

AT A GLANCE (AT 20 AUGUST 2024)

Listed on the ASX:	2021 - STP
Industry Sector:	Retail (online)
Fiscal year end:	June 30
Market cap:	\$333m, \$1.80 per share
Valuation multiple:	18x EBITDA (based on FY24 EBITDA)
Securities Issued:	185,340,291
Founder holds:	123,959,496 (67%)
Free Float:	27.9%
FY24 Dividends:	6.8c, 100% payout, 100% franked

Sustainable / Ethical Investment

ESG Report, Certified Supply Chain, Modern Day Slavery compliance, GHG Emissions disclosed and reduction plan provided

Step One Clothing (ASX:STP) Step One is a leading direct-to-consumer online retailer of underwear. Step One offers a range of high quality, organically grown, sustainable, and ethically manufactured underwear that suits a broad range of body types. Step One has transformed the underwear market with an innovative design and strong customer following which is behind its growth into a multinational company operating in Australia, the US and the UK.

STEP ONE™



3D Elastic Pouch

Ultra Soft Waistband

Super soft Viscose made from Bamboo

Anti-chafe Tech



Founder led, entrepreneurial, in-house capability to ideate content and opportunities for brand exposure and product design



Innovative product with strong customer connection and customer advocacy



Online DTC, 100% brand owned & outsourced and flexible manufacturing process, globally scalable business model



Customer centric and proactive social media management encourages feedback on marketing and product designs



Strong ESG focus with end-to-end supply chain certification and GHG emissions provided

A BRIEF HISTORY OF STEP ONE

Founder-led business with highly scalable model & strong track record of growth

IPO

2017

Step One is born

Idea, Product Dev & 1st Order

IT'S A SELL OUT!

Video =

1M Views

Sell Out

5,000 pairs

Re-order

20,000 pairs

2018

Production grows

A 2nd manufacturing relationship established to accommodate customer demand

2019

Scale + Compostable packaging & ESG Focus

Move to 3PL (Outsourced Logistics)

2020

UK market testing followed by full launch



2021

US market testing followed by full launch



MEN'S

+ Long Johns

+ Patterns

2022

Amazon store launched in: AU, UK and US

MEN'S

+ Sports

WOMEN'S

+ Body Shorts

2023

1st clothing company in Australia to be FSC® certified

WOMEN'S

+ Bikini Brief

2024

John Lewis (online) launched

Partnerships with Surf Life Saving Australia and Sail GP

WOMEN'S

+ SmoothFit

2025

We're just getting started!

