



Stella International Holdings Limited
九興控股有限公司



CORPORATE PRESENTATION

Annual Results 2020

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FINANCIAL SUMMARY

Key Highlights

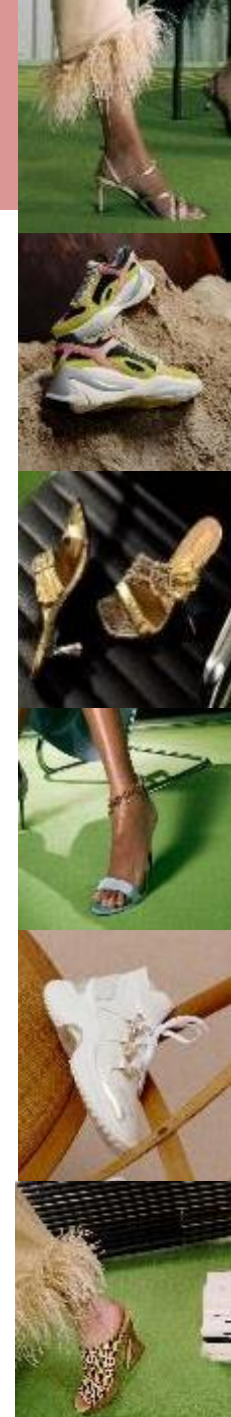
Revenue decreased by 26.5% year-on-year due to widespread disruption to global retail caused by COVID-19

Reported net profit of US\$1.1 million and adjusted net profit* of US\$52.4 million

Net cash inflow increased to US\$47.3 million from US\$5.8 million in 2019 due to active credit risk controls and working capital management

Solid balance sheet with cash position of US\$108.7 million and over US\$270 million undrawn bank facilities

(*) Adjusted net profit (non-GAAP measure) excluded US\$1.3 million of one-off non-recurring items



Impact of COVID-19

Timeline

2020

Feb

**Mid-Mar
onwards**

Apr

May - Jun

2021

Jan

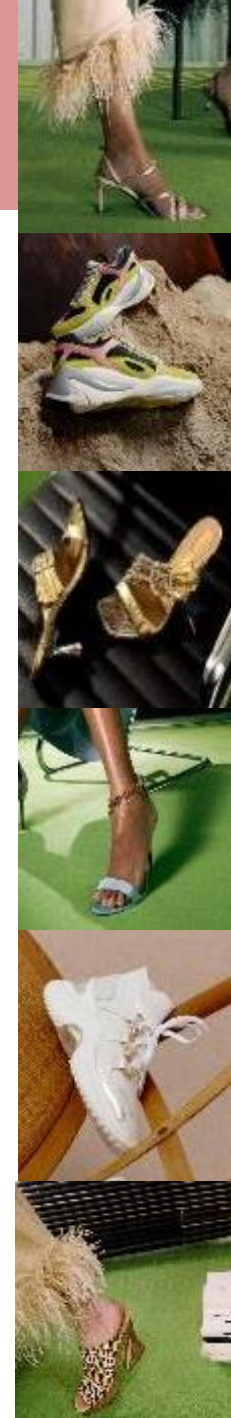
Feb

- Disruption to factory operations in China
- Europe and US lockdowns affected our customers, leading to shipment postponement and order cancellation
- Philippines and Bangladesh factories temporarily closed for >1 month
- China reopened and retail sales improved
- Slow re-opening of retail stores in Europe and US markets
- 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

Group Revenue
US\$1,135.9m
(-26.5%)

Shipment Volume
43.4m pairs
(-26.9%)

ASP
US\$25.7 / pair
(-0.4%)



Financial Highlights

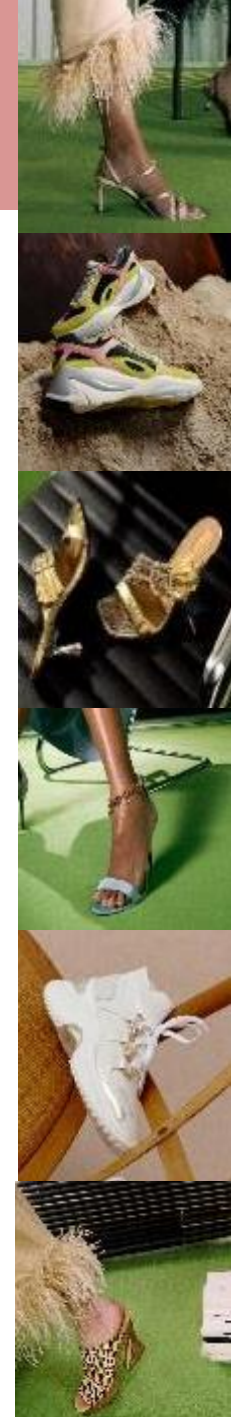
For the year ended 31 December

| US\$ mn | 2019 (audited) | 2020 (audited) | Change |
|---------------------------------|-------------------|-------------------|--------|
| Revenue | 1,544.8 | 1,135.9 | -26.5% |
| Gross Profit | 293.6 | 201.7 | -31.3% |
| Operating Profit | 102.8 | 2.1 | -98.0% |
| Net Profit | 95.9 | 1.1 | -98.9% |
| EPS (US¢) | 12.1 | 0.2 | -98.3% |
| Dividend per share (HK¢) | 85 | 0 | - |

**Repurchased 0.6 million outstanding shares at weighted average price HK\$9.0 per share in 2020*

Excluding one-off non-recurring items in 2020: **US\$51.3 million**
(2019: US\$21.1 million)

