

15 November 2023

**Step One Clothing Limited**  
**2023 Annual General Meeting Address and Presentation to Shareholders by Chairman and CEO**

**Step One Clothing Limited's** (ASX:STP) 2023 Annual General Meeting will be held online today.

**Date:** Wednesday 15 November 2023  
**Time:** 11.00am (AEDT)  
**Venue:** <https://meetings.linkgroup.com/STP23>

The addresses and presentation to shareholders from the Chairman and Chief Executive Officer which will 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 for innerwear. Step One offers an exclusive range of high quality, organically grown and certified, sustainable, and ethically manufactured innerwear that suits a broad range of body types. Step One has transformed the innerwear market with an innovative design and cult-like following and has quickly grown 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 2023 Annual General Meeting of Shareholders 15 November 2023

Good morning, everybody, and thank you for joining us today.

My name is David Gallop, and I am Chair of Step One Clothing Limited.

On behalf of the Board of Directors, I am pleased to welcome you to Step One's 2023 Annual General Meeting.

It is now just after 11:00am, the nominated time for the AGM.

I have been informed by the Company Secretary that a quorum is present, so I am pleased to declare the Meeting open.

Today's AGM is being held virtually via the online meeting platform.

Today I am joined online by my fellow Directors:

- Greg Taylor, Founder and Chief Executive Officer
- Kate Thompson, Non-Executive Director
- Michael Reddie, Non-Executive Director
- Rick Dennis, Non-Executive Director

Also present today are:

- Nigel Underwood, our Chief Financial Officer
- William Hundy, our Company Secretary
- Cystal Gangemi, our Audit & Assurance Partner from Auditor Grant Thornton, who is also present and available to answer any questions about the audit, the auditor's report, the accounting policies adopted in the financial statements and the Auditor's independence

Our Annual General Meeting is being broadcast from Gadigal Land.

Our commitment to sustainability and ethical practice is at the core of who we are at Step One. We cannot do this without taking the First Step in acknowledging First Peoples. Step One acknowledges the Traditional Custodians of the lands, skies, and waters of First Peoples across the world. We tread respectfully on their countries and honour their continued connection to their culture for many millennia.

We acknowledge Elders, past and present, and thank them for providing their guidance, sharing 'their knowledge and wisdom, and all First Peoples who have continually paved the way in sustainable practices. Step One continues to be guided, as we learn and grow.

The running order for today's meeting will be as follows.

Firstly, I will say a few words about Step One, including strategic highlights of the Step One business, then Greg will address the meeting before we proceed to the formal business of the meeting.

After the formal business, shareholders will have the opportunity to ask further questions not directly related to the respective resolutions.

Step One was founded to innovate the innerwear market. Our disruptive products, customer engagement model and strong ESG focus has underpinned our growth since inception.

Throughout the past year, we've faced challenging macroeconomic conditions across all our markets. These conditions included the ongoing effects of COVID-19, sector-wide supply chain constraints, inflationary pressures, and the impact of rising interest rates on consumer spending.

Given these conditions, and owing to our highly adaptable business model, we swiftly transitioned from a growth-oriented perspective to a focus on profitability. This strategic adjustment was necessary due to the substantial rise in customer acquisition costs and, as a result of this shift, we were able to achieve a robust profit outcome for FY23.

We remain committed to ongoing learning and adaptation in each of the markets in which we operate. As soon as the macroeconomic environment becomes conducive to growth once more, we are prepared and well-positioned to pursue it. The Board's confidence in this endeavour is underpinned by our appealing product, which continues to resonate strongly with our customers.

This year we also bolstered our already strong ESG credentials by receiving Forest Stewardship Council® (FSC®) certification. The FSC® is an international NGO dedicated to promoting responsible management of the world's forests. By choosing products with FSC® labels, customers know that all the materials used by Step One are sourced from forests that have been audited by an independent third party to confirm adherence to FSC®'s rigorous social and environmental standards.

This significant effort by the management team ensured that Step One was named the first Australian clothing label to be certified by the FSC®.

