



Stella International Holdings Limited
九興控股有限公司

CORPORATE PRESENTATION

Interim Results 2021



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A pair of white high-heeled shoes with thin straps is positioned in the top right corner of the image. The shoes are resting on a light pink surface, which appears to be a desk or table. The background is a soft, out-of-focus gradient of light pink and white, creating a clean and minimalist aesthetic.

FINANCIAL SUMMARY

Key Highlights

Revenue increased by 36% year-on-year due to a recovery of orders; and a low base last year which was heavily impacted by the COVID-19 pandemic

Net profit recovered to US\$32.2 million, a turnaround from a net loss of US\$5.2 million for the same period of last year

Enhancing customer portfolio and adding new customers in Luxury category, resulting in higher product development cost

Continued investment in Indonesia as part of our long-term margin expansion & diversification strategy

Declared interim dividend of [XX] HK cents, representing a payout ratio of [70%]



Impact of COVID-19

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

1st Qtr

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

Mar – May

- Gradual release of lockdown measures in Europe and US

July

- Resurgence of Covid-19 infection cases in S.E. Asia
- Some S.E. Asian countries started to tighten up the social distancing measures, and implemented lockdown again in some cities, therefore affecting the supply chain
e.g. Bangladesh, Vietnam



Financial Highlights

US\$ mn	<i>For the six-months ended 30 June</i>		
	2020 (unaudited)	2021 (unaudited)	Change
Revenue	511.5	695.5	36.0%
Gross Profit	84.7	139.0	64.1%
Operating Profit/Loss	(3.4)	36.3	N/A
Net Profit/Loss	(5.2)	32.2	N/A
EPS (US¢)	(0.7)	3.9	N/A
Dividend per share (HK¢)	0	21	N/A

Recovery of orders and low-base effect from 1H20

Higher GPM from improved Customer and product mix

Higher R&D cost and 5.2% OPM still below 2019 level

About 70% payout ratio

Excluding one-off non-recurring items in 1H 2021: **US\$4.8 million***
(1H 2020: US\$14.3 million)

Adjusted Operating Profit	10.9	41.1	277.1%
Adjusted Net Profit	9.1	37.0	306.6%

*Severance payments related to factory closure



COVID-19 Impact on Seasonality at Stella

US\$	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Volume	11.0m	9.4m	12.3m	10.8m	12.0m	14.5m
ASP	23.3	26.4	27.5	25.6	25.0	26.6
Revenue	256.7m	247.8m	336.7m	275.9m	299.8m	384.0m

Vol -14% yoy
ASP -3%

- Customer postponing shipment in late March

Vol - 44% yoy
ASP +2%

- Delayed shipment & cancelled orders esp. for 2H delivery, which were higher margin

Vol - 24% yoy
ASP -1%

- Store reopening leading to increased customer confidence
- Ordering for winter products began to pick up

Vol - 22% yoy
ASP +3%

- Customer confidence improved due to good holiday sales
- Normal Q3 boots shipments shipped in Q4

