



Stella International Holdings Limited  
九興控股有限公司

# CORPORATE PRESENTATION

Annual Results **2021**

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# FINANCIAL SUMMARY



# Key Highlights

Revenue increased by 36% year-on-year due to a strong recovery of orders across all product categories;

Net profit increased to US\$90.8million, a significant improvement from US\$1.1 million for last year

Enhanced customer portfolio, esp. in Sports and Luxury categories, helped contribute to higher gross profit margin

Completed management transition and reorganized internal divisions to execute on long-term plan

Factories at full utilization and continued investment in Indonesia as part of our long-term margin expansion & capacity diversification strategies

Declared final dividend of HK\$56 translates to 2021 total dividend of HK\$77, representing a payout ratio of about 87%





# Financial Highlights

For the year ended 31 December			
US\$ mn	2020 (audited)	2021 (audited)	Change
<b>Revenue</b>	<b>1,135.9</b>	<b>1,540.6</b>	<b>35.6%</b>
<b>Gross Profit</b>	<b>201.7</b>	<b>316.8</b>	<b>57.1%</b>
<b>Operating Profit</b>	<b>2.1</b>	<b>103.0</b>	<b>4804.8%</b>
<b>Net Profit</b>	<b>1.1</b>	<b>90.8</b>	<b>8154.5%</b>
<b>EPS (US¢)</b>	<b>0.2</b>	<b>11.3</b>	<b>5550.0%</b>
<b>Dividend per share (HK¢)</b>	<b>0</b>	<b>77</b>	<b>N/A</b>

Strong recovery of orders across all product categories

Higher GPM from improved customer and product mix, esp. from Luxury category

Higher R&D costs and 6.7% OPM back to 2019 level

About 87% payout ratio, higher than normal 70%

Excluding one-off non-recurring items in 2021: **US\$5.7 million\***  
( 2020: US\$51.3 million)

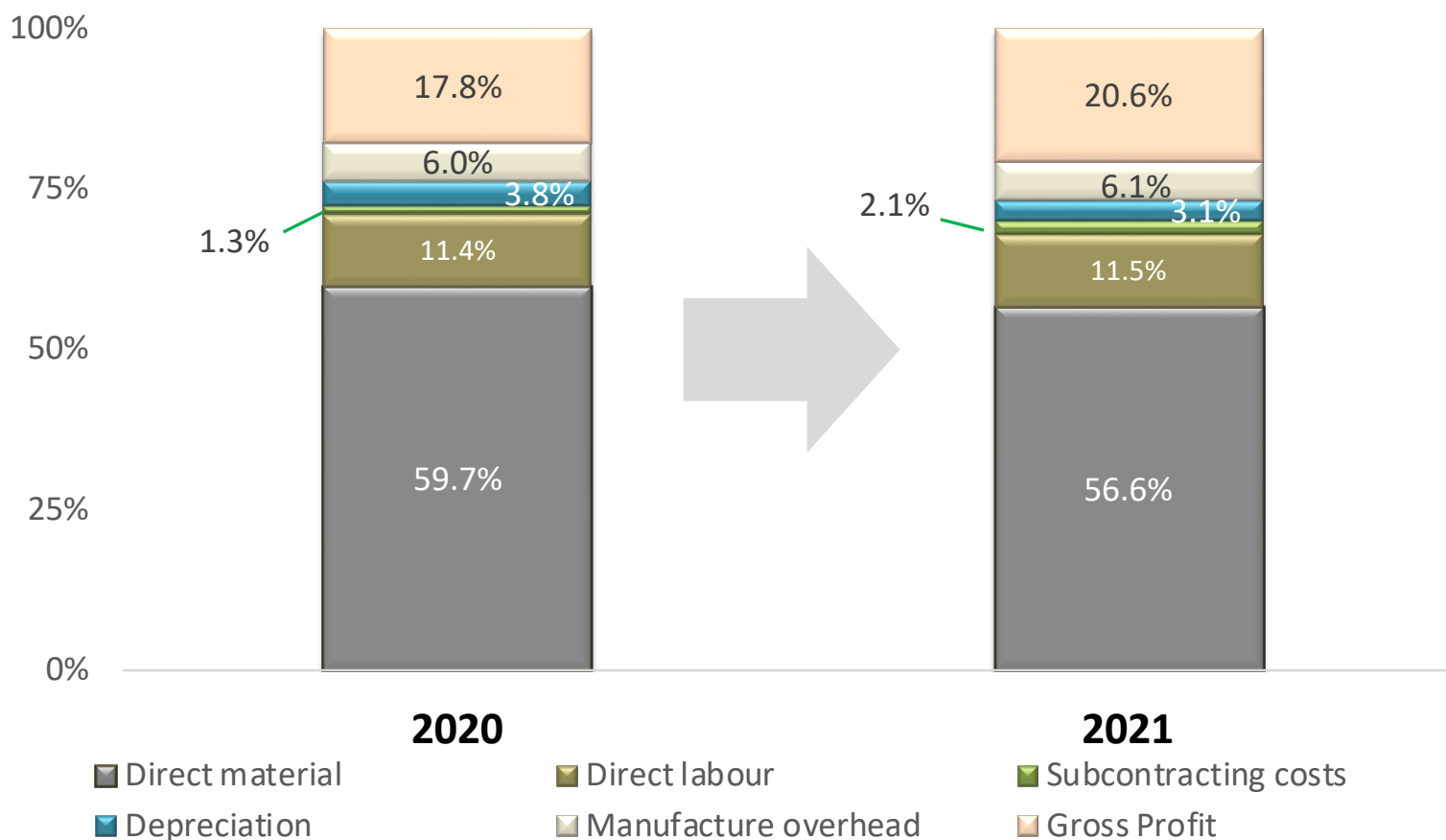
<b>Adjusted Operating Profit</b>	53.4	<b>108.7</b>	<b>103.6%</b>
<b>Adjusted Net Profit</b>	52.4	<b>96.5</b>	<b>84.2%</b>