In the 2023 financial year, we also continued to expand our product range, which now includes 5 Women's products, allowing us to now target 100% of the population – and as we've seen, the products strongly resonates with a wide range of customers.

Our business fundamentals are very strong: we have a significant opportunity to capture more of the global underwear market, our business is capital light and adaptable with a flexible supply chain and distribution network, and we have an abundance of opportunity for product development and adjacencies within the innerwear category.

On behalf of the Board, I would like to thank Greg Taylor, our management team and our wider team across the business for their dedication and efforts this year.

I would also like to take the opportunity to thank our shareholders for their continued support. Following our strong financial performance this year, we were very pleased to announce a dividend of 5 cents per share to our shareholders with full franking. The Board intends to assess capital needs annually, aiming to allocate surplus funds derived from profits as dividends, fully franked to the extent possible.

The Board maintains a high level of confidence in our product, team and strategic direction as we enter FY24. I look forward to providing you with more updates as we progress on our journey.

I will now hand over to Greg for a detailed update on Step One's financial and operational performance this year and the outlook for FY24.

Address by Greg Taylor, Founder and CEO of Step One Clothing Limited, at the 2023 Annual General Meeting of Shareholders 15 November 2023

Thanks David and good morning, everyone, I'm Greg Taylor, Founder and Chief Executive Officer of Step One Clothing Limited.

FY23 was another significant year in Step One's journey, and our first full year as a listed company. I'd first like to touch on our strong performance:

- We achieved a revenue of \$65.2 million for FY23. Although this was 9.7% below prior year, it is still a solid outcome given the economic disruption and consumer confidence levels across all markets.
- This result highlighted that Step One remains a very strong margin business, with our gross margin holding above 80 at 80.7%, and whilst down 1.3% on the prior corresponding period (pcp), it has stabilised at this level.
- One of our key metrics, Average Order Value was up 19.3% for the period, reaching \$89. This reflects our increased focus on customer experience, product expansion and cart upsells during the year.
- Our group EBITDA increased by \$3 million, or 33%, reaching \$12 million compared to pcp, delivering on our promise to prioritise profit over growth whilst growth costs were prohibitive.
- Our product continues to resonate, as evidenced by our growing global customer database of over 1.3 million.

Our growth is ultimately underpinned by the strength and nimble nature of our business model.

Notably, our product design has been a game-changer in the underwear market. Our underwear incorporates a range of practical features, including innovative UltraGlyde panels, an elastic 3D pouch, and organically grown Eco-Cert Bamboo. Transparency in our production processes is at the core of our business model.

Our marketing strategy continuously evolves to align with market trends and customer preferences. We leverage in-house video content, utilise paid social media campaigns, and collaborate with influential figures in our marketing efforts. All marketing operations are managed internally, and we are committed to building an exceptional team for executing these strategies.

Our unwavering commitment to our customers is a cornerstone of our success, supported by robust customer conversion and retention efforts. This commitment is further reinforced by our 30-Day First Pair guarantee, free shipping, a 12-month manufacturing warranty, and rapid customer service response times.

Our product's key value proposition remains relevant to everyone: sweat, chafing and ride-up.

This year we focused on listening and responding to our customers through nuanced messaging in each market.

In Australia, we have seen great success in returning to our grass-roots marketing messaging: being fun, bold and explaining our problem-solution product simply and comedically. This style resonates with a large proportion of the Australian market.

We've discovered that the concept of physically touching, feeling, and seeing our product has opened new market opportunities, allowing us to reach a wider audience. Therefore, we've been

organising local activations through giveaways, which has proven a successful marketing technique for us – as we know once a customer tries our product, there is a 50% chance they will be back.

In the UK, we carried several of our learnings from the Australian market. We focused primarily on elevating our brand position in the UK during the period through aligning with influencers and partners who reflect our values, and we are beginning to see further green shoots from this brand work.

In the US, late in the financial year, we started using US-based marketing specialists who are giving us local expertise and have helped revitalise our marketing assets and approaches.

In March 2023, we extended our Women's line by introducing the classic Bikini brief and recently unveiled our Seam Free-range. We now have a comprehensive range of women's products designed for various occasions, enhancing our capacity to capture a larger share of the Women's market.

