

A craftsman wearing a light blue shirt and a brown leather apron is working in a workshop. They are holding a white shoe last with both hands, using a silver pencil in their right hand and a white tape measure in their left hand. The background is a blurred workshop with various tools and materials.

Stella International Holdings Limited
九興控股有限公司

CORPORATE PRESENTATION

Annual Results 2023

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Financial Highlights Group

Group Overview: 2023 Highlights

Enhanced
Customer
Portfolio



Group Revenue

US\$1,493m

-8.5%

ASP



+4.2%

Volume

-12.5%

GPM

24.6%

+300bps



OPM 10.7%

+240bps



OP US\$159.4m

+18.2%

*Adj. NP US\$147.6m

+23.5%



Adj. NPM 9.9% +260bps

Net Cash

US\$287.4m

+39.4%

yoy



Dividend
per share

103

HK cents

#Dividend
payout ratio

70%



Scaled down Retail Operation



*Adjusted NP excluded net fair value loss for 2023 (US\$7.3m) and 2022 (US\$2.3m) related to the Group's investment in Lavin Group

Calculation based on adjusted net profit which excluded net fair value loss related to the Group's investment in Lavin Group

Stella International

Financial Highlights

For the year ended 31 December

	2022 (audited)	2023 (audited)	Change
Shipment Volume (m pairs)	56.0	49.0	-12.5%
ASP (US\$)	28.5	29.7	4.2%
US\$ m			
Revenue	1,630.8	1,492.7	-8.5%
Gross Profit	352.1	366.7	4.1%
<i>GP Margin</i>	21.6%	24.6%	+300bps
Operating Profit	134.8	159.4	18.2%
<i>OP Margin</i>	8.3%	10.7%	+240bps
Net Profit	117.2	140.3	19.7%
<i>NP Margin</i>	7.2%	9.4%	+220bps
Net fair value loss on financial instruments (related to Lanvin Group)	2.3	7.3	217.4%
<hr/>			
EPS (US¢)	14.9	17.8	19.5%
Dividend per share (HK¢)	87.0	103.0	18%
Adjusted Net Profit	119.5	147.6	23.5%
<i>Adjusted NP Margin</i>	7.3%	9.9%	+260bps

*Adjusted NP excluded net fair value loss for 2023 (US\$7.3m) and 2022 (US\$2.3m) related to the Group's investment in Lavin Group

Capex and Cash Flow Summary

For the year ended 31 December

US\$ m	2022 (audited)	2023 (audited)	Change
Cash flows (used in)/ from operating activities	240.1	229.2	-4.5%
Profit before Tax	133.2	161.3	21.1%
Depreciation	56.4	56.2	-0.4%
Changes in working capital	65.5	(35.5)	-154.2%
Other operating cash flows	(15.0)	47.2	414.7%
Cash flows used in investing activities	(53.8)	(56.6)	-5.2%
Capital Expenditure	(57.9)	(67.6)	16.8%
Others	4.1	11.0	168.3%
Cash flows from financing activities	(106.4)	(90.8)	-14.7%
Dividend paid	(99.1)	(88.1)	-11.1%
Bank borrowings	(0.2)	(0.1)	-50.0%
Others	(7.1)	(2.6)	-63.4%
Net (outflow)/inflow of cash	79.9	81.8	2.4%

