

STEP ONE™

FY22 RESULTS PRESENTATION



23 AUGUST 2022

Greg Taylor, CEO and Founder
Nigel Underwood, CFO

AGENDA

- 01 FY22 Results Highlights
- 02 FY22 Results Overview
- 03 FY22 Financial Summary
- 04 Market Context and Strategy
- 05 Outlook
- 06 Questions



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FY22 Results Highlights

STEP ONE™

Strong performance across key metrics

Revenue

\$72.2m

up 17% vs pcp

Gross Margin

82.0%

down 0.6% vs pcp

Expanded markets
with USA launch
and Amazon

Expanded product
range - Women's
Line, Thermals and
Sports products
launched

Average order value (AOV)

\$75

up 0.7% vs pcp

Proforma EBITDA

\$9.0m¹

12.5% of revenue vs pcp

Website Visits

16.5m up 65%
vs pcp

5.2% conversion rate

Customers

1,101,000

up 52% or 375,000
customers vs pcp

1. A reconciliation of Statutory to Proforma financial results is provided on page 30

FY22 RESULTS OVERVIEW



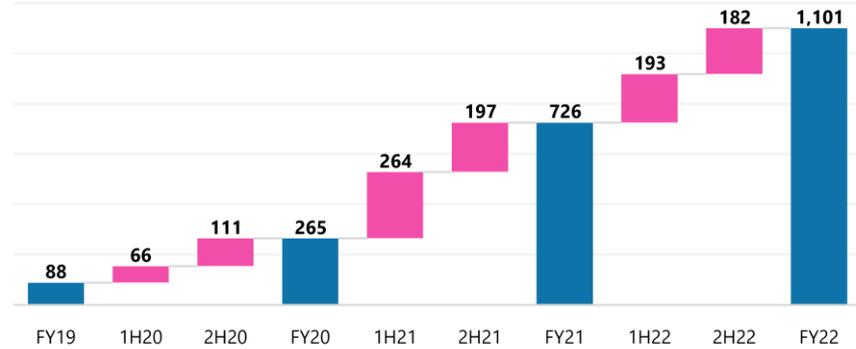
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Operational Highlights

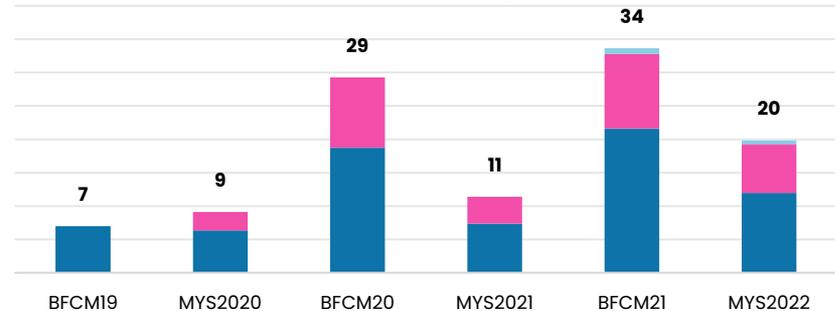
Building our brand equity through product innovation

- 1.1m people have purchased Step One's (+52%)
- Continued strong growth in Australian market
- Launch of Women's range
- Launch of Thermals and Sports ranges
- Commenced partnership with Amazon
- Successful sales events, over 20 colour releases

Customer Database Growth (#'000)



New Customer Acquisition From Sale Events* (#'000)



■ AU ■ UK ■ US

Source: Shopify

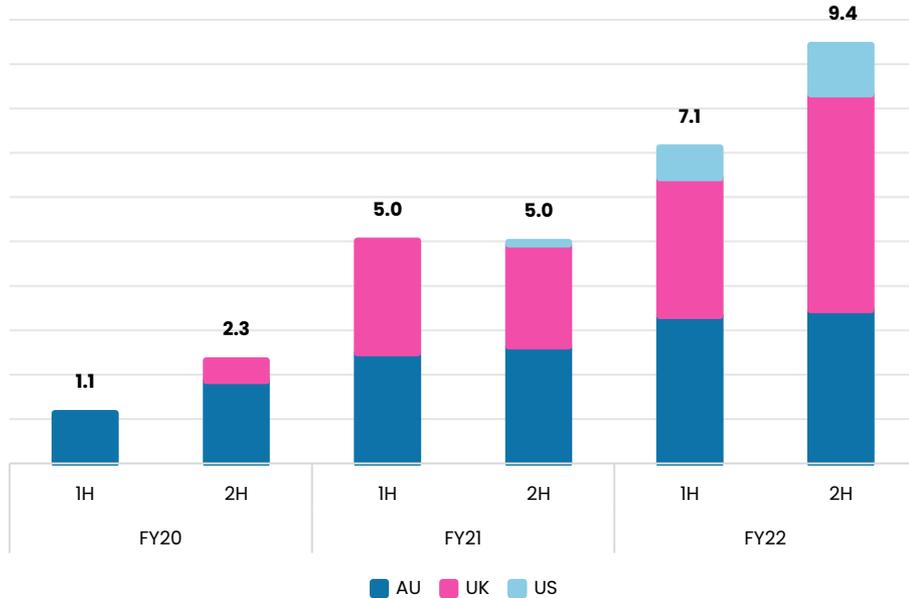
*The key sale events are Black Friday/Cyber Monday (BFCM) and the Mid-Year Sale (MYS, previously called End of Financial Year Sale)

Strong Online Engagement

Increasing website sessions by 65% on prior year

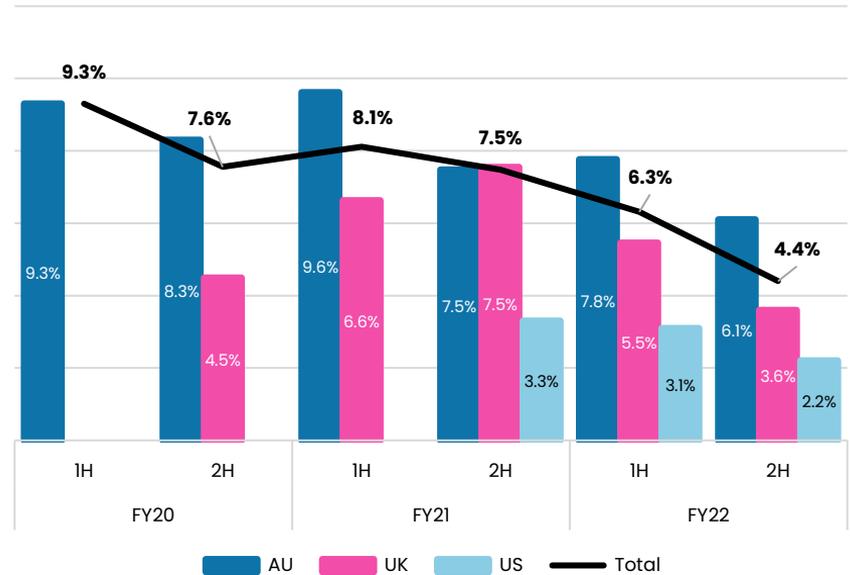
WEBSITE TRAFFIC

6 months, M



AVERAGE CONVERSION RATE

6 months, %



- Website traffic increased 65% on prior year and 33% on the prior half, and while conversion rates reduced 33%, order volumes increased 13% on the prior year