Vol +9% yoy
ASP +7%

- Strong recovery across categories

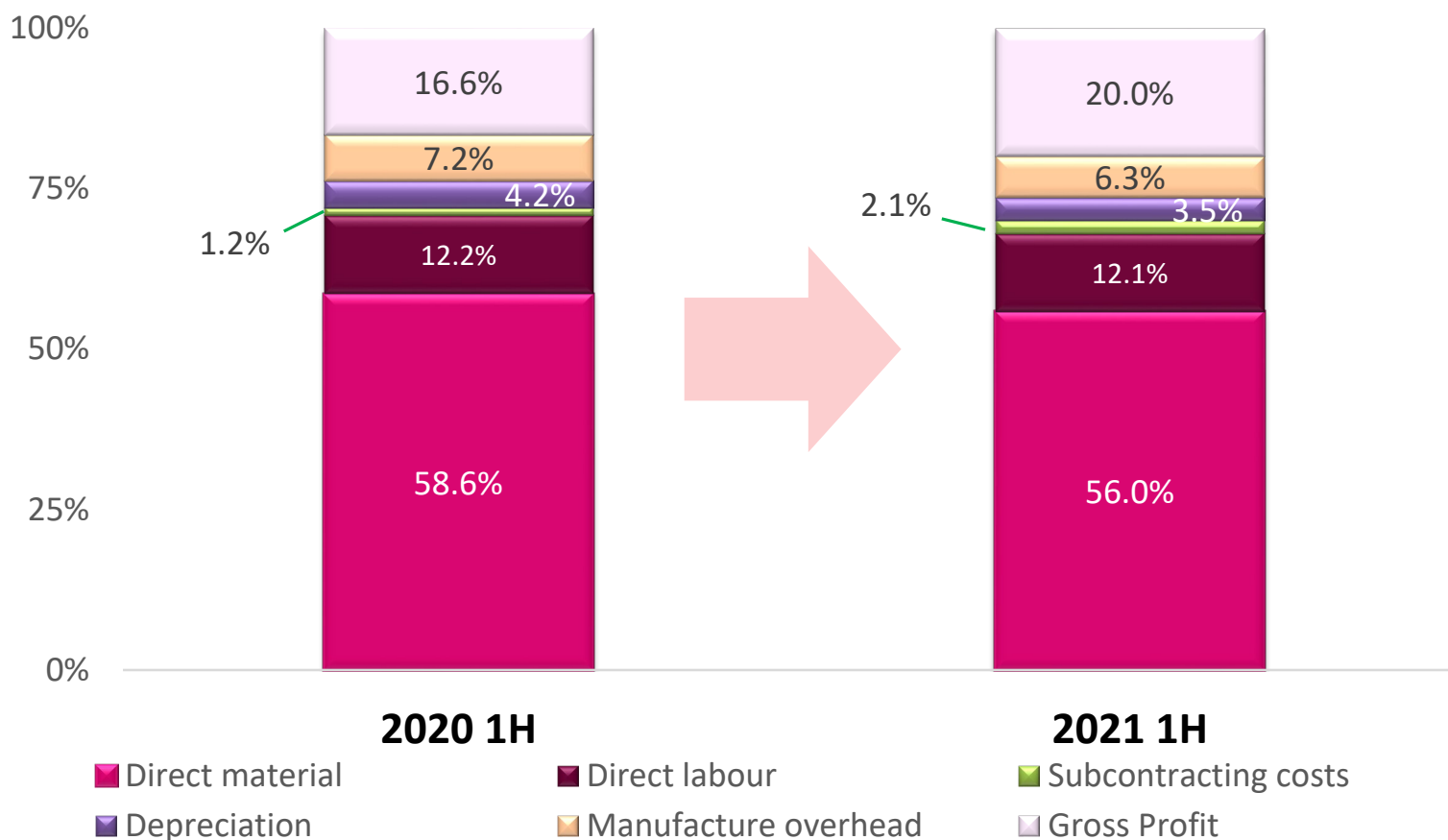
Vol +54% yoy
ASP +1%

- Recovery of orders, esp. Luxury and Casual categories
- Recovery of boot mix & luxury product mix
-> ASP growth



Cost Structure

Breakdown of Costs of Sale (as % of Revenue)



**Manufacturing only*

Capex and Cash Flow Summary

US\$ mn	For the six-months ended 30 June		
	2020 (unaudited)	2021 (unaudited)	Change
Cash flows (used in)/ from operating activities	25.1	(9.3)	-135.5%
Profit before Tax	(3.6)	36.7	N/A
Depreciation	22.7	27.7	22.0%
Changes in working capital	3.3	(68.7)	-2181.8%
Other operating cash flows	(2.7)	(5.0)	N/A
Cash flows used in investing activities	(40.7)	(26.7)	N/A
Capital Expenditure	(25.4)	(21.7)	N/A
Others	(15.3)	(5.0)	N/A
Cash flows from financing activities	1.4	1.3	-7.1%
Dividend paid	(46.1)	0.0	N/A
Bank borrowings	48.6	5.0	-89.7%
Others	(1.1)	(3.7)	N/A
Net (outflow)/inflow of cash	(14.2)	(34.7)	-144.4%