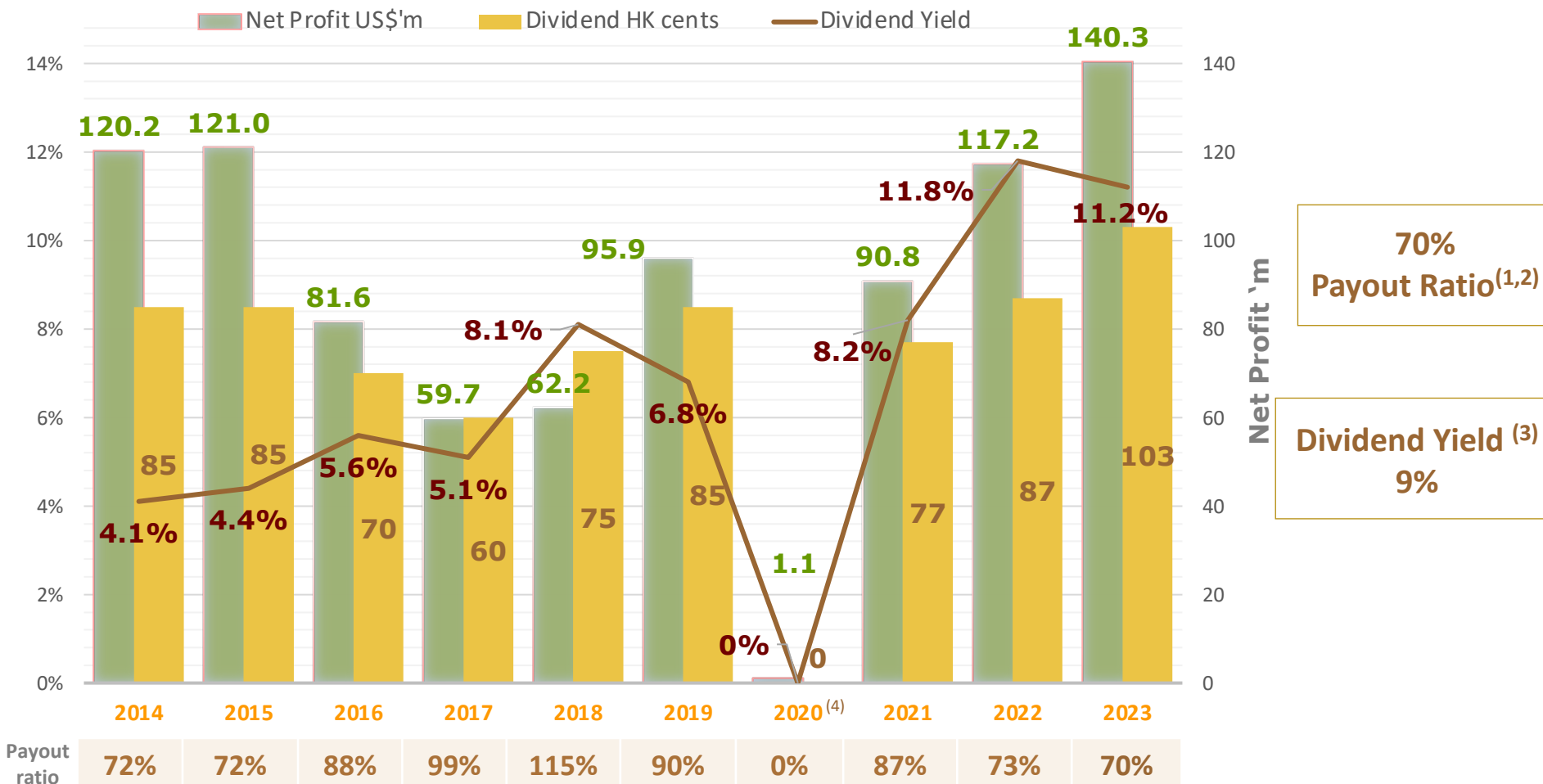
Solid Financial Position with Net Cash

- Net cash position \$287m, in which \$140m is earmarked for Indonesia & Bangladesh delayed capex
- The two new factories are fully funded by existing cash balance

	For the year ended 31 December	
US\$ m	2022 (audited)	2023 (audited)
Cash and cash equivalents	213.3	294.5
Debt	7.2	7.1
Net Cash / (Debt)	206.1	287.4
Net Gearing Ratio*	-20.3%	-26.9%
Current assets	726.0	827.5
Non-current assets	532.1	532.2
Current liabilities	219.9	265.2
Non-current liabilities	22.3	27.0
Net assets	1,015.9	1,067.5
Quick ratio	2.4	2.4
Current ratio	3.3	3.1

*Net gearing ratio = net debt/shareholder equity

Valuation & Dividend Yield



(1) Using HK/US exchange rate 7.824 on 29 Feb 2024

(2) Calculation of payout ratio for FY22 & FY23 is based on adjusted net profit which excluded net fair value loss related to the Group's investment in Lavin Group