International Markets

A tailored strategy for each region



UK growth not at expected rate, with tougher than anticipated trading conditions impacted consumer confidence

Highlights:

- Over 153,000 new customers in FY22
- Continued support from existing customers who accounted for 61% of orders
- Demand for colour releases increasing to 37% of revenue
- 65% Increase in web traffic but conversion rates lower

Focus areas:

- Focus on partnerships to expand customer reach and brand credibility
- Expanding Women's line
- Focus on Limited Edition colour/print drops which resonate well with UK customers



Growth slower than initial UK entry and at a higher cost, as we work to establish our brand in a large and diverse region

Highlights:

- Product resonating strongly with American customer
- 3PL and logistics operations established
- Repeat rate is already 28%

Focus areas:

- Focus on partnerships to expand customer reach and brand credibility
- Focus on lower cost customer acquisition channels even if growth takes longer
- Impose stronger cost disciplines during the scale phase
- Determine when to launch the Women's line in the USA

FY22 FINANCIAL SUMMARY



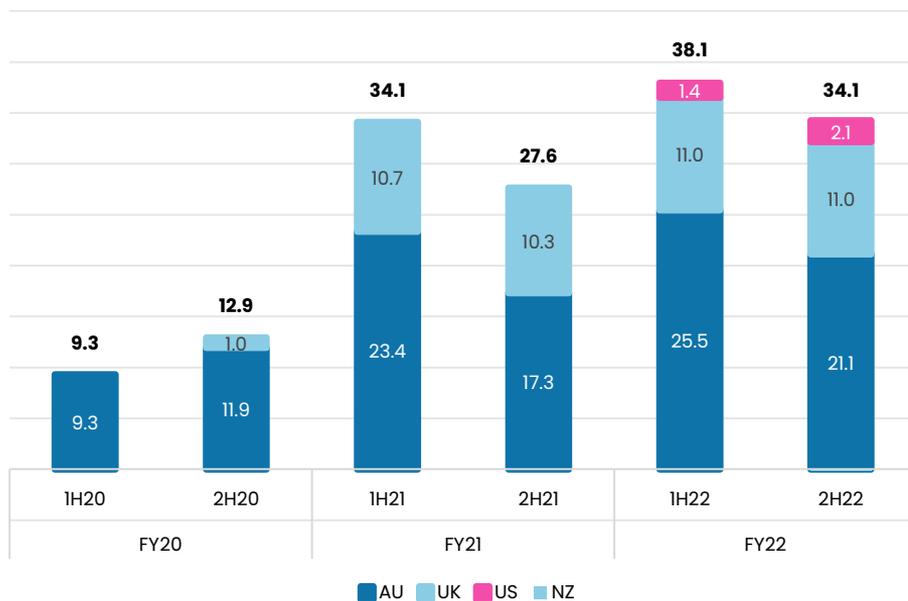
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Financial Highlights

