

12 November 2025

Step One Clothing Limited
2025 Annual General Meeting Address and Presentation to Shareholders by Chairman and CEO

Step One Clothing Limited's (ASX:STP) 2025 Annual General Meeting will be held online today.

Date: Wednesday 12 November 2025
Time: 11.00am (AEDT)
Venue: <https://meetings.openbriefing.com/STP25>

The addresses and presentation to shareholders from the Chairman and Chief Executive Officer to be delivered at the Annual General Meeting are attached.

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

About Step One Clothing

Step One is a leading direct-to-consumer online retailer specialising in high quality, certified sustainable and ethically manufactured underwear designed to suit a broad range of body types. Step One has transformed the underwear market with its innovative design and strong customer following which has driven 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/>.

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Address by David Gallop AM, Chair of Step One Clothing Limited, at the 2025 Annual General Meeting of Shareholders 12 November 2025

Navigating a difficult year

I want to begin by acknowledging what has been a challenging twelve months for Step One and the broader retail sector. Sustained pressure on household budgets across all our markets has fundamentally shifted consumer behaviour. Discretionary spending has been cautious, with customers showing a clear preference for promotional offerings and heightened price sensitivity.

In this environment, we delivered revenue of \$86.9 million, up 2.8%, and net profit after tax (NPAT) of \$12.6 million, up 2.0% on the prior year. These results reflect both the difficulty of current trading conditions and the resilience of our business model. While we had higher ambitions for the year, we have held our market position and continued to grow our customer base, which speaks to the underlying strength of the brand and business.

Strategic execution

Our approach to building long-term value is underpinned by our four pillar growth strategy, and I would like to update you on our progress across each pillar in this financial year.

First, product innovation remains at the heart of everything we do. In FY25 we launched Cloud Mesh, a premium high-performance underwear range. We also broadened our women's offering, achieving revenue growth of 7.9% in this segment, which now accounts for 15% of total sales. The introduction of bralettes and expansion into adjacent categories reflects our ambition to become a more significant part of our customers' everyday wardrobe choices, not just their underwear drawer.

Second, customer acquisition remained a key focus. Growing our customer base by 15% to reach 1,923,000 customers is a particularly pleasing outcome given the headwinds we faced. This growth has been driven by more sophisticated brand marketing, stronger social media engagement, and strategic partnerships. Each new customer represents an opportunity for incremental value creation through repeat purchases.

Third, channel diversification remains a key strategic priority. The expansion of our indirect sales channels has been notably successful, with revenue through these channels growing 53% to represent 8.2% of total revenue. Our partnerships with Amazon and social commercial channels have matured, and our presence in John Lewis stores continues to provide valuable credibility and market insights in the UK. These channels complement our direct-to-consumer model, broadening our reach and gaining brand creditability with consumers.

Finally, international expansion continues to be measured and deliberate. In Australia, we continued to grow; in the UK, we intensified our efforts with encouraging results; and in the United States, we continue to lay the groundwork for long-term growth. Our focus remains on sustainable, profitable growth rather than aggressive market share gains that would compromise margins.

As we look to FY26, management has commenced a comprehensive reset of our operational approach to position the business for improved performance. These initiatives address the lessons learned from FY25's challenging trading environment and focus on recalibrating our promotional strategy, optimising pricing and inventory management, and rebuilding brand investment to appropriate levels. Greg will outline these initiatives in his address, but the Board is confident that this reset establishes a clear pathway to margin improvement and renewed growth as market conditions stabilise.

Capital position and dividends

Step One closed the year with cash and financial assets of \$33.1 million and no debt. This strong balance sheet provides optionality enabling us to invest in growth opportunities while maintaining capacity to withstand further market volatility.

The Board declared a final dividend of FY25 of 2.4 cents per share, fully franked, bringing total FY25 dividends to 6.8 cents per share. This represents distribution of 100% of earnings to shareholders.

Our capital allocation approach balances the return of surplus profits to shareholders through fully franked dividends where possible, with the need to retain sufficient flexibility to fund strategic investments that drive long-term value.

Closing

I extend my gratitude to my fellow Directors for their counsel and to the entire Step One team for their dedication throughout what has been a demanding year. To our shareholders, your continued support enables us to execute our strategy with confidence. The Board remains convinced that the initiatives now underway will position Step One for renewed momentum and sustainable growth as market conditions improve.

I will now hand over to Greg, who will provide a detailed review of our financial and operational performance and discuss our plans for FY26.

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Address by Greg Taylor, Founder and CEO of Step One Clothing Limited, at the 2025 Annual General Meeting of Shareholders 12 November 2025

My name is Greg Taylor, and I am the Founder and Chief Executive Officer of Step One Clothing Limited. I'll walk you through our FY25 performance, our operational response to market conditions, and the strategic initiatives we are implementing for FY26.

Reflecting on FY25

While I sought to drive strong growth, FY25 was more modest than I had hoped. Challenging trading conditions across our key markets required us to recalibrate our approach. Despite these headwinds, our fundamentals remain strong, and our response demonstrates the agility that has defined Step One since inception.

