



## Stella Well Ahead of Schedule in Meeting Growth and Margin Expansion Targets in 2023

Well-Positioned to Capture Opportunities with Strong Net Cash Position

### Highlights:

- Well ahead of schedule in meeting operating margin and profit after tax CAGR target levels set out under our Three-Year Plan (2023 – 2025)
- Average selling price (“ASP”) increased by 4.2%
- Further enhancement of customer portfolio, led by Luxury and high-end Fashion categories
- Rationalisation of the Group's retail operation in Mainland China and exited all other physical points-of-sales worldwide
- Gross profit margin expanded by 3.0 percentage points to 24.6%
- Operating profit US\$159.4m saw an increase of 18.2% year-on-year
- Operating profit margin increased to 10.7% from 8.3% last year
- Adjusted net profit increased by 23.5% to US\$147.6 million
- Strong net cash position of US\$287.4 million (2022: US\$206.1 million). About US\$140.0 million is earmarked for delayed capacity expansion in Bangladesh and Indonesia
- Declared final dividend of HK61 cents per share, representing a full-year dividend of HK103 cents per share (70% payout ratio based on adjusted net profit)

Hong Kong, 21 March 2024 – **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 2023.

In 2023, we were well ahead of schedule in reaching the growth targets set out under our Three-Year Plan (2023-2025), namely achieving an operating margin of 10% and a low-teens annualised growth rate on profit after tax by the end of 2025.

### ASP and Margin Expansion driven by Much-Enhanced Customer and Product Mix

A much-enhanced customer and product mix, driven by customers in our Luxury and high-end Fashion categories introducing new premium products, offset the impact of destocking by some Sports customers and contributed to the 300 basis point increase in our gross profit margin. Our average selling price (“ASP”) increased, even as revenue and volume declined as expected. At the same time, our relentless focus on improving our operational efficiency, while maintaining tight cost controls, steadily enhanced our operating margin which expanded to 10.7% compared to 8.3% in 2022.

Due to the factors outlined above, the Group recorded a net profit of US\$140.3 million. Excluding a net fair value change from its investment in Lanvin Group, the Group recorded an adjusted net profit of US\$147.6 million (2022: US\$119.5 million). Our adjusted net profit margin was 9.9% (2022: 7.3%).

### **Maintained Normal Payout Ratio of about 70%**

After considering the Group's free cash flow situation, the Board has resolved to declare a final dividend of HK61 cents per ordinary share, representing a full-year dividend of HK103 cents per ordinary share for the year ended 31 December 2023, and maintaining our normal payout ratio of about 70% set against our adjusted net profit.

### **Outlook: Optimistic about Continued Margin Expansion with Further Enhancement of Customer and Product Mix and Improving Production Efficiency under the Three-Year Plan**

We expect to maintain our strong gross profit margin and operating margin levels in 2024 and to continue meeting the targets set out in the Three-Year Plan.

We expect our non-Sports manufacturing facilities to continue operating at close to full utilisation as we further enhance our product category mix as part of our Three-Year Plan. As such, we plan to transition more production from our factories in Vietnam to the factory we are ramping up in Solo, Indonesia, including the production of some Fashion products, as workers' skills improve. We also expect our Sports order book to improve in 2024.

### **Push Forward Capacity Expansion in Indonesia and Bangladesh**

As we become more confident about our outlook, we plan to push forward our long-term capacity expansion projects. This includes the start of building a new manufacturing facility in Indonesia for our major Sports customer, and further progressing the buildout of an additional production facility in Bangladesh that we are already undertaking.

**Mr. Chi Lo-Jen, Chief Executive Officer** of the Group said, "We are optimistic about continued margin expansion as we enhance our customer and product mix, increase our production efficiency, and further strengthen our operational management through digitalisation and other measures under our Three-Year Plan. Even with the global retail environment remaining subdued, we remain firmly on the path to delivering improved profit and strong performance."

**Mr. Lawrence Chen, Chairman** of the Group, said, "We will continue to cultivate our relationships with new customers in the Luxury and high-end Fashion categories, which are seeking to expand or add premium lifestyle and athleisure footwear into their collections, to enhance our product mix and provide increasing returns for our shareholders."

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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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