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STEP ONE

STEP ONE™

**PROSPECTUS**

Step One Clothing Limited  
ACN 616 696 318

Step One SaleCo Limited  
ACN 654 256 881

Lead Manager



Financial Advisor



# IMPORTANT NOTICES

This document is important and should be read in its entirety.

## The Offer

This Prospectus is issued by Step One Clothing Limited ACN 616 696 318 (**Company** or **Step One**) and Step One SaleCo Limited ACN 654 256 881 (**SaleCo**) for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (*Corporations Act*). The Offer contained in this Prospectus is an initial public offering to acquire fully paid ordinary shares (**Shares**) in the Company. See Section 7 for further information on the Offer.

## Lodgement and listing

This Prospectus is dated 8 October 2021 (**Prospectus Date**) and was lodged with the Australian Securities and Investments Commission (ASIC) on that date.

The Company will apply to the Australian Securities Exchange (**ASX**) within seven days after the Prospectus Date, for admission of the Company to the Official List and quotation of its Shares on ASX. None of ASIC, ASX nor any of their respective officers takes any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

## Expiry Date

This Prospectus expires on the date which is 13 months after the Prospectus Date (**Expiry Date**). No Shares will be issued on the basis of this Prospectus after the Expiry Date.

## Note to Applicants

The information contained in this Prospectus is not investment or financial product advice and has been prepared as general information only, without consideration for your particular investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in full before deciding whether to invest in the Company.

In particular, you should consider the assumptions underlying the Forecast Financial Information (see Section 4) and the risk factors that could affect the business, financial condition and financial performance of the Company. You should carefully consider these risks in light of your investment objectives, financial situation and particular needs (including financial and taxation issues) and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 5 of the Prospectus. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of the Company, the repayment of capital by the Company or any return on investment in Shares made pursuant to this Prospectus.

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company, SaleCo the Directors, the SaleCo Directors, the Lead Manager or any other person in connection with the Offer. You should rely only on information in this Prospectus.

Morgans Corporate Limited (ABN 32 010 539 607) ("**Morgans**" or "**Lead Manager**") has acted as Lead Manager to the Offer and has not authorised, permitted or caused the issue or lodgement, submission, dispatch or provision of this Prospectus and there is no statement in this Prospectus which is based on any statement made by Morgans or by any of its affiliates or related bodies corporate (as defined in the *Corporations Act*), or any of their respective officers, directors, employees, partners, advisers or agents (each a **Limited Party**). To the maximum extent permitted by law, each Limited Party expressly disclaims all liabilities in respect of, make no representations regarding, and take no responsibility for, any part of this Prospectus other than, in respect of Morgans, references to its name, and makes no representation or warranty as to the currency, accuracy, reliability or completeness of this Prospectus.

As set out in Section 7, it is expected that the Shares will be quoted on the ASX on a normal settlement basis. The Company, SaleCo, the Share Registry, and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement, even if such person received confirmation of their allocation from the Information Line or confirmed their firm allocation through a Broker.

## Exposure Period

The *Corporations Act* prohibits the Company and SaleCo from processing Applications in the seven day period after the date of lodgement of the Prospectus (**Exposure Period**). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Applications received during the Exposure Period.

## No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under this Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

## Obtaining a copy of this Prospectus

During the Exposure Period, an electronic version of this Prospectus (without an Application Form) will be available at <https://events.miraqle.com/stepone-ipo> to Australian residents only. Application Forms will not be made available until after the Exposure Period has expired.

During the Offer Period, this Prospectus is available in electronic form at <https://events.miraqle.com/stepone-ipo>. The Offer constituted by this Prospectus in electronic form at <https://events.miraqle.com/stepone-ipo> is available only to persons within Australia. The Prospectus is not available to persons in other jurisdictions (including the United States) in which it may not be lawful to make such an invitation or offer. If you access the electronic version of this Prospectus, you should ensure that you download and read the Prospectus in its entirety.

You may, before the Offer Period expires, obtain a paper copy of this Prospectus (free of charge) by telephoning the Information Line on 1800 642 133 (within Australia) from 8.30am to 5.30pm (Sydney Time), Monday to Friday. If you are eligible to participate in the Offer and are calling from outside Australia, you should call +61 1800 642 133 from 8:30am to 5.30pm (Sydney Time), Monday to Friday.

Applications for Shares may only be made during the Offer Period on an Application Form attached to or accompanying this Prospectus.

The *Corporations Act* prohibits any person from passing the Application Form on to another person unless it is attached to a paper copy of the Prospectus or the complete and unaltered electronic version of this Prospectus.

Refer to Section 7 for further information.

## Statements of past performance

This Prospectus includes information regarding the past performance of the Company. Investors should be aware that past performance should not be relied upon as being indicative of future performance.

### Financial Information

Section 4 sets out in detail the Financial Information referred to in this Prospectus and the basis of preparation of that Financial Information.

All references to FY2019, FY2020, FY2021 and FY2022 appearing in this Prospectus are to the financial years ended or ending 30 June 2019, 30 June 2020, 30 June 2021 and 30 June 2022 respectively, unless otherwise indicated.

The Historical Financial Information is presented on both a statutory and pro forma basis (as described in Section 4) and has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards (AAS) (including the Australian Accounting Interpretations) issued by the Australian Accounting Standards Board (AASB), which are consistent with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board (IASB).

The Prospectus also includes Forecast Financial Information based on the best estimate assumptions of the Board. The basis of preparation and presentation of the Forecast Financial Information, to the extent applicable, is consistent with the basis of preparation and presentation for the Historical Financial Information. The Forecast Financial Information presented in this Prospectus is presented on both a statutory and pro forma basis and is unaudited. The Financial Information has been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Investors should note that certain financial data included in the Prospectus is not recognised under the Australian Accounting Standards and is classified as “non-IFRS financial information” under Regulatory Guide 230 “Disclosing non-IFRS financial information” published by ASIC. The Company believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and condition of the Company. The non-IFRS financial measures do not have standardised meanings under the Australian Accounting Standards, and therefore may not be comparable with similarly titled measures presented by other entities, nor should these be interpreted as an alternative to other financial measures determined in accordance with the Australian Accounting Standards. Investors are cautioned not to place undue reliance on any non-IFRS financial information, ratios and metrics included in this Prospectus.

The Financial Information is presented in an abbreviated form insofar as it does not include all disclosures, statements and comparative information as required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

The Financial Information should be read in conjunction with, and qualified by reference to, the information contained in this Prospectus as a whole, including Sections 4 and 5.

All financial amounts contained in this Prospectus are expressed in Australian dollars, unless otherwise stated. Any discrepancies between totals and sums of components in tables, figures and components contained in this Prospectus are due to rounding.

### Investigating Accountant’s Report on Financial Information and financial services guide

The provider of the Investigating Accountant’s Report on Financial Information is required to provide Australian retail clients with a financial services guide in relation to the review under the Corporations Act. The Investigating Accountant’s Report and accompanying financial services guide are provided in Section 8.

### Forward looking statements

This Prospectus contains forward looking statements, including the Forecast Financial Information in Section 4, which may be identified by words such as “anticipates”, “may”, “should”, “could”, “likely”, “believes”, “estimates”, “expects”, “targets”, “predicts”, “projects”, “forecasts”, “intends”, “guidance”, “plan” and other similar words that involve risks and uncertainties.

These forward looking statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of the Prospectus, are expected to take place. The Company and SaleCo do not undertake to, and do not intend to, update or revise any forward looking statements, or publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Any forward looking statements are subject to various risks that could cause the Company’s actual results to differ materially from the results expressed or anticipated in these statements. Forward looking statements should be read in conjunction with, and are qualified by reference to, the risk factors as set out in Section 5, the general and specific assumptions contained in the Financial Information as set out in Section 4, the sensitivity analysis as set out in Section 4.13 and other information in this Prospectus. Such forward looking statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, assumptions and other important factors, many of which are outside the control of the Company, SaleCo, the Directors, the SaleCo Directors and the Company’s management. The Company, SaleCo, the Directors, the SaleCo Directors, the Company’s management and the Lead Manager cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

### Industry and market data

This Prospectus, including the Industry Overview in Section 2 and the Company Overview in Section 3, contains statistics, data and other information (including forecasts and projections) relating to markets, market sizes and growth, market shares, market segments, market positions and other industry data pertaining to the Company’s business and markets. The Company has obtained significant portions of this information from market research prepared by third parties. Unless otherwise indicated, such information is based on a market study (Independent Market Report) that the Company commissioned from Frost & Sullivan, as well as the Company’s analysis of such information. See Section 6.3.4 for further information relating to the Independent Market Report and Frost & Sullivan’s engagement. In addition, the Company understands from Frost & Sullivan that the Independent Market Report includes or is otherwise based on information obtained from (i) various data collection agencies, industry associations, forums and institutes and private market analysts; and (ii) publicly available information, as well as secondary market research.

While the Independent Market Report provides that the views, opinions, forecasts and information contained in it are based on information reasonably believed by Frost & Sullivan in good faith to be reliable, Frost & Sullivan has not independently verified or audited the information or material obtained from third parties. In addition, neither the Company, SaleCo nor the Lead Manager have independently verified, and cannot give any assurances as to the accuracy and completeness of the market and industry data contained in this Prospectus that has been extracted or derived from the Independent Market Report. Accordingly, the accuracy and completeness of such information is not guaranteed. In addition to the industry data, this Prospectus uses third-party data, estimates and projections. There is no assurance that any of the third-party data, estimates or projections contained in this Prospectus will be achieved. The Company has not independently verified such information. Estimates involve risks and uncertainties and are subject to change based on various factors, including those described in the risk factors set out in Section 5. Investors should note that market data and statistics are inherently predictive and subject to uncertainty and not necessarily reflective of actual market conditions.