Continued revenue growth while generating attractive gross profit margins

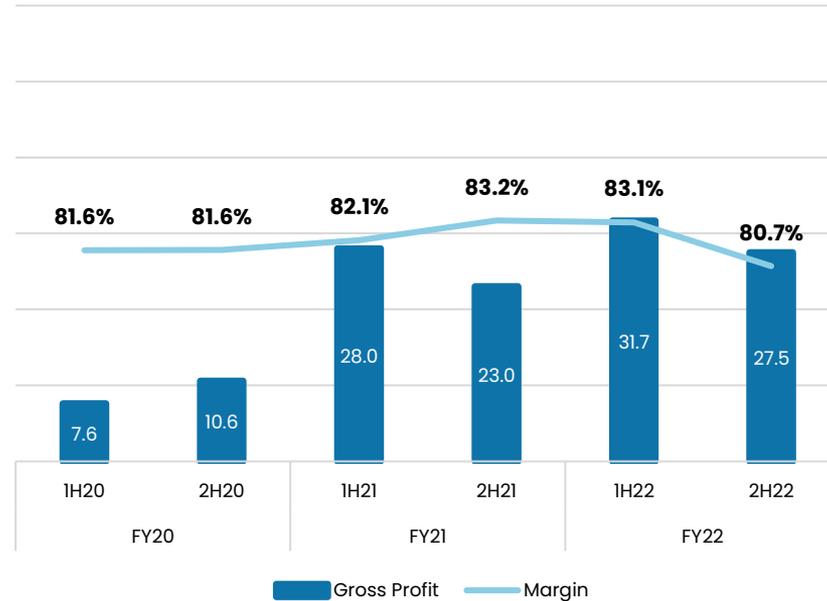
SALES REVENUE

6 MONTHS, \$M



GROSS PROFIT

6 MONTHS, \$M

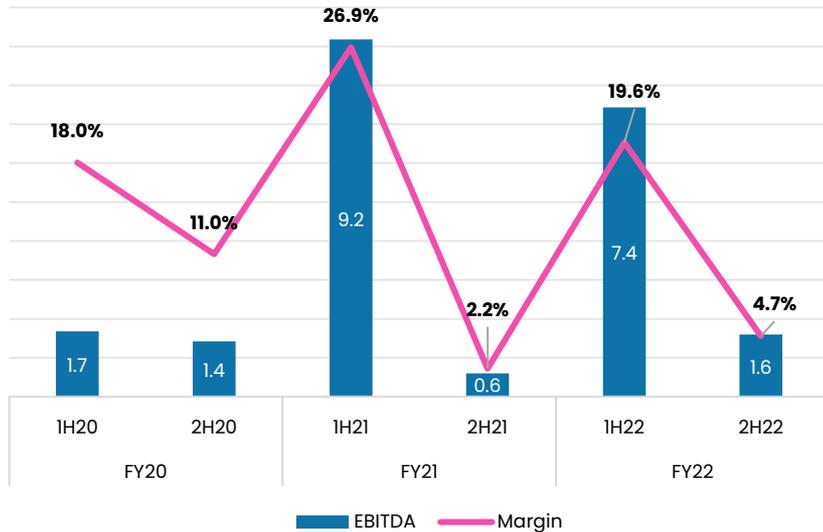


Financial Highlights

Revenue growth and advertising

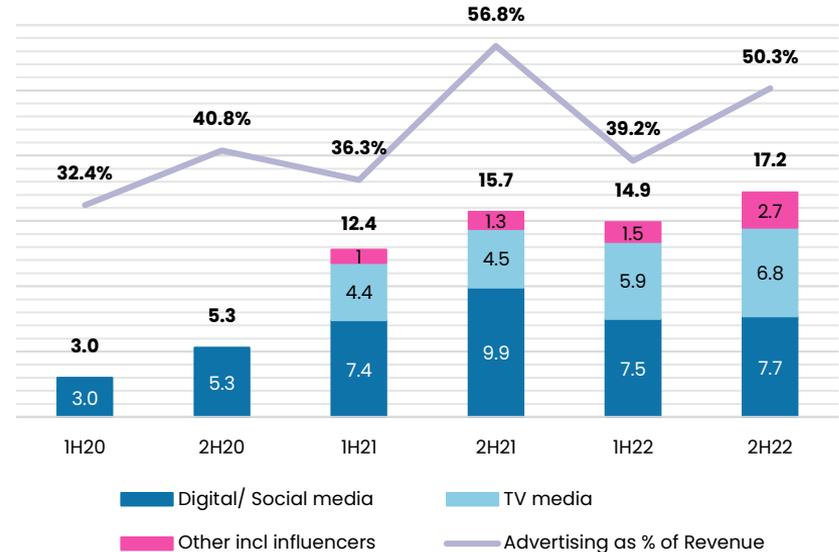
PROFORMA EBITDA

6 MONTHS, \$M



ADVERTISING^{1,2}

6 MONTHS, \$'000



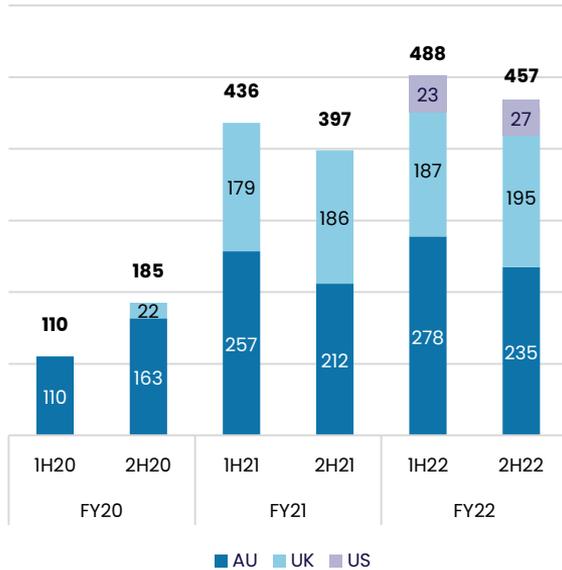
Reconciliation of Statutory to Proforma financial results is provided on page 30

1. Adjusted retrospectively for the impact of the GST overclaim on advertising expenditure (refer page 30 for more information), 2. 1H20 and 2H20 advertising 100% allocated to social media as split not available

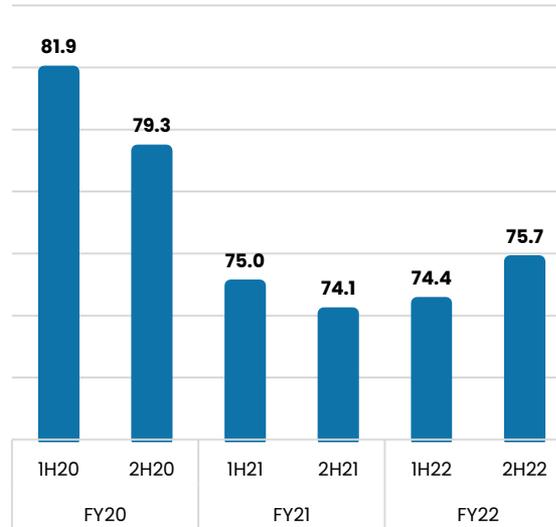
Strong Operational Metrics

Strong growth in returning customer order rates demonstrates trust in our product

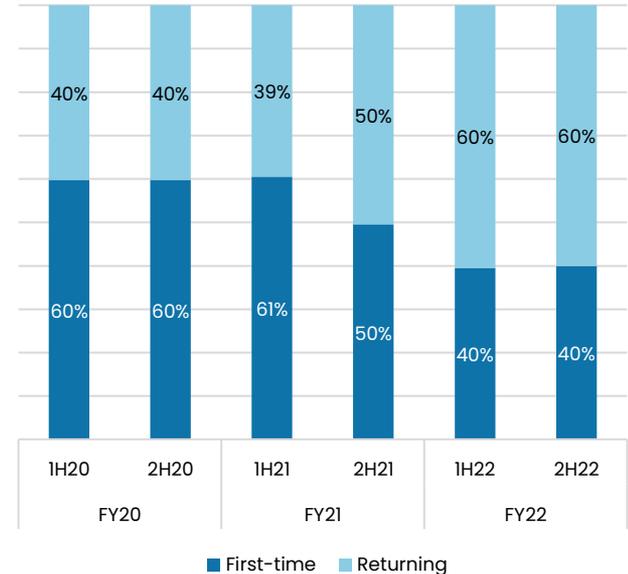
CUSTOMER ORDERS¹
6 MONTHS, \$'000



AVERAGE ORDER VALUE (AOV)²
6 MONTHS, \$M



CUSTOMER MIX



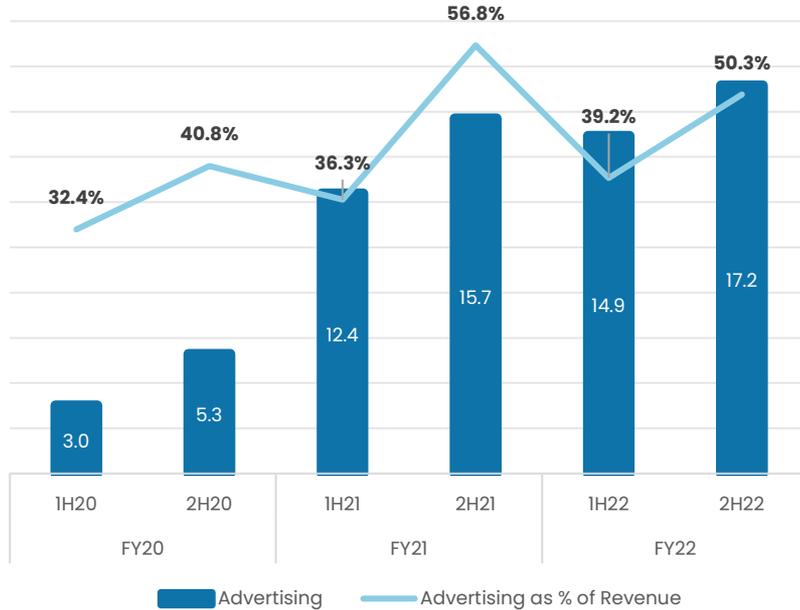
Source: Shopify
1. Total number of customer orders **2.** AOV reflects the average dollar amount spent each time a customer places an order on the Step One website based on order date. UK/US AOV converted to AUD **3. Returning customer:** a customer who has at any point in time made a purchase based on order date. **New or First-time customer:** a customer who has not previously made a purchase based on order date

