

ASX Announcement
21 August 2024

Step One Clothing Limited FY24 Result

Step One Clothing Limited (ASX:STP) (“Step One” or “the Company”), a leading online direct-to-consumer innerwear brand, today announces its financial results for the year ending 30 June 2024 (FY24).

Highlights

- Revenue of \$84.5 million, representing a 29.7% increase vs pcp¹ (FY23: \$65.2 million)
- EBITDA² of \$18.1 million, up 50.8% vs pcp (FY23: \$12.0 million)
- Net profit of \$12.4 million, up 43.9% on pcp (FY23: \$8.6 million)
- New customers³ grew 312,000 in FY24 to over 1,670,000 globally
- Strong financial position with closing cash of \$39.0 million and no debt

Dividend

- 2.8 cents per share dividend declared, fully franked
- Dividends for FY24 totalling 6.8 cents per share, fully franked, 100% of earnings

Step One Founder and CEO, Greg Taylor said: “FY24 has been another record year for Step One. We grew our revenue by 29.7% and from that grew EBITDA by 50.8% – a testament to our growth strategy, the quality of our product and marketing expertise.

“Underwear is a need-based acquisition that solves functional problems and building a product people trust is essential. Our customers trust Step One, the quality of our products and what we stand for. This matters operationally and from a bottom-line perspective because it helps us create products that people need and return to. Due to our sustained delivery of products that resonate with consumers, we’re well placed to continue expanding our strategic growth initiatives, win market share in our core markets, and expand into adjacencies.

“A focus this financial year was expanding our Women's offering through the launch of our SmoothFit™ Women's line, ensuring we have products for all occasions and winning market share. Our women's line revenue grew by 54% compared to the prior corresponding period and now accounts for 14% of total revenue (FY23: 12%).

“We expanded our partnerships and channels in FY24 and in doing so increased our visibility to new customers. We partnered with Surf Life Saving Australia (SLSA) with a bespoke branded range of underwear from which SLSA earned over \$250,000. We also continued our partnership with one of the UK’s most respected retailers, John Lewis, which positions our brand alongside globally recognised brands. Lastly, we partnered with one of the world’s most sustainable sporting events, Sail GP, through sponsoring the Sydney race.

“Access to top tier partnerships would not be available without having outstanding ESG credentials ourselves. We maintained our end-to-end supply chain accreditation with the FSC® and progressed our journey towards a low emissions future through calculating our greenhouse gas emissions this year.

¹ Prior corresponding period (pcp) is the 12 months ending 30 June 2023, also referred to as FY23.

² Earnings before interest, tax, depreciation and amortisation (EBITDA) is a non-IFRS measure of performance. It is reconciled to profit before income tax expense in the 4E.

³ Direct Business includes sales via www.stepone.life and excludes sales via Amazon and John Lewis.

“We commenced our Athlete Ambassador program, where athletes invest both equity and sweat equity into Step One. Many were already wearing Step One and are true believers in Step One’s potential. The program started with Jimmy Spithill and is yielding significant rewards by closely aligning the interests of the ambassadors with the Company.

“We are excited about the future and remain committed to driving innovation and growth, delivering exceptional value to our shareholders and customers.”

Key Metrics

EBITDA grew 50.8% in FY24 compared to pcp. Revenue grew over 29% in FY24 with improvements in key operating metrics.

		FY24	FY23	Variance	
Financial					
Revenue	\$'000	84,548	65,184	19,364	29.7%
Gross Margin	%	80.8%	80.7%		0.1pcp
EBITDA	\$'000	18,129	12,023	6,106	50.8%
EBITDA as % of Revenue	%	21.4%	18.4%		3.0pcp
Net Profit After Tax (NPAT)	\$'000	12,400	8,616	3,784	43.9%
Direct Business³					
Website Visits	#m	15.5	14.8	0.8	5.3%
Conversion Rate	%	4.8%	4.4%		0.4pcp
Customer Orders	#'000	834	697	137	19.6%
New Customers	#'000	312	257	55	21.4%
Returning Orders as % of Total Orders	%	63%	63%		-pcp

The Company’s primary sale events in the year are the Black Friday / Cyber Monday in November and the Mid-Year Sale in June. Combined with other sale events, they contributed 37% (FY23: 22%) of direct revenue.

Operational Review

Strong revenue growth across all markets and channels.

Revenue by region and by channel	FY24	FY23	Variance	
	\$'000	\$'000	\$'000	%
Australia (AU)	50,873	43,006	7,867	18.3%
United Kingdom (UK)	27,129	20,367	6,762	33.2%
United States of America (US)	6,546	1,811	4,735	261.5%
Total	84,548	65,184	19,364	29.7%
Direct (sold through www.stepone.life)	79,884	62,541	17,343	27.7%
Indirect (sold through Amazon and John Lewis)	4,664	2,643	2,021	76.5%
Total	84,548	65,184	19,364	29.3%

The key initiatives and developments implemented by Step One across all its markets during the period are outlined below.