BUSINESS MODEL

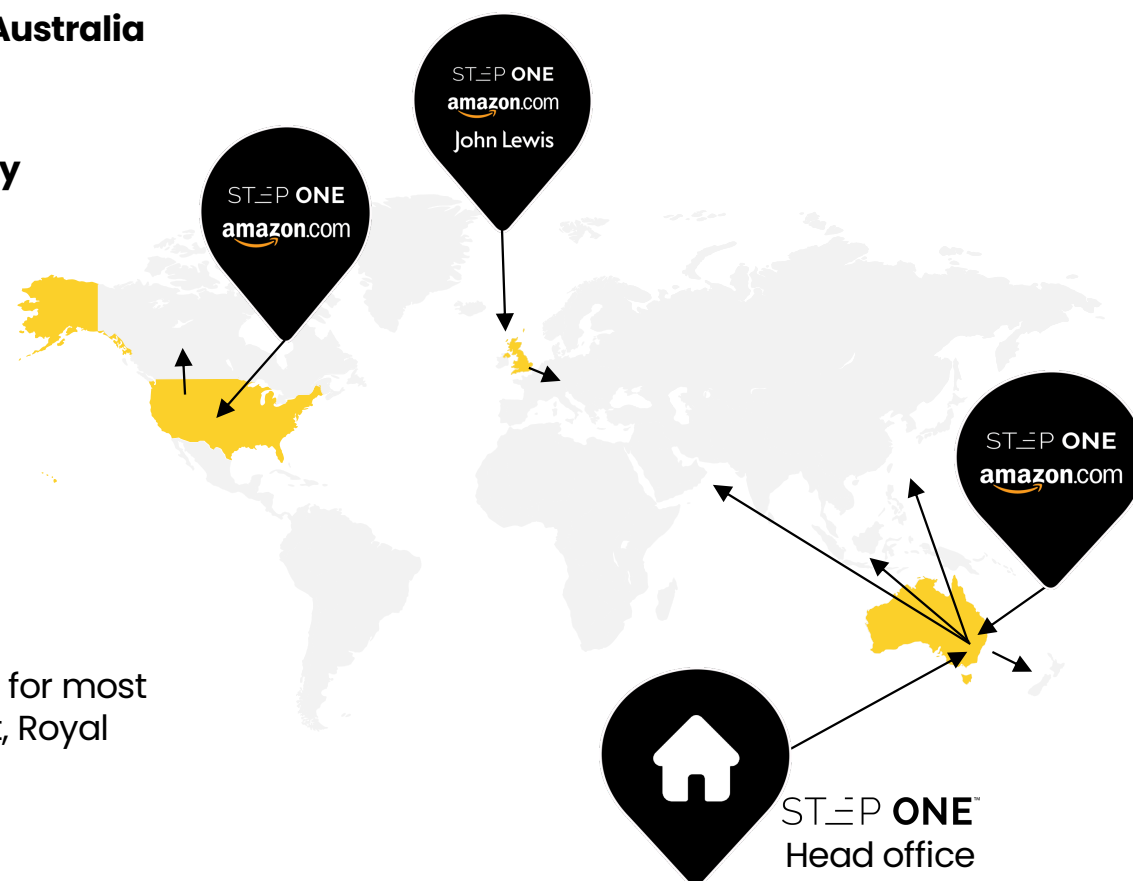
Step One is online, DTC company that is capital light, scalable operations and strong ESG credentials

	<p>GLOBAL COMPANY Local operations</p>	<ul style="list-style-type: none"> • Head office in Australia with only 20 employees • Subsidiaries in UK and US which hold inventory locally (in scalable 3PLs) • Staff in other countries are customer focused and supported by local experts • Ability to export to other countries and use global marketplaces
	<p>EXCEPTIONAL UNDERWEAR Unparalleled function & comfort</p>	<ul style="list-style-type: none"> • Underwear offers functional benefits of UltraGlyde® anti-chafe panels, moisture wicking bamboo viscose material, elastic 3D pouch for anatomical support • Quality in design and manufacturing – backed by a 1-year warranty • Flexible ability to modify design to accommodate specific market segments (eg Sports) • Underwear is our priority, with adjacent products representing future opportunity
	<p>CAPITAL LIGHT & FLEXIBLE Focus remains on design, customers & marketing</p>	<ul style="list-style-type: none"> • Equity funded, no debt, brand owner, 100% online (no store leases) • Outsource manufacturing to best-in-class manufacturing facilities which are scalable • Outsource warehouse and distribution to established 3PL who are best in class and scalable • Executive attention directed to customer interaction and product design
	<p>ESG CERTIFIED Competitive advantage</p>	<ul style="list-style-type: none"> • FSC® certification of supply chain ensures responsible sourcing and ethical manufacturing. • The journey to a low emissions future well advanced. Emissions offsetting being evaluated. • ESG credentials are valued by customers and hard for competitors to catch-up.
	<p>MARKETING Strategic & direct</p>	<ul style="list-style-type: none"> • In-house capability producing video, content & marketing • Skills managing content localisation or local production • Intelligent management of paid media, social media & influencer channels • Creativity and digital advertising skills are in our DNA and hard to replicate
	<p>CHANNELS & PARTNERSHIPS Opportunity for growth</p>	<ul style="list-style-type: none"> • Active management of marketplaces channels like Amazon to expand customer reach and John Lewis to elevate product positioning • Exceptional partnerships to like SLSA to expand customer acquisition and Sail GP to expand customer awareness
	<p>CUSTOMER CENTRIC Conversion & Retention</p>	<ul style="list-style-type: none"> • 100% online and primarily DTC with active social media management keeps us close to customer feedback • 30-Day First Pair Guarantee which allows a full refund on a first purchase plus Free shipping reduce barriers to first purchase • High customer retention rates