Strong Operational Metrics

Marketing and advertising key to growing the business

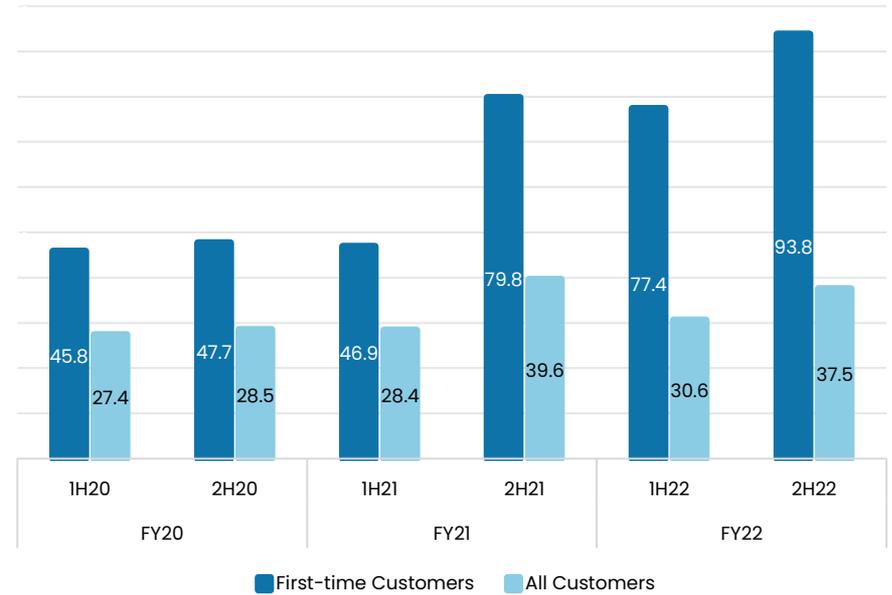
MARKETING AND ADVERTISING^{1,4}

6 MONTHS, % OF SALES REVENUE



COST TO ACQUIRE CUSTOMERS^{2,3,4}

6 MONTHS, \$ PER CUSTOMER ORDER



Source: Management Accounts, Shopify

1. Relates to digital marketing which includes Television advertising, Google AdWords, Facebook, influencers and production costs. **2.** The total advertising and marketing costs divided by the total number of customer orders based on order date **3.** The total advertising and marketing costs divided by the new / first-time customer orders based on order date. **4.** Adjusted retrospectively for the impact of the GST overclaim on advertising expenditure (refer page 30 for more information)

Proforma Income Statement

	FY22	FY21	Movement	
Proforma	\$'000	\$'000	\$'000	%
Australia	46,596	40,667	5,929	14.6%
UK	22,045	21,050	995	4.7%
USA	3,546	0	3,546	-
Revenue	72,187	61,717	(10,470)	17.0%
Gross profit	59,173	50,984	8,189	16.1%
Gross Margin %	82.0%	82.6%	-0.6pcp	
Advertising & marketing#	32,090	28,074	4,014	14.3%
Advertising as percent of revenue	44.5%	45.5%	1.0pcp	
Distribution & fulfilment	8,846	6,194	2,652	42.8%
Distribution as percent of revenue	12.3%	10.0%	-2.2pcp	
Contribution profit	18,237	16,716	(1,521)	-9.1%
Contribution as percent of revenue	25.3%	27.1%	-1.8pcp	
Proforma Overhead	(9,222)	(6,984)	(2,238)	32.0%
Other (revenue)/expense	0	48	(48)	-
Proforma EBITDA	9,015	9,780	(765)	-7.4%
Proforma EBITDA as percent of revenue	12.5%	15.8%	-3.4pcp	
Proforma NPAT	5,327	6,514	(1,187)	-18.2%
Proforma expense adjustments	(9,313)	(6,627)	(2,686)	-
Proforma tax adjustments	983	5	988	-
Statutory NPAT / (NLAT)	(3,003)	(118)	2,885	2488.2%
# includes GST adjustment	0	1,214	(1,214)	-

COMMENTARY

- Revenue growth of 17% on pcp predominantly in Australia and USA
- Strong gross margin
- Advertising includes investment to expand in North America of \$4.2m contributing to an overall loss of \$2.8m (before and after tax) in North America
- Cost pressure on global logistics and distribution costs
- Other costs support business growth
- GST overclaim impacting advertising costs retrospectively adjusted

Balance Sheet

\$'000	As at 30 June 2021	Impact of the Offer	Other movements	As at 30 June 2022
ASSETS				
Current Assets				
Cash and cash equivalents	10,845	32,809	(9,446)	34,208
Inventories	9,731		15,652	25,383
Derivative financial instruments	134		(134)	-
Related party receivable	3,409	(3,409)	-	-
Other assets	1,303		(290)	6,143
	25,422	29,400	10,912	65,734
Non-current Assets				
Property, plant and equipment	2		17	19
Intangibles	56		(6)	50
Deferred tax assets	1,534	1,635	(600)	2,569
	1,592	1,636	(589)	2,638
Total assets	27,014	31,035	5,193	63,242
LIABILITIES				
Current Liabilities				
Trade and other payables	8,652		3,357	12,009
Contract liabilities	2,620		(1,113)	1,507
Income tax payable	3,678	179	(2,988)	869
Employee benefits	34		163	197
Other financial liability	8,000	(8,000)	-	-
	22,984	(7,821)	(581)	14,582
Non-current Liabilities				
Employee benefits	2		17	19
	2	-	17	19
Total Liabilities	22,986	(7,821)	(564)	14,601
Net Assets	4,028	38,856	5,757	48,641
EQUITY				
Issued capital	1	52,495		52,496
Reserves	173		(79)	94
Retained profits/(accumulated losses)	3,854	(13,639)	5,836	(3,949)
Total Equity	4,028	38,856	5,757	48,641

