



Stella's First-Half Net Profit Surges 54% and Cash Balance Doubles

*Board Approves Plan to Return US\$180 million to Shareholders over Three Years
in Addition to Normal Dividend*

Highlights:

- Shipment volume increased by 12.3%, led by Sports category
- Revenue increased by 7.5% to US\$770.0 million
- Further enhanced customer portfolio
- Gross profit margin expanded by 2.7 percentage points to 25.8%
- Reported operating profit margin increased to 12.9% from 9.0% same period last year
- Adjusted net profit increased by 54.1% to US\$92.9 million
- Strong net cash position reached US\$326.1 million, compared to US\$162.5 million as at 30 June 2023
- Declared interim dividend of HK65 cents per share, representing a dividend payout ratio of about 71.5% based on adjusted net profit
- Board resolves to return additional cash up to US\$180 million in total for the next three years (2024-2026) to shareholders through a combination of share repurchases and special dividends, on top of paying regular dividends with a payout ratio of 70%

Hong Kong, 22 August 2024 – **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 interim results for the six months ended 30 June 2024.

Enhanced Customer Mix Drives Margin Expansion

In the first half of 2024, the Group's revenue and shipment volumes increased year-on-year, driven by Sports category orders, as well as earlier shipments to certain customers, amounting to approximately 1 million pairs, compared to the original shipment plan. ASP decreased year-on-year, due to the higher proportion of Sports products which have a lower ASP.

The Group's non-Sports manufacturing facilities operated at close to full utilisation throughout the period under review. The Group saw continued gross profit margin improvement resulting from an enhanced customer mix. This, together with improved operating leverage from the increased utilisation of its Sports manufacturing facilities, drove an expansion of the Group's operating profit margin.

Due to the factors outlined above, the Group recorded a net profit of US\$91.5 million. Excluding a marked-to-market net fair value change from its investment in Lanvin Group, the Group recorded an adjusted net profit of US\$92.9 million (first half of 2023: US\$60.3 million). Its adjusted net profit margin was 12.1% (first half of 2023: 8.4%).

Maintain Steady Payout Ratio of around 70%

After considering the Group's free cash flow situation, the Board has resolved to declare an interim dividend of HK65 cents per ordinary share for the six months ended 30 June 2024, representing a payout ratio of about 71.5%.

Board Approves Plans to Return US\$180 million to Shareholders

Given the Group's strong cash levels, the Board has also resolved to return additional cash up to US\$60 million per year for the next three years (2024-2026) to shareholders, not exceeding US\$180 million in total, through a

combination of share repurchases and special dividends, on top of paying regular dividends of with a normal payout of 70% (comprising of final dividends and interim dividends).

Gain Recognition for Excellence in Sustainability and Investor Relations

In the first half of 2024, the Group's MSCI ESG rating was upgraded to 'A' from 'B', reflecting its ongoing efforts to adopt better sustainability and transparency practices.

The Group was also named in the leading international financial magazine *Institutional Investor's* annual "Asia Executive Team Rankings" (Rest of Asia section – ex Japan and Mainland China) for the first time, earning the 'Honoured Company' designation in 2024. It ranked 3rd in the 'Best Company Board' (Sell-side) category and 6th (overall) in the Consumer Discretionary sector. In addition, it was one of the winners for the 'Best IR Company' (small-cap) award at the 10th Investor Relations Awards 2024 held by the *Hong Kong Investor Relations Association*.

Stella to unlock Global Opportunities with HSCI Inclusion and Stock Connect Trading

Hang Seng Indexes Company has announced that Stella International will become a constituent of the Hang Seng Composite Index ("HSCI") effective on 9 September 2024. From this date, the Group will also meet the requirements to become tradeable via the Stock Connect scheme.

Outlook: Maintain or Expand on Strong Margin Levels on Full-Year Basis

For the full year 2024, the Group expects to maintain or expand on the same strong operating margin level it achieved in 2023, as it continues to implement the strategies and meet the targets set out in its 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.

The Group expects its non-Sports manufacturing facilities to continue operating at close to full utilisation in the second half of 2024, as it further enhances its product category mix as part of its Three-Year Plan. On a full-year basis, the Group expects shipment volumes to grow moderately compared to 2023, led by its Sports category

Mr. Chi Lo-Jen, Chief Executive Officer of the Group said, "As we seek to further improve our product mix, we are prioritising the ramp-up of our new factory in Solo, Indonesia, and improving worker skill levels in order to expand our capacity for higher-margin products and transition the production of some Fashion category products there from our factories in Vietnam. This will ensure that we continue meeting the profit growth targets of our Three-Year Plan."

Mr. Lawrence Chen, Chairman of the Group, said, "We will continue to enhance our customer mix, expand and diversify our manufacturing base, optimise management effectiveness and efficiency, and strengthen our use of working capital in order to deliver further growth and value to 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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