\*Severance payments related to factory closure



# Cost Structure

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



*\*Manufacturing only*



# Capex and Cash Flow Summary

US\$ mn	For the year ended 31 December		
	2020 (audited)	2021 (audited)	Change
<b>Cash flows (used in)/ from operating activities</b>	170.5	<b>120.3</b>	<b>-29.4%</b>
Profit before Tax	2.2	<b>103.5</b>	<b>4604.5%</b>
Depreciation	49.9	<b>57.0</b>	<b>14.2%</b>
Changes in working capital	27.3	<b>(107.3)</b>	<b>-493.0%</b>
Other operating cash flows	91.1	<b>67.1</b>	<b>-26.3%</b>
<b>Cash flows used in investing activities</b>	(71.3)	<b>(71.4)</b>	<b>-0.1%</b>
Capital Expenditure	(51.6)	<b>(55.9)</b>	<b>-8.3%</b>
Others	(19.7)	<b>(15.5)</b>	<b>21.3%</b>
<b>Cash flows from financing activities</b>	(51.9)	<b>(22.6)</b>	<b>56.5%</b>
Dividend paid	(46.1)	<b>(21.4)</b>	<b>53.6%</b>
Bank borrowings	(0.3)	<b>4.9</b>	<b>1733.3%</b>
Others	(5.5)	<b>(6.1)</b>	<b>-10.9%</b>
<b>Net (outflow)/inflow of cash</b>	47.3	<b>26.3</b>	<b>-44.4%</b>

Increased working capital usage due to business recovery



# Solid Financial Position with Net Cash

	<i>For the year ended 31 December</i>	
US\$ mn	2020 (audited)	2021 (audited)
<b>Cash and cash equivalents</b>	108.7	<b>135.2</b>
<b>Debt</b>	(2.9)	<b>(7.7)</b>
<b>Net Cash / (Debt)</b>	105.8	<b>127.5</b>
<b>Net Gearing Ratio*</b>	-11.5%	<b>-12.5%</b>
<b>Current assets</b>	625.3	<b>734.9</b>
<b>Non-current assets</b>	524.2	<b>563.3</b>
<b>Current liabilities</b>	210.5	<b>257.6</b>
<b>Non-current liabilities</b>	15.2	<b>23.9</b>
<b>Net assets</b>	923.8	<b>1,016.7</b>
<b>Quick ratio</b>	2.1x	<b>2.0x</b>
<b>Current ratio</b>	3.0x	<b>2.9x</b>