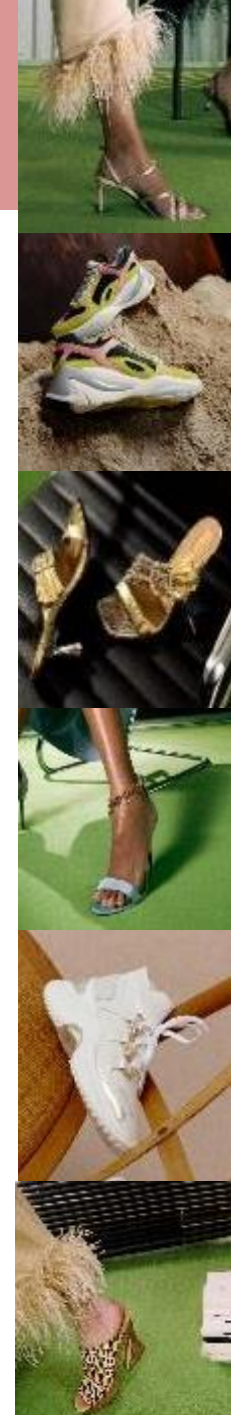
| | | | |
|----------------------------------|-------|-------------|--------|
| Adjusted Operating Profit | 123.9 | 53.4 | -56.9% |
| Adjusted Net Profit | 117.0 | 52.4 | -55.2% |



Breakdown of One-Off Non-Recurring Items

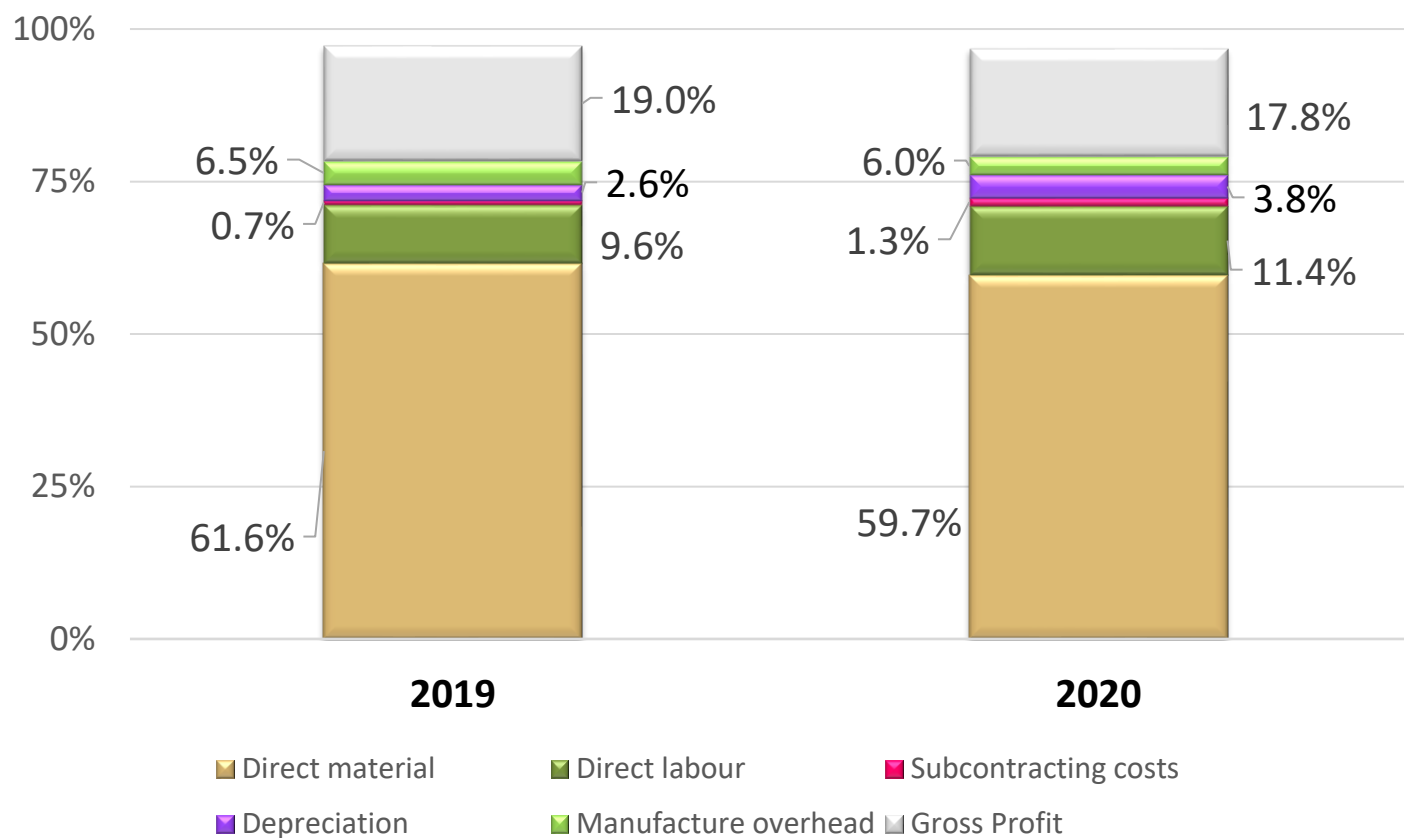
US\$ mn

| | |
|---|-------------|
| Reported Operating Profit | 2.1 |
| Severance payments and other factories closure costs | 52.5 |
| Overhead costs related to factory suspensions resulting from COVID-19 | 2.7 |
| PRC Government subsidies related to COVID-19 | (1.9) |
| Compensation received related to land sale | (2.0) |
| Total Net One-off Non-Recurring Items | 51.3 |
| Adjusted Operating Profit (non-GAAP) | 53.4 |

