

ASX Announcement
19 February 2025

Step One Clothing Limited 1H25 Result

Step One Clothing Limited (ASX:STP) (“Step One” or “the Company”), a leading online direct-to-consumer underwear brand, today announces its financial results for the six months ending 31 December 2024 (1H25).

Highlights

- Revenue of \$48.1 million, representing a 6.8% increase vs pcp¹ (1H24: \$45.1 million)
- EBITDA² of \$11.2 million, up 10.4% vs pcp (1H24: \$10.1 million)
- Strong financial position with closing cash of \$43.8 million and no debt

Dividend

- Interim dividend of 4.4 cents per share, fully franked
- 100% of earnings distributed while retaining growth capacity

Step One Founder and CEO, Greg Taylor, said: “I’m pleased to have delivered a resilient result, achieving double digit earnings growth alongside the expansion of strategic initiatives, despite global cost-of-living pressures. While customer acquisition softened, strong retention rates and increased order values underscore the effectiveness of our strategy.

“The resilience we displayed in delivering this performance in the first half of FY25, despite a challenging retail environment, reflects the strength of Step One’s core product, our ability to market efficiently, our success in building and retaining a loyal customer base, and the value of our profitable growth strategy.

“Our agility and direct marketing expertise enabled us to implement effective pricing and promotion strategies throughout the period, gaining traction among value conscious customers in otherwise difficult conditions. This resulted in robust sale periods, although with some impact on our gross margin, which remains strong at 78%. We remain focused on balancing sales growth with profitability and will continue to adapt quickly to market conditions.

“Additionally, we laid the foundation for future growth through the strategic expansion of our women’s range, which offers significant upside across all SKUs because of the value our female customers bring as they’re often buying for the men in their lives. A major part of our focus is to ensure this growth continues to compound. We’ve seen great results in Australia and look forward to driving this success across other geographies.

“While the environment remains challenging, we are committed to future-proofing our business and driving growth through our products, customer acquisition, new channels and our footprint.”

1. Prior corresponding period (pcp) is the 6 months ending 31 December 2024, also referred to as 1H24.
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 4D.
3. Direct to consumer (DTC) sales and excludes transactions with Amazon and John Lewis customers.

Key Metrics

		1H25	1H24	Variance	
				\$/#	%
Revenue	\$'000	48,118	45,052	3,066	6.8%
Gross Margin	%	78.0%	81.2%		-3.2pp
EBITDA	\$'000	11,179	10,130	1,049	10.4%
EBITDA as % of Revenue	%	23.2%	22.5%		0.7pcp
Net Profit after Tax (NPAT)	\$'000	8,181	7,107	1,074	15.1%

Operational³

Website Visits	#m	8.1	8.3	-0.2	-2.4%
Conversion Rate	%	4.5%	5.1%		-0.6pp
Customer Orders	\$'000	418	469	-51	-11.0%
New Customers	\$'000	131	182	-51	-28.0%
Returning Orders as % of Total Orders	%	69%	61%		8pp

Operational Review

The drivers of the 1H25 financial and operational performance are summarised below.

Revenue by region and by channel		1H25	1H24	Variance	
				\$	%
Australia (AU)	\$'000	30,847	26,264	4,583	17.4%
United Kingdom (UK)	\$'000	15,675	14,652	1,023	7.0%
United States of America (US)	\$'000	1,596	4,136	(2,540)	-61.4%
	\$'000	48,118	45,052	3,068	6.8%
Direct (sold through www.stepone.life)	\$'000	44,329	42,307	2,022	4.8%
Indirect (sold through Amazon and John Lewis)	\$'000	3,789	2,745	1,044	38.0%
	\$'000	48,118	45,052	3,068	6.8%

Markets and Channels

All markets were impacted by cost-of-living pressures to varying degrees. In Australia, revenue grew by 17.4%, driven by the positive response to the expanded women's range and strong performance during sale events. Growth in the UK was more moderate, reinforcing the importance of value-driven offers in this market.

In the USA, where brand presence remains limited, sales continue to be largely dependent on direct advertising investment. Given the less favourable advertising economics, we strategically reduced spending to protect profitability, resulting in lower sales.

Product and Pricing

Step One's products continue to resonate strongly with its customers. In 1H25, the Company saw further growth in its women's range, which now accounts for 14.8% of revenue (1H24: 13.1%), with revenue from the women's lines increasing by 19.1% on the prior corresponding period (pcp). This growth was driven by the expansion of Step One's SmoothFit range.

Across Step One's entire range, its Average Order Value³ (AOV) increased 17.6% to \$106 (1H24: \$90), driven by successful sale events and a greater emphasis on upselling and volume based promotional discounts. The average price³ per item reduced to \$14 (1H23: \$19) as more customers sought volume discounts, while stronger marketing communication contributed to an increase in average order quantity³ (AOQ) to 7.4 items per order (1H24: 5.1).