#### Selling restrictions

This Prospectus does not constitute an offer or invitation to apply for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus outside Australia (including electronically) may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be distributed to, or relied upon by, persons in the United States. Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (US Securities Act) or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred directly or indirectly, in the United States unless the Shares have been registered under the US Securities Act or an exemption from the registration requirements of the US Securities Act and any other applicable US state securities laws is available. See Section 9.10 for more detail on selling restrictions that apply to the Offer in jurisdictions outside Australia.

#### Defined terms and time

Defined terms and abbreviations used in this Prospectus have the meanings given in the Glossary or as provided in the context in which they appear.

Unless otherwise stated or implied, references to times in this Prospectus are to Sydney time. Unless otherwise stated or implied, references to dates or years are calendar year (CY) references.

#### Privacy

- By completing an Application Form to apply for Shares, you are providing personal information to the Company and SaleCo through the Share Registry, which is contracted by the Company to manage Applications. The Company, SaleCo, the Lead Manager and the Share Registry on behalf of the Company, may collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration. Some of this personal information is collected as required or authorised by certain laws including the Income Tax Assessment Act 1997 (Cth) and the Corporations Act.
- If you do not provide the information requested in the Application Form, the Company, SaleCo and the Share Registry may not be able to process or accept your Application.
- Your personal information may also be used from time to time to inform you about other products and services offered by the Company, which it considers may be of interest to you.
- Your personal information may also be provided to the Company's members, agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy and applicable laws. The members, agents and service providers of the Company may be located outside Australia, where your personal information may not receive the same level of protection as that afforded under Australian law. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:
  - the Share Registry for ongoing administration of the Shareholder register;
  - the Lead Manager to assess your Application;
  - printers and other companies for the purpose of preparation and distribution of statements and for handling mail;
  - market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
  - legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.
- If an Applicant becomes a Shareholder, the Corporations Act requires the Company to include information about the Shareholder (including name, address and details of the Shares held) in its public Shareholder register.
- The information contained in the Shareholder register must remain there even if that person ceases to be a Shareholder. Information contained in the Shareholder register is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements. An Applicant has a right to gain access to the information that the Company and the Share Registry hold about that person and may correct the personal information held by or on behalf of the Company about that person, subject to certain exemptions under law. A fee may be charged for access. Access requests must be made in writing or by telephone call to the Company's registered office or the Share Registry's office, details of which are disclosed in the Corporate Directory on the inside back cover of this Prospectus. Applicants can obtain a copy of the Company's privacy policy by visiting the Company's website [www.stepone.group](http://www.stepone.group).

#### Photographs and diagrams

Photographs and diagrams used in this Prospectus that do not have descriptions are for illustration purposes only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams and maps used in this Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

#### Company website

Any references to documents included on the Company's website at [www.stepone.group](http://www.stepone.group) are for convenience only, and none of the documents or other information available on the Company's website is incorporated into this Prospectus by reference.

#### Disclaimer

Except as required by law, and only to the extent so required, none of the Company, SaleCo, the Directors, the SaleCo Directors, the Company's management, the Lead Manager or any other person warrants or guarantees the future performance of the Company, or any return on any investment made pursuant to this Prospectus.

#### Questions

If you have any questions about how to apply for Shares, call your Broker or the Information Line on 1800 642 133 between 8.30am and 5.30pm (Sydney Time), Monday to Friday. Instructions on how to apply for Shares are set out in Section 7 of this Prospectus and on the back of the Application Form.

If you have any questions about whether to invest in the Company, you should seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest in Shares.

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# IMPORTANT INFORMATION

# HOT OFFER

## Key dates for the Offer

## Date

Prospectus Date	8 October 2021
Opening date of the Retail Offer	18 October 2021
Closing date of the Retail Offer	25 October 2021
Settlement of the Offer	27 October 2021
Allotment of Shares	28 October 2021
Dispatch of holding statements	29 October 2021
ASX trading commences on a normal settlement basis	1 November 2021

Note: The dates above are indicative only and may change without notice. The Company, in consultation with the Lead Manager, reserves the right to vary the times and dates of the Offer.

Note: Unless otherwise indicated, all times are stated in Sydney time. The Company, in consultation with the Lead Manager, reserves the right to vary any and all of the above dates and times without notice (including, subject to ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Closing Date, to accept late Applications or bids, either generally or in particular cases, or to cancel or withdraw the Offer before settlement, in each case without notifying any recipient of this Document or any Applicants). If the Offer is cancelled or withdrawn before the allocation of Shares, then all application monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.





Limited Edition: Fire Balls, April 2021

### Key Offer statistics

Offer Price per Share	<b>\$1.53</b>
Total proceeds of the Offer	<b>\$81.3 million</b>
Proceeds of the Offer paid to the Existing Shareholder <sup>1</sup>	<b>\$41.3 million</b>
Total number of New Shares to be issued by the Company under the Offer	<b>26.1 million</b>
Total number of Sale Shares to be sold by SaleCo under the Offer	<b>27.0 million</b>
Number of Shares to be held by the Existing Shareholder at Completion (undiluted)	<b>123.0 million</b>
Total number of Shares on issue at Completion (undiluted)	<b>185.3 million</b>
Indicative market capitalisation at Completion <sup>2</sup>	<b>\$283.6 million</b>
Pro forma net cash (as at 30 June 2021) <sup>3</sup>	<b>\$41.7 million</b>
Enterprise value <sup>4</sup>	<b>\$241.9 million</b>
Enterprise value / pro forma FY2022 forecast EBITDA <sup>4,5</sup>	<b>16.1x</b>

1 Calculated by multiplying the total number of Sale Shares to be transferred under the Offer by the Offer Price.

2 The market capitalisation at the Offer Price on an undiluted basis is the Offer Price multiplied by the number of Shares on issue at Completion on an undiluted basis.

3 Pro forma net cash of \$41.7 million as at 30 June 2021 is calculated as actual cash and cash equivalents as at 30 June 2021, plus the cash proceeds raised under the Offer, before the costs of the Offer. See Section 4.15.2 for further details.

4 Enterprise value at the Offer Price is defined as market capitalisation at the Offer Price on an undiluted basis less pro forma net cash of \$41.7 million as at 30 June 2021 before costs associated with the Offer.

5 This table contains Forecast Financial Information and information derived from the Forecast Financial Information. The Forecast Financial Information is based on assumptions and accounting policies set out in Section 4 and Appendix A and is subject to the key risks set out in Section 5. There is no guarantee that the forecasts will be achieved. Certain financial information in this Prospectus is described as pro forma for the reasons described in Section 4. Forecasts have been included in this Prospectus for FY2022F. The Forecast Financial Information is based on the Offer described in Section 7.1. Enterprise value/FY2022F EBITDA is calculated as the enterprise value of the Company at the Offer Price divided by FY2022 pro forma forecast EBITDA of \$15.1 million.

# CHAIRPERSON'S LETTER

## Dear Investor,

On behalf of the Board, it is my pleasure to offer you the opportunity to become a Shareholder of Step One Clothing Limited.

Step One is a leading direct-to-consumer pure online retailer for men's underwear via its website [www.stepone.life](http://www.stepone.life). The Company offers a range of high quality, organically grown and certified, and ethically produced underwear that suit a range of body types.

Since launching in 2017, Step One has delivered over 1.25 million orders to over 725,000 customers. Step One currently operates in Australia and the United Kingdom with product sourced from production and manufacturing facilities in China and Vietnam.

Step One has a strong track record of delivering growth, achieving compound annual revenue growth from FY2019 to FY2021 of over 183%. Step One is a profitable business and generated \$61.7 million in sales revenue in FY2021. Pro forma gross and pro forma EBITDA margins have progressively improved over recent years and were in excess of 82% and 17% respectively in FY2021.

In addition to attracting new customers, Step One's growth has been supported by a large and expanding community of repeat customers, with over 45% of orders in FY2021 being from returning customers.

The global underwear market is large and growing, estimated by Frost & Sullivan to be over \$150 billion in 2020. The men's underwear market is substantial and was estimated to represent approximately \$8.3 billion in 2020 across Australia, the United Kingdom, and the United States of America. In 2020, Step One is estimated by Frost & Sullivan to have grown to approximately 6% market share in men's underwear in Australia since inception and 1% in the United Kingdom in just over 12 months since its launch in that market. Step One is planning to expand its product offering to the United States of America this calendar year.

The Board and leadership team are focused on the opportunity to significantly grow Step One's brand to have a global following underpinned by its customer centric approach and ethical focus. Following the Offer, Step One's founder, Greg Taylor, will retain approximately 66% of the shares in Step One and remain actively involved as CEO in the business.

We are excited about the growth path in front of Step One. The Offer is being made to provide funds to pursue the Company's strategies across customer growth and retention, product development, and entering new markets. The Offer is an important next step in the Company's evolution and provides an opportunity for incoming investors to share in Step One's future.

Step One is seeking to raise \$40 million through the issue of 26 million new Shares, and 27 million existing Shares are available for sale, at a price of \$1.53 per Share pursuant to the Offer. Approximately 71% of the Shares outstanding at the Completion of the Offer will be subject to escrow arrangements as outlined in Section 9.6.