\*Net gearing ratio = net debt/shareholder equity





# Increase Dividend for 2021

- Strong free cash flow generation in 2021
- Strong net cash position as at 31 Dec 2021
- Optimized capital structure
- HK\$77 total dividend implies 87% payout ratio
- Group also repurchased 1.1m shares in 2021

	<i>For the year ended 31 December</i>		
	2020 (audited)	2021 (audited)	Change
<b>EPS (US¢)</b>	<b>0.2</b>	<b>11.3</b>	<b>N/A</b>
<b>Dividend per share (HK\$)</b>	<b>0</b>	<b>77</b>	<b>N/A</b>
<b>Payout ratio</b>	<b>0</b>	<b>87%</b>	<b>N/A</b>



# 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

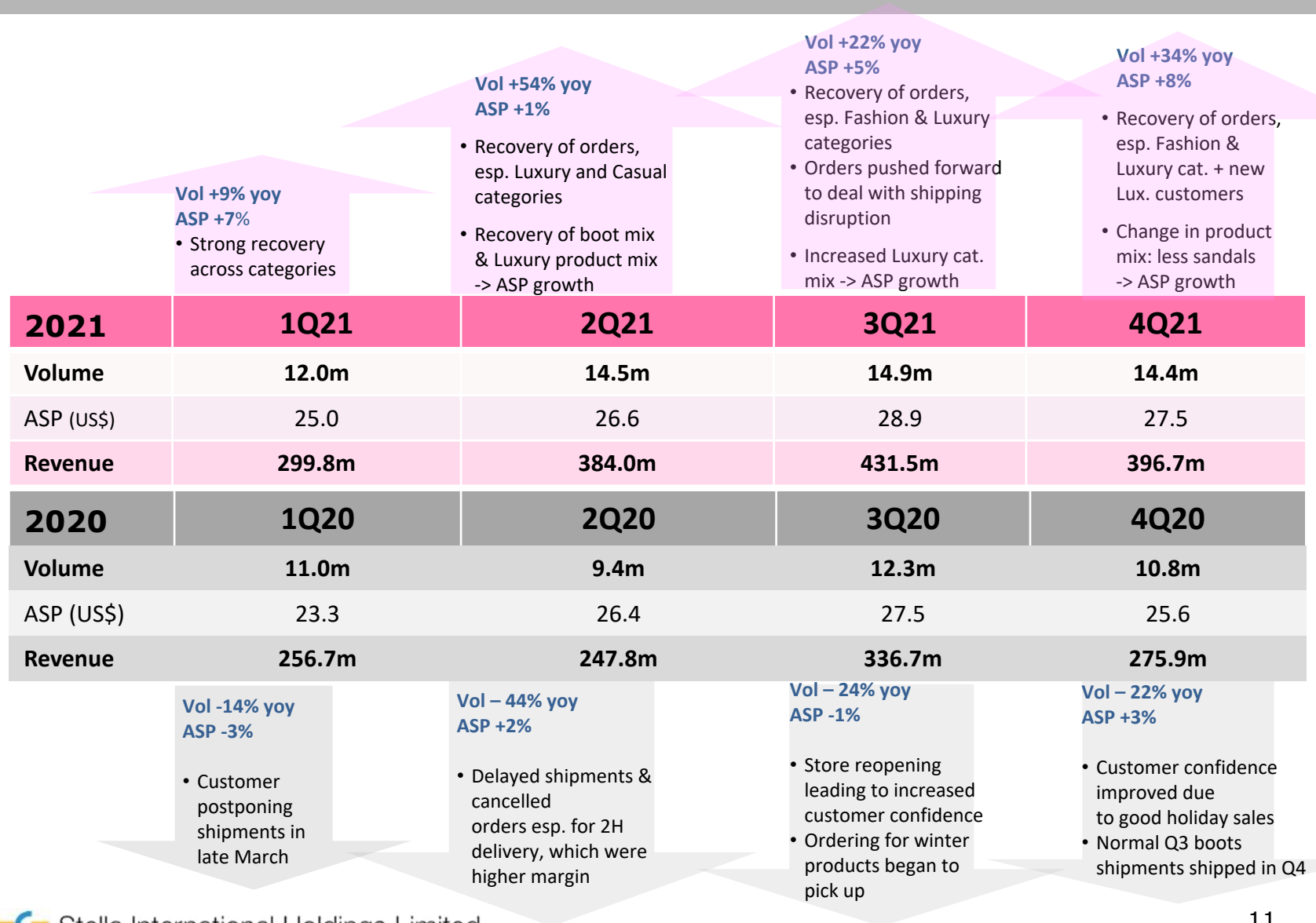
2022

Feb/Mar

- **Omicron impacting all of Vietnam**



# COVID-19 Impact on Seasonality at Stella



# 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



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®



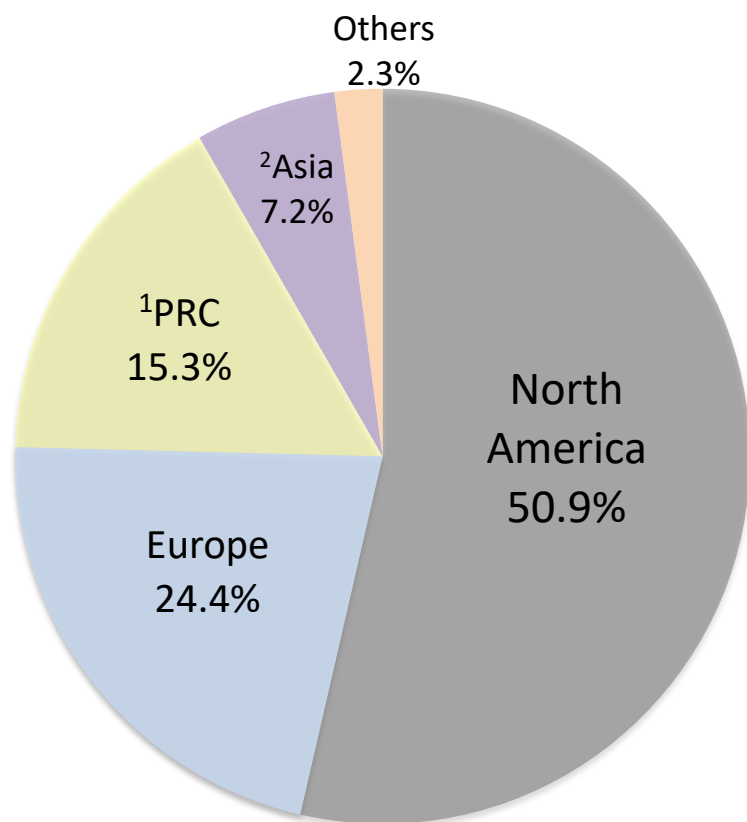


# Stable Geographic Breakdown for Group Revenue

- Increased China mix in line with China strategy of brands