Increase working capital usage from business recovery

Solid Financial Position with Net Cash

US\$ mn	As of 30 June	
	2020 (unaudited)	2021 (unaudited)
Cash and cash equivalents	54.7	76.6
Debt	(51.6)	(7.8)
Net Cash / (Debt)	3.1	68.8
Net Gearing*	-0.3%	-7.2%
Current assets	616.9	691.8
Non-current assets	486.5	520.4
Current liabilities	196.3	228.8
Non-current liabilities	3.1	22.3
Net assets	904.0	961.1
Quick ratio	2.2x	2.1x
Current ratio	3.1x	3.0x

*Net gearing ratio = net debt/shareholder equity



A pair of white high-heeled shoes with thin straps is positioned in the top right corner of the image, resting on a light pink surface. The background is a large, white, rectangular object, possibly a piece of paper or a folder, which is slightly tilted and occupies most of the frame.

BUSINESS REVIEW

Manufacturing BUSINESS

World's Leading Footwear Brand Customers

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

Sports

HOKA ONE ONE

LACOSTE

NIKE

OOFOS

saucony

UNDER ARMOUR

Luxury

ALEXANDER WANG

BALENCIAGA
PARIS

BALMAIN
PARIS

Chloé

JIMMY CHOO

PRADA

STELLA MCCARTNEY

Maison Margiela
PARIS

Off-White^{1...}

MONCLER

Fashion

COLE HAAN

EVERLANE

kate spade
NEW YORK

MK
MICHAEL KORS

TORY BURCH

Casual

CAMPER
MERRELL

Timberland

UGG
australia

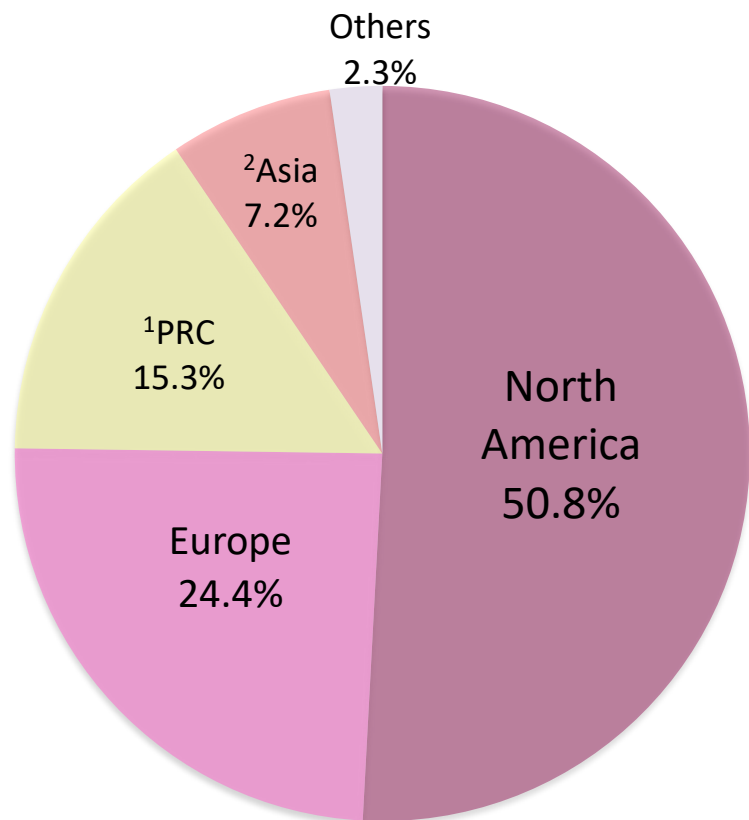
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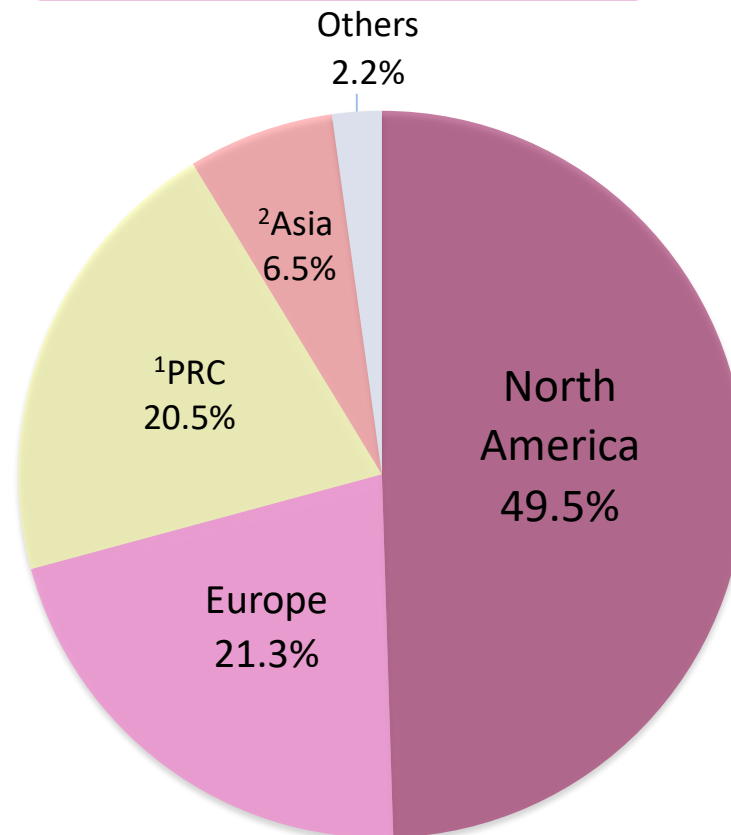
Stable Geographic Breakdown for Group Revenue