This Prospectus contains detailed information about the Offer, the industry in which Step One operates, the historical and forecast financial information, macroeconomic and market conditions including issues arising from the ongoing global COVID-19 pandemic, together with key risks associated with an investment in the Company. These key risks are set out in Section 5.

Please read this Prospectus carefully, and in its entirety, before deciding whether to invest in the Company.

On behalf of the Board of Directors, I look forward to welcoming you as a Shareholder.

Yours faithfully



**David Gallop AM**

Chairperson



# FOUNDER'S LETTER

## Dear investor,

Step One was born whilst I was hiking in New Zealand and suffering from chafing. Despite searching for a solution, there was nothing that ticked every box for me. I had an idea to solve the problem; I jumped on a plane, went overseas, developed a sample product and here we are today.

Step One's growth has exceeded my expectations, starting from a bedroom with an initial purchase of 5,000 pairs. In building the Step One brand, I have focused on not only having a quality product but also having a:

- functional product that solves a problem that I was personally experiencing;
- focus on doing the right thing by people and the planet, with an ongoing commitment to reduce our environmental footprint and ensure that Step One is manufactured under fair work conditions; and
- customer centric approach with an aim to surprise and delight our customers.

Our business model is 100 percent e-commerce fostering an important and a direct relationship with our customers. We understand our customers intimately and wanted to keep things simple so we initially provided two product styles in four colours, then transitioned to seven core colours and then a third style as the business grew. We saw an opportunity and quickly launched into colour releases which have developed a cult-like following. At the heart of the brand is to produce the highest quality product, keep the business model straightforward, transparent and build trust and loyalty in the Step One brand.

The customer is at the core of our brand and we continually innovate and engage with our customers to deliver a product that they love, as demonstrated by over 40,000 5-star reviews. We love getting suggestions for new colour releases, or ideas for new products including a women's range. We have an army of loyal customers, including women buying for the men in their lives, who account for nearly 40% of website visits. Since inception, we have achieved strong website conversion metrics, which we believe is testament to the quality of the product, our customer focus and particularly highlights the appeal of the problem we have set out to solve with the traditional design of men's underwear. I'm especially humbled seeing customers post positive reviews and social media content about the Step One product and brand, something I'm truly proud of.

I believe we are now at an inflexion point, with the opportunity to continue building trust and loyalty with our existing customers, enter additional offshore markets, and develop adjacent products in the innerwear category.

I am excited to continue this journey, with my goal to make Step One a truly global business with a strong brand in the innerwear market. I am personally committed to the business and with the support of the team look forward to continuing to build Step One during this next stage of our growth.

The journey has been incredible thus far, but I am certain that the best is yet to come. It's my pleasure to use our Initial Public Offering as an opportunity to introduce you to the Company, our brand and our team.

I would like to thank each customer who has taken the leap in trying our underwear. We will continue to make underwear exciting and lead innovation in the future.

There are endless people I'd like to thank who have helped me along the way and no amount of thanks would ever truly represent the support they've offered me. I would like to make special mention to friends, family and of course Michael Reddie for his endless mentoring since the beginning of Step One's journey. To my parents, I simply wouldn't be here today without their support and encouragement. Finally, my fiancé, who has lived the entrepreneurial journey with me, and whose support has been unwavering.

An IPO will represent Step One's first external corporate transaction and I see an IPO as the best option for providing the funding needed to support Step One's next stage of growth and support our goal of becoming an ethically driven, sustainable and global brand. I believe that being listed on the ASX will support us in achieving our ambitions, not only through providing capital for Step One to grow but also allowing an opportunity for our customers and investors to join in that journey and bring increased awareness to our brand.

I look forward to welcoming you as an investor in Step One and sharing the next stage of an exciting journey with you.

*'Get Some!'*



**Greg Taylor**



# SECTION 01

## INVESTMENT OVERVIEW



# BLUE FALLS

## 1.1 Introduction

TOPIC	SUMMARY	FURTHER INFORMATION
<b>Who is Step One and what does it do?</b>	<p>Step One is a leading direct-to-consumer online retailer for men's underwear. The Company offers an exclusive range of high quality, organically grown, sustainable and ethical underwear that suit a range of body types.</p> <p>Step One currently operates in Australia and the United Kingdom and has plans to enter the North American market.</p>	Section 3.1
<b>What industry does Step One operate in?</b>	<p>The Company operates within the underwear market that is a segment of the innerwear market.</p> <p>The Company's current range is in the men's underwear segment but Step One also intends to broaden its product range and enter the women's underwear market as part of its growth strategy.</p>	Section 2.1
<b>What is the history of Step One?</b>	<p>Step One was founded in 2017 when Founder and CEO, Greg Taylor, set out to create a pair of ethically focused underwear that solved the problem chafing and 'ride-up' caused by traditional underwear.</p> <p>With a product concept developed and ideas for creative product features in mind, Greg travelled to China in 2016 to meet with potential manufacturing partners and refine the product design. Greg worked with manufacturers to create an innovative product and after just 5 months in development the Company released its first product to market, with all 5,000 pairs selling out.</p> <p>Since its launch, Step One has created a loyal customer community and sense of belonging which has resulted in strong repeat purchase rates. This high level of customer engagement is created through a combination of factors, including Step One's in-house marketing content, distinctive style of ads and creative marketing initiatives including colour releases, special product offers and competitions.</p>	Section 3.2
<b>What is Step One's business model and how does it generate revenue?</b>	<p>Step One business model is a pure e-commerce online business through its website <a href="http://www.stepone.life">www.stepone.life</a> which fosters a direct relationship with their customers. Customers purchase through this website in the markets Step One operates in.</p> <p>Step One's business model is centred on the following key components:</p> <ul style="list-style-type: none"> <li>▪ Innovative combination of product features</li> <li>▪ Sustainable and ethical focus</li> <li>▪ Successful marketing strategy and in-house content</li> </ul> <p>Revenue is a function of the number of customer orders and average order value.</p>	Section 3.1

# 1. Investment overview

TOPIC	SUMMARY	FURTHER INFORMATION
<p><b>How large is the industry that Step One competes in?</b></p>	<p>The underwear market is a segment of the innerwear market (which also includes socks and hosiery), which is part of the broader apparel market (including outerwear and footwear).</p> <p>Globally the innerwear market is estimated by Frost &amp; Sullivan to be A\$212 billion, of which approximately 70% (A\$150 billion) is estimated to be underwear. Underwear is sold through a mix of channels including physical stores, omni-channel retail and online</p>	Section 2.2
<p><b>What is the Step One product?</b></p>	<p>Step One has released three core men's underwear styles including Boxer Briefs, Trunks and a Boxer Brief with a Fly. These products have been developed to suit different customers:</p> <ul style="list-style-type: none"> <li>▪ <b>Boxer Brief:</b> suited for customers with thicker legs, with an additional 3cm leg length</li> <li>▪ <b>Trunks:</b> suited for customers with leaner legs and junior age category</li> <li>▪ <b>Boxer Brief + Fly:</b> suited for customers with thicker legs, with an additional 3cm leg length and additional fly on the front.</li> </ul> <p>Step One underwear has an innovative combination of features including:</p> <ul style="list-style-type: none"> <li>▪ <b>Organically grown and certified bamboo:</b> wicks away sweat and has excellent breathing qualities. Bamboo is naturally grown without the use of pesticides.</li> <li>▪ <b>UltraGlyde™ panels:</b> with a similar material to bike shorts or compression leggings, our UltraGlyde™ panels helps prevent chafing and underwear riding up.</li> <li>▪ <b>Elastic 3D pouch:</b> an elastic-lined pouch that reduces skin-to-leg contact and sweating, maximising freshness, support and comfort.</li> </ul>	Section 3.3
<p><b>Who are the customers of Step One?</b></p>	<p>For FY2021, Step One estimates 63% of customers were male with 37% of the customer base female customers purchasing underwear for a male, or themselves.</p> <p>The majority of customers are between the ages of 25-34 years old (33%) followed by those between the age of 35 – 44 years old (21%).</p> <p>Australia represents approximately 66% of total customers by revenue with the UK growing strongly following its launch in 2020 at 34%, respectively.</p>	Section 3.5
<p><b>What is the growth strategy of Step One?</b></p>	<p>Step One has multiple avenues for pursuing growth through clearly defined strategic initiatives. The growth strategy is focused on three key pillars:</p> <ol style="list-style-type: none"> <li>(1) Strengthening brand equity among existing and new customers</li> <li>(2) Product development to specialise in the innerwear market</li> <li>(3) International expansion</li> </ol>	Section 3.8



TOPIC	SUMMARY	FURTHER INFORMATION
<b>How has COVID-19 affected Step One?</b>	Step One was able to successfully navigate the COVID-19 pandemic in part due to its capital light and direct to consumer model. Through various stages of lockdown and reopening across Australia and the UK, Step One has experienced variability in certain aspects of its business and has sought to remain flexible to adapt to changing circumstances.	Section 3.10
<b>Why is the Offer being conducted?</b>	<p>The Offer is being conducted to:</p> <ul style="list-style-type: none"> <li>▪ Invest in the core business model and pursue the growth strategies as outlined in Section 3.8</li> <li>▪ Allow the Existing Shareholder an opportunity to realise part of its investment in the Company</li> <li>▪ Provide Step One with capital to further develop their position in key existing markets and grow customer base, most notably investing in establishing a presence in the US</li> <li>▪ Provide the Company with potential benefits from being a publicly listed company</li> <li>▪ Provide a liquid market for Shares and an opportunity for others to invest.</li> </ul>	Section 7.1.2, 7.1.3