The Bikini brief has garnered highly positive feedback, and the initial response to the Seam-Free range has been encouraging. While these developments on the women's side are promising, our core market, the men's products, continue to perform strongly.

While David has already touched on our ESG credentials, I'd like to emphasise that this year we achieved the final step in our full supply chain accreditation with certification from the FSC®. While this is a source of great pride to me personally, it also assures our customers that the Step One underwear they've chosen was manufactured to the highest ethical and environmental standards.

Step One is not only the first Australian clothing company to be certified by the FSC®, we are also the first Australian company to join the FSC®'s "Fashion Forever Green Pact" which involves responsible procurement and certified sourcing.

Considering that we've embarked on this journey for three years, we are in an excellent position to elevate this message to the forefront of our marketing mix. As consumers increasingly prioritise ESG considerations in their shopping choices, we can confidently make this a central focus in our marketing strategy.

The addressable market in each of our key locations is substantial, as underwear is considered a need, not a want. Moreover, our move into the women's market has significantly increased our Total Addressable Market (TAM), estimated to increase by 5-6 times with potential additions like bras and lingerie.

We are focused on further enhancing our brand recognition through innovative and engaging content, offering consumers compelling reasons to try our product. Facebook data revealed that Step One boasts an impressive 54% brand awareness in Australia, and we're now focused on growing our presence in the UK and US.

Step One operates as a highly capital-efficient business. We do not own forests, factories, warehouses, or expensive IT systems. Instead, we prioritise on owning our brand and product, and with over 50,000 5-star reviews, our product is clearly a market-leader.

We have been actively exploring various marketplaces and third-party platforms to expand our brand's reach beyond our own channels.

We are making good progress in establishing partnerships, including a large retailer with a loyal customer base and a large membership organisation of impeccable credentials.

These partnerships will begin in early 2024, and we hope to share more about them further when we update the market in February.

Our product range expansion is significant, with 50% of our offerings now targeting the women's market. We plan to continue expanding this segment, allowing us to tap into a significant market. Consumers recognise that when they put on a Step One garment, they are getting a product that has undergone rigorous testing, uses top-quality fibres and construction, and is fully FSC® accredited.

In October 2022, we communicated to the market our approach of balancing profitability with top-line growth. This was not a shift in our strategic direction but an adjustment to adapt to economic realities. We stand ready to actively pursue growth as soon as market conditions permit.

Our confidence in pursuing the US market remains strong, and we believe we can pursue it without the level of losses experienced in FY22. Our pursuit of market share in the US does not hinder our ability to grow in other markets with the expected returns making the associated risks worthwhile.

Step One is in a strong financial position, with ample cash reserves and a resilient balance sheet. Going into FY24, we are focused on pursuing profitable growth, expanding our customer base, diversifying our product range, investing in our capabilities, broadening our sales channels, and continuously improving the customer experience.

In the long term, we are well-positioned to realise our growth strategy. We plan to further penetrate our existing markets and explore opportunities in new markets to gauge market interest and potential expansion.

I would like to thank our Board, the Step One team, suppliers and service providers for their commitment and support throughout the year. I would also like to thank our shareholders for their ongoing support and for placing their trust in our vision.

As a major shareholder, I am deeply committed to growing the business. My belief in our products and commitment to building this business remain unwavering. I am confident that as macro-economic conditions ease, Step One will be well-positioned to pursue its international growth ambitions.

