



Stella Sees Profitability Improvement from More Production Efficiency and Premium Styles in First Half of 2023

Highlights:

- Strong demand for premium product styles from Luxury, Fashion and Sports customers
- ASP increased by 6.5% and gross margin expanded by 3.3 percentage points to 23.1%
- Increased production efficiency expanded operating profit margin to 9.0% (1H22: 8.3%)
- Adjusted net profit margin increased to 8.4%, compared to 7.3% in the first half of 2022
- Capacity expansion fully funded with strong net cash position of US\$162.5 million
- Declared interim dividend of HK42 cents per share (70% payout ratio)

Hong Kong, 17 August 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 interim results for the six months ended 30 June 2023.

In the first half of 2023, our growth strategies, as encompassed in our Three-Year Plan (2023-2025), drove continued profitability improvement. We saw a more pronounced contribution from the new customers that we are adding in the Luxury and high-end Fashion categories. Also, our Sports, Luxury and Fashion customers are demanding more premium product styles. Both of these led to a rise in our average selling price (“ASP”) and gross profit margin improvement. At the same time, our focus on production improvement and productivity gains as well as cost controls helped enhance our operating margin. As a result, our operating profit margin expanded to 9.0%, compared to 8.3% in the first half of 2022.

Due to the factors outlined above, the Group recorded a net profit of US\$55.2 million. Excluding a marked-to-market net fair value loss on financial instruments related to our investment in Lanvin Group, the Group recorded an adjusted net profit of US\$60.3 million (first half of 2022: US\$60.2 million). Our adjusted net profit margin increased to 8.4%, compared to 7.3% in the first half of 2022.

After considering the Group’s strong net cash position of US\$162.5 million and free cash flow situation, the Board has resolved to declare an interim dividend of HK42 cents per ordinary share for the six months ended 30 June 2023, maintaining its normal payout ratio level of about 70% set against our adjusted net profit.

Outlook

We expect to maintain our strong gross profit margin and operating margin levels as we continue to execute our Three-Year Plan, with orders from our newly-added Luxury and high-end Fashion customers continuing to grow from a small base, supporting the further enhancement of our product and customer mix.

We expect our non-Sports manufacturing facilities will continue to operate at close to full utilisation in the second half of the year as we pursue greater operational efficiency and cost controls as part of our Three-Year Plan. While our overall order book will continue to be impacted by Sports customers’ destocking inventory, we are seeing some signs of improvement toward the end of 2023.

Our long-term capacity expansion and diversification initiatives remain on track with our new factory in Solo, Indonesia ramping up in line with demand.

We are well on track towards achieving an operating margin of 10% and a low-teens annualised growth rate on profit after tax by the end of 2025, as per our Three-Year Plan.

Mr. Chi Lo-Jen, Chief Executive Officer of the Group said, “By partnering with more Luxury and high-end Fashion brands to introduce sports and athleisure footwear lines into their portfolios, we are further enhancing our category mix. These brands are outperforming the wider footwear market, and together with our Sports customers, they are demanding more premium product styles. These will lead to a modest increase in full-year ASP and help offset the decline in shipment volumes.”

Mr. Lawrence Chen, Chairman of the Group, said, “In addition to focusing on our product mix, we are confidently moving forward with other parts of our Three-Year Plan. We are making good progress in enhancing our operational management including digitalisation, while taking more steps to strengthen cost efficiency and working capital management, while prudently expanding capacity in line with demand. This will continue to support our healthy gross profit and operating margin levels.”

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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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