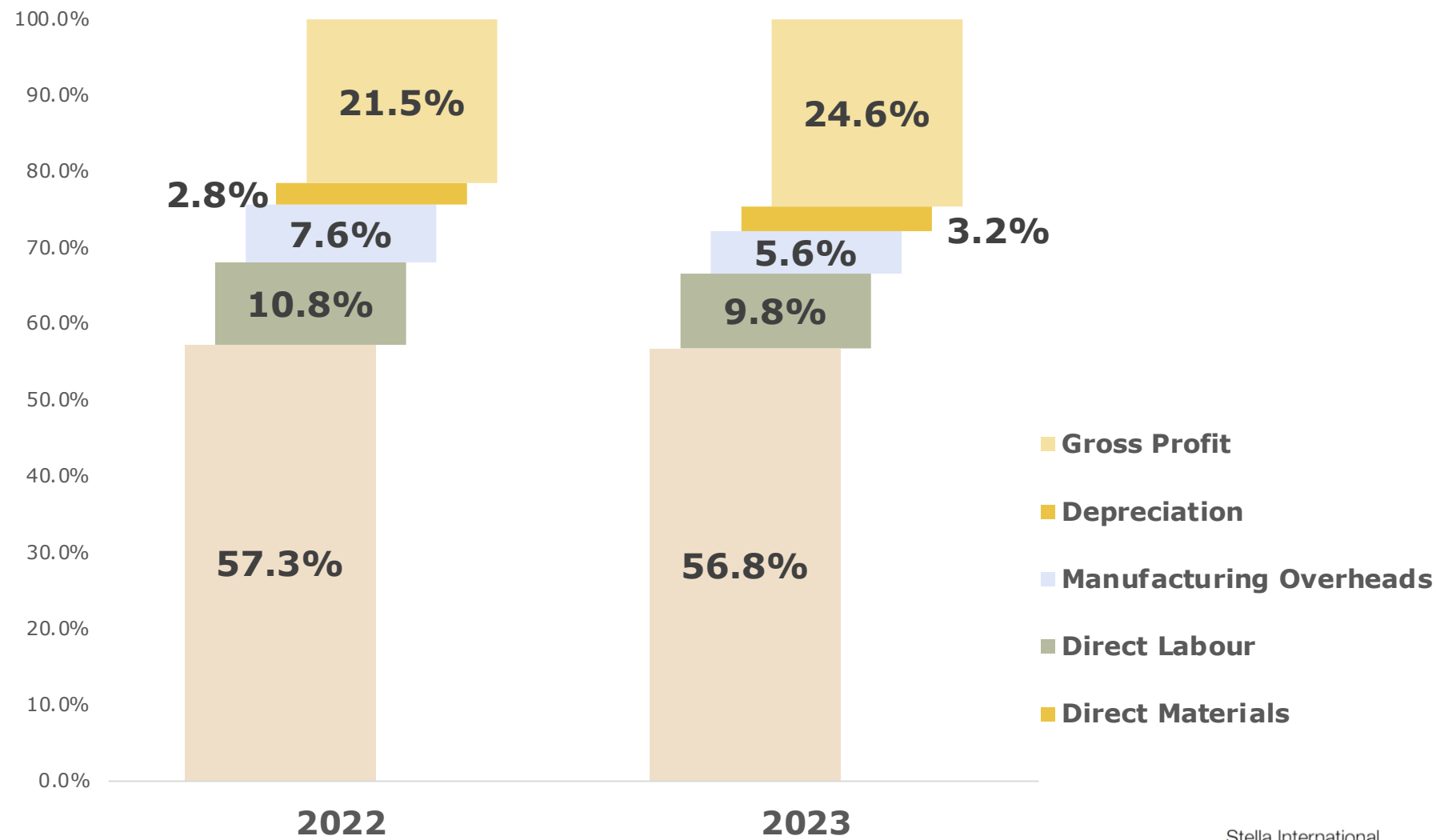
(3) Based on closing share price HK\$11.58 on 20 Mar 2024 for last 12-month dividend yield. Historical dividend yield is based on closing price of Dec 31 (dividend / closing price)