COMMENTARY

- Strong cash position
- Non-perishable and non-seasonal inventory
- No net debt
- Flexibility to invest in and execute growth strategy
- GST liability of \$1.9m relating to overclaim to be settled with the ATO

Cash Flow Statement

	FY22 \$'000	FY21 \$'000	Movements \$'000	%
Cash flows from operating activities				
Receipts from customers (inclusive of Sales Taxes)	80,204	70,480	9,724	12.1%
Payments to suppliers and employees (inclusive of Sales Taxes)	(83,061)	(61,581)	(21,480)	25.9%
Net interest	165	22	143	86.7%
Income taxes paid	(5,957)	(2,415)	(3,542)	59.5%
Other		90	(90)	
Net cash from/(used in) operating activities	(8,649)	6,596	(15,155)	175.2%
Net cash from/(used in) investing activities	(19)	(46)	27	-142.1%
Cash flows from financing activities				
Proceeds from issue of share	40,000		40,000	-
Proceeds/(repayments) to related parties	3,409	(2,468)	5,877	172.4%
Share issue transactions costs	(6,027)		(6,027)	-
Payment of financial liability (PSU)	(306)		(306)	-
Dividends paid	(4,800)	(78)	(4,722)	98.4%
Net cash from/(used in) financing activities	32,276	(2,546)	34,822	107.9%
Net increase in cash and cash equivalents	23,608	4,004	19,604	83.0%
Cash and cash equivalents at the beginning of the financial year	10,845	6,735	4,110	37.9%
Effects of exchange rate changes on cash and cash equivalents	(245)	106	(351)	143.3%
Cash and cash equivalents at the end of the financial year	34,208	10,845	23,363	68.3%

COMMENTARY

- Cash position strengthened by IPO
- Cash receipts impacted by seasonality in revenue recognition (contract liability) near sale events
- Cash outflows impacted by \$15.7m increase in inventory and \$9.0m increase in operating costs and overheads (including Sales Taxes)
- Immaterial levels of capital expenditure

MARKET STRATEGY



Forward Strategy

Driving profitable growth globally

STEP ONE™

MARKET SIZE¹

Every person needs underwear

- USA \$6.2b
- UK \$1.5b
- AU \$0.6b

That's just the men. The women's market is bigger

CAPITAL LIGHT

Low capital invested

- **Ownership of Brand**, designs, and personality
- **Specialists** manage manufacturing, warehousing and logistics ensuring high quality and lowest cost
- Class leading SaaS systems support the operation

PARTNERSHIPS

Engage in partnerships

- Use **Amazon** to establish brand presence and access to a large customer pool
- Evaluate other online or retail **partnerships** on their commercial merits and alignment in areas including customer service and ESG

PRODUCT ADJACENCIES

Natural adjacencies to men's underwear including:

- **Expand target customer** incl a broader range of Women's products
- **Expand product range** within the innerwear category

**Customers want our product –
we just have to let them know it is available and get it in their hands**

Business Model

STEP ONE™

Step One is built on an innovative product and customer engagement model with a strong ESG focus

1. DESIGN

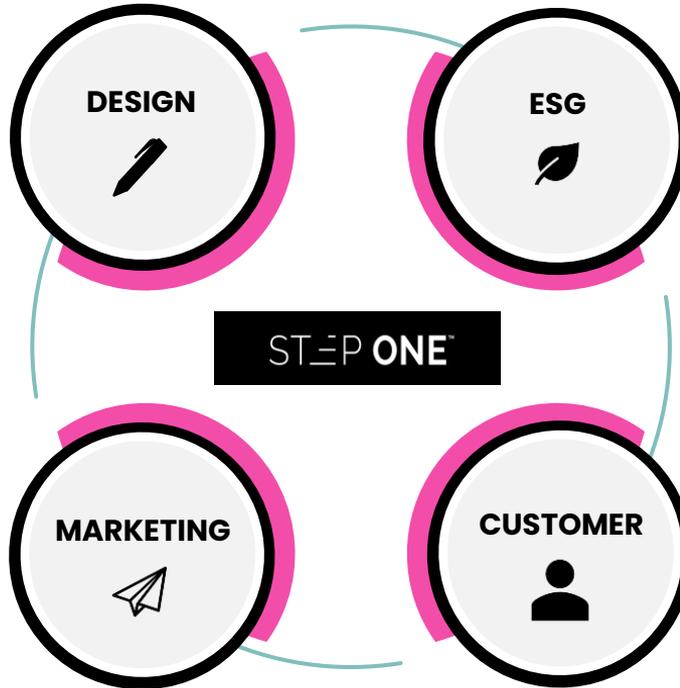
Functional Product Features

- UltraGlyde™ panels
- Elastic 3D pouch
- Organically grown Eco-Cert Bamboo

2. MARKETING

Strategic & Direct

- **In-house video, content & marketing capability**
- **Dominating & intelligent paid & social media & influencer channels**



4. ESG FOCUS

Our business model is built on a transparent production process

- **Organically grown** Bamboo from responsible sources
- Strict **ethical manufacturing** across supply chain
- **Minimise** carbon footprint