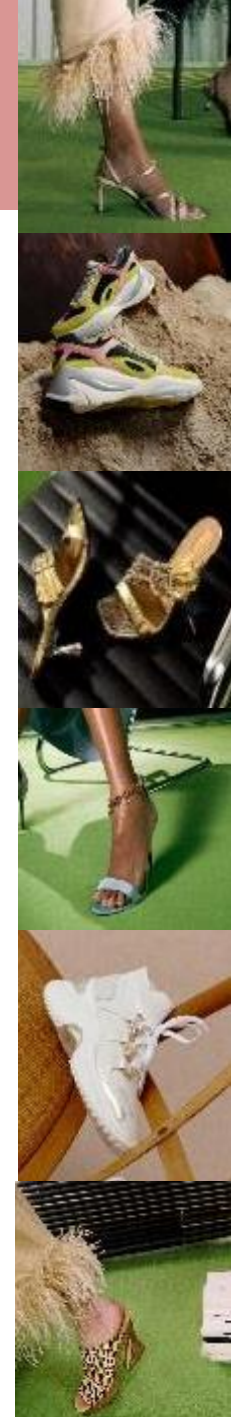


Cost Structure Affected by Lower Utilization

Breakdown of Costs of Sale (as % of Revenue)

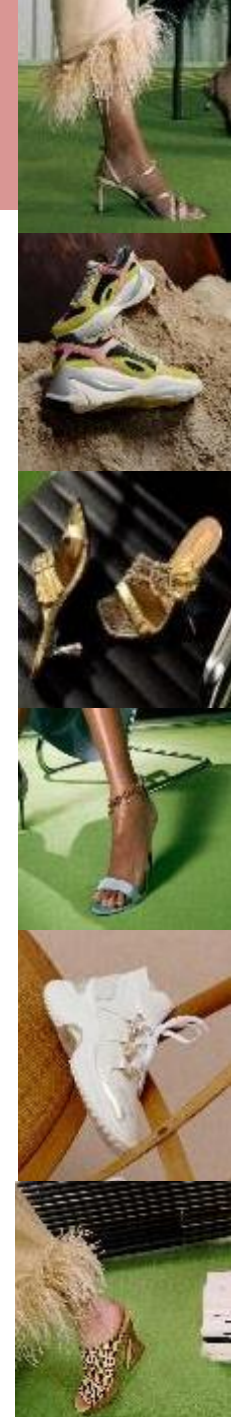


**Manufacturing only*



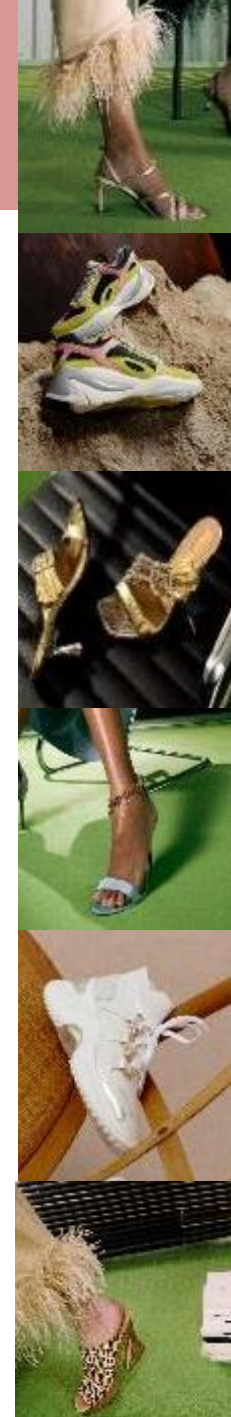
Capex and Cash Flow Summary

| US\$ mn | For the year ended 31 December | | |
|--|--------------------------------|---------------------|---------|
| | 2019 (unaudited) | 2020 (unaudited) | Change |
| Cash flows from operating activities | 223.5 | 170.5 | -23.7% |
| Profit before Tax | 100.0 | 2.2 | -97.8% |
| Depreciation | (45.0) | (49.9) | -10.9% |
| Changes in working capital | 37.6 | 27.3 | -27.4% |
| Other operating cash flows | 130.9 | 190.9 | 45.8% |
| Cash flows used in investing activities | (66.3) | (71.3) | -7.5% |
| Capital Expenditure | (73.0) | (51.6) | 29.3% |
| Others | 6.7 | (19.7) | -394.0% |
| Cash flows used in financing activities | (151.4) | (51.9) | 65.7% |
| Dividend paid | (86.1) | (46.1) | 46.5% |
| Bank borrowings | (62.5) | (0.3) | 99.5% |
| Others | (2.8) | (5.5) | -96.4% |
| Net inflow of cash | 5.8 | 47.3 | 715.5% |



Solid Financial Position with Net Cash

| US\$ mn | For the year ended 31 December | |
|----------------------------------|--------------------------------|-------------------|
| | 2019 (audited) | 2020 (audited) |
| Cash and cash equivalents | 68.1 | 108.7 |
| Debt | (3.0) | (2.9) |
| Net Cash / (Debt) | 65.1 | 105.8 |
| Net Gearing | -6.8% | -11.5% |
| Current assets | 659.9 | 625.3 |
| Non-current assets | 473.5 | 524.2 |
| Current liabilities | 166.7 | 210.5 |
| Non-current liabilities | 7.5 | 15.2 |
| Net assets | 959.2 | 923.8 |
| Quick ratio | 2.9x | 2.1x |
| Current ratio | 4.0x | 3.0x |