(4) Performance impacted by COVID-19 pandemic

Cost Structure

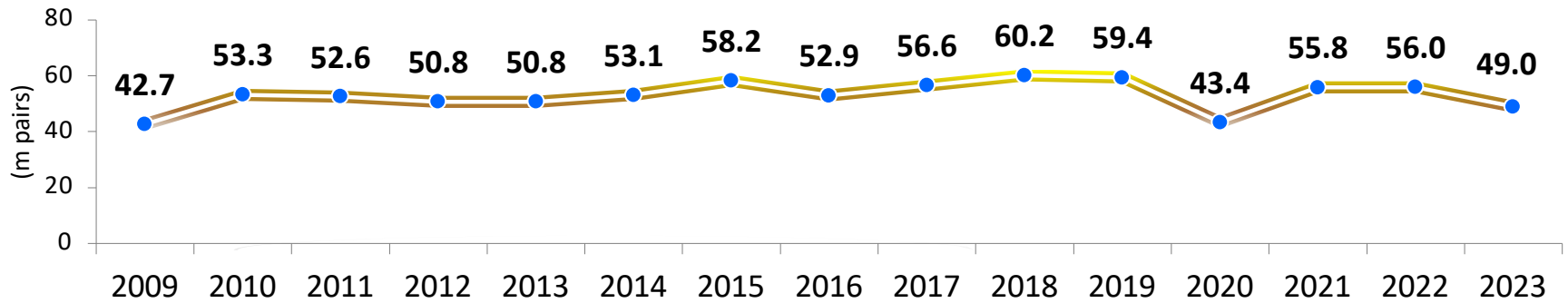
Breakdown for Costs of Sale

(as % of Revenue)