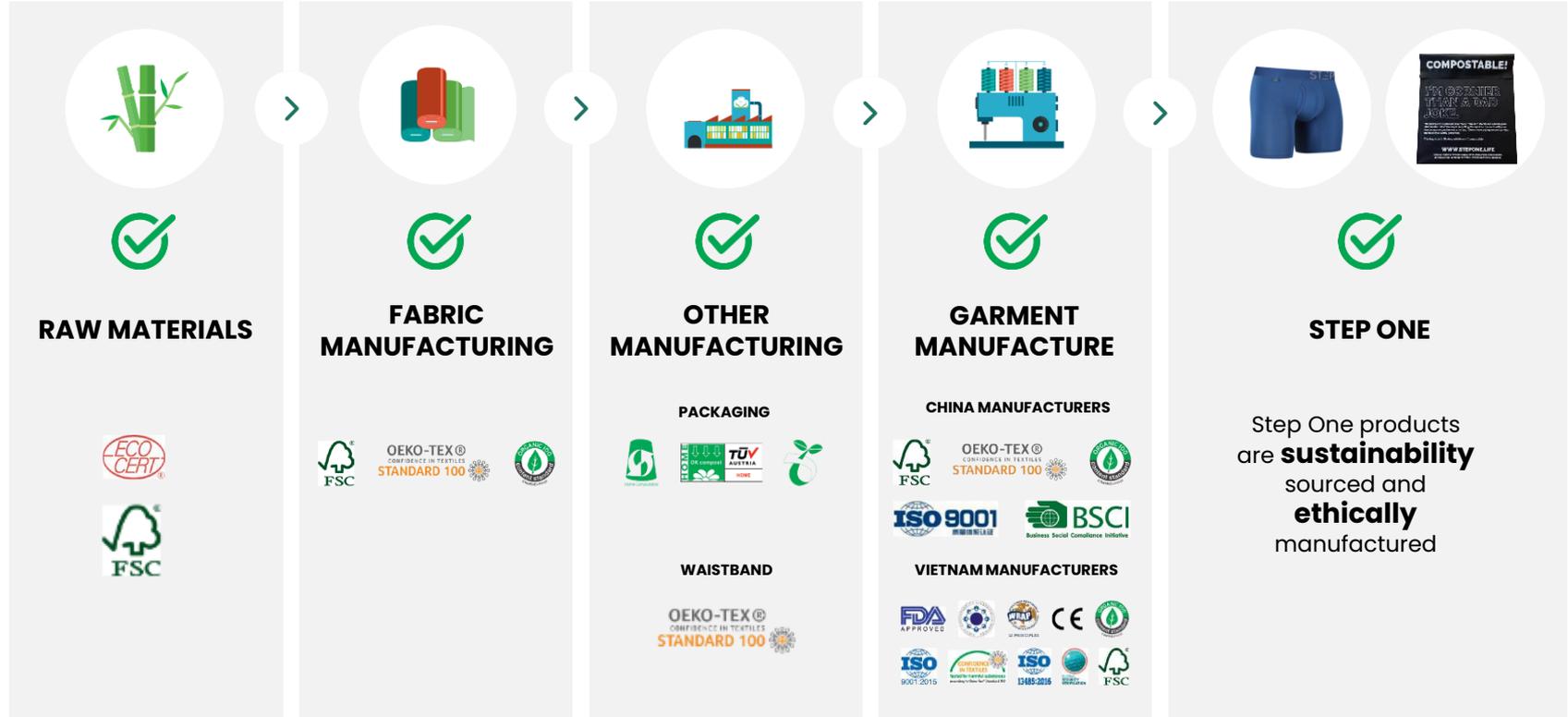
3. CUSTOMER 1st APPROACH

Strong Customer Conversion & Retention

- **30-Day First Pair Guarantee** which allows a full refund on a first purchase
- **Free shipping & 12-month** manufacturing warranty
- **Rapid** customer service response

Sustainable and Ethical Supply chain

Our ESG credentials baked into our entire product lifecycle, from inception to delivery



**LOOKING
FORWARD**



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Step One plans to continue expansion in existing markets while testing other markets. This will involve expanding customer reach using third party platforms such as Amazon and potentially other established retailers. Partnering with third party platforms will assist in building brand awareness and credibility, especially within the UK and US.



The supply chain is expected to be the subject of continued pressure on the cost of manufactured products (which is purchased in foreign currency) and inbound logistics costs.



Warehouse and distribution costs are similarly expected to remain under pressure from cost inflation within the logistics industry sector.



Expansion in the USA will balance both growth and profitability.



Step One is a consumer product and, while wearing underwear is a need to most people, sales are still subject to consumer confidence and economic conditions. Due to current economic uncertainty in all jurisdictions, Step One is not providing guidance for FY23.

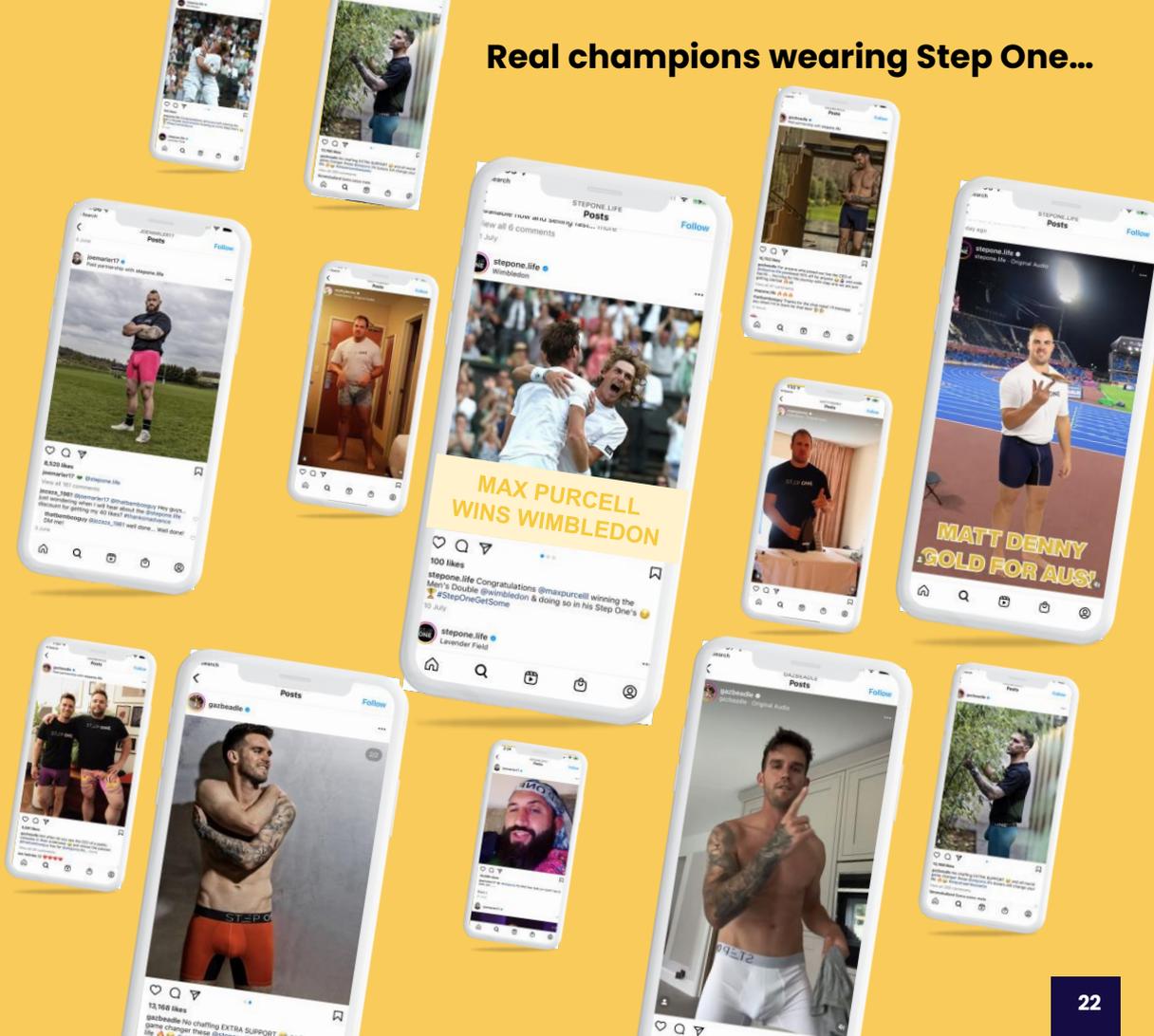
Thank You! Q+A

Browse our product range on www.stepone.life while we are talking

Real champions wearing Step One...



