-up may be slowed down by weaker macroeconomic environment in 2H2022