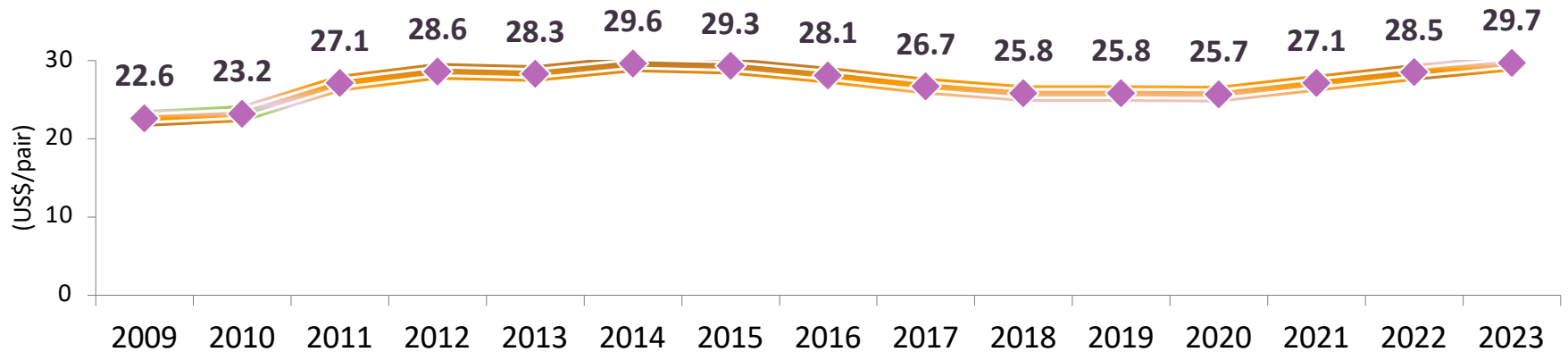


Volume & ASP Trends

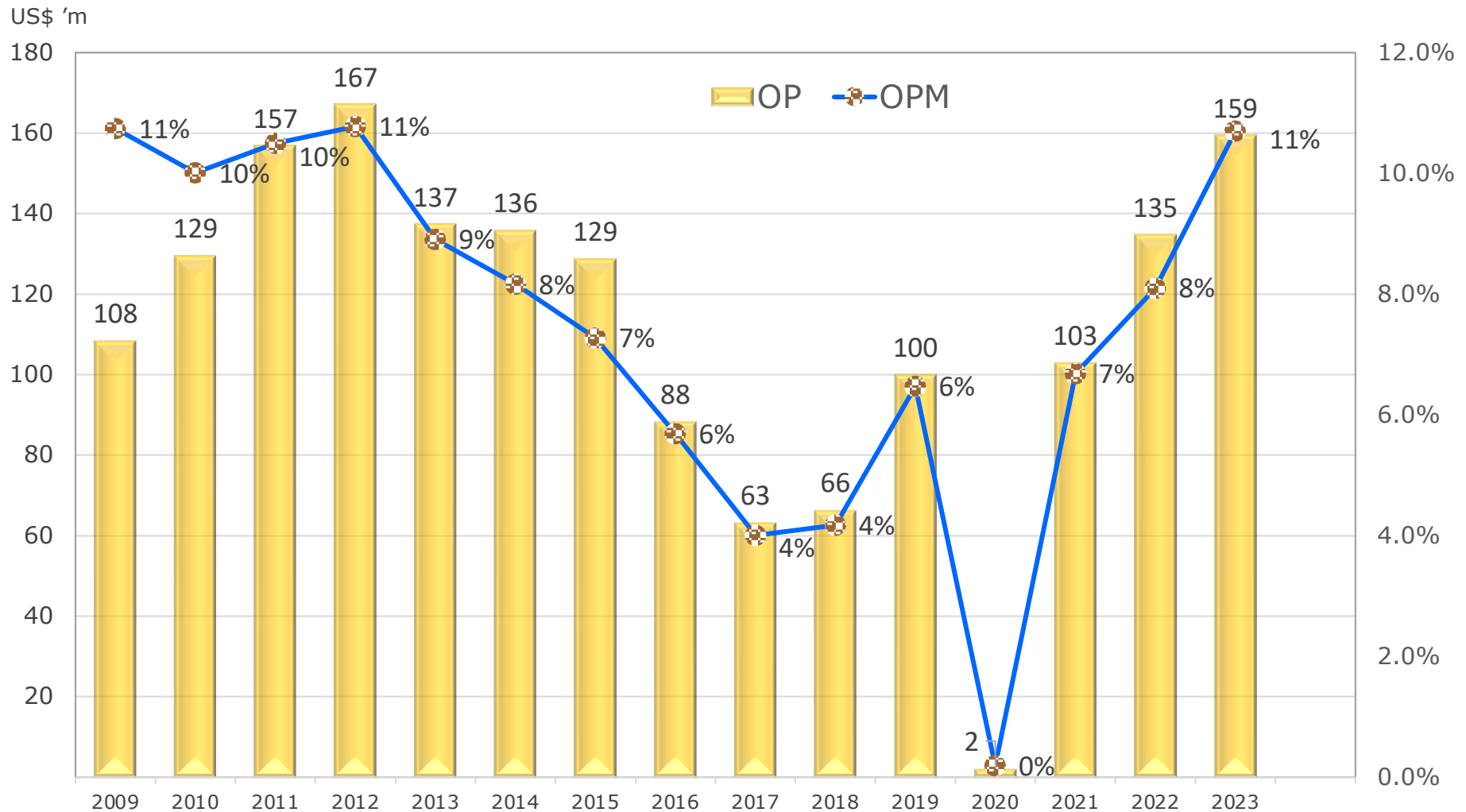
Shipment Volume



ASP



Operating Profit and Margin



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

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

ROIC - 2019

NOPAT
\$97m

**Working
Capital**
\$425m

+

**Fixed
Assets**
\$473m

=

**Invested
Capital**
\$898m

ROIC
10.8%

- NOPAT represents EBIT x (1-effective tax rate)
- Working capital (current assets minus current liabilities excluding cash) and fixed assets are based on 2019 year-end balance sheet figures

Management Focus on ROIC


Net Profit Growth

- Improve customer mix with Luxury & High-end Fashion customers
- Grow with our largest Sports Customer
- Relentless focus on factory efficiencies and process improvement
- Expanding & diversifying our production base in new regions