## 1.2 Key financial metrics

TOPIC	SUMMARY	FURTHER INFORMATION																																									
<b>What is the Company's statutory and pro forma historical and forecast financial performance?</b>	<p>Pro Forma Historical, Pro Forma Forecast and Statutory Forecast Results for FY2019, FY2020, FY2021 and FY2022</p> <table border="1"> <thead> <tr> <th rowspan="2"></th> <th colspan="3">HISTORICAL PERIOD</th> <th colspan="2">FORECAST PERIOD</th> </tr> <tr> <th>FY2019 PRO FORMA</th> <th>FY2020 PRO FORMA</th> <th>FY2021 PRO FORMA</th> <th>FY2022 PRO FORMA</th> <th>FY2022 STATUTORY</th> </tr> </thead> <tbody> <tr> <td>Revenue</td> <td>7,718</td> <td>22,247</td> <td>61,717</td> <td>73,972</td> <td>73,972</td> </tr> <tr> <td>Gross margin</td> <td>6,076</td> <td>18,151</td> <td>50,984</td> <td>61,827</td> <td>61,827</td> </tr> <tr> <td>EBITDA</td> <td>(851)</td> <td>3,111</td> <td>10,863</td> <td>15,053</td> <td>4,649</td> </tr> <tr> <td>EBIT</td> <td>(852)</td> <td>3,110</td> <td>10,859</td> <td>15,017</td> <td>4,612</td> </tr> <tr> <td>NPAT</td> <td>(541)</td> <td>2,291</td> <td>7,733</td> <td>10,506</td> <td>1,999</td> </tr> </tbody> </table>		HISTORICAL PERIOD			FORECAST PERIOD		FY2019 PRO FORMA	FY2020 PRO FORMA	FY2021 PRO FORMA	FY2022 PRO FORMA	FY2022 STATUTORY	Revenue	7,718	22,247	61,717	73,972	73,972	Gross margin	6,076	18,151	50,984	61,827	61,827	EBITDA	(851)	3,111	10,863	15,053	4,649	EBIT	(852)	3,110	10,859	15,017	4,612	NPAT	(541)	2,291	7,733	10,506	1,999	Section 4
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# 1. Investment overview

TOPIC	SUMMARY	FURTHER INFORMATION
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\$'000	AUDITED	IMPACT	PRO FORMA
	30 JUNE 2021	OF THE OFFER	AS AT 30 JUNE 2021
Total assets	26,802	29,341	56,143
Total liabilities	21,811	(8,096)	12,905
Net assets	4,991	38,247	43,238
Total equity	4,991	38,247	43,238

\$'000	HISTORICAL PERIOD			FORECAST PERIOD
	FY2019 PRO FORMA	FY2020 PRO FORMA	FY2021 PRO FORMA	FY2022 PRO FORMA
Net operating cash flows	506	4,476	6,749	1,232
Net investing cash flows	(2)	(13)	(46)	(22)
Net financing cash flows	4	(1,487)	(3,207)	31,346
Net cash flows	507	2,976	3,497	32,556

The information presented above contains Non-International Financial Reporting Standards (IFRS) financial measures, is intended as a summary only and should be read in conjunction with the more detailed discussion on the Financial Information disclosed in Section 4 as well as the risk factors set out in Section 5.

Investors should read Section 4 for the full details of Step One's Pro forma and Statutory Financial Information, including the pro forma adjustments and reconciliations in Sections 4.8 and Section 4.15.

## Does the company have a dividend policy?

The dividend policy of the Company is to reinvest all cash flows into the business to maximise its growth. Accordingly, no dividends are expected to be paid in the near term following the Company's listing on the ASX.

Section 4.17

## 1.3 Investment highlights

TOPIC	SUMMARY	FURTHER INFORMATION
<b>Cash flow positive &amp; innovative product with strong ESG focus</b>	<p>Step One has strong cash generation underpinned by strong operating metrics, positive cash generation from working capital cycle low levels of capital expenditure. Step One's pro forma gross and pro forma EBITDA margins have progressively improved over recent years and were in excess of 82% and 17% in FY2021.</p> <p>ESG has always been a focus for management. Step One uses organically certified bamboo without the use of any pesticides. A closed-loop process ensures any exhaust gas is recovered, water is treated for direct use in agriculture and the alkali used for bamboo chips is recycled, minimising waste.</p> <p>Step One's manufacturing facilities are all either BSCI or SA8000 accredited, meaning the Company ensures fair wages, fair working conditions and no child or forced labour is present. Subject to the ongoing COVID-19 environment, Step One manufacturing facilities are monitored by in-person visits regularly by a Step One contractor when possible.</p>	Sections 3, 4
<b>High recent growth in Australia &amp; UK markets with US expansion planned for future growth</b>	<p>Step One has a strong track record of delivering growth, achieving compound annual revenue growth from FY2019 to FY2021 of over 183%.</p> <p>Step One has achieved strong historic growth in new customers Australia and the UK. Brand equity and product proposition maintains engagement and generates return customer sales. Step One is seeking future growth from US expansion and product adjacencies and will use a portion of the proceeds raised as part of the IPO for this expansion effort.</p>	Section 3, 4
<b>100% Online Direct to Consumer Business Model</b>	<p>Step One has a 100% online and direct to consumer business model which has experienced strong growth in website sessions from FY2019 to FY2021, accelerated by the UK market introduction in July 2020. For FY2021, Step One saw over 10 million website sessions, which was an increase of 190% from the prior corresponding period. For FY2021, the average conversion rate remained strong at 7.8%.</p>	Section 3
<b>100% brand owned &amp; flexible manufacturing process</b>	<p>Step One sources 100% organically grown and certified bamboo for its product range from China. This organic certified bamboo is then manufactured by the Company's accredited partners in China and Vietnam. As at the date of this prospectus, Step One has agreements with three manufacturing facilities in China and one manufacturing facility in Vietnam to maintain flexibility across the production cycle, mitigate any risk of disruption, and support the continued growth of the business.</p> <p>Step One's warehousing and distribution efforts are outsourced to third party logistics (3PL) providers in Australia and the UK, who tend to receive stock within 120-150 days from sourcing the bamboo.</p>	Section 3

# 1. Investment overview

TOPIC	SUMMARY	FURTHER INFORMATION
<b>Highly focussed, content driven digital and marketing strategy</b>	<p>Step One has a mantra of keeping its advertising content, campaigns and competitions fun and simple across all marketing channels with content primarily written, filmed, directed and edited in-house allowing the Company to respond quickly to market trends and community feedback.</p> <p>Step One has a very strong online presence with over 75,000 followers across its social media platforms and views in excess of 13.5<sup>1</sup> million as at August 2021 on YouTube. This is supported by TV advertising campaigns which are designed to capture the attention of new customers across a wider audience.</p>	Section 3
<b>Founder-led business with experienced key management personnel and Board</b>	<p>Greg Taylor leads an experienced and dedicated team, many who have supported the growth of the Company to date.</p> <p>The management team is supported by a Board of Directors who bring their strong skills and knowledge from ASX listed and unlisted environment from the various sectors and providing disciplined approach to Governance and Financial matters.</p>	Section 6

1 From organic and paid sources

## 1.4 Key risks

TOPIC	SUMMARY	FURTHER INFORMATION
<b>Step One's competition may increase and change</b>	<p>The Australian retail industry in which Step One operates is competitive and is subject to changing customer preferences.</p> <p>Step One faces competition from specialty retailers, department stores, supermarkets, as well as online only retailers. Competition is based on a variety of factors including merchandise range, quality, price, advertising, online presence and presentation and customer service. Step One's market share in the underwear segment may decline if competitors increase their focus on growing online sales through investment in the retail e-commerce market. Existing online competitors may strengthen their market share through increased funding or industry consolidation, an increase in brand awareness or attractiveness to customers, or through financial or operational advantages which allow them to compete aggressively on pricing.</p> <p>Step One's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors or a failure by Step One to successfully maintain its position as the retail environment changes. Any deterioration in Step One's competitive position may result in a loss of market share and a decline in revenue and earnings.</p>	Section 5.2.1
<b>Continued growth of retail e-commerce and growth in product demand may be affected by general economic factors</b>	<p>While the retail e-commerce market has been growing, there is no guarantee this will continue into the future or as currently forecast. Step One is subject to factors outside its control including both the Australian and global economic outlook, movements in the cash rate and unemployment rate, levels of building activity, instability in real estate and housing markets, consumer sentiment, global economic outlook, foreign economic shocks, changes to trade policies (including the imposition of tariffs or other protectionist measures) and adverse exchange rate instability. Some of these factors have experienced (and may continue to experience) a period of volatility in light of the COVID-19 pandemic and the State and Federal Governments' responses to the pandemic.</p>	Section 5.2.2