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



Luxury



ALEXANDER WANG



PRADA

STELLA MCCARTNEY

Maison Margiela
PARIS

Off-White™

Fashion



EVERLANE



MICHAEL KORS



Casual



MERRELL

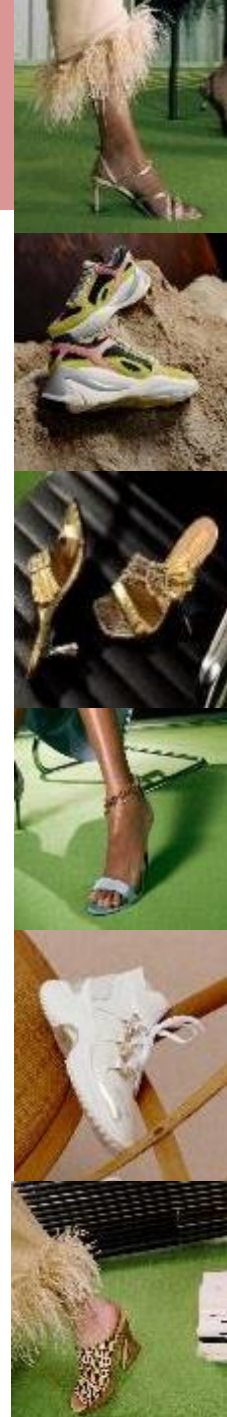
JOHNSTON & MURPHY



Teva



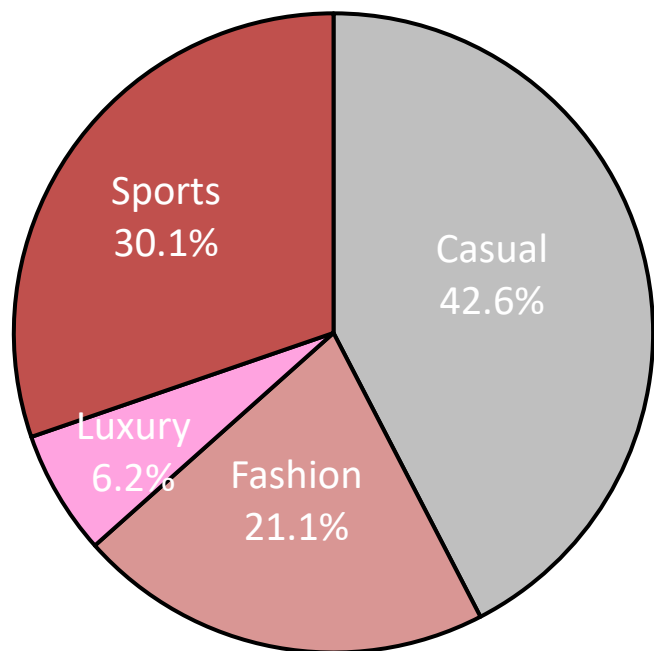
VIONIC



Sports Category the Most Resilient

Breakdown of Manufacturing Revenue by Product Category

2019



2020

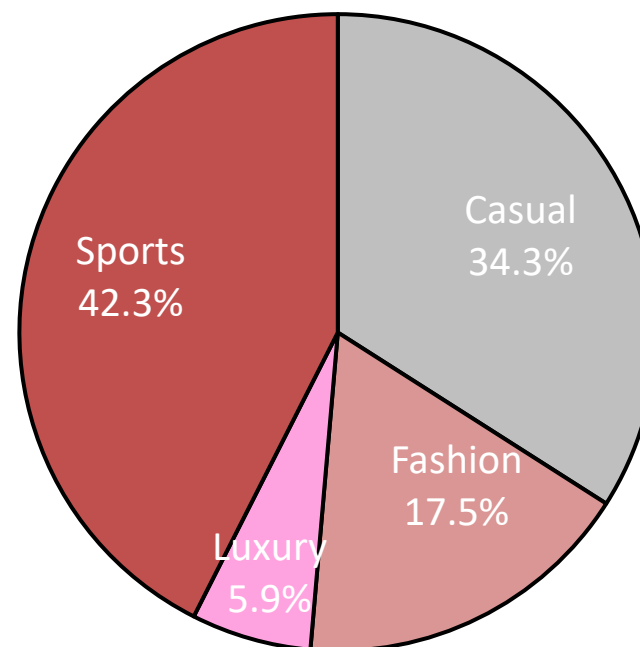
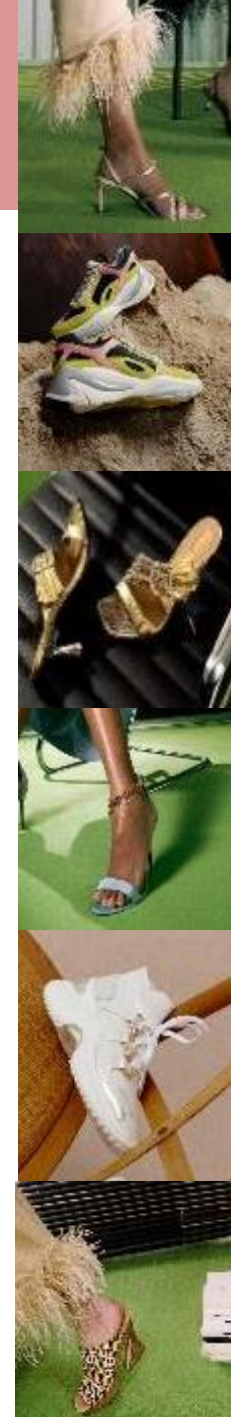


Chart for 2019 has already restated, based on recent reclassification of some customer brands to reflect their evolving brand positioning

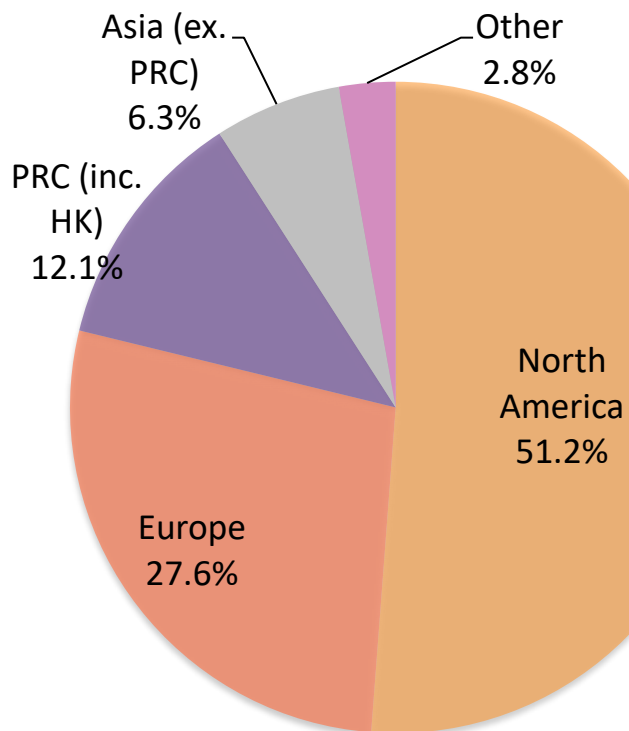
*Excluding sales from samples and others