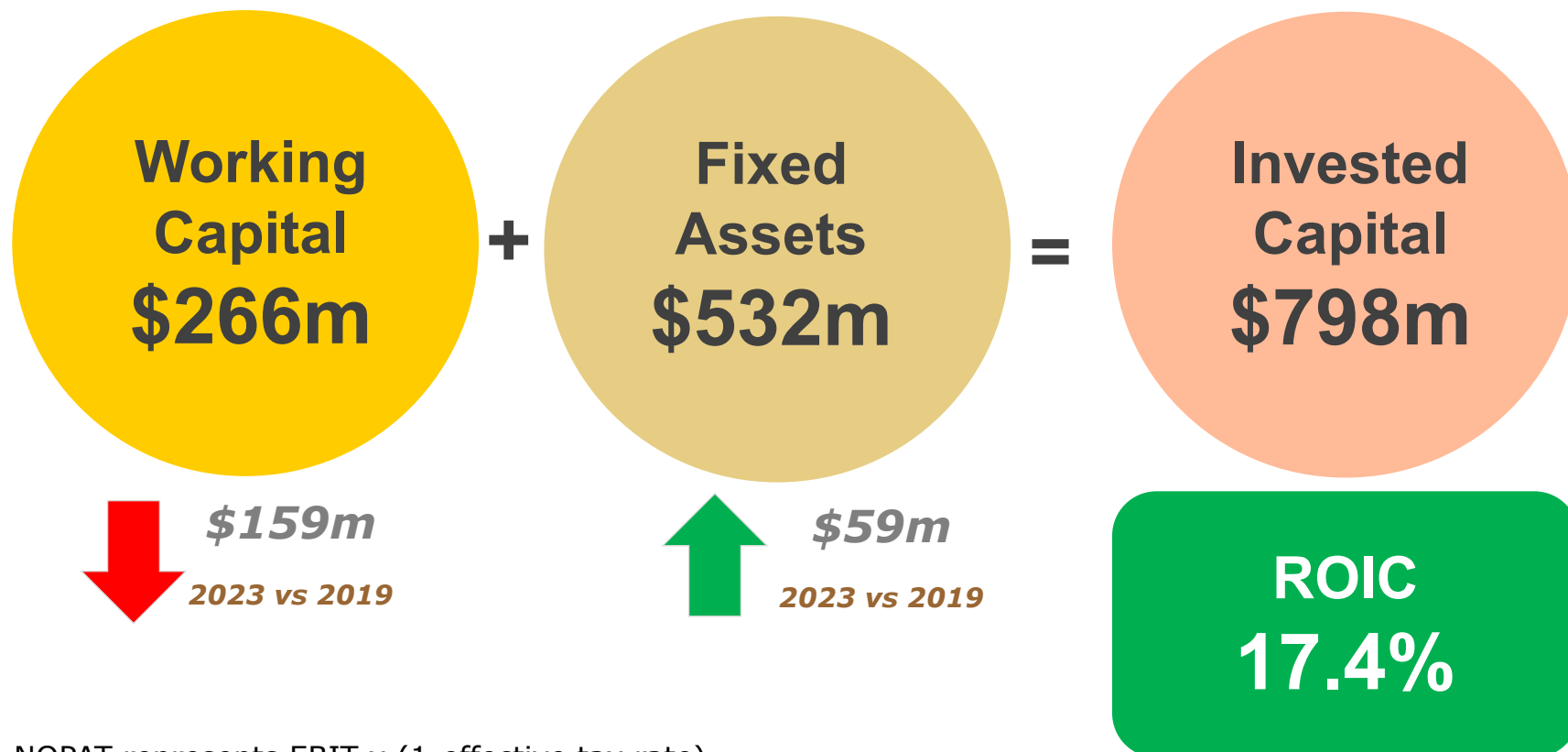
Improve Invested Capital Utilization

- Customer credit scorecard to help manage risk-reward
- Revamp raw material planning process and help upstream suppliers to move to new regions
- ROIC-focused capex planning to approve new expansions

ROIC - 2023

 **\$42m**
2023 vs 2019

NOPAT
\$139m



- NOPAT represents EBIT x (1-effective tax rate)
- Working capital (current assets minus current liabilities excluding cash) and fixed assets are based on 2019 year-end balance sheet figures