Product

People need quality and functional underwear. Step One focuses on what is important and continually innovates to build market share while solving the functional problems customers experience. The strong growth of the SmoothFit™ Women's Line is evidence of this in operation. Bringing new solutions to a major portion of the market saw Women's revenue grew 54% on pcp and now represents 14% of direct revenue (FY23: 12%).

Step One plans further additions to its product range, including logical adjacencies, but we remain absolutely focused on our core underwear segment and see significant growth.

Customer Traffic and Conversion

Step One continues to focus on website presentation and effective advertising. Website traffic grew 5.3% on pcp to 15.5 million web visits (FY23: 14.8 million). The conversion rate increased to 4.8% (FY23: 4.4%), continuing to maintain strong metrics compared to industry standards.

Marketing and Advocacy

Step One expanded its advertising across digital channels and increased advocacy, while improving the return on advertising spend. Step One's advertising costs were 3.0 percentage points lower than pcp, being 32.7% (FY23: 35.7%) of revenue. The improvement cannot be attributed to any single initiative, rather it arises from optimising a range of factors.

The athlete ambassador program allows athletes to invest both equity and sweat equity into Step One. As they are already wearing Step One, they provide valuable insight into product modifications that would improve functionality to their sport. The athletes also have access to large and engaged audiences. There is no better advertising than the advocacy of a true believer.

Indirect Channels

Revenue from indirect channels increased 76.5% to \$4.7 million (FY23: \$2.6 million). This includes sales on Amazon, one of the world's largest marketplaces, and John Lewis, one of the UK's most respected retailers. These channels help increase brand awareness to broader audiences. Step One is seeking to further expand distribution via indirect channels.

Partnerships

Partnerships with organisations with large membership bases increase the visibility of the Step One brand to new audiences. We partnered with Surf Life Saving Australia (SLSA) with a bespoke branded range of underwear from which SLSA earned over \$250,000. We have also partnered with StepTember in 2024 with a bespoke pair of underwear. Additional partnerships are planned.

Sponsorships

Step One sponsored Sail GPs Sydney 2024 race. Sail GP is one of the world's most sustainable sporting events and has an expanding global audience. Step One is seeking additional sponsorship opportunities.

Environment, Social and Governance (ESG)

Step One's ESG credentials have multiple layers. At the core is the Forest Stewardship Council® (FSC®) certification (FSC® C183245), ensuring our supply chain upholds responsible sourcing and ethical manufacturing. Step One has advanced its journey towards a low emissions future by calculating its greenhouse gas emissions.

Step One's ESG credentials enables access to customers and partners who share our values.

Countries and Markets

Step One is a global company with its head office in Australia and subsidiaries in the UK and USA. The UK and USA are large markets. Step One will continue to pursue growth in these markets.

Financial Position

Step One is in a strong financial position with a robust balance sheet including cash and deposits of \$39 million and no debt. Step One has the financial resources to execute its strategies.

Dividend Policy

Step One's Board has declared a 2.8 cents per share dividend, fully franked. This brings total dividends for FY24 to \$12 million. Step One has paid almost 100% of profits as dividends.

The Board will assess capital requirements at each reporting period with a view to return surplus funds (generated from profits) to shareholders in the form of dividends, which would be franked to the maximum extent possible.

Strategy and Outlook

Step One remains confident in the opportunities in each country and its ability to execute on the Company's strategy, looking to expand the range and recruit new customers through partnerships. The Company will continue to pursue profitable growth in Australia and the UK, continue to balance growth and profitability in the US and test new countries where Step One is gaining traction such as Canada and Germany.

During FY25, the Company's strategy will focus on:

- Expanding the underwear range and adjacent products.
- Recruiting new customers through partnerships with bespoke prints and revenue share arrangements.
- Increasing revenue by selling on established platforms and marketplaces such as Amazon and retailers like John Lewis.
- Continuing global expansion.
- Continuing to improve the customer experience.

-ENDS-

This announcement was authorised for release by the Board of Step One Clothing Limited.

Investor Conference Call & Webcast

An Investor Presentation has been lodged with the ASX today, together with this announcement. Step One will host a conference call and webcast for analysts and investors at 9.30am AEST today.

Conference call registration:

<https://s1.c-conf.com/diamondpass/10040625-q24zab.html>

Live audio webcast registration:

https://webcast.openbriefing.com/stp_fyr_2024/

About Step One Clothing

Step One is a leading direct-to-consumer online retailer for underwear. Step One offers an range of high quality, organically grown and certified, 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.

Further information can be found on the Company's website <https://stepone.group/>.

For all enquiries, please contact:

Saskia West

Sodali & Co.

saskia.west@sodali.com

0452 120 192

Jack Gordon

Sodali & Co.

jack.gordon@sodali.com

0478 060 362

For personal use only