Stable Geographic Breakdown for Group Revenue

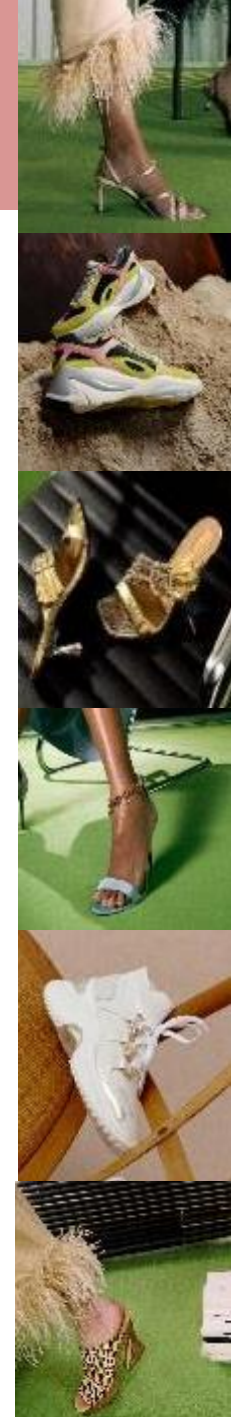
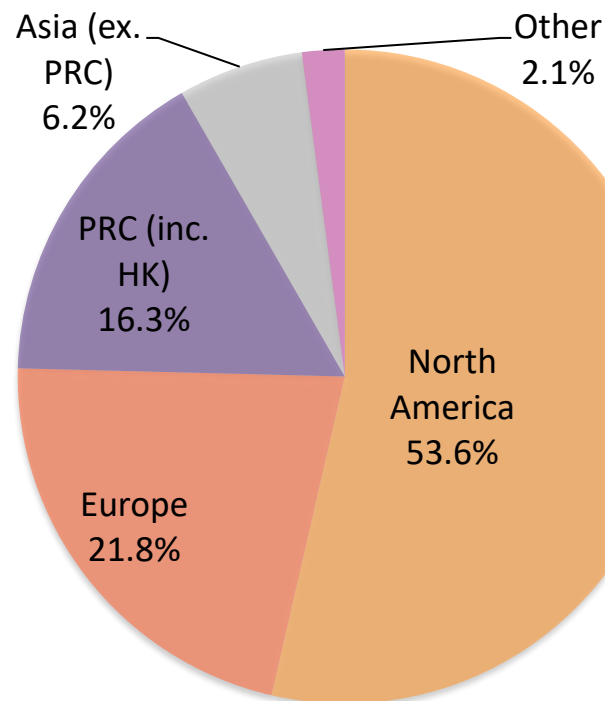
2019 Revenue