1H 2020 US\$511.5mn



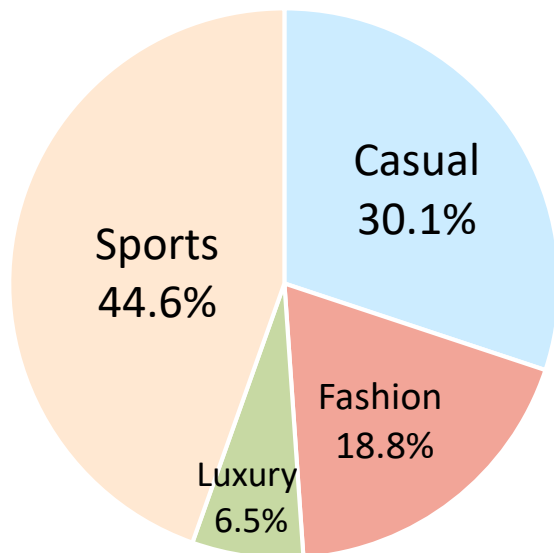
1H 2021 US\$695.5mn



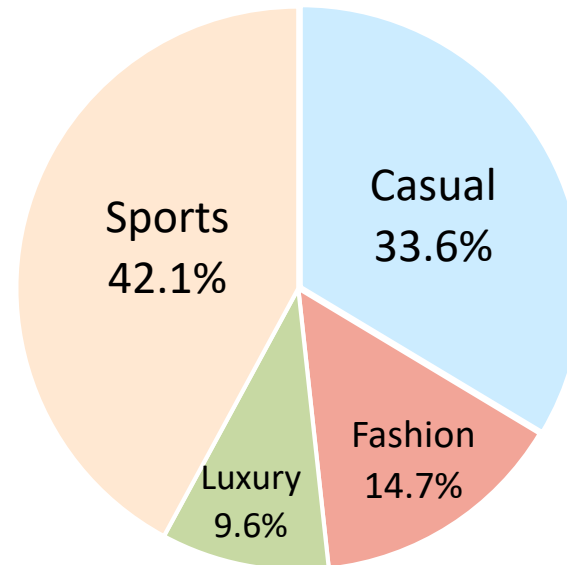
Breakdown of Manufacturing Revenue by Product Category

- Sales growth in all categories with stronger rebound from Luxury and Casual Products

1H 2020



1H 2021



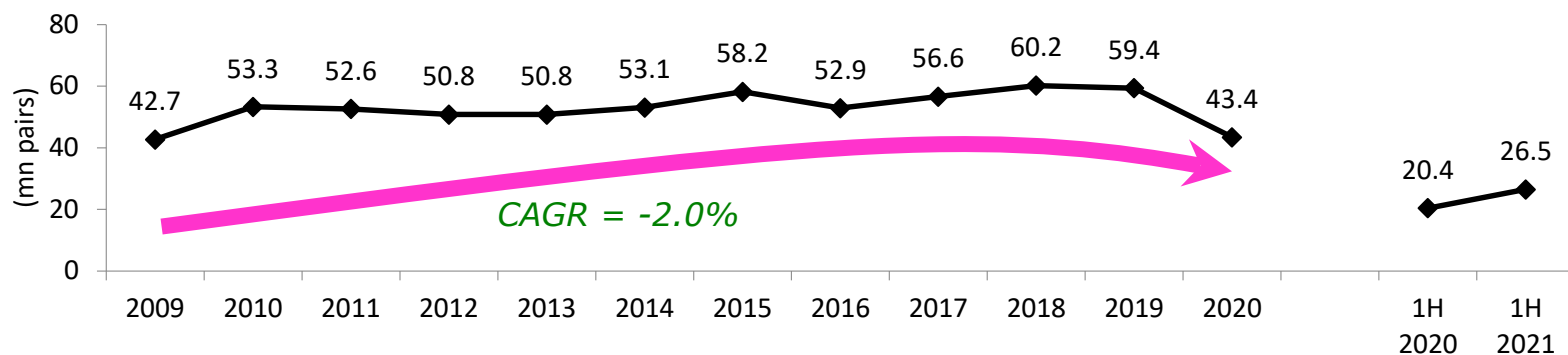
Category	Revenue growth YoY
Sports	+28%
Luxury	+100%
Fashion	+6%
Casual	+51%