In FY25 we delivered:

- Revenue of \$86.9 million, up 2.8% on pcp (FY24: \$84.5 million)
- EBITDA of \$17.4 million, down 3.7% on pcp (FY24: \$18.1 million)
- Net profit of \$12.6 million, up 2.0% on pcp (FY24: \$12.4 million)
- Cash and financial assets of \$33.1 million and no debt

We adapted quickly to challenging market conditions by deploying promotional periods strategically to align with consumer behaviour, while managing our advertising spend efficiently. Average order values grew, but gross margins were impacted by the additional promotional activity required to maintain market share in a tough environment. This was a trade-off we navigated deliberately and thoughtfully.

Our competitive advantages

At its core, Step One addresses a universal and recurring need. We have clearly created a consumer segment that understand and values a sophisticated product designed to solve real world problems. Our innovations – the anti-chafe panels, breathable viscose and signature 3D-stretch pouch – solve genuine problems that customers experience daily.

The evidence is compelling. We have accumulated more than 60,000 five-star reviews, and our repeat purchase rate sits above 60%. This provides strong proof that our products resonate with customers and that they continue to remain loyal to Step One.

Our business model amplifies these advantages. We operate a capital-light, direct-to-consumer model that gives us full ownership of the brand and a direct relationship with our customers. Our flexible and responsive supply chain enables us to innovate quickly, adapt to market signals, and maintain the highest level of product quality while managing costs effectively.

The addressable market opportunity remains substantial. Innerwear is a daily necessity globally, and we are well positioned through product quality, innovative design and independently certified sustainability credentials.

FY26 roadmap

Step One continues to be guided by its profitable growth strategy. However, the retail landscape has become increasingly demanding. Softening demand trends have driven heightened promotional activity across the sector, requiring us to carefully balance market share preservation with margin management.

In response, we are refining our tactical execution and implementing a series of adaptive measures that reflect our ability to navigate difficult trading environments with agility and purpose.

Our key initiatives include:

- Pricing realignment to reduce average prices and adjust bundle discount structures, enhancing competitiveness and lowering barriers attract new customers.
- A refined promotional approach that maintains participation in major sale events while applying moderated site-wide discounts to balance customer acquisition with margin discipline and protect margins on our best selling products.
- An inventory optimisation program that accelerates the clearance of slower-moving items through dedicated clearance pages and targeted sale events, improving working capital efficiency.
- Brand investment acceleration to align global messaging around core product attributes and improve visibility across e-commerce, social commerce, and AI-driven search platforms.
- A product development focus on new products and adjacencies, strategic collections and collaborations that expand category reach, limited-edition colour releases and brand fitting collaborations that strengthen brand appeal and attract new customers.

These initiatives will shape our financial performance in FY26. We anticipate moderate revenue growth, led by the UK market and supported by new product launches. Marketing investment will increase above FY25 levels to support brand building and customer acquisition. Personnel costs will be higher year-on-year reflecting hires already made, with further recruitment limited in the current environment. Other operating costs are expected to rise in line with inflation or to support key strategic priorities. Gross margins are expected to moderate toward second half FY25 levels as we clear slower-moving inventory at promotional prices.

Earnings performance is expected to soften in the near term; however, we remain confident that these measures will enable Step One to navigate current market conditions effectively and establish a stronger foundation for sustainable, profitable growth as conditions improve. FY26 EBITDA is expected to be in the range of \$10 to \$12 million, reflecting our deliberate investment in brand building, product expansion, and inventory optimisation.

Initiative execution

In the first quarter of FY26, we have been focused on executing these initiatives, including progressing our product pipeline. Several weeks ago, we launched our new women's period product, which has received very positive initial feedback. Within the last two weeks, we also launched socks - a natural adjacency that helps increase average order value (AOV). These new product releases reflect our commitment to solving real problems and delivering best in class, innovative products. The range is sustainable, cost-of-living friendly, and aligns with consumer expectations around both performance and environmental responsibility.

As we move into the Black Friday and Christmas trading period following Singles Day, we are deploying a more strategic approach to discounting. Rather than applying across-the-board discounts, we are targeting deeper discounts specifically on slower-moving stock lines. This approach protects margin on our core, high-velocity products whilst ensuring we clear inventory efficiently.

These operational adjustments are not simply tactical measures to navigate current conditions. They reflect our ongoing commitment to the long-term strategy we have articulated: building brand equity, diversifying our product range, and deepening our presence in core markets whilst growing the life time value (LTV) of our customer base. We are being thoughtful about promotion, disciplined about inventory, and strategic about where we invest in brand building.

By maintaining this operational discipline whilst investing smartly in brand and product, we are positioning Step One to accelerate when market conditions improve. We will have a stronger brand, a broader offering, a more engaged customer base, and a proven track record of successfully navigating a difficult period.

We have identified key opportunities to build brand awareness in areas that are a natural fit for Step One. These initiatives will allow us to grow our junior range, build brand credibility and tap into large, engaged databases. Our first broad partnership launched recently with the National Basketball League (NBL), alongside sponsorship of Basketball Australia's junior program.

Closing

I want to thank our Board for their counsel throughout the year, and our team for their dedication, flexibility, and commitment to excellence during what has been a demanding year.

To our shareholders, your confidence in our long-term vision enables us to take the measured approach we believe will deliver lasting value. Step One has a strong balance sheet, proven products that customers love, and an adaptable business model. We are well-positioned for the future, and I remain committed to building lasting value for all stakeholders.

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