US\$1,544.8 mn



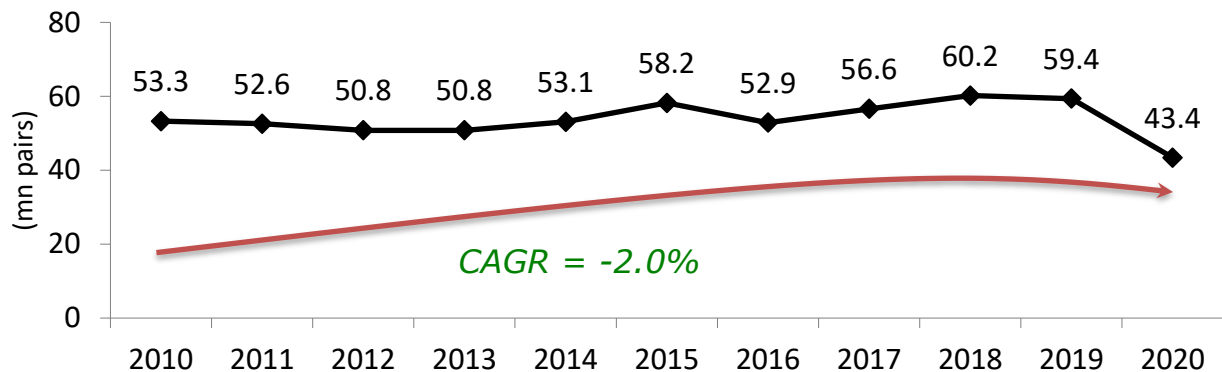
2020 Revenue

US\$1,135.9 mn



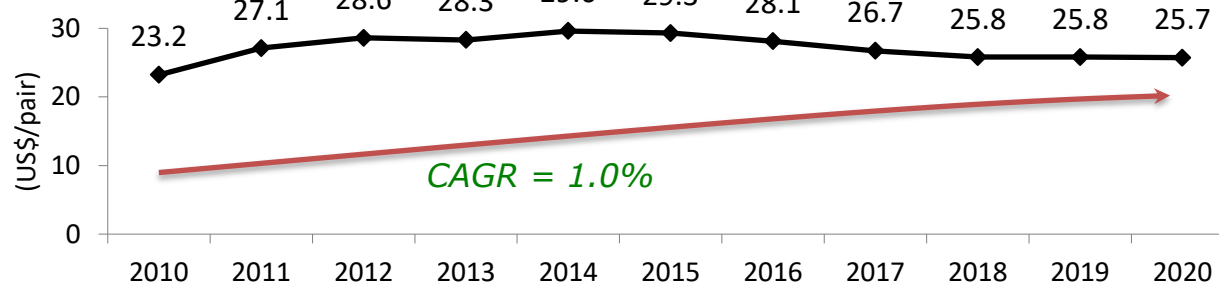
Volume & ASP Trends

Shipment Volume

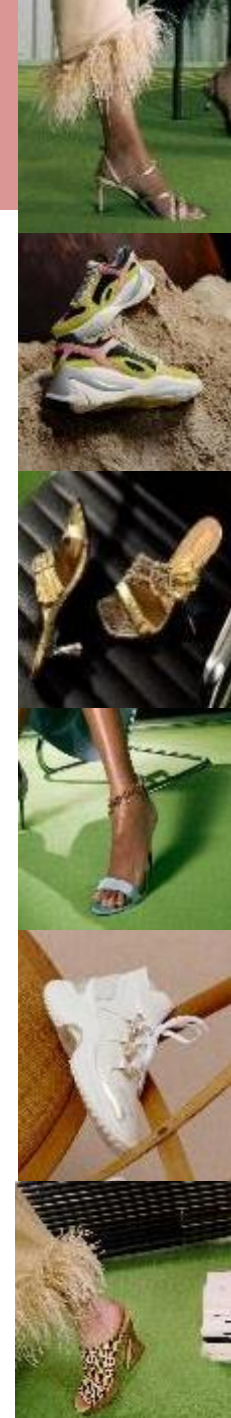


- Sports category was the most resilient under pandemic

ASP

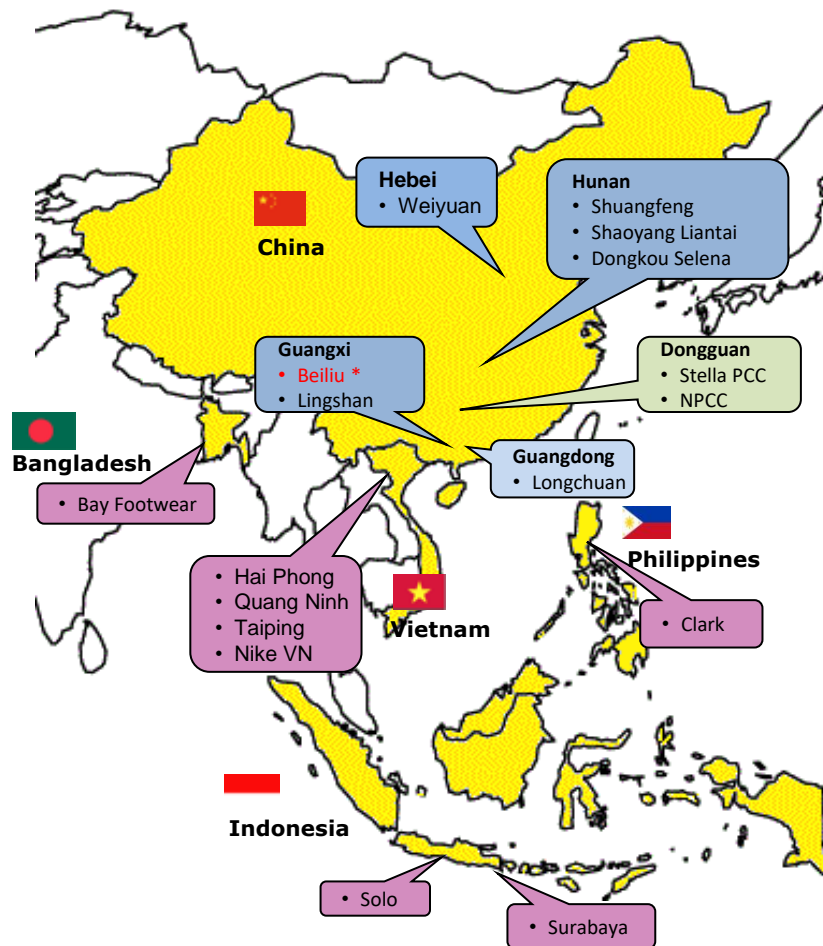


- ASP about flat despite changes in our product mix and customer mix

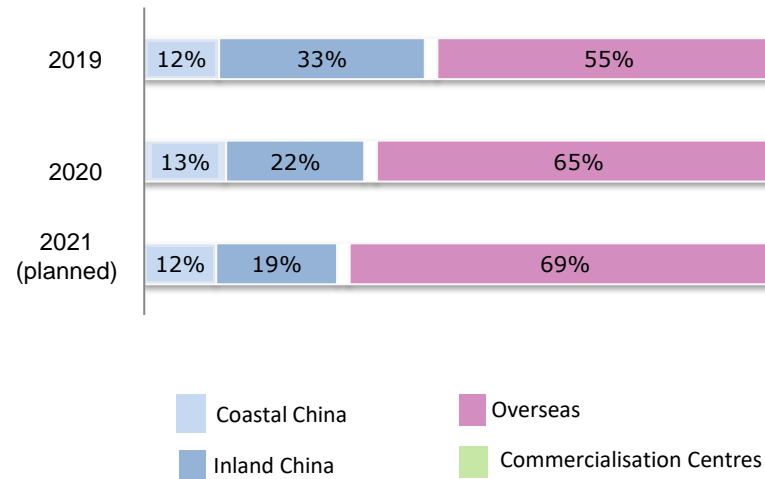


Our Manufacturing Facilities

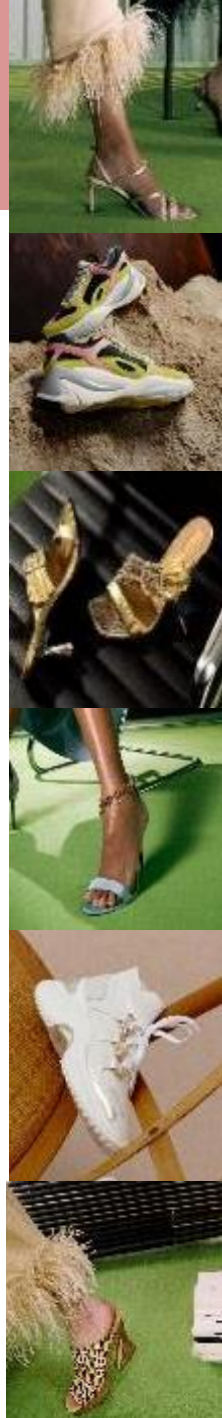
Facility Locations (Footwear)