**Excluding sales from samples and others*

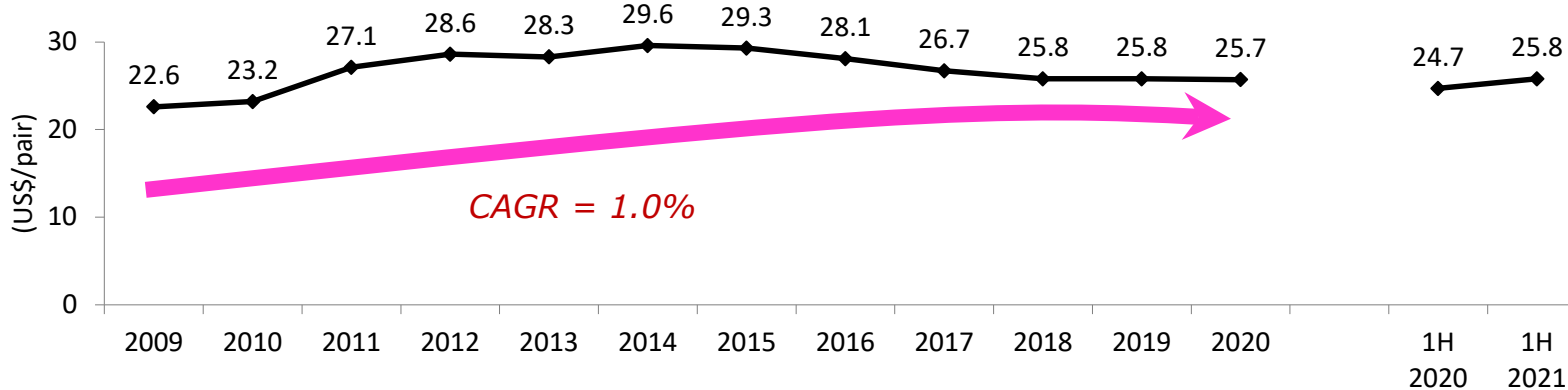


Volume & ASP Trends

Shipment Volume