GLOBAL COMPANY WITH LOCAL DISTRIBUTION

Local warehousing and fulfilment for prompt customer delivery

- **Product is warehoused in each country with 3PLs in Australia East Coast, UK East Coast & USA West Coast**
- **3PLs manage all inventory & logistics in each country**
 - Receive product from the port of entry
 - Receipt product into their warehousing systems
 - Secure storage & management
- **Targets next business day fulfillment**
 - Direct connection with Step One's selling system
 - Daily pick & pack (business day)
 - Management of returns & exchanges
- **Last mile reliant on local distribution services**
 - National postal services plus private services used for most deliveries including express options (Australia Post, Royal Mail, UPS & USPS)
 - Other express delivery options used as required



STRATEGY

Step One is pursuing profitable growth along 4 vectors

PRODUCTS

Expand the underwear range and adjacent products

- Broaden the underwear range
- Underwear Adjacencies
- Underwear with specific/sports functionality

PARTNERSHIPS

Recruit new customers using Partnerships with bespoke prints and revenue share arrangements

- Membership such as Surf Life Saving Australia
- Sponsorship such as Sail GP

INDIRECT CHANNELS

Increase revenue by selling on established platforms

- Marketplaces such as Amazon
- Retailers such as John Lewis

COUNTRIES

Continue the global expansion

- Pursue growth in existing markets AU, UK, US
- Test new countries

INVESTMENT HYPOTHESIS



Topic	PRODUCT EXPANSION	COUNTRIES	SUSTAINABILITY	MARKETPLACE EXPANSION	CHANNEL EXPANSION	MEMBERSHIP ORGANISATIONS	SPONSORSHIP
Achieved	Women's line	AU, UK, US	End-to-End Certification	Amazon	John Lewis	SLSA	Sail GP
Opportunity	More adjacencies planned	More countries planned	Reduce emissions from supply chain	More marketplaces planned	More channels planned	Partnership with organisations in US/UK planned	More sponsorships planned



Topic	GROWTH	PROFITABLE	NATIVE DTC / 100% ONLINE	BRAND OWNER	INVESTMENT EXPOSURE	CAPITAL LIGHT AND FLEXIBLE	FOUNDER LED, ENTREPRENEURIAL, QUALITY BOARD
Achieved	Revenue +29% on pcp	EBITDA +20% of revenue	Customer centric, customer led	No licensing	Exposure to retail	Contract production & fulfillment	100% alignment with shareholder interests
Conclusion	Brand resonates with customers	Profit from scale economies	Adaptable and responsive	No 3 rd party fees	Retail without the store leases	Scalable without needing funding	Growth DNA

WHAT MAKES STEP ONE FINANCIALLY ATTRACTIVE

Balance sheet

Well funded and capital light

ASSETS

\$63.5M

Including:

\$39.0M Cash & TDs
\$19.0M Inventory

LIABILITIES

\$11.3M

Including:

\$9.0M Supplier payables
\$0.7M Taxes payable

SHAREHOLDER'S EQUITY

\$52.2M

\$5.2M Dividend proposed

Income Statement

Strong margins and scalable

REVENUE

\$84.5M

Including:

\$79.9M Direct
\$4.7M Indirect

COSTS

\$72.1M

Including:

\$16.2M COGS
\$27.7M Advertising

PROFIT

\$12.4M

5.0cps Interim dividend
2.8cps Final dividend

WHAT MAKES STEP ONE SUSTAINABLE AND ETHICAL

ESG is much more than climate change, but we are on top of that as well.