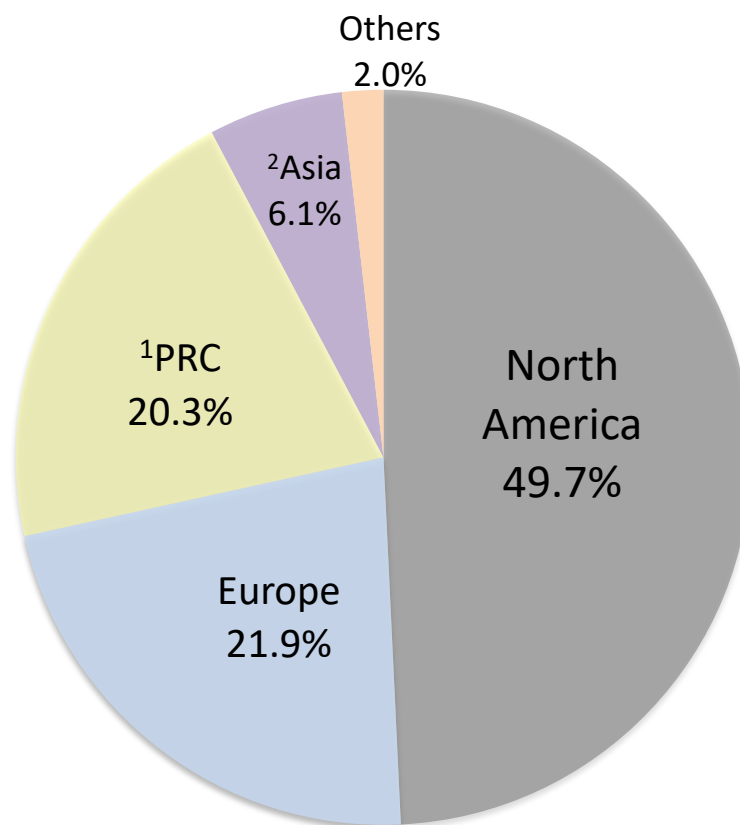
## 2020 Revenue

US\$1,135.9 mn



## 2021 Revenue

US\$1,540.6 mn



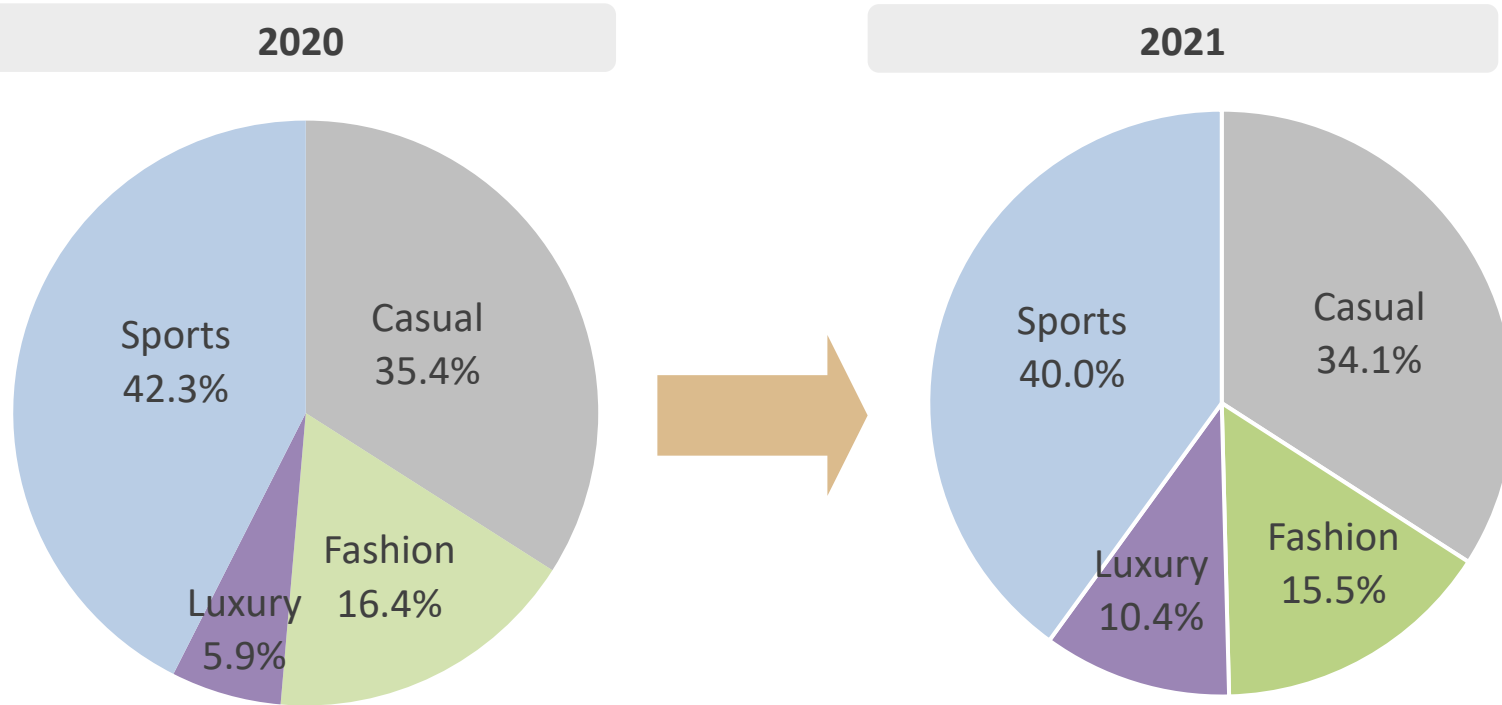
<sup>1</sup>PRC included Hong Kong

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



# Breakdown of Manufacturing Revenue by Product Category

- Strong recovery from all categories with enhanced Luxury category mix



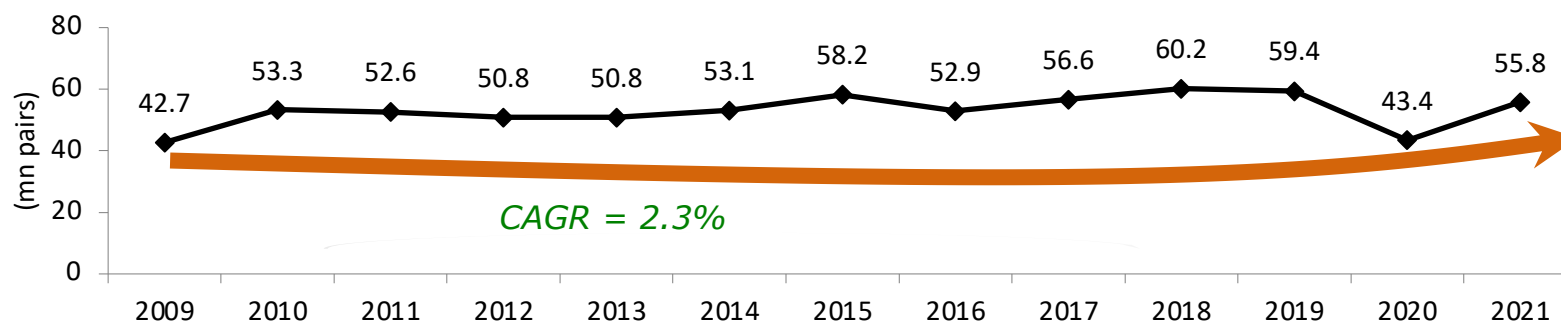
Category	Revenue growth YoY
Sports	+29%
Luxury	+137%
Fashion	+28%
Casual	+30%

