



Stella Sees Strong Bounce Back in Revenue and Profit in 2021

Highlights:

- Revenue increased by 36% year-on-year due to a strong recovery of orders across all product categories
- Net profit increased to US\$90.8 million, a significant improvement from US\$1.1 million for last year
- Enhanced customer portfolio, especially in the Sports and Luxury footwear categories, helped contribute to a higher gross profit margin
- Completed management transition and reorganized internal divisions to execute long-term plan
- Factories at full utilization alongside continued investment in Indonesia as part of our long-term margin expansion and capacity diversification strategies
- Declared final dividend of HK¢56 translates to 2021 total dividend of HK¢77, representing a payout ratio of about 87%

Hong Kong, 17 March 2022 – **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 audited annual results for the year ended 31 December 2021.

The Group saw a strong bounce back in profit during the year under review alongside a strong recovery in orders. Our capacity expansion initiatives also remained on track with our new factory in Solo, Indonesia commencing operations in the fourth quarter of 2021 although its operations are yet to be fully ramped up.

Business Performance

The Group’s consolidated revenue for the year increased by 35.6% to US\$1,540.6 million (2020: 1,135.9 million), while shipment volumes for the year rose by 28.5% to 55.8 million pairs (2020: 43.4 million pairs). The increase in revenue and shipment volumes was mostly attributed to a recovery of orders across all product categories.

Our reported operating profit¹ for the year under review increased to US\$103.0 million (2020: US\$2.1 million). This increase was supported by the year-long recovery in revenue and shipment volumes, better operating leverage and increased production efficiency at some divisions. This was partially offset by higher product development costs related to our new Luxury customers (who are seeking new styles and complex products), costs associated with exiting customers to enhance our customer portfolio, and one-off costs that amount to US\$5.7 million (mainly severance payments related to factory closures).

Due to the factors outlined above, the Group recorded a net profit of US\$90.8 million (2020: US\$1.1 million) for the year ended 31 December 2021.

After considering the Group’s strong free cash flow generation in 2021 and a net cash position of US\$127.5 million as at December 31, 2021, the Board has resolved to declare a final dividend of HK56 cents, representing a full-year dividend of HK77 cents per ordinary share which translated to a payout ratio of 87% for the year under review, a higher than normal 70% payout ratio.

¹ Reported operating profit is the Group’s operating profit before changes in fair value of financial instruments.

Outlook

Orders for the upcoming Spring and Summer 2022 seasons are robust and we are positive about the outlook for the remainder of 2022. This will likely lead us to operate at full capacity and utilisation in 2022.

We will remain primarily focused on achieving long-term profitable and sustainable long-term growth. Our Sports footwear category will remain our main growth driver, in addition to the high-potential Luxury category that will continue to grow from a low base. With demand for our Casual and Fashion footwear continuing to recover, we expect the ASP of total shipments in 2022 to be similar as in 2021.

2022 will also be a significant investment year. In addition to the new facility that we are ramping up in Solo, Indonesia, we recently entered into a new long-term agreement with our largest customer to invest over US\$120 million – Stella’s largest-ever single investment – to build and operate a new manufacturing facility in another part of Indonesia. Upon completion, it is expected to expand our capacity by an additional 15 million pairs. This project will be a major source of future growth and reflects the long-term commitment between Stella and this customer in recognition of our unparalleled capabilities, unique strengths and differentiation.

Mr. Chi Lo-Jen, Chief Executive Officer of the Group said, “2021 was a year of recovery. We continued to smoothly progress our long-term margin-accretive strategies: increasing capacity in line with demand, enhancing our customer portfolio and increasing operational efficiency. We also completed our management transition and reorganized our internal divisions to better execute our long-term plans and deliver sustainable returns to our shareholders.”

Mr. Lawrence Chen, Chairman of the Group, said, “While we are mindful of ongoing short-to-medium-term risks associated with supply chain volatility and the COVID-19 pandemic, we are becoming increasingly confident about our prospects. As we position Stella for the future, we will continue to focus on strengthening our Sports and Luxury footwear businesses, while reinforcing our strong and long-standing relationships with key customers in other categories.”

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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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