STEP ONE™

# 2023 ANNUAL GENERAL MEETING

15 NOVEMBER 2023

David Gallop AM, Chairperson  
Greg Taylor, CEO and Founder

# AGENDA

- 01 Chair Address
- 02 CEO Address
- 03 Formal Business
- 04 Questions



STEP ONE™



# CHAIR ADDRESS



David Gallop



STEP ONE™

# CEO ADDRESS



Greg Taylor



STEP ONE™

# FY23 Results Highlights

Profitable with a strong balance sheet

STEP ONE™

**Revenue**  
\$65.2m

Down 9.7% vs pcp

**Gross Margin**  
80.7%

Down 1.3% vs pcp

**Dividend**  
5 cents per share

Confidence in  
our future

**FSC® Certification**  
FSC® C183245

End-to-end supply  
chain certification

**EBITDA**  
\$12.0m

18.4% of revenue  
Up 33.1% vs proforma  
pcp<sup>2</sup>

**Cash**  
\$38.3m

Up 11.9% from Jun 22

**Average order value  
(AOV)**  
\$89.49

Up 19% vs pcp

**Customers**  
1,358,000

257,000  
New customers

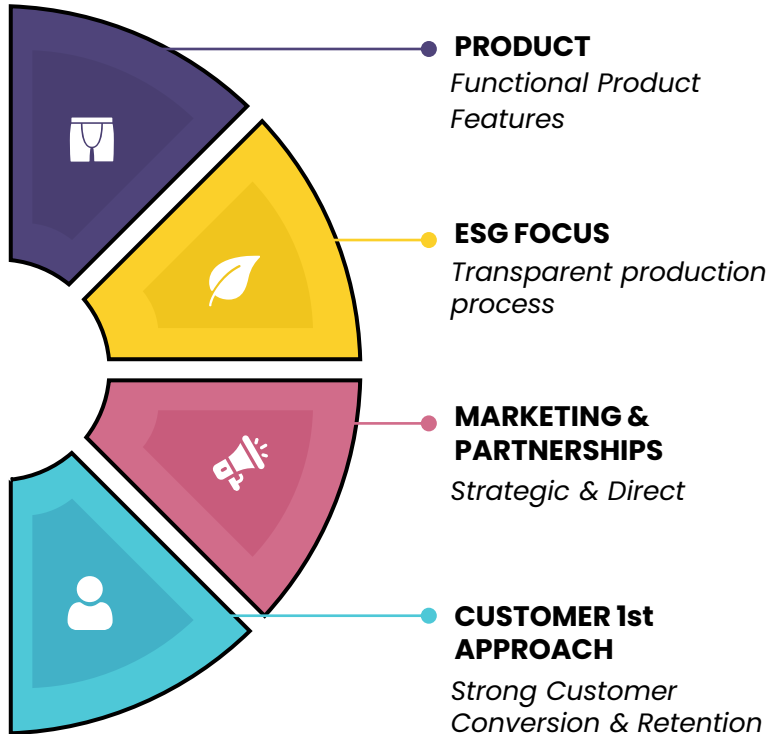
1. sold revenue, excluding Amazon sales

2. includes proforma adjustments in comparative periods. There are no proforma adjustments in FY23.

# Business Model

STEP ONE™

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



- UltraGlyde™ panels
- Elastic 3D pouch
- Organically grown Eco-Cert Bamboo
- **FSC® certification** of supply chain
- **Organically grown** Bamboo from responsible sources
- Strict **ethical manufacturing** across supply chain
- **Minimise** carbon footprint
- **In-house capability** producing video, content & marketing
- Skills managing **content localisation** or local production
- Intelligent management of **paid media, social media & influencer** channels
- Partnerships to expand customer reach
- **30-Day First Pair Guarantee** which allows a full refund on a first purchase
- **Free shipping** available
- **12-month** manufacturing warranty
- **Rapid** customer service response

# Our Markets

A tailored strategy for each region

STEP ONE™

## AUSTRALIA

### Focus areas:

- Clear messaging **'what problem does Step One solve'** in all advertising
- **Reduced customer recruitment** spending when return was low
- **Local activations – in-real-life** activations – product sampling
- **Expanded Women's** product range
- **Expanded channels** with Amazon
- **Fewer LEC colour drops**, with focus on core colour range, whilst maintaining fun naming of the colours we do release



## UK

### Focus areas:

- **Back to basics** by centralising marketing to reduce cost and to redirect spending
- **Local activations** – old school giveaways to enable **in-real-life** product testing
- **Building partnerships** to expand customer reach and brand credibility
- **UK specific influencer marketing** including Joe Marler
- **Expanded Women's** product range
- **Expanded channels** with Amazon
- **Fewer LEC colour drops**, with focus on core colour range, whilst maintaining country specific drops