*\*Excluding sales from samples and others*

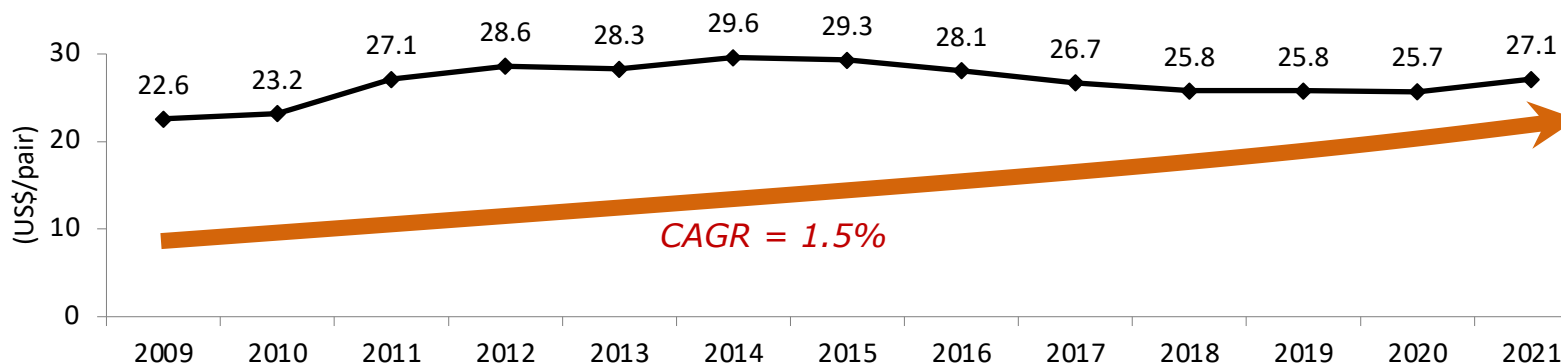


# Volume & ASP Trends

## Shipment Volume



## ASP

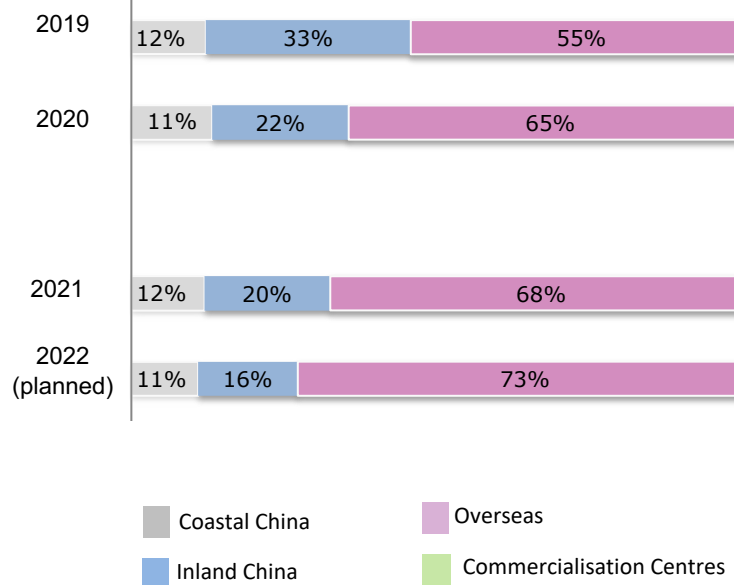


# Our Manufacturing Facilities

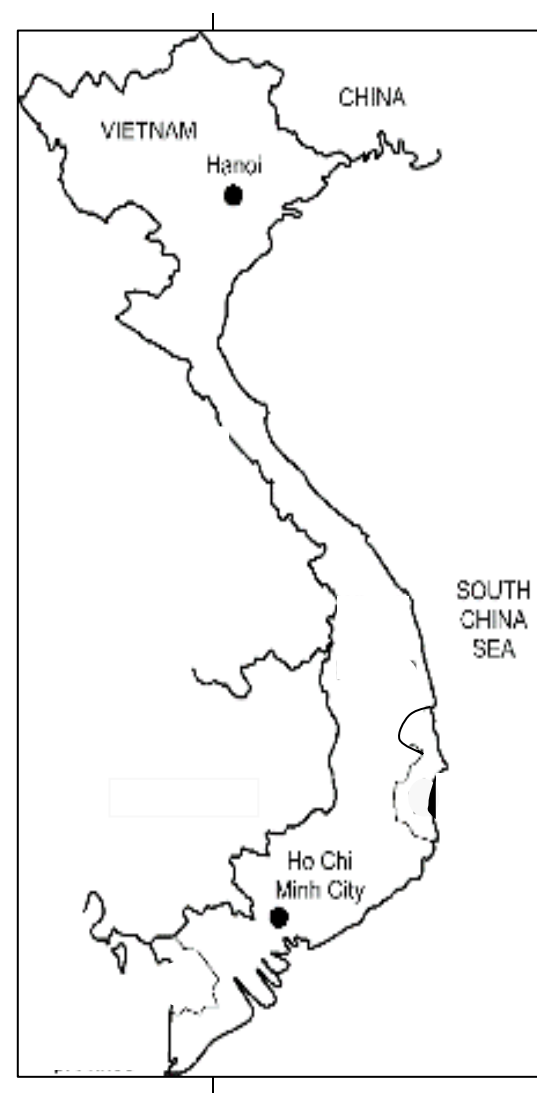
## Facility Locations (Footwear)



## Geog. Mix of Production



# Our Manufacturing Facilities - Vietnam





# 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%	~ 70%
Philippines	~ 100%	~ 20%
Bangladesh	~ 100%	3 <sup>rd</sup> shot - waiting for local government's approval
China	~ 100%	~ 90%

As at Mar 12 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

- New wave of COVID-19 pandemic (Omicron variant since Nov 2021) may affect consumer markets and supply chain
- Increased risk of COVID-related slippage from production & shipping disruption in S.E. Asia
- Global trade policies (e.g. US–China trade tensions)
- Counter-party risk control and management



# Outlook for 2022: Year of Investing

- Capacity expansion & diversification
  - ❑ \$110m capex in 2022
  - ❑ Incremental expansion from existing production sites
  - ❑ Ramp-up of the new factory in Solo, Indonesia
  - ❑ Adding a new factory for a key sports customer in Indonesia
  - ❑ Expect 2022 volume growth in-line with capacity
- Enhancing customer and product portfolio
  - ❑ Adding and nurturing new customers
  - ❑ Growing with newly-acquired customers
- Lateral expansion – building handbag business to facilitate synergies



# New Sports Footwear Factory Project in Indonesia

- Committed to a long-term dedicated factory project with a key sports customer
- Stella's largest ever investment project
- Reflects our customer's recognition of Stella's unparalleled capabilities, unique strengths and differentiation, as well as our strong and committed relationship

- Total capacity: 15 million pairs
- Total investment: >\$120m over 3 years
- \$57m capex in 2022
- Production to be operational in 2023