Geog. Mix of Production



*closed in 2020

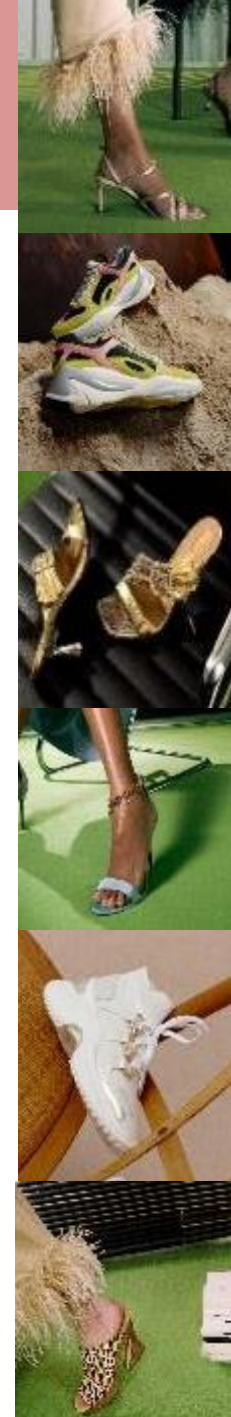
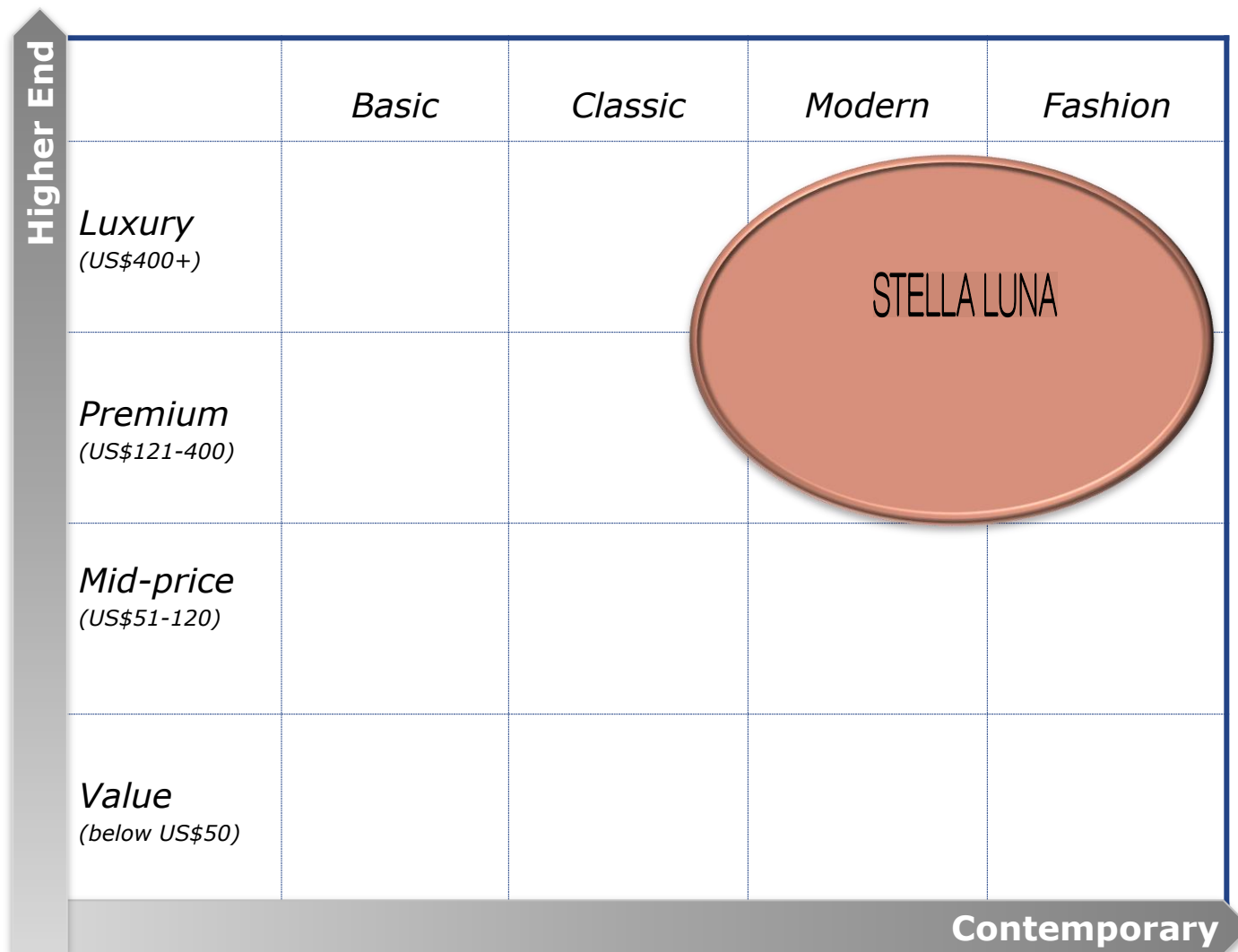


A pair of white high-heeled shoes with thin straps is positioned in the top right corner of the image. They are resting on a light pink surface. The background is a large, white, rectangular shape that appears to be a piece of paper or a screen, tilted slightly to the right.