1. Customer reviews taken from respective websites as at 18 August 2022.



APPENDIX



STEP ONE™

Product Features

STEP ONE™

Step One underwear is design focused – with UltraGlyde™ panels, comfort pouches, and comfortable organically grown Bamboo – it has revolutionised the underwear market for all genders

3D CROTCH PANEL

- Hidden **3D Elastic Pouch** keeps 'the boys' supported
- Less skin to leg contact reduces sweat and maintains comfort
- Elastic stretches to fit any man regardless of size

BAMBOO FABRIC

- **Wicks away sweat** and has excellent breathing qualities
- Organically grown bamboo plantations (eco-cert)
- Naturally irrigated & no pesticides used during growth

ULTRAGLYDE™ PANELS

- **Reduces friction, reduces chafing** and reduces the dreaded ride up
- Ensures maximum comfort as thighs glide

SOFT AND SUPPORTIVE

- Construction from single piece of fabric
- **Luxurious feel from** breathable fabric
- Soft and supportive waistband
- No visible panty line (VPL)

A Brief History of Step One

STEP ONE™

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



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



PRODUCTION GROWS

A 2nd manufacturing relationship established to accommodate customer demand



SCALE + COMPOSTABLE PACKAGING + ESG FOCUS

Move to 3PL (Outsourced Logistics)



HELLO UK!

UK market testing followed by full launch



HELLO US!

Following a testing phase Step One is set to launch in the US



DIVERSIFYING SUPPLY

Additional manufacturing partner in Vietnam



WOMEN'S LAUNCH

New product range for women based on existing female demand

AMAZON

Listed on Amazon in AU, UK and US

NEW PRODUCTS & DESIGN

Thermals launched & patterns introduced to range

NEW PRODUCTS

Launched sports range

2017

2018

2019

2020

2021

2022

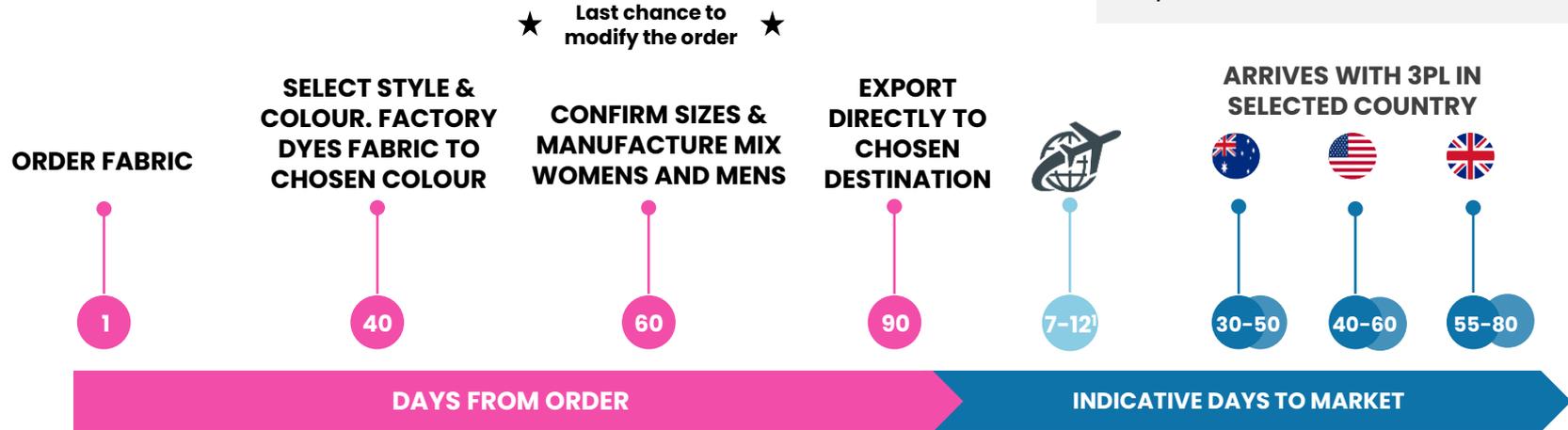
Flexible Production Cycle

A highly flexible production cycle which can be managed to meet demand

Production facilities in China and Vietnam:

- Maintain **flexibility** across production cycle
- **Mitigate risk** of disruption in one of the jurisdictions
- **Support continued growth** of the business

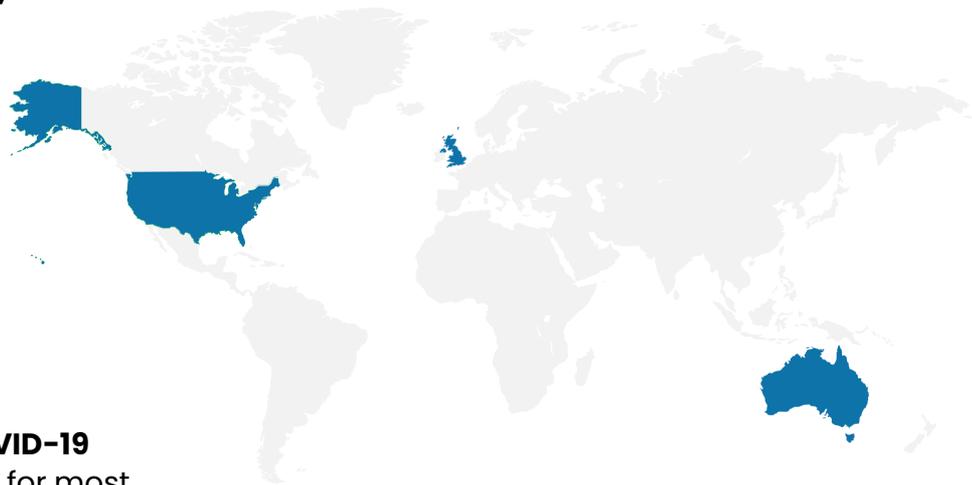
Delays in global export logistics are affecting shipping, offloading & transfer to warehouse, putting pressure on days to market for colour releases



- **Flexible production cycle** that allows us to amend the order throughout the process right up to export

1. Worldwide air freight delivery timeline of 7-12 days normally available if required

- **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 which experienced significant delays relating to COVID-19**
 - 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