# 1. Investment overview

TOPIC	SUMMARY	FURTHER INFORMATION
<b>COVID-19</b>	<p>Events related to the Coronavirus pandemic (COVID-19) have resulted in significant market volatility. There is continued uncertainty as to the extent, duration, and final effects of the COVID-19 pandemic, including as to ongoing and future response of governments and authorities globally. The State and Federal Governments have imposed social-distancing restrictions which have, and may continue to, disrupt the operations of Step One's business. Step One's marketing content is primarily written, filmed, directed and edited by Step One or contractors employed by Step One. Step One's marketing initiatives would be adversely affected if stringent social distancing requirements were enforced and ads are not able to be filmed in person.</p> <p>There remains a risk that the spread of COVID-19 has an adverse impact on Step One's supply chain. This could occur if the ability to transport products between countries is disrupted, Step One's key suppliers are negatively affected, or Step One is otherwise unable to efficiently distribute products to customers. In the event that our supply chain is disrupted this may have a material adverse effect on Step One's financial and/or operating performance.</p>	Section 5.2.3
<b>Change in customer preferences</b>	<p>Demand for Step One's products is sensitive to its successful range development and customer demand for design and production features that are distinct from more established underwear brands. Step One's range development may fail to satisfy evolving customer preferences, or customers may not see value in Step One's distinct design and production features. Step One's failure to accurately predict or respond to customer preferences could result in lower sales or margins or reputational damage to the Step One brand and could have a material adverse effect on its financial and/or operational performance.</p>	Section 5.2.4
<b>Seasonal trading patterns may change</b>	<p>Step One's revenue has historically been subject to seasonal patterns, with approximately 55% of FY2021 annual sales being generated in the first half of the financial year (which includes part of the End of Financial Year (EOFY), Black Friday and Christmas trading periods). An unexpected decrease in sales over those traditionally high-volume trading periods may impact Step One's revenue during the relevant period and could also result in abnormally large amounts of surplus inventory, which may need to be sold over an extended period or at lower margins.</p>	Section 5.2.5

TOPIC	SUMMARY	FURTHER INFORMATION
<b>Management may be unable to achieve Step One's growth objectives</b>	<p>Step One has identified a number of strategic growth initiatives to continue to drive sales including expansion into other international markets (such as the US) through the launch of websites targeting customers in a range of international markets and introducing a women's range and other product adjacencies in the innerwear market. There is a risk that Step One may need to spend more than it anticipates to execute these strategies. There is also the risk that these growth initiatives do not attract enough customer demand for Step One products.</p> <p>Step One's strategy on strengthening its brand equity with new and returning customers is focused on colour releases and sales events. There is the risk that colour releases and sale event initiatives do not have the same level of success as previously experienced.</p> <p>Step One's ability to grow also relies on its ability to retain its existing key supplier relationships and continue to attract suppliers on acceptable terms. Step One's supply agreements are negotiated on a case-by-case basis and there is no guarantee that these arrangements will be renewed on like terms.</p>	Section 5.2.6
<b>Disruption in product supply or distribution and issues relating to supplier contracts may adversely affect Step One's operations</b>	<p>Step One does not manufacture the products which it sells and is reliant on third party suppliers. Step One's reliance on third party suppliers for the products it sells, exposes it to risks relating to the actions or operations of those suppliers. For example, Step One is exposed to potential risks relating to the quality of goods supplied to it or increases in the cost of materials and cost of manufacturing. Step One's relationships with its suppliers may deteriorate or geopolitical tensions or restrictions (including the imposition of tariffs or other protectionist measures) may have an impact on trade or the supply chain between Step One and its suppliers. Supply arrangements may also be terminated or discontinued (which may occur at short notice). There may also be potential delays in sourcing new products or disruptions in identifying and engaging alternative suppliers. Given the majority of its suppliers are located outside Australia (predominantly in China), Step One is also subject to foreign exchange risks, which are detailed further in Section 5.2.19, as well as challenges associated with enforcing contractual arrangements in foreign jurisdictions.</p>	Section 5.2.7
<b>Step One may lose key management personnel</b>	<p>Step One's future success is dependent on its ability to retain and/or attract individuals that will complement its culture and retain an experienced senior management team, including the founder and chief executive officer Greg Taylor. Competition for key personnel within the retail e-commerce market could increase the demand and cost for quality employees. In the interests of managing the risks and challenges associated with leadership succession and retention of intellectual property and experience, Step One has arrangements in place with key employees including employment agreements and short and long-term incentives, and key employee equity holdings.</p>	Section 5.2.8

# 1. Investment overview

TOPIC	SUMMARY	FURTHER INFORMATION
<b>The value of Step One's brand name may diminish</b>	<p>The Step One brand name is a key asset of the business and is integral in Step One's ability to consistently appeal to its existing customers and to attract new customers to maintain its sales growth. The reputation and value associated with the Step One brand name could be adversely impacted by a number of factors, in particular product recalls or liability claims, failure to provide customers with the quality of product and service standards they expect disputes or litigation with third parties such as employees, competitors, suppliers and customers, or adverse media coverage (including social media).</p>	Section 5.2.9
<b>Performance and reliability of Step One's website, databases, its operating systems and internet and risk of data security breaches</b>	<p>Step One's website, databases, IT, warehouse systems and management systems are critically important to its success in attracting and retaining customers and maximising sales conversion from those customers. There is a risk that if one or more of Step One's critical operating systems do not function properly, there could be system disruptions, corruption of databases or other electronic information, delays in marketing events to drive sales, delays in transaction processing, delays in receiving or processing orders through the warehouse, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders. Such disruption, if sustained or regular, could materially adversely affect Step One's financial and operational performance.</p> <p>Step One's financial and operational performance could be adversely affected by a system failure that causes prolonged disruption to its website, or to third party suppliers. This could damage the reputation and brand of the platform and reduce visitors to the website leading to a decrease in sales.</p> <p>A failure in the systems of a third party provider is likely to have a material impact on Step One's systems and operations. While Step One mitigates such risk through alternative suppliers, data back-up and restore, manual procedures, and alternative pathways to market (such as fulfilment from another country), mitigation is not available against a failure of critical suppliers at a global level. As these are global companies with industry standing, such outcomes are considered unlikely, however remain possible.</p>	Section 5.2.10
<b>Changes in technology and technology updates</b>	<p>The retail e-commerce market is influenced by changing technologies and adapting industry standards for the future.</p> <p>Step One may be impacted by its ability to maintain and update its technology platforms to address such changes. Maintaining and updating Step One's technology could involve a significant cost and no assurance can be given that the Company will have the capital required to develop or acquire new technologies in the future required to meet any future changes. Step One's inability to do so may have a material adverse impact on its business and financial and/or operating performance.</p>	Section 5.2.11



TOPIC	SUMMARY	FURTHER INFORMATION
<b>Step One’s website may be excluded from or ranked lower in organic search results due to changes to search engines’ algorithms or terms of services</b>	<p>Organic search results are not dependent on payments or marketing costs, but are the result of a search engine’s “organic” listing. Customers sourced through organic listings generate higher gross margins for Step One as there are less marketing costs associated with transactions with these customers. Search engines will typically modify their algorithms to prevent manipulation of the rankings. Historically, search engines have not accepted payments to manipulate these rankings.</p> <p>These algorithms may be confidential or proprietary information. If Step One is unable to adapt quickly to algorithm changes, its marketing effectiveness may be adversely affected, and we could suffer financially from a significant decrease in customer traffic and subsequent conversion rates.</p>	Section 5.2.12
<b>Step One’s email campaigns may be subject to spam filters or unsubscribed by customers</b>	<p>Step One utilises direct email to its customers as part of its marketing campaigns. Whilst customers are required to consent to email marketing campaigns, there is the risk that email marketing campaigns could be flagged as spam. Spam filters used by internet service providers differ and some may have more aggressive spam filters that flag emails based on specific content or images. If Step One’s email marketing campaigns are inadvertently caught in spam filters, this may reduce the effectiveness of email marketing campaigns. Customers may also choose to unsubscribe from Step One’s direct emails. Step One’s business, financial performance and/or operations may be materially adversely affected by any decrease in the effectiveness of its email marketing campaigns.</p>	Section 5.2.13
<b>Step One’s digital advertising may be impacted by changes to advertising or technology platforms</b>	<p>Step One utilises third party platforms such as Google Analytics, Google Ad Manager, Facebook, and Instagram to plan, execute and monitor the performance of paid media advertisements. These platforms operate across other technology platforms, such as the Android operating platform and Apple operating platforms. These technology platforms are regularly updated by the owners and operators of these platforms and these changes are outside the control of Step One. Recent changes have been made, and ongoing changes are expected, to these platforms in response to a range of factors, including privacy legislation such as GDPR in the United Kingdom and the CCPA in the United States of America. Future changes to these platforms may impact Step One’s ability to effectively plan, execute and monitor its media campaigns, which may reduce the effectiveness of digital campaigns and have an adverse effect on Step One’s operating and financial performance.</p>	Section 5.2.14
<b>Domain name</b>	<p>Step One is the registrant of the internet domain name for the website stepone.life. Domain name registrants may change the requirements for continued registration or renewal. If Step One fails to re-register this name when required to do so, or lose control of any domain name, Step One would lose all website traffic directed to that domain. This could lead to a significant reduction in Step One’s revenue, even if it was ultimately able to re-direct users to other domain names.</p>	Section 5.2.15