	ENVIRONMENT	SOCIAL	GOVERNANCE
FSC® Chain of Custody Certification	✓	✓	
FSC® Core Labour Requirements		✓	
Community Engagement and Support		✓	
Modern Day Slavery Act Compliance (early adoption)		✓	
Greenhouse Gas Emissions Report (early adoption)	✓		
Corporate Governance Statement	✓	✓	✓
Consolidated Entity Disclosure Statement (CEDS)(Tax)			✓
Board stability since IPO			✓

Refer to the 2024 Annual Report for details but look out for:

1. We ensure the highest environmental and social practices throughout the supply chain from forests to manufacturing to distribution (not just the last factory in the chain) which is certified by the FSC®
2. We support Surf Life Saving Australia with more than \$250,000 and we are supporting Men's Health Awareness as well as StepTember
3. We went the extra mile on climate change reporting by reporting all emissions including Scope 3. We can now work on reducing emissions and/or offsetting them
4. We early adopted compliance with the Modern Day Slavery Act to ensure the highest standards in our supply chain
5. We pay our taxes and complied with CEDS. Our effective tax rate is 33% with no tax treatments that are controversial.

		Greenhouse Gas Emissions tCO ₂ -e	
Scope 1	Office air conditioning and equipment		58
Scope 2			32
Scope 3	Product manufactured and delivered to the warehouse	4,044	
	Digital advertising and ecommerce systems	2,451	
	Warehousing and delivery logistics to customer	8,028	
	Other	1,928	16,451
Total			16,541

FY24 GROWTH METRICS

REVENUE

FY24 **\$84.5m** **Up 29.7% on pcp**

1H24 \$45.1m Up 25.5% on pcp
2H24 \$39.4m Up 34.8% on pcp

NET PROFIT

FY24 **\$12.5m** **Up 44.6% on pcp**

1H24 \$7.1m Up 34.8% on pcp
2H24 \$5.4m Up 60.1% on pcp

WEBSITE VISITS ¹

FY24 **15.5m** **Up 5.3% on pcp**

1H24 8.3m Up 18.2% on pcp
2H24 7.2m Down 6.4% on pcp

CUSTOMERS ¹

Jun-24 **1,670,000** **Since inception**

New in 1H24 182,000 Up 32.8% on pcp
New in 2H24 130,000 Up 8.3% on pcp

GROSS MARGIN

FY24 **80.8%** **Up 0.1 percentage points**

1H24 81.2% Up 0.5 percentage points
2H24 80.4% Up 0.3 percentage points

CASH AND TERM DEPOSITS

Jun-24 **\$39.0m** **No debt**

CASH FLOW FROM OPERATIONS

FY24 **\$18.7m** **Up 304.1% on pcp**

CONVERSION RATE ¹

FY24 **4.8%** **Up 0.5 percentage points**

1H24 5.1% Up 0.1 percentage points
2H24 4.5% Up 0.7 percentage points

DIVIDEND

FY24 **6.8 cps** **100% payout**

1H24 4.0 cps FY24 Interim
2H24 2.8 cps FY24 Final

EBITDA ²

FY24 **\$18.1m** **Up 50.8% on pcp** **21.4%** % of Revenue

1H24 \$10.1m Up 35.6% on pcp 22.5%
2H24 \$8.0m Up 75.8% on pcp 20.3%

WOMEN'S ¹

FY24 **\$11.1m** **Up 54.0% on pcp** **13.9%** % of Revenue

1H24 \$5.5m Up 44.8% on pcp 13.1%
2H24 \$5.6m Up 64.4% on pcp 14.9%

INDIRECT REVENUE ³

FY24 **\$4.7m** **Up 76.5% on pcp** **5.5%** % of Revenue

1H24 \$2.7m Up 55.5% on pcp 6.1%
2H24 \$1.9m Up 118.6% on pcp 4.9%

SALE EVENT REVENUE ⁵

FY24 **\$29.6m** **Up 103.1% on pcp** **37.1%** % of Revenue

1H24 \$16.6m Up 84.4% on pcp 39.2%
2H24 \$13.0m Up 133.3% on pcp 34.6%

1. Sold revenue excluding indirect channels. 2. EBITDA is a non-IFRS measure reconcile to IFRS in the 4E. 3. Indirect Channels include Amazon and John Lewis. 4. pcp refers to prior corresponding reporting period. 5. Key sale events based on sold date, direct revenue only.