BUSINESS REVIEW

Branding BUSINESS

Our Retail Brand Positioning: Affordable Luxury



MEDIA EXPOSURE

ASIA CELEBRITY



Tamia Liu(刘涛),
Chinese actress



Jane Zhang(张靓颖),
Chinese singer

MEDIA EXPOSURE

ASIA CELEBRITY



Gabrielle, Xiaotong Guan (关晓彤),
Chinese actress



Xiaotang Zhao(赵小棠),
Chinese singer

Branding Business – Loss Narrowed Despite Pandemic

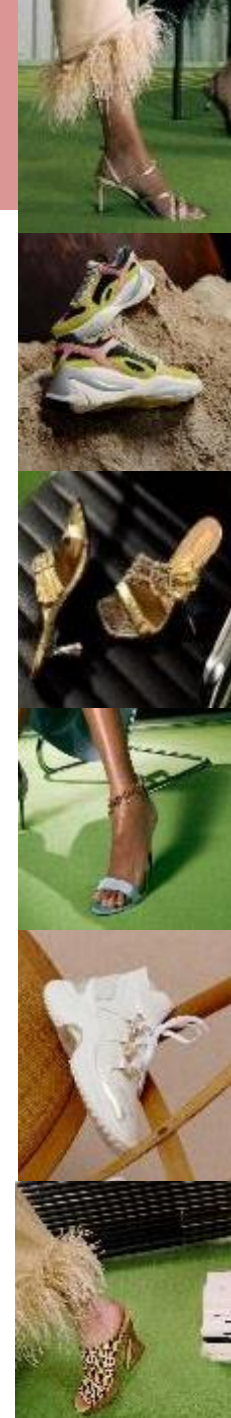
Own brand products serve to demonstrate Stella's high-end craftsmanship, design and commercialization capability

Retail business in Europe severely affected by the pandemic with city lockdowns at various times throughout the year

Reviewing the retail and distribution network, and cost structure

Loss narrowed despite pandemic

Continue the focus on cost reduction





OUTLOOK

Challenges and Opportunities

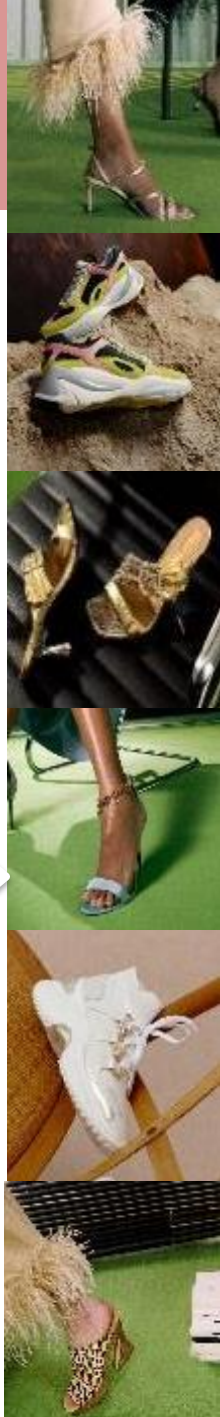
Challenges

- COVID-19
- Global trade tensions
- Speed-to-market flexibility
- DTC is the new direction
- Ongoing consolidation among brands
- Counter-party risk control and management

Opportunities

- Increased popularity of athleisure
- High fashion brands expanding into athleisure category
- Brands to diversify their supply chain base
- Brands to seek new suppliers to meet different requirements
- Consolidation of footwear manufacturing industry

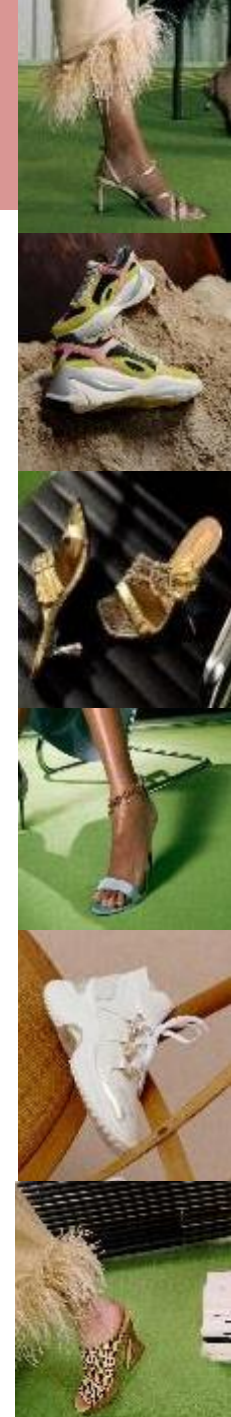
Stella is well poised to capture these opportunities with its unique positioning



Outlook

- Visibility remains low for 2H21
- Continue to improve credit risk and cashflow management
- Enhance operational efficiency (including lean working capital management) and resume margin growth in 2021
- Continue to implement long-term strategic initiatives
 - Enhance cost efficiency -- New factory in Indonesia
 - Business growth -- Integration of handbag business
- Explore and capture new customer opportunities

Priorities – Achieve volume growth & margin improvement





SUPPLEMENTARY INFORMATION

World Premium Footwear Market – Our Target Market

Premium Footwear Manufacturing Industry in Western Europe and Brazil
(2019, million pairs)

| 'm pairs/ USD | Production | Export price (leather only) (USD per pair) |
|--|------------|---|
| Italy | 106 | 75 |
| France | 30 | 72 |
| Spain | 43 | 40 |
| Germany | 95 | 40 |
| Portugal | 54 | 33 |
| Netherland | 45 | 33 |
| Belgium | 64 | 32 |
| United Kingdom | 28 | 28 |
| Brazil | 18 | 23 |
| Stella | 59 | 26 |
| STELLA's addressable market size: about 540 million pairs | | |

Source: i) 2020 Yearbook, Portuguese Footwear, Components and Leather Goods Manufacturers' Association
ii) Sectoral Report 2020, Brazilian Footwear Industries Association, Abicalcados