## USA

### Focus areas:

- **Use of USA based marketing specialists** to manage marketing content generation and channel management
- Focus on **lower cost customer acquisition channels** even if growth takes longer
- **Imposed stronger cost disciplines** during the scale phase
- **Fewer LEC colour drops**, with focus on core colour range, whilst maintaining country specific drops



**Our product appeal is universal –  
but our strategy for each market requires a nuanced approach**

# Our Product

Continued attention to our functional  
Men's offering

## MEN'S SHAPES



Boxer Briefs  
(Longer)



Trunk + Juniors  
(Shorter)



Boxer Briefs  
+ Fly

## WINTER



## SPORTS



Expanding our Women's product range

## WOMEN'S SHAPES



Body Short



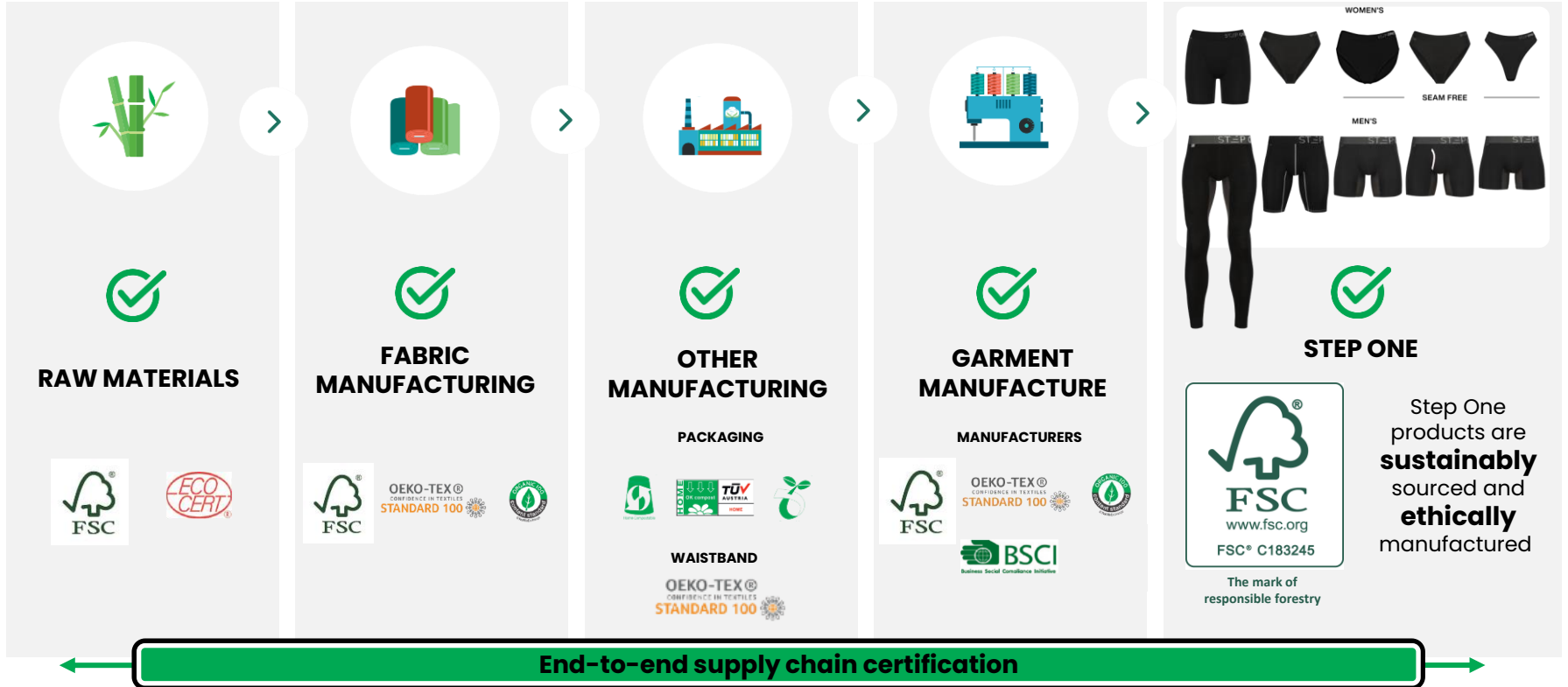
Brief

## SEAM/FREE



# Sustainable and Ethical Supply chain

Our ESG credentials are baked into our entire product lifecycle, from inception to delivery  
 Step One is the first Australian clothing label to be certified by the FSC®