Business Review

World's Leading Brand Customers

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

SPORTS



LUXURY

BALENCIAGA

sergio rossi

BOTTEGA VENETA

AMIRI

ALEXANDER WANG

PRADA

LANVIN
PARIS

Chloé

BALMAIN
PARIS

JIMMY CHOO



Off-White™

AMBUSH®

KIENZO

FASHION

COLE HAAN

TORY BURCH



LACOSTE



kate spade
NEW YORK

rag & bone
NEW YORK

MOON BOOT®



CASUAL

UGG



Timberland

VIONIC®

MERRELL

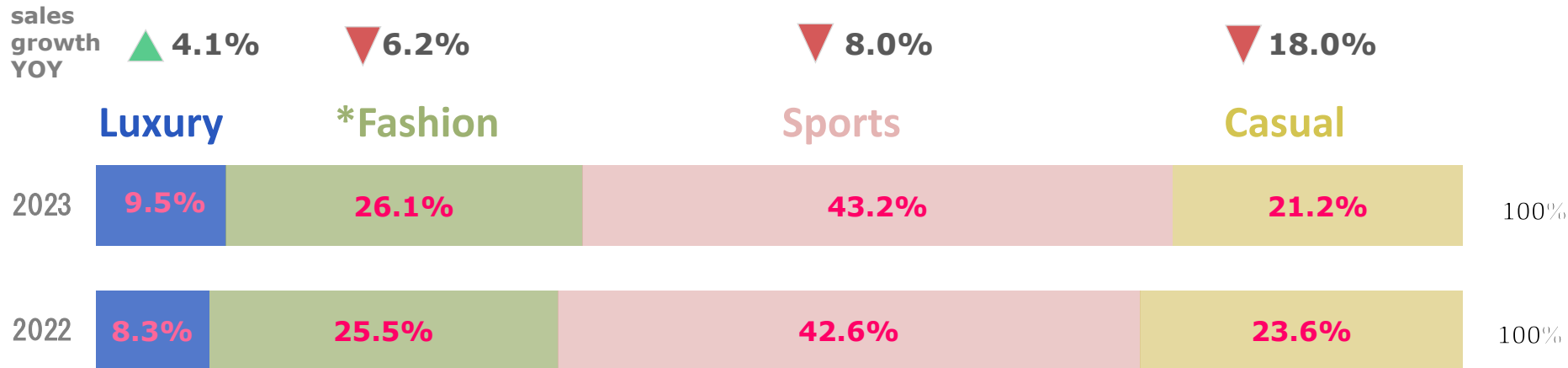
Breakdown of Manufacturing Revenue by Product Categories

- Added and grew with new Luxury customers
- Customers launched new styles with higher ASP, esp in 2H

- Order recovery from existing customers in 2023
- Added and grew with new High-Fashion customers

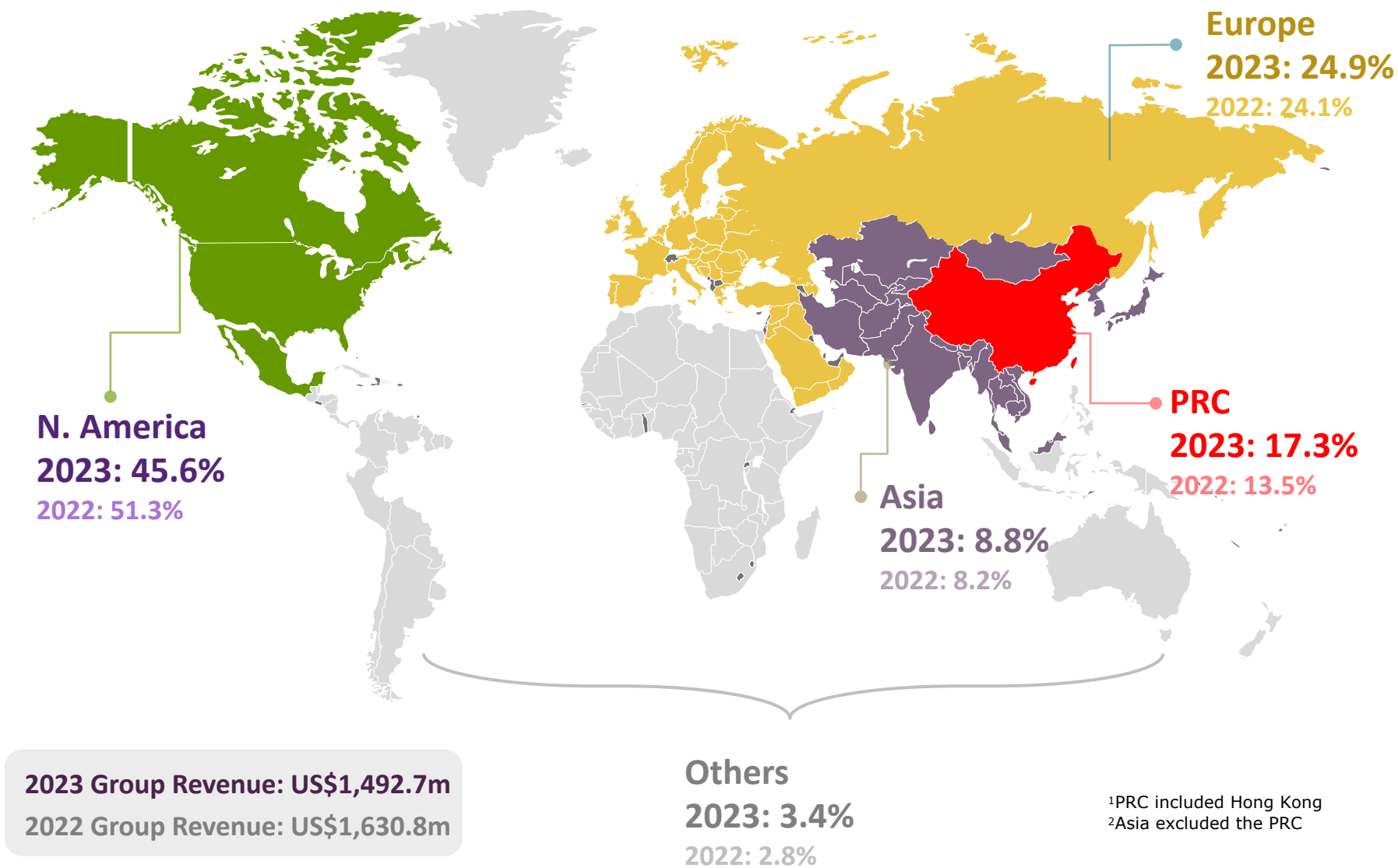
- Improved ASP partially offset volume drop
- Destocking of one major customer to manage inventory issue