Proforma Income Statement

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\$'000	FY20		FY21		FY22	
	1H20	2H20	1H21	2H21	1H22	2H22
Australia	9,304	11,943	23,358	17,309	25,601	20,995
UK	0	1,000	10,726	10,323	11,031	11,014
USA	0	0	0	0	1,444	2,102
Revenue	9,304	12,943	34,085	27,632	38,076	34,111
Cost of sales	(1,713)	(2,383)	(6,094)	(4,638)	(6,424)	(6,590)
Gross profit	7,591	10,560	27,991	22,994	31,652	27,521
Advertising & marketing #	(3,014)	(5,280)	(12,378)	(15,696)	(14,930)	(17,160)
Distribution & fulfilment	(636)	(1,118)	(3,057)	(3,137)	(4,415)	(4,431)
Contribution profit	3,940	4,162	12,556	4,160	12,307	5,930
Employee & contractor related expenses	(671)	(884)	(888)	(1,007)	(1,399)	(1,628)
Share based payments	(180)	(180)	(180)	(180)	(180)	(34)
Merchant and transaction fees	(177)	(499)	(736)	(666)	(947)	(910)
Other	(1,236)	(1,223)	(1,647)	(1,679)	(2,347)	(1,777)
Proforma Overhead	(2,264)	(2,786)	(3,452)	(3,532)	(4,873)	(4,349)
Proforma Operating EBITDA	1,676	1,376	9,105	628	7,434	1,581
Other non-operating income	2	46	74	(28)	0	0
Proforma EBITDA	1,679	1,422	9,179	600	7,434	1,581
Depreciation & amortisation & interest	(0)	(0)	(0)	(4)	(3)	26
Proforma PBT	1,678	1,422	9,179	597	7,431	1,607
Income tax expense	(446)	(378)	(3,063)	(198)	(2,462)	(1,249)
Proforma NPAT	1,232	1,044	6,116	398	4,969	358
Proforma expense adj	1,008	931	(1,456)	(5,171)	(9,963)	650
Proforma tax adjustments	(292)	(325)	(96)	90	1,178	(195)
Statutory NPAT / (NLAT)	1,948	1,649	4,564	(4,683)	(3,816)	813
# includes GST adjustment	16	0	401	813	0	0

COMMENTARY

- Proforma financial information for comparative analysis
- Proforma adjustments provided on next page
- GST overclaim impacting advertising costs retrospectively adjusted

Proforma Adjustments

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\$'000	FY20		FY21		FY22	
	1H20	2H20	1H21	2H21	1H22	2H22
Statutory NPAT / (NLAT)	1,948	1,649	4,564	(4,683)	(3,816)	813
<i>Less Costs</i>						
- share based payments	0	133	2,967	4,900	6,076	0
- IPO costs	0	0	0	605	3,927	0
- legal fees	0	0	0	1,004	394	(650)
- other one-off costs	504	447	0	91	0	0
<i>Add Costs</i>						
- management & admin costs	(471)	(471)	(471)	(389)	0	0
- executive share-based payments	(180)	(180)	(180)	(180)	0	0
- public company costs	(860)	(860)	(860)	(860)	(434)	0
	940	718	6,020	488	6,147	613
Proforma Tax Adjustment	292	325	96	(90)	(1,178)	195
Proforma NPAT	1,232	1,044	6,116	398	4,969	358

COMMENTARY

- IPO costs align to prospectus
- Nature of proforma adjustments consistent with prospectus
- Insurance recovery of legal fees received in a subsequent period

Proforma Reconciliation

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		FY21					FY22				
		Statutory as previously stated	Retrospective Adjustment (1)	Statutory Restated	Proforma Adjustment / normalisation (2)	Proforma Adjustment (3)	Proforma	Statutory	Proforma Adjustment / normalisation (2)	Proforma Adjustment (3)	Proforma
Revenue		61,717		61,717			61,717	72,187			72,187
Gross Profit		50,984		50,984			50,984	59,173			59,173
	as % of revenue	82.6%	95	82.6%			82.6%	82.0%			82.0%
EBITDA		4,238	-1,095	3,144	9,567	-1,511	9,779	-289	9,738	-434	9,015
	as % of revenue	6.9%	5.1%	5.1%	15.8%	-0.4%	15.8%	-0.4%	12.5%	-12.5%	12.5%
PBT		4,233	-1,085	3,149	9,567	-1,511	9,779	-276	9,747	-434	9,037
	as % of revenue	6.9%	5.1%	5.1%	15.8%	-0.4%	15.8%	-0.4%	12.5%	-12.5%	12.5%
NPAT		600	-366	234	9,567	-1,415	6,868	-3,003	9,747	-1,417	5,327
	as % of revenue	1.0%	0.4%	0.4%	11.1%	-4.2%	11.1%	-4.2%	7.4%	-4.2%	7.4%
Statutory NPAT		600		600			600	-3,003			-3,003
Comparative Restatement & Adjustment ^{1,2}	GST/Advertising		-1,218	-1,218			-1,218				0
	Share-based payments (PSU)		133	133			-133				0
	Other reclassifications		10	10		10	-10		-9		-9
	Tax impact		366	366			365				0
	Restated NPAT (comparative)	600	-728	-128	0	10	-118	-3,003	0	0	-3,012
Share-based payments (PSU)			0	7,867		7,867		6,076		6,076	
		600	-728	-128	7,867	10	7,749	-3,003	6,076	0	3,065
Proforma Adjustment ³	Employee Public Company			0	91	-860	-769				0
	Share-based payments (Management)			0		-360	-360			-434	-434
	IPO Cost			0	605		605		3,927		3,927
	Other reclassifications		10	10		-10	0		9		9
	Legal Fees (net of insurance recovery)			0	1,004		1,004		-257		-257
	Tax impact			0		5	5		-	-983	-983
		0	10	0	1,700	-2,945	-1,235	0	3,679	-1,417	2,262
Proforma NPAT		600	-719	-119	9,567	-2,933	6,514	-3,003	9,747	-1,417	5,327

Note:

- The retrospective adjustment includes the increase to advertising costs as a result of the GST overclaim and expensing the valuation movement in the phantom share units into 1H21 (previously only in 2H21).
- Proforma adjustments / normalisation reflects the costs and tax benefits that are not expected to be repeated in post IPO operations (consistent with the approach in the prospectus)
- Proforma adjustments reflect the increased costs to operate as a public company (consistent with the approach in the prospectus)

UK and US revenue converted to AUD, FX rates GBP to AUD: FY2019 1.81, FY2020 1.88, FY2021 1.81, FY2022 1.83, FX rate USD to AUD: FY2022 1.38

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