1. Certification of the Step One brand applies only to new product produced post certification in late 2022. Certification is subject to annual compliance audits.

# Strategy

Global growth opportunity

STEP ONE™

## MARKET SIZE<sup>1</sup>

### Every person needs underwear

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

That's just the men. The women's market is 7x larger

## 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

- Grow brand presence on established **Market places** and access a large customer pool
- Evaluate other online or retail **partnerships** on their commercial merits and alignment in areas including customer service and ESG
- Establish partnerships with organisations with large employee or membership base

## ADJACENCIES

### Natural adjacencies including:

- **Expand target customer base** which includes offering 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's available and get it in their hands**

<sup>1</sup>. Frost & Sullivan *The Men's and Women's Underwear Markets*, July 2021



# Looking forward

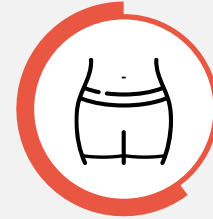
Step One will seek profitable growth



**Profitable growth**



**Expanding the customer funnel**



**Expanding our range**



**Investing in capability and product innovation**



**Continuous improvement in customer experience**



**Expanding sales channels and marketplaces**

**FORMAL BUSINESS**



STEP ONE™

To receive and consider the Financial Report, the Directors' Report and the Independent Auditor's Report of the Company for the financial year ended 30 June 2023.

All shareholders can view the Annual Report which contains the Financial Report, the Directors' Report, and the Independent Auditor's Report of the Company for the year ended 30 June 2023 on the Company's website at <https://www.stepone.group/investor-centre/>

# Resolution 1

(Re-election of Mr Michael Reddie)

To consider and, if thought fit, pass the following as an ordinary resolution of the Company:

*“That Mr Michael Reddie, who retires in accordance with clause 8.1(f) of the Company’s Constitution and being eligible, is re-elected as a Director of the Company.”*

For	Open	Against	Abstain
146,754,034	238,759	24,256	21,738
99.82%	0.16%	0.02%	

# Resolution 2

## (Remuneration Report)

To consider and, if thought fit, pass the following as a non-binding ordinary resolution of the Company:

*“That the Company’s Remuneration Report for the financial year ended 30 June 2023, be adopted.”*