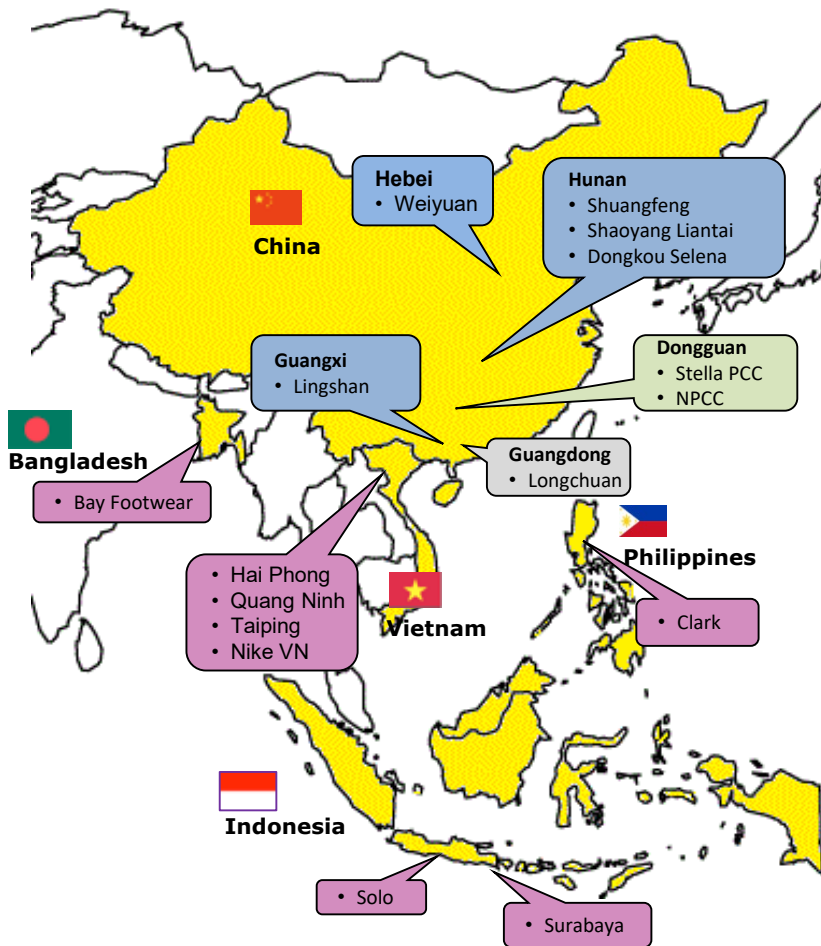


ASP

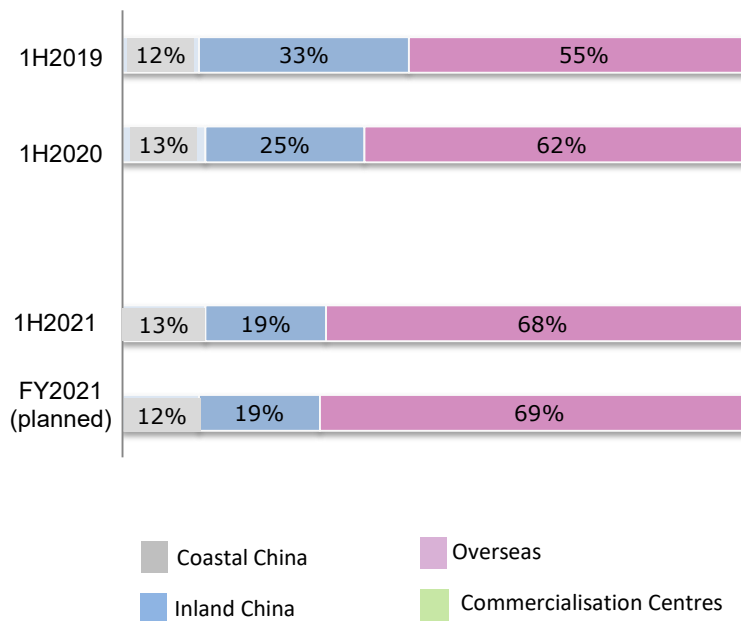


Our Manufacturing Facilities

Facility Locations (Footwear)