Reduced prices during sale events impacted gross margin; however, this was offset by improved advertising economics and efficiencies generated from larger cart sizes. While sale events contribute positively to profitability, they are used judiciously.

Processes and Capability

The Company continues to adapt to the evolving macroeconomic environment, investing in processes and capabilities. Workforce costs, inclusive of share-based remuneration, increased to \$3.2 million (1H24: \$2.0 million), reflecting the impact of prior recruitment in 1H24 and the addition of new capabilities in 1H25.

Step One's business model focuses on building its internal capability and capacity, enabling its team to manage external experts in delivering functional services. This approach ensures access to leading ideas, market knowledge, and resource capacity, while maintaining the ability to quickly adapt as required.

Indirect Sales Channels

Amazon

Revenue from Amazon grew 28% year-on-year to \$3.5 million (1H24: \$2.7 million), now accounting for 7.3% of total revenue (1H24: 6.1%). In addition to contributing to revenue growth, Amazon enhances Step One's credibility and market reach in the UK and US.

John Lewis

Step One expanded its partnership with leading UK national fashion retailer, John Lewis, through its physical in-store launch post period end, in February 2025. John Lewis, known for its quality products and strong customer service, has a large and loyal member base, aligning well with Step One's values.

Brand Partnerships

Surf Life Saving Australia (SLSA)

SLSA was Step One's first partnership, involving collaborative advertising and a bespoke print. Step One donates \$5 for each pair sold and recently launched a program to donate an additional \$5 to the nominated club to increase uptake.

STEPtember (Cerebral Palsy Alliance)

STEPtember was a natural fit for Step One to support. Through the sale of a bespoke pair of underwear, Step One raised \$125,000 for this cause.

Advertising and Customer Traffic

Advertising and marketing expenses reduced by \$1.4 million to \$13.9 million (1H24: \$15.3 million) during the period. As a proportion of revenue, this decreased to 29.0% of revenue (1H24: 34.1%), reflecting a strategic response to economic conditions. As a result, customer traffic decreased 2.4% to 8.1 million (1H24: 8.3 million), while website conversion rates declined to 4.5% (1H24: 5.1%). Customer growth reached 131,000 (1H24: 182,000), bringing total direct customers since inception to 1,801,000.

Conversion rates and customer recruitment rates remain stable, despite being lower than pcp. This reduction reflects a combination of factors including socioeconomic conditions, product release timing and customer recruitment campaigns. However, the continued success of the key sale events and the fact that 68.6% of sales come from returning customers reiterates that once a customer tries a pair, they are highly likely to return.

Sustainability

Step One underwear uses sustainably grown viscose made from bamboo. The end-to-end supply chain is certified by the Forest Stewardship Council® (FSC®), ensuring compliance with rigorous environmental, social and economic standards. The FSC® is a global certification body respected by businesses and governments in over 80 countries.

Step One views sustainability broadly, encompassing supply chain emissions, supply chain labour and social conditions, modern day slavery, community support, governance and ethical practices, including tax

compliance. Our 2024 Annual Report reinforced this commitment by disclosing Scope 1 to 3 emissions, providing tangible transparency beyond just words.

Inventory

Inventory levels remain at approximately 1.2 years, despite inventory increasing \$3.7 million to \$22.6 million (30 June 2024: \$19.0 million). This increase reflects a broader product range, now including a BraLet and BoyLeg in Women's and the Juniors range, in addition to preparation for annual factory closures in February 2025.

Step One's inventory is neither perishable nor seasonal. The obsolescence provision remains at 5%, with inventory nearing depletion or underperforming SKUs used for promotional activities or checkout upsells.

US Tariffs Introduction

The Group is monitoring the potential introduction of tariff increases in the US. Step One's strategy across all geographies remains focussed on profitability and sustainable growth. If tariffs are introduced, the Company will respond in line with its strategy to prioritise profitable growth.

Strong Financial Position

Step One is in a strong financial position holding \$43.8 million in cash and financial instruments. Step One has a robust balance sheet with no debt and strong cash flow.

Dividend

Step One's Board has declared a dividend of 4.4 cents per share, fully franked, representing a 100% payout ratio and a total distribution of \$8.0 million. The Company's funding level following this dividend distribution remains sufficient to support future expansion and ensure ongoing financial stability.

Strategy and Outlook

Step One remains confident in executing its strategy, with a continued focus on balancing sales growth with profitability. The focus remains on expanding the range and acquiring new customers through direct marketing and partnerships. The Company will continue to pursue profitable growth and test new channels where it is gaining traction, ensuring a sustainable approach to long-term success.

No guidance is being provided for FY25.

-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 AEDT today.

Conference call registration:

<https://s1.c-conf.com/diamondpass/10045009-8wgd6f.html>

Live audio webcast registration:

<https://webcast.openbriefing.com/stp-hyr-2025/>

About Step One Clothing

Step One is a leading direct-to-consumer online retailer specialising in high quality, certified sustainable and ethically manufactured underwear that suits a broad range of body types. Step One has transformed the underwear market with its 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

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