- Reallocation of capacity to other categories
- Destocking of some customers to manage inventory issue
- Suspended serving a customer with Ch.11 filing



**Reallocated production capacity to more premium and capacity-consuming product styles*

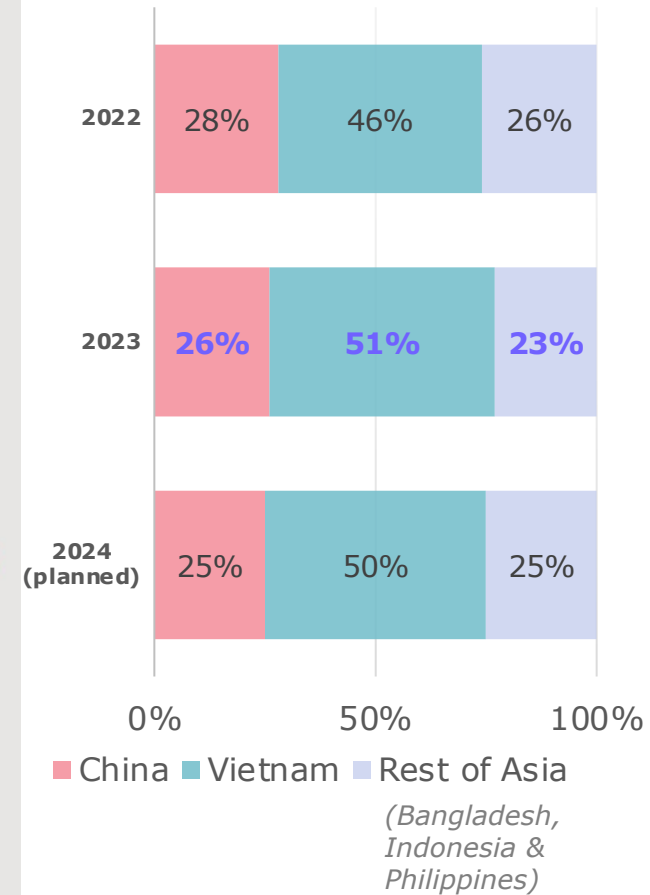
Geographic Breakdown for Group Revenue



Our Manufacturing Facilities



Geog. Mix Of Footwear Production



Branding Business –Downsizing Retail Operations

- Winded up store operations in Europe
- Significantly scaled down retail operation in China
 - Closed 31 POS during 2023
 - 62 POS as at end of Dec 2023
 - Further reduction of 9 POS in 1Q24





Outlook for 2024

Outlook for 2024

First year (2023) of 3-Year Plan already ahead of original targets. Strong momentum for the remainder of the 3-Year Plan.

Strong demand from Luxury and Fashion customers as they expand or launch premium lifestyle/athleisure footwear products to support sales growth

Order book from a major Sports customer improves

Expect to maintain strong GPM & OPM levels, despite modest full-year sales growth

- ASP and volume guidance no longer good indicator for margin performance due to changes in category mix

Continue to drive improvement in operational management and productivity

Capacity expansion and reallocation plan on track

- Ramp-up of new Indonesia factory and building of additional Bangladesh plant continues
- Proceed with the plan to build a new factory for a major sports customer

Lateral expansion – Continue ramping up handbag business to facilitate synergies

- Seeking to expand its capacity and build more solid fundamentals for future growth

**3-Year Plan (2023 – 2025)
Targets:**

10% OPM

**Net Profit
CAGR
Low -teens**



Thank You