For	Open	Against	Abstain
12,735,117	238,759	64,145	49,958
97.68%	1.83%	0.49%	

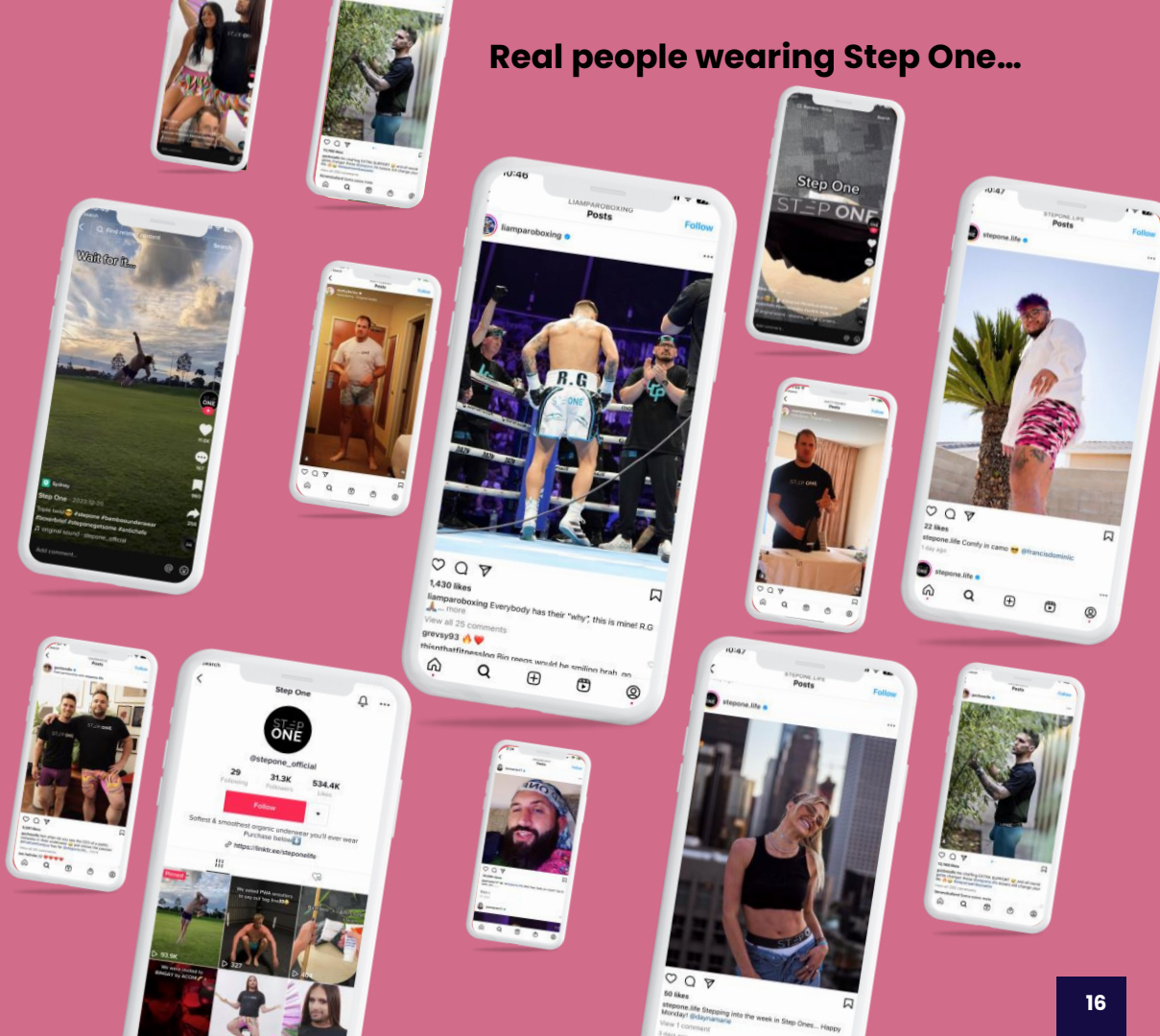
# Thank You! Q+A

Browse our product range at [www.stepone.life](http://www.stepone.life) while we are talking

Real people wearing Step One...



1. Customer reviews taken from respective websites as at 17 August 2023.



# Important Notice

The material in this presentation has been prepared by Step One Clothing Limited (ASX: STP) (“Step One” or the “Company”) and is general background information about Step One’s activities current as at the date of this presentation. The information is given in summary form and does not purport to be complete in every aspect. In particular you are cautioned not to place undue reliance on any forward-looking statements regarding our belief, intent or expectations with respect to Step One’s businesses, market conditions and/or results of operations, as although due care has been used in the preparation of such statements, actual results may vary in a material manner. Information in this presentation or subsequently provided to the recipient of this information, whether orally or in writing, including forecast financial information, should not be considered advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities in the Company. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice.

## Forward-looking statements

This presentation may contain forward-looking statements which are statements that may be identified by words such as “may”, “will”, “would”, “could”, “expects”, “intends”, “anticipates”, and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions that, at the date of this document, are expected to take place. No person who has made any forward-looking statements in this document has any intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this document, other than to the extent required by law. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company.

This presentation also contains references to certain intentions, expectations and plans of the Company. These intentions, expectations and plans may or may not be achieved. They are based on certain assumptions which may not be met or on which views may differ.

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