GROWTH OPPORTUNITY

Market Size / Step One Share
Men's \$AUD / 2024*



Frost and Sullivan, 2021

2024	Mens	Womens	Total
AU	590	1,080	1,670
UK AUD	2,077	5,058	7,135
US AUD	10,057	21,715	31,772
	12,724	27,853	40,577

STEP ONE™

Growing	140% 4-year Revenue CAGR AU 124% UK 228% US -	Growth aspirations supported by a large market size, customer support for existing range and expected large demand for new products.
Scalable (2-year range)	GM% 80-81% Advertising 31-39% Variable costs 15-18%	Advertising, manufacturing and distribution functions are outsourced and variable. Contribution margin of 25-30%.
Overhead	\$4.4m manpower \$3.6m other	Global company run from Australia with a small team. Experts in managing specialists and suppliers
Profit	155% 4-year EBITDA CAGR	Growth aspirations supported by strong margin, scalable business model and cost control.
Interest, Depreciation and Amortisation	Capital light business.	Growth funding in place.
Other: -USA	USA lost AUD\$1.3m in FY24.	Expected to be profitable via scale economies when revenues increase

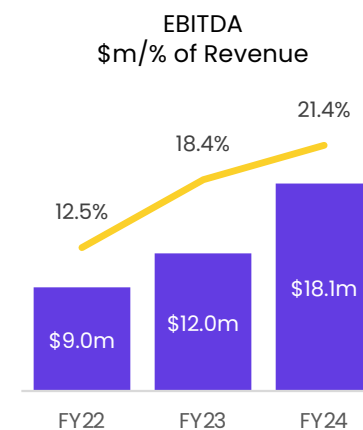
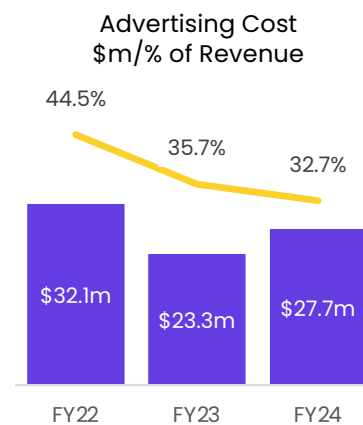
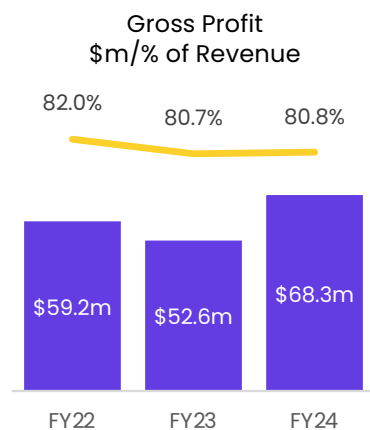
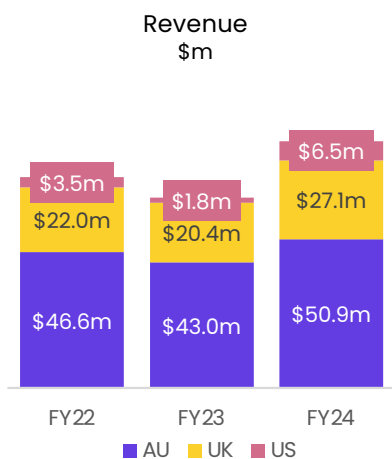
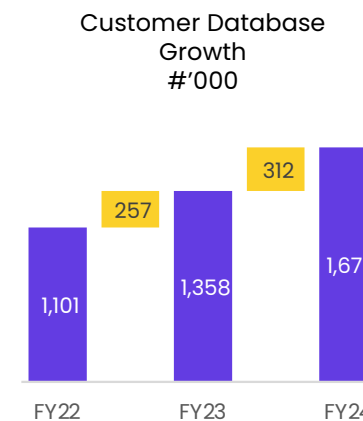
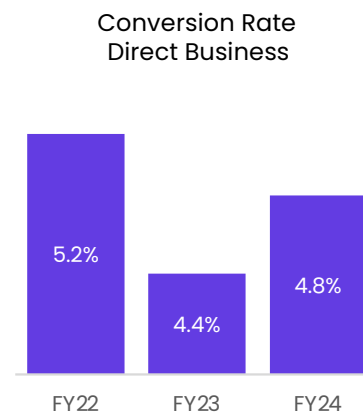
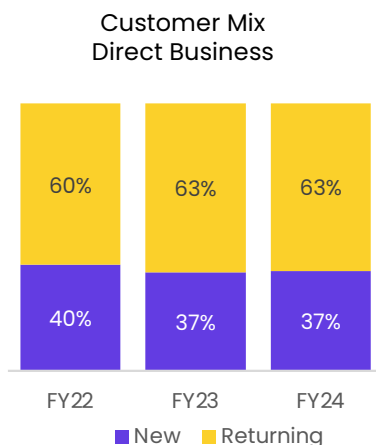
Sources of growth include:

1. Women's product lines
2. Adjacent product lines
3. Indirect channels including Amazon and John Lewis

New Customers will be pursued via

1. Partnerships such as Surf Life Saving Australia
2. Broadening the range of advertising channels and social media
3. Amplifying the Ambassador advocacy

FINANCIAL PERFORMANCE CHARTS



5-YEAR INCOME STATEMENT

P&L
Proforma

	5 year view, by reporting period									
	FY20		FY21		FY22		FY23		FY24	
	1H20	2H20	1H21	2H21	1H22	2H22	1H23	2H23	1H24	2H24
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australia	9,304	11,943	23,359	17,309	25,601	20,995	24,113	18,893	26,264	24,609
UK	0	1,000	10,726	10,323	11,031	11,013	10,619	9,748	14,652	12,477
USA	0	0	0	0	1,444	2,103	1,161	650	4,136	2,410
Revenue	9,304	12,943	34,085	27,632	38,076	34,111	35,893	29,291	45,052	39,496
Cost of sales	(1,713)	(2,383)	(6,094)	(4,638)	(6,424)	(6,590)	(6,925)	(5,655)	(8,480)	(7,735)
Gross profit	7,591	10,560	27,991	22,994	31,652	27,521	28,968	23,636	36,572	31,761
Gross Margin %	81.6%	81.6%	82.1%	83.2%	83.1%	80.7%	80.7%	80.7%	81.2%	80.4%
Advertising & marketing	(3,014)	(5,280)	(12,378)	(15,696)	(14,930)	(17,159)	(11,916)	(11,350)	(15,379)	(12,307)
Advertising as % of Revenue	32.4%	40.8%	36.3%	56.8%	39.2%	50.3%	33.2%	38.7%	34.1%	31.2%
Distribution & fulfilment	(636)	(1,118)	(3,057)	(3,137)	(4,415)	(4,431)	(4,472)	(3,852)	(5,274)	(5,865)
Distribution as % of Revenue	6.8%	8.6%	9.0%	11.4%	11.6%	13.0%	12.5%	13.2%	11.7%	14.8%
Merchant & transaction fees	(177)	(499)	(736)	(666)	(947)	(910)	(1,262)	(900)	(1,643)	(1,304)
Transaction fees as % of Revenue	1.9%	3.9%	2.2%	2.4%	2.5%	2.7%	3.5%	3.1%	3.6%	3.3%
Contribution profit	3,764	3,663	11,820	3,495	11,360	5,021	11,318	7,534	14,276	12,285
Contribution as % of Revenue	40.5%	28.3%	34.7%	12.6%	29.8%	14.7%	31.5%	25.7%	31.7%	31.1%
Employee & contractor related expenses	(671)	(884)	(888)	(1,007)	(1,399)	(1,628)	(1,999)	(2,307)	(1,926)	(2,419)
Share based payments	(180)	(180)	(180)	(180)	(180)	(34)	(165)	50	(107)	(215)
Other operating expenses	(1,236)	(1,223)	(1,573)	(1,776)	(1,950)	(1,411)	(1,682)	(1,614)	(1,605)	(1,510)
Proforma Overhead	(2,087)	(2,287)	(2,641)	(2,963)	(3,529)	(3,073)	(3,846)	(3,871)	(3,638)	(4,144)
Foreign Exchange	0	0	(74)	97	(394)	(367)	1	887	(508)	(142)
Other non-operating income	2	46	74	(28)	(2)	17			0	0
Proforma EBITDA	1,679	1,422	9,179	601	7,435	1,598	7,473	4,550	10,130	7,999
EBITDA as % of Revenue	18.0%	11.0%	26.9%	2.2%	19.5%	4.7%	20.8%	15.5%	22.5%	20.3%
Depreciation & amortisation & interest	(1)	0	0	(5)	(3)	9	100	315	378	201
Proforma PBT	1,678	1,422	9,179	596	7,432	1,607	7,573	4,865	10,508	8,200
Income tax expense	(446)	(378)	(3,063)	(198)	(2,462)	(1,249)	(2,298)	(1,524)	(3,401)	(2,907)
Proforma NPAT	1,232	1,044	6,116	398	4,970	358	5,275	3,341	7,107	5,293
Proforma expense adj	1,008	931	(1,456)	(5,171)	(9,963)	650	0	0	0	0
Proforma tax adjustments	(292)	(325)	(96)	91	1,178	(195)	0	0	0	0
Statutory NPAT / (NLAT)	1,948	1,650	4,564	(4,682)	(3,815)	813	5,275	3,341	7,107	5,293