Geog. Mix of Production

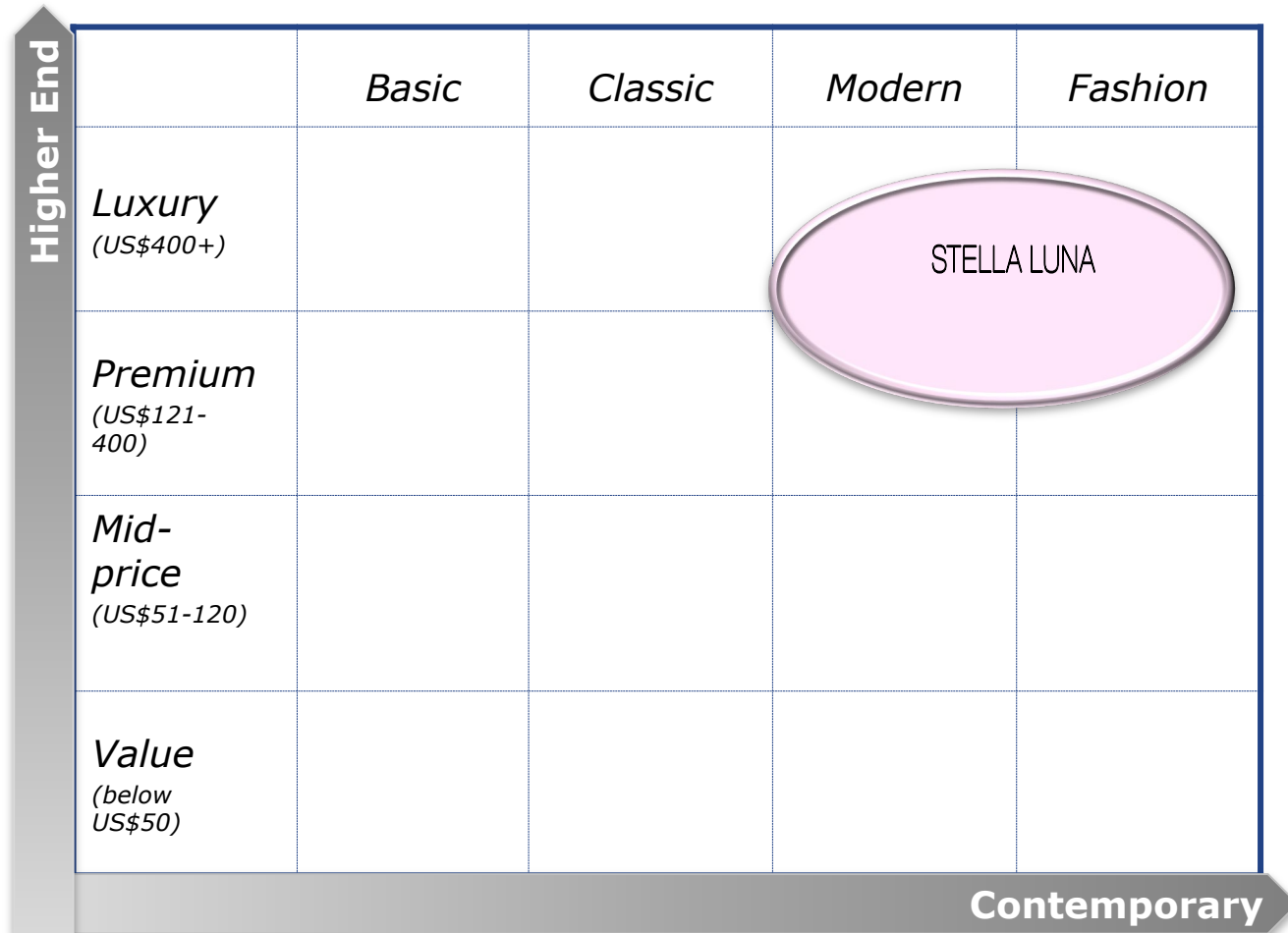


BUSINESS REVIEW

Branding BUSINESS

Our Retail Brand Positioning: Affordable Luxury

- Demonstrate Stella's high-end craftsmanship, design and commercialization capability



MEDIA EXPOSURE

ASIAN CELEBRITIES



ZHOU Ye(周也),
Chinese actress



Victoria SONG (宋茜),
Chinese singer & actress



ZHAO Lu Si(赵露思),
Chinese actress

MEDIA EXPOSURE

ASIAN CELEBRITIES



Angel WANG (王鸥),
Chinese actress



Joey YUNG (容祖儿),
Chinese (HK) singer & actress



Tiffany TANG (唐嫣),
Chinese actress

OUTLOOK

Opportunities and Challenges

Opportunities

- Increased popularity of athleisure
- Luxury brands experimenting with athleisure product lines
- Speed-to-market & direct-to-consumer trends lead brands seeking new suppliers to meet different requirements
- Brands to diversify their supply chain base
- Consolidation of footwear manufacturing industry

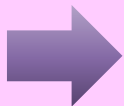
Challenges

- New wave of COVID-19 pandemic affecting consumer markets and supply chain
- Port congestion, freight forwarding and logistic issues in US and China
- Global trade policies (e.g. US–China trade tensions)
- Counter-party risk control and management



Outlook

- Expect 2H21 volume to rebound but increased risk of COVID-related slippage from production & shipping disruption
- Increased volume from new Luxury customers driving up R&D cost
- Investing for future growth --- long-term margin-accretive strategy
 - Enhancing customer portfolio
 - e.g. Adding and nurturing new customers -> higher product development costs
 - Diversifying production base and improving cost efficiency – new factory in Indonesia
 - Lateral expansion -- Integrating handbag business



Investing for future growth to
increase shareholder returns



SUPPLEMENTARY INFORMATION

World Premium Footwear Market – Our Target Market

Premium Footwear Manufacturing Industry in Western Europe and Brazil

(2020, million pairs)

'm pairs/ USD	Production	Export price (leather only) (USD per pair)
Italy	81	81
Germany	83	41
Belgium	70	35
France	25	75
Netherland	40	41
Portugal	43	35
Spain	35	40
United Kingdom	23	32
Brazil	13	21
Stella	43	26
STELLA's addressable market size: about 460 million pairs (2019: 540m)		

Source: i) 2021 Yearbook, Portuguese Footwear, Components and Leather Goods Manufacturers' Association
ii) Sectoral Report 2021, Brazilian Footwear Industries Association, Abicalcados