# 1. Investment overview

TOPIC	SUMMARY	FURTHER INFORMATION
<b>Potential regulation of Buy Now Pay Later (BNPL) sector</b>	<p>Payment for a proportion of Step One's total revenues is facilitated by BNPL platforms such as AfterPay, Zip, Klarna and ClearPay. An assumption of the continued unfettered operation of BNPL platforms to assist Step One's customers to fund their purchases is imbedded within the business' forecasts. However, the BNPL sector may be subject to increased regulation that could affect the platform's growth, functionality and customer utilisation. Step One's financial, operational performance and/or growth objectives may be adversely impacted if BNPL services were restricted in use by Step One's customers, or if the costs or ease of use were adversely altered.</p>	Section 5.2.16
<b>Inventory management</b>	<p>If Step One's inventory management system fails or provides inaccurate information, it may experience disproportionate demand and supply for specific products or "stock-out" issues. This may result in lost sales, increased holding costs, less than forecast margins, damage to our reputation or brand which may have a material adverse effect on Step One's financial and/or operational performance.</p>	Section 5.2.17
<b>Increase in the cost of or reliance upon paid marketing</b>	<p>Some of Step One's revenues are attributable to customers who accessed the Company's websites by clicking on links, content or videos that Step One paid to list on search engine's results pages and social media platforms. From time to time, the Company places bids on key words at a certain cost per click, or displays content or videos on social media platforms, the cost of which are subsequently paid to the search engine or social media platform in order to place these listings with a search engine or a social media platform.</p> <p>Step One's reliance on paid marketing may increase if it were to suffer negative publicity or if its market share were to decline, or if any other factor impacted on its brand or reputation. In addition, if the Company's websites were to experience a reduction in natural search visibility in search engines, it could increase Step One's reliance on search engine and social media platform marketing. Step One's business, financial performance and/or operations may be materially adversely affected by any increase in the cost of, or in reliance on, search engine and social media platform marketing, or any decrease in the effectiveness of its search engine and social media platform marketing.</p>	Section 5.2.18

TOPIC	SUMMARY	FURTHER INFORMATION
<b>There may be adverse exchange rate movements</b>	<p>Step One's purchases the majority of its products from suppliers in China. Most of the arrangements for purchase of products are denominated in Chinese renminbi, US dollars and Australian dollars in that descending order. Step One is therefore exposed to the foreign exchange rate movements. For example, if the Australian dollar falls in value against the US dollar or Chinese renminbi, and Step One's hedging strategies are not effective, the cost to Step One of purchasing its products will increase. If Step One is not able to pass the increased costs on to its customers, this will impact Step One's product margins and profitability.</p> <p>Furthermore, should Step One move forward with international expansion plans, it could also be exposed to additional currencies through the receipt of revenues and payment of costs in foreign currencies. Adverse exchange rate movements in those currencies may also negatively impact on revenues generated by Step One, and as a result impact Step One's financial performance.</p>	Section 5.2.19
<b>Step One may be involved in disputes or litigation</b>	<p>Step One may from time to time be the subject of complaints, litigation, inquiries or audits initiated by customers, employees, suppliers, competitors, government agencies, regulators or other third parties alleging matters such as incorrect product descriptions, injury, health, environmental, safety or operational concerns, negligence, failure to comply with applicable laws and regulations or failure to comply with contractual obligations.</p>	Section 5.2.20
<b>A workplace accident or incident may occur</b>	<p>Step One's employees are at risk of workplace accidents and incidents. Should an employee be injured in the course of their employment, Step One may be liable for penalties or damages as a result. If Step One was required to pay monetary penalties, this may adversely affect its financial position as well as the reputation of Step One.</p>	Section 5.2.21
<b>Laws and regulations may change and any breach of law may negatively impact Step One</b>	<p>Step One is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to privacy, fair trading and consumer protection, product safety, employment, taxation (including employment tax, GST and stamp duty) and customs and tariffs.</p> <p>Changes to laws and regulations in these areas may restrict Step One's operations or otherwise adversely affect Step One, including by increasing Step One's costs either directly (such as an increase in the amount of tax Step One is required to pay), or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact Step One's future financial performance.</p>	Section 5.2.22

# 1. Investment overview

TOPIC	SUMMARY	FURTHER INFORMATION
<b>Our possible expansion into new markets may not be successful</b>	<p>Any future acquisitions or expansions into new markets (in product segments, relevant adjacencies and potentially geographically) may expose us to unforeseen risks. A number of these risks could include regulatory requirements, complications or inefficiencies related to staff, managerial and operational performance, enforcing contractual obligations and intellectual property rights, the inability to register Step One's trademarks or other intellectual property in certain jurisdictions, differing consumer sentiments and preferences, competition from existing established competitors, exchange rate fluctuations, political or economic instabilities, and taxation.</p> <p>Step One will make informed decisions on the attractiveness and effectiveness of any future acquisitions or expansions into new markets, based on information available to Step One at that time. If such information turns out to be inaccurate, or circumstances arise outside of Step One's control while entering these new markets, there may be a material adverse effect on the financial and/or operational performance of Step One.</p>	Section 5.2.23
<b>Future growth may place significant demands on Step One's warehouse, infrastructure and online platforms</b>	<p>As Step One is in a growth phase of its development, Step One will need to continue to upgrade and enhance its access to 3PL, infrastructure and online platforms to ensure it has sufficient capacity for its forecast growth in customer base and product offering. If Step One is unable to manage its warehouse, infrastructure and online platforms in line with the forecast growth and demand, this may have a material adverse effect on Step One's financial and/or operational performance in the future</p>	Section 5.2.24
<b>Other key risks</b>	<p>The above risks are a summary of some of the key risks associated with an investment in Step One, but they are not an exhaustive list of all the key risks that may affect Step One or that may be associated with an investment in the Shares. A number of other key risks are included in Section 5, and investors should review all of these carefully before making an investment decision.</p>	Section 5

## 1.5 Directors and senior executives

TOPIC	SUMMARY	FURTHER INFORMATION
<b>Who are the Directors of the Company?</b>	<ul style="list-style-type: none"> <li>▪ David Gallop AM – Chairperson and Non-Executive Director</li> <li>▪ Greg Taylor – Founder, Chief Executive Officer and Executive Director</li> <li>▪ Michael Reddie – Executive Director</li> <li>▪ Kate Thompson – Non-Executive Director</li> <li>▪ Rick Dennis – Non-Executive Director</li> </ul>	Section 6.1
<b>Who are the members of the Company’s senior management?</b>	<ul style="list-style-type: none"> <li>▪ Greg Taylor – Founder, Chief Executive Officer and Executive Director</li> <li>▪ Nigel Underwood – Chief Financial Officer</li> <li>▪ Michael Reddie – Chief Legal Officer and Executive Director</li> </ul>	Section 6.2

## 1.6 Significant interests of key people and related party transactions

TOPIC	SUMMARY	FURTHER INFORMATION								
<b>Who is the Existing Shareholder and what will its interest in the Company be immediately following Completion?</b>	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th rowspan="2">DIRECTOR</th> <th colspan="2">SHARES HELD ON COMPLETION OF THE OFFER</th> </tr> <tr> <th>NO.</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Greg Taylor<sup>1</sup></td> <td style="text-align: center;">123,000,000</td> <td style="text-align: center;">66.4%</td> </tr> </tbody> </table> <p><sup>1</sup> Greg Taylor’s shareholding is held through the Existing Shareholder, an entity controlled by Greg Taylor.</p>	DIRECTOR	SHARES HELD ON COMPLETION OF THE OFFER		NO.	%	Greg Taylor <sup>1</sup>	123,000,000	66.4%	Sections 6.3.1.4, 7.1.6
DIRECTOR	SHARES HELD ON COMPLETION OF THE OFFER									
	NO.	%								
Greg Taylor <sup>1</sup>	123,000,000	66.4%								
<b>What significant benefits and interests are payable to Directors and other persons connected with the Company or the Offer?</b>	<p>Directors are entitled to remuneration and fees on commercial terms as summarised below:</p> <table style="width: 100%;"> <tbody> <tr> <td style="width: 50%;"><b>David Gallop AM</b> Non-Executive Chairperson</td> <td style="width: 50%;">a fee of \$154,000 per annum</td> </tr> <tr> <td><b>Kate Thompson</b> Non-Executive Director</td> <td>a fee of \$88,000 per annum</td> </tr> <tr> <td><b>Rick Dennis</b> Non-Executive Director</td> <td>a fee of \$88,000 per annum</td> </tr> <tr> <td><b>Michael Reddie</b> Chief Legal Officer and Executive Director</td> <td>a fee of \$88,000 per annum. Michael does not draw a salary for his executive role.</td> </tr> </tbody> </table>	<b>David Gallop AM</b> Non-Executive Chairperson	a fee of \$154,000 per annum	<b>Kate Thompson</b> Non-Executive Director	a fee of \$88,000 per annum	<b>Rick Dennis</b> Non-Executive Director	a fee of \$88,000 per annum	<b>Michael Reddie</b> Chief Legal Officer and Executive Director	a fee of \$88,000 per annum. Michael does not draw a salary for his executive role.	Sections 6.3.1.2, 6.3.1.4
<b>David Gallop AM</b> Non-Executive Chairperson	a fee of \$154,000 per annum									
<b>Kate Thompson</b> Non-Executive Director	a fee of \$88,000 per annum									
<b>Rick Dennis</b> Non-Executive Director	a fee of \$88,000 per annum									
<b>Michael Reddie</b> Chief Legal Officer and Executive Director	a fee of \$88,000 per annum. Michael does not draw a salary for his executive role.									

# 1. Investment overview

TOPIC	SUMMARY	FURTHER INFORMATION
	As part of their remuneration for FY2022, including in respect of the period prior to their appointment to the Board, each of the Non-Executive Directors have elected to receive part of that amount in the form of Shares as set out below:	
<b>David Gallop AM</b> Non-Executive Chairperson	In respect of the remuneration for the months of August, September, October, November and December 2021 – 51,000 Shares. See Section 6.3.1.4	
<b>Kate Thompson</b> Non-Executive Director	In respect of the remuneration for the months of July 2021 to June 2022 (inclusive) – 67,500 Shares. See Section 6.3.1.4	
<b>Rick Dennis</b> Non-Executive Director	In respect of the remuneration for the for the months of August, September, October, November and December 2021 – 30,000 Shares. See Section 6.3.1.4	

DIRECTOR	SHARES HELD IMMEDIATELY PRIOR TO COMPLETION OF THE OFFER		SHARES TRANSFERRED TO SALECO IN CONNECTION WITH THE OFFER		SHARES HELD ON COMPLETION OF THE OFFER	
	NO.	%	NO.	%	NO.	%
Greg Taylor <sup>1</sup>	150,000,000	100%	27,000,000	18.0%	123,000,000	66.4%
Michael Reddie <sup>2</sup>	0	0.0%	0	0.0%	9,000,000	4.9%
David Gallop	0	0.0%	0	0.0%	99,000	0.1%
Kate Thompson	0	0.0%	0	0.0%	67,500	0.0%
Rick Dennis	0	0.0%	0	0.0%	30,000	0.0%

- Greg Taylor's shareholding is held through the Existing Shareholder, an entity controlled by Greg Taylor.
- Michael Reddie's shareholding will be held through Faraday, an entity controlled by Michael Reddie. Prior to the date of this Prospectus, Step One granted 60 phantom share units to Faraday. Under the terms of the phantom share units, the 60 phantom share units will convert to 9,000,000 Shares at the Completion of the Offer.

TOPIC	SUMMARY	FURTHER INFORMATION										
<b>Legacy option grants</b>	<p>On 30 June 2021, Nigel Underwood and Ty Barlow were each granted 6 options. At the date of this Prospectus, Nigel Underwood and Ty Barlow each hold 900,000 options, which resulted from a share split undertaken by Step One prior to the date of this Prospectus. On 6 October 2021, Kama Business Solutions Limited, an entity associated with Karl Bengston, was granted 300,000 options on similar terms to the 30 June 2021 grant. The key terms of the options are set out below:</p> <table border="1" data-bbox="512 770 1289 1267"> <thead> <tr> <th data-bbox="520 775 580 797">TERM</th> <th data-bbox="895 775 1042 797">DESCRIPTION</th> </tr> </thead> <tbody> <tr> <td data-bbox="520 824 644 846"><b>Issue price</b></td> <td data-bbox="895 824 1150 846">No issue price payable</td> </tr> <tr> <td data-bbox="520 875 608 898"><b>Vesting</b></td> <td data-bbox="895 875 1270 1025">Subject to the option holder remaining employed or engaged by Step One or any of its subsidiaries, the options will vest on 30 June 2024.</td> </tr> <tr> <td data-bbox="520 1055 683 1077"><b>Exercise Price</b></td> <td data-bbox="895 1055 1082 1077">\$1.33 per option</td> </tr> <tr> <td data-bbox="520 1106 699 1128"><b>Exercise Period</b></td> <td data-bbox="895 1106 1278 1256">Subject to vesting, the options may be exercised at any time from 30 June 2024 to 30 June 2031, being the expiry date of the options.</td> </tr> </tbody> </table>	TERM	DESCRIPTION	<b>Issue price</b>	No issue price payable	<b>Vesting</b>	Subject to the option holder remaining employed or engaged by Step One or any of its subsidiaries, the options will vest on 30 June 2024.	<b>Exercise Price</b>	\$1.33 per option	<b>Exercise Period</b>	Subject to vesting, the options may be exercised at any time from 30 June 2024 to 30 June 2031, being the expiry date of the options.	Section 6.3.3
TERM	DESCRIPTION											
<b>Issue price</b>	No issue price payable											
<b>Vesting</b>	Subject to the option holder remaining employed or engaged by Step One or any of its subsidiaries, the options will vest on 30 June 2024.											
<b>Exercise Price</b>	\$1.33 per option											
<b>Exercise Period</b>	Subject to vesting, the options may be exercised at any time from 30 June 2024 to 30 June 2031, being the expiry date of the options.											
<b>Will any Shares be subject to restrictions on disposal following Completion?</b>	<p>Yes.</p> <p>Shares held by Escrowed Shareholders on Completion will be subject to voluntary escrow arrangements. Each Escrowed Shareholder will enter into an escrow arrangement in respect of their Escrowed shares, which will prevent them from disposing of their respective Escrowed Shares for the applicable escrow period.</p> <p>At Completion, it is expected that at least approximately 132.2 million Shares, representing approximately 71% of the total issued capital of the Company on an undiluted basis, will be subject to either ASX escrow and/or voluntary escrow arrangements.</p>	Section 9.6										
<b>Are there any other related party transactions?</b>	<p>No, the Company is not party to any material related party arrangements.</p>											

# 1. Investment overview

## 1.7 Overview of the Offer

TOPIC	SUMMARY	FOR MORE INFORMATION																												
Who is the issuer of this Prospectus?	Step One Clothing Limited ACN 616 696 318	Important notices																												
What is the Offer?	The Offer is an initial public offering of 53,143,791 Shares at an Offer Price of \$1.53 per Share. The Shares offered under this Prospectus will represent approximately 29% of Shares on issue at Completion. The Offer is expected to raise approximately \$81.3 million.	Section 7.1																												
What is the consideration payable for the Shares?	Successful Applicants under the Offer will pay the Offer Price, being \$1.53 per Share.	Section 7.1																												
What is the proposed use of proceeds raised in connection with the Offer?	<p>Of the \$81.3 million to be raised from the Offer, the Company proposes to use the proceeds as follows:</p> <table border="1"> <thead> <tr> <th>SOURCES</th> <th>A\$ MILLION</th> <th>USES</th> <th>A\$ MILLION</th> </tr> </thead> <tbody> <tr> <td>Cash proceeds received by the Company for the issue of Shares under the Offer</td> <td>\$40.0 million</td> <td>Inventory investment</td> <td>\$15.7 million</td> </tr> <tr> <td>Cash proceeds received for the transfer of Shares by SaleCo under the Offer</td> <td>\$41.3 million</td> <td>Advertising and branding expenditure for US market entry</td> <td>\$12.1 million</td> </tr> <tr> <td></td> <td></td> <td>Corporate and Public Company Costs and Working Capital</td> <td>\$5.2 million</td> </tr> <tr> <td></td> <td></td> <td>Payment of Offer costs</td> <td>\$7.0 million</td> </tr> <tr> <td></td> <td></td> <td>Payment to SaleCo of cash proceeds as consideration for the sale of existing Shares under the Offer</td> <td>\$41.3 million</td> </tr> <tr> <td><b>Total sources</b></td> <td><b>\$81.3 million</b></td> <td><b>Total Uses</b></td> <td><b>\$81.3 million</b></td> </tr> </tbody> </table>	SOURCES	A\$ MILLION	USES	A\$ MILLION	Cash proceeds received by the Company for the issue of Shares under the Offer	\$40.0 million	Inventory investment	\$15.7 million	Cash proceeds received for the transfer of Shares by SaleCo under the Offer	\$41.3 million	Advertising and branding expenditure for US market entry	\$12.1 million			Corporate and Public Company Costs and Working Capital	\$5.2 million			Payment of Offer costs	\$7.0 million			Payment to SaleCo of cash proceeds as consideration for the sale of existing Shares under the Offer	\$41.3 million	<b>Total sources</b>	<b>\$81.3 million</b>	<b>Total Uses</b>	<b>\$81.3 million</b>	Section 7.1.3
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<b>Total sources</b>	<b>\$81.3 million</b>	<b>Total Uses</b>	<b>\$81.3 million</b>																											
What is SaleCo?	SaleCo is a special purpose vehicle that has been established to facilitate the sale of Shares by the Existing Shareholder	Section 9.3																												



TOPIC	SUMMARY	FOR MORE INFORMATION
<b>How is the Offer structured?</b>	<p>The Offer comprises:</p> <ul style="list-style-type: none"> <li>▪ the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker;</li> <li>▪ the Priority Offer, which is open to selected investors in Australia nominated by the Company who receive an offer to apply for Shares; and</li> <li>▪ the Institutional Offer, which consists of an offer to Institutional Investors in Australia and a number of other eligible jurisdictions, made under this Prospectus.</li> </ul> <p>No general offer of Shares will be made in the Offer.</p>	Section 7.2
<b>Is the Offer underwritten?</b>	Yes. The Lead Manager has fully underwritten the Offer. Details are provided in Sections 7.8 and 9.5.	Section 7.2
<b>What is the allocation policy?</b>	<p>The allocation of Shares between the Broker Firm Offer, the Priority Offer, and the Institutional Offer will be determined by Step One and the Lead Manager, having regard to the allocation policies outlined in this Prospectus.</p> <p>For Broker Firm Offer applicants, the relevant Broker will decide how they allocate Shares among their retail clients.</p> <p>The Lead Manager and Step One have absolute discretion regarding the allocation of Shares to applicants under the Offer and may reject an Application, or allocate a lesser number of Shares than applied for. The Lead Manager and Step One also reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person.</p>	Section 7.2
<b>Who is the Lead Manager to the Offer?</b>	The Lead Manager is Morgans Corporate Limited (ABN 32 010 539 607).	Section 7.2
<b>Will the Shares be quoted on the ASX?</b>	<p>The Company will apply to ASX within seven days of the Prospectus Date for admission to the official list of, and quotation of its Shares by, ASX under the code 'STP'.</p> <p>Completion is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable and in accordance with the requirements of the Corporations Act.</p>	Section 7.2
<b>Is there any brokerage, commission or stamp duty payable by Applicants?</b>	No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.	Section 7.2

# 1. Investment overview

TOPIC	SUMMARY	FOR MORE INFORMATION
<b>What are the tax implications of investing in the Shares?</b>	<p>Summaries of certain Australian tax consequences of participating in the Offer and investing in Shares are set out in Section 9.12.</p> <p>The tax consequences of any investment in Shares will depend upon an investor's particular circumstances. Applicants should obtain their own tax advice prior to deciding whether to invest.</p>	Section 9.12
<b>How can I apply?</b>	<p><b>Broker Firm Offer Applicants</b></p> <p>Broker Firm Offer Applicants may apply for Shares by completing the Application Form included in or accompanying this Prospectus, and lodging it with the Broker who invited them to participate in the Offer.</p> <p><b>Priority Offer Applicants</b></p> <p>Applicants under the Priority Offer may apply for Shares by following the instructions on how to apply in the Priority Offer invitation.</p> <p><b>Institutional Offer Applicants</b></p> <p>The Lead Manager separately advised Institutional Investors of the Application procedure under the Institutional Offer. To the extent permitted by law, an Application received under the Offer is irrevocable.</p>	Sections 7.3, 7.4, 7.5, 7.6
<b>What is the minimum Application size?</b>	<p>The minimum Application under the Offer is A\$2,001.24 for 1,308 Offer Shares. There is no maximum value of Shares that may be applied for under the Offer. The Lead Manager, in consultation with the Company, reserves the right to reject any Application or to allocate a lesser number of Shares than applied for.</p>	Section 7.2
<b>When will I receive confirmation that my Application has been successful?</b>	<p>It is expected that initial holding statements will be mailed to successful Applicants by post on or about 29 October 2021.</p>	Section 7.2
<b>When can I sell my Shares on the ASX?</b>	<p>It is expected that trading of the Shares on ASX will commence on or about 1 November on a normal settlement basis.</p>	Section 7.2
<b>Can the Offer be withdrawn?</b>	<p>The Company may withdraw the Offer at any time before the issue of Shares to successful Applicants or bidders under Offer.</p> <p>If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).</p>	Important notices
<b>Where can I find out more information about this Prospectus or the Offer?</b>	<p>If you have any questions in relation to the Offer, contact the Step One Offer Information Line on 1800 642 133 (toll free within Australia); or +61 1800 642 133 (outside Australia) between 8:30am and 5:30pm (Sydney time), Monday to Friday.</p> <p>If you are unclear in relation to any matter, or are uncertain as to whether the Company is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p>	Important notices

## SECTION 02

# INDUSTRY OVERVIEW



# BLACK MAMBAS

LIMITED EDITION

## 2. Industry overview

### 2.1 Overview

Step One is a brand owner and exclusively online direct-to-consumer retailer, focused on high-quality, organic, ethical and sustainable products in the underwear category, which is part of the broader apparel market. Step One currently operates in Australia and the United Kingdom and has plans to enter the North American market. The Company's current range is in the men's underwear segment but Step One also intends to broaden its product range and enter the sports and women's underwear market as part of its growth strategy.

### 2.2 Underwear Market Overview

The underwear market is a segment of the innerwear market (which also includes socks and hosiery), which is part of the broader apparel market (including outerwear and footwear).

Globally the innerwear market is estimated by Frost & Sullivan to be A\$212 billion, of which approximately 70% (A\$150 billion) is estimated to be underwear. Underwear is sold through a mix of channels, including physical stores, omni-channel retail and online.

The information in this section has been presented for Step One's key geographic regions of Australia and the United Kingdom (UK) (existing markets), together with the United States (US) (planned market entry in 2H of CY2021).

**Table 1: Underwear market overview**

	MEN'S	WOMEN'S
<b>Products</b>	<ul style="list-style-type: none"> <li>▪ Boxers</li> <li>▪ Briefs</li> <li>▪ Trunks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Boxers</li> <li>▪ Briefs</li> <li>▪ Bras</li> <li>▪ Camisoles</li> <li>▪ Lingerie</li> <li>▪ Slips</li> <li>▪ Trunks</li> </ul>
<b>Channels</b>	<ul style="list-style-type: none"> <li>▪ Specialty retail</li> <li>▪ Online retail</li> <li>▪ Mixed retail (e.g., department stores)</li> <li>▪ Other retailers (e.g., supermarkets)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Specialty retail</li> <li>▪ Online retail</li> <li>▪ Mixed retail (e.g., department stores)</li> <li>▪ Other retailers (e.g., supermarkets)</li> </ul>
<b>Australia, UK and US (2020)</b>	\$8.3 billion (32%)	\$17.8 billion (68%)

Based on Frost & Sullivan data, the underwear market is relatively mature and is characterised by modest growth rates (2.1% CAGR across the Australian, UK and US markets between 2016 and 2025), and with relatively stable market participants and market share observed over the historical period. While the market is global, the market participants tend to vary by geography, and also by category (men's versus women's).

While Step One does not currently service the women's underwear market, Step One plans to enter the underpants sub-segment of this market as part of its growth strategy. As such, information for the women's underwear market has also been presented. It should be noted that the women's underwear market includes products such as bras and lingerie. Step One is planning to address the women's underwear market focussed on underpants (e.g., briefs, boxers and trunks) and does not have any current plans to compete in other product categories (e.g. bras and lingerie).

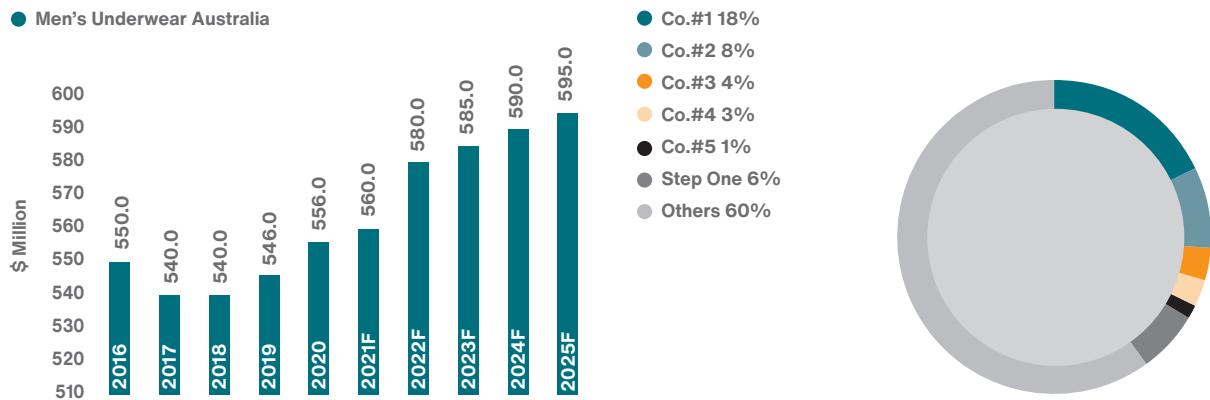
### 2.2.1 Australia

Frost & Sullivan estimates that the underwear market in Australia grew by a CAGR of 0.9% from 2016 to 2020 with a total market size of A\$1.54 billion and is forecast to increase by a CAGR of 2.0% through to 2025 to reach A\$1.70 billion.

#### 2.2.1.1 Men's Market

Within the total Australian underwear market, Frost & Sullivan forecasts men's underwear will grow at a CAGR of 1.4% between 2020 and 2025 to reach a market size of \$595 million. In 2020, Frost & Sullivan estimates that the market leading brand had a market share in Australia of 18% of the men's underwear market, with the top 5 brands accounting for 39% of the market. Within the top 5 brands, Step One was estimated to have a market share of 6%. Based on Frost & Sullivan's data, the market remains fragmented with approximately 60% of the market being held by brands with less than 1.5% individual market share.

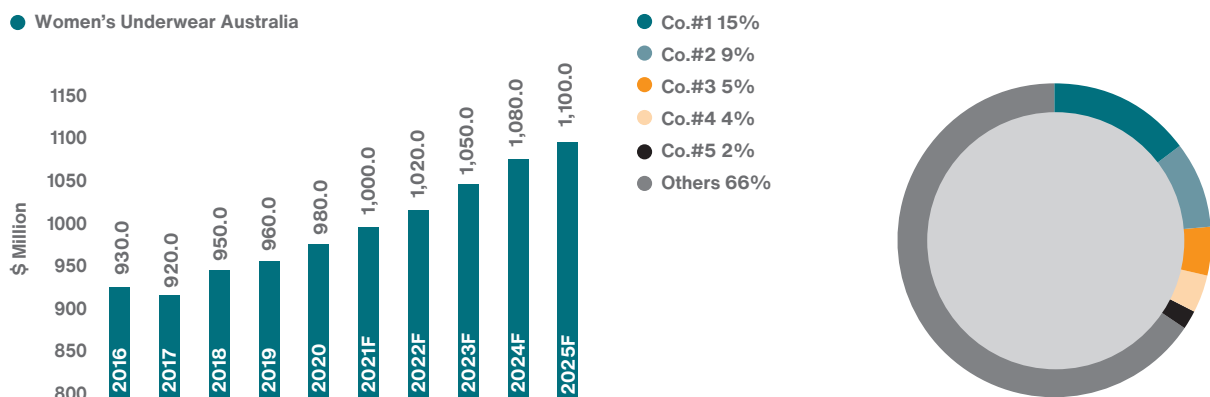
Figure 1: Men's underwear market in Australia 2020 (size and market share)



#### 2.2.1.2 Women's market

Frost & Sullