



## Stella Delivers Solid Profit Improvement in 2022 and Launches Three-Year Plan

### Highlights:

- Revenue increased by 5.9% to US\$1,630.8 million with support from 5.2% growth in average selling price
- Continued enhancement to customer portfolio, led by Fashion and Sports categories
- Operating profit increased by 30.9% to US\$134.8 million
- Operating profit margin increased to 8.3%, a growth of 1.6 percentage points compared to that of last year
- Net profit increased by 29.1% to US\$117.2 million
- Strong net cash position reached US\$206.1 million, with an increase of 61.6% year-on-year
- Continued investment in Indonesia as part of capacity expansion and diversification strategy
- Declared final dividend of HK45¢, leading to an annual dividend of HK 87cents per share

*Hong Kong, 16 March 2023* – **Stella International Holdings Limited** (“Stella” or the “Group”; SEHK: 1836), a leading developer, manufacturer and retailer of quality footwear and leather goods products, today announced its annual results for the year ended 31 December 2022.

We saw an expansion of our gross profit margin and operating profit margin as we successfully implemented our growth strategies and improved our product and customer mix, despite a weakening global economy and inventory challenges faced by some of our customers.

We continued to add new customers, particularly in our Luxury and high-end Fashion segments and committed to growing with them in anticipation of them making a significant contribution to our profitability in the coming years.

### Business Performance

Our consolidated revenue for the year<sup>1</sup> increased by 5.9% to US\$1,630.8 million (2021: US\$1,540.6 million), while shipment volumes for the year rose by 0.4% to 56.0 million pairs (2021: 55.8 million pairs), led by our Fashion and Sports segments.

Our reported operating profit<sup>2</sup> for the year under review increased by 30.9% to US\$134.8 million (2021: US\$103.0 million) as a result of higher revenue, an improved customer mix, enhanced production efficiency and cost controls.

Due to the factors outlined above, the Group recorded a net profit of US\$117.2 million for the year ended 31 December 2022 (2021: US\$90.8 million).

As we work towards implementing our strategies, we remain committed to returning profits and providing attractive returns to our shareholders. After considering the Group’s free cash flow situation, the Board has resolved to declare a final dividend of HK45 cents per ordinary share, representing a full-year dividend of HK87 cents per ordinary share for the year ended 31 December 2022, representing a payout ratio of about 75%.

<sup>1</sup> Including our manufacturing business, branding business and other businesses not covered hereof, and after the elimination of inter-segment sales.

<sup>2</sup> Reported operating profit is the Group’s operating profit before changes in fair value of financial instruments.

## Outlook

We are facing stronger headwinds in 2023 compared to 2022 with weakening economies and global inflation crimping consumer sentiment in both North America and Europe. At the same time, some of our customers, particularly in the Sports and Casual segments, are grappling with inventory challenges which may impact our order book, especially in the first half of the year.

However, the sudden removal of all COVID-19 restrictions in China at the end of 2022 caught many of our brand customers by surprise and this may positively influence ordering activity, particularly in the second half of the year.

As part of our long-term strategy, we are embarking on a Three-Year Plan (2023 – 2025) that focuses on growth and margin expansion. This includes:

- enhancing our category mix by deepening our relationships with major global Sports brands and additional Luxury and high-end Fashion brands to better align with our unique strengths and capabilities
- expanding and diversifying our manufacturing capacity to protect our cost base, including ramping up our new footwear factory in Solo, Indonesia that commenced production in 2022; working together with a major brand partner to jointly develop an exclusive Sports footwear factory in Indonesia; and committing to increasing our production capacity in Bangladesh, starting in 2023
- optimising our management effectiveness and efficiency
- strengthening cost efficiency and improving working capital
- increasing operational efficiency

**Mr. Chi Lo-Jen, Chief Executive Officer** of the Group said, “While 2022 posed more challenges than expected, we navigated these well, delivering higher gross and operating profit margins as we implemented our growth strategies and improved our product and customer mix. This is convincing proof that we are on the right path to secure future profitability growth and returns for our shareholders.”

**Mr. Lawrence Chen, Chairman** of the Group, said, “As we continue to implement our strategies, we are optimistic about our medium and long-term growth. The goals for our Three-Year Plan (2023 – 2025) are to achieve an operating margin of 10% and low-teens annualised growth rate on profit after tax during the period.”

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## **About Stella International Holdings Limited**

Stella International (SEHK: 1836) is a leading developer and manufacturer of quality footwear and leather goods. A trusted partner to many of the world’s most sought-after brands, it offers a unique proposition of unparalleled craftsmanship, production flexibility, and strong speed-to-market and commercialization capability, supported by a broad, diverse and proven manufacturing base across China and Southeast Asia.

Stella International was listed on the Hong Kong Stock Exchange in 2007 and is a constituent of the MSCI Hong Kong Small Cap Index.

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