5 year view				
FY20	FY21	FY22	FY23	FY24
\$'000	\$'000	\$'000	\$'000	\$'000
21,247	40,668	46,596	43,006	50,873
1,000	21,049	22,044	20,367	27,129
0	0	3,547	1,811	6,546
22,247	61,717	72,187	65,184	84,548
(4,096)	(10,732)	(13,014)	(12,580)	(16,215)
18,151	50,985	59,173	52,604	68,333
81.6%	82.6%	82.0%	80.7%	80.8%
(8,294)	(28,074)	(32,089)	(23,266)	(27,686)
37.3%	45.5%	44.5%	35.7%	32.7%
(1,754)	(6,194)	(8,846)	(8,324)	(11,139)
7.9%	10.0%	12.3%	12.8%	13.2%
(676)	(1,402)	(1,857)	(2,162)	(2,947)
3.0%	2.3%	2.6%	3.3%	3.5%
7,427	15,315	16,381	18,852	26,561
33.4%	24.8%	22.7%	28.8%	31.4%
(1,555)	(1,895)	(3,027)	(4,306)	(4,345)
(360)	(360)	(214)	(115)	(322)
(2,459)	(3,349)	(3,361)	(3,296)	(3,115)
(4,374)	(5,604)	(6,602)	(7,717)	(7,782)
0	23	(761)	888	(650)
48	46	15	0	0
3,101	9,780	9,033	12,023	18,129
13.8%	15.8%	12.5%	18.4%	21.4%
(1)	(5)	6	415	579
3,100	9,775	9,039	12,438	18,708
(824)	(3,261)	(3,711)	(3,822)	(6,308)
2,276	6,514	5,328	8,616	12,400
1,939	(6,627)	(9,313)	0	0
(617)	(5)	983	0	0
3,598	(118)	(3,002)	8,616	12,400

Proforma financial information has been prepared for comparative analysis. Details of adjustments are available in the investor presentations