

STELLA

INTERNATIONAL

Stella's 2024 Net Profit Up 21%, Exceeding Targets of Three-Year Plan Once Again

Full-Year Dividend Rises to HK171 Cents, Inclusive of Special Dividend of HK56 Cents Distributed under Excess Cash Return Program

Highlights:

- Shipment volumes increased by 8.2%
- Operating profit increased by 15.7% to US\$184.5 million
- Operating profit margin increased to 11.9%, from 10.7% last year
- Net profit increased by 21.2% to US\$170.1 million
- Solid net cash position of US\$417.6 million, representing an increase of 45.3% compared to US\$287.4 million as at 31 December 2023
- Recommended payment of final dividend of HK50 cents per share and an additional special dividend of HK56 cents per share under our Excess Cash Return Program. Total dividend for full-year 2024 is HK171 cents

Hong Kong, 20 March 2025 – **Stella International Holdings Limited** ("Stella" or the "Group"; SEHK: 1836), a leading developer and manufacturer of quality footwear and leather goods products, today announced its annual results for the year ended 31 December 2024.

Three-Year Plan (2023-2025) Delivering Strong Returns and Significant Value

In 2024, for the second consecutive year, we surpassed the dual targets of our Three-Year Plan – achieving a 10% operating margin and delivering low-teens annualized growth in profit after tax.

Revenue and shipment volumes increased by 3.5% and 8.2% respectively to US\$1,545.1 million and 53 million pairs, driven by our Sports and Fashion categories. The average selling price ("ASP") of our footwear products decreased year-on-year, due to a higher proportion of Sports products, which have a lower ASP, as well as raw material price deflation.

Margin Expansion Driven by Enhanced Customer Mix and Optimisation of Capacity Allocation

Our operating margin for the full-year expanded to 11.9% (before changes in fair value of financial instruments), compared to 10.7% in 2023. We accomplished this by executing our strategic initiatives focused on attracting and growing with our new customers, which allowed us to expand and diversify our customer portfolio and optimise the reallocation of our production capacity. The margin expansion was also attributable to enhanced operating leverage and efficiency improvement.

Due to the factors outlined above, the Group's net profit increased by 21.2% to US\$170.1 million. Excluding a net fair value change from its investment in Lanvin Group, the Group recorded an adjusted net profit of US\$171.2 million (2023: US\$147.6 million). Our adjusted net profit margin was 11.1% (2023: 9.9%).

Working Capital Optimisation Delivers Significant ROIC Improvement

In 2024, we delivered a Return on Invested Capital (ROIC) of 21.6%, more than a double of the 10% ROIC achieved in 2019. This success was driven by our strong working capital optimisation and efficiency, as well as our disciplined approach to capital expenditure and investments focused on maximising returns.

STELLA

INTERNATIONAL

Solid Net Cash Position

We maintained our strong focus on managing our working capital usage and cash flow. As of 31 December 2024, our net cash position was US\$417.6 million, an increase of 45.3% compared to a net cash position of US\$287.4 million as at 31 December 2023. About US\$100 million of the cash is reserved for completing our upcoming new sports footwear factory in Indonesia, and US\$180 million is reserved for our Excess Cash Return Program for shareholders announced in August 2024. Therefore, the Group's net gearing ratio was -37.4% as at 31 December 2024, compared to -26.9% as at 31 December 2023.

Final Dividend in Line With Normal Payout Ratio, With Additional Special Dividend of HK56 Cents Under Excess Cash Return Program

After considering the Group's free cash flow situation, strong cash level, and pre-funded capital expenditure projects, the Board has resolved to recommend payment of a final dividend of HK50 cents per ordinary share. Combined with the interim dividend of HK65 cents per ordinary share, this maintains the Company's normal payout ratio of approximately 71% set against our adjusted net profit.

We are also delighted to announce a special dividend of HK56 cents per ordinary share. This special dividend fulfils our promise to return US\$60 million annually to our shareholders from 2024 to 2026, as we announced in our Excess Cash Return Program in August 2024, in addition to our normal payout ratio of about 70%.

As a result, the full-year dividend for the year ended 31 December 2024 is HK171 cents per ordinary share.

HSCI Inclusion and Stock Connect Unlock New Avenues for Global Investor Access and Liquidity

2024 marked several milestones that enhanced our market position and investor appeal. We became a constituent of the Hang Seng Composite Index (HSCI), a testament to our growing stature in the market. Additionally, we qualified for the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connect programs, unlocking direct access for our mainland Chinese shareholders and broadening liquidity opportunities.

Outlook: Prioritising Maintaining High Product Quality Levels Through Controlled Expansion

We will likely face some macroeconomic headwinds and geopolitical uncertainties in 2025. Some of these will be partially offset as we ramp up shipments to out-performing customers in the high-end Fashion segment and begin shipments to new customers in the Sports segment, which should support a modest increase in overall shipment volumes in 2025. We will continue to optimise our production allocation between our Luxury and high-end Fashion categories and our non-Sports manufacturing facilities will continue to operate at close to full utilisation.

Our primary focus in 2025 will be maintaining high product quality levels as we gradually ramp up our new facilities in Solo, Indonesia, and Bangladesh. This controlled expansion aligns with our long-term strategy of ensuring quality growth, while increasing our capacity for higher-margin product orders. While we anticipate a moderation in the pace of our profit growth, we are confident about once again meeting our targets of a 10% operating margin and low-teens CAGR in profit after tax as set out under our Three-Year Plan.

Mr. Chi Lo-Jen, Chief Executive Officer of the Group, said, "Despite softening consumer sentiment, we are expanding production capacity to meet solid demand from our diversified customer base. While increased U.S. trade tariffs on China may present challenges to the market, most of our customers are leveraging our diversified production base to produce in multiple countries and adopting 'China-for-China' production strategies, which will help mitigate potential material impacts on our business."

Mr. Lawrence Chen, Chairman of the Group, said, "Having largely achieved the objectives outlined in the Three-Year Plan, including enhancing our category mix, improving working capital, and strengthening cost efficiency, our primary

STELLA

INTERNATIONAL

objective in 2025 is to ensure quality growth. We remain fully committed to delivering value for our shareholders and all other stakeholders.”

####

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. It is a constituent of the Hang Seng Composite Index and the MSCI Hong Kong Small Cap Index, and eligible to be traded on the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect.

For further information, please contact:

Macy Leung

Head of Investor Relations

Email: macy.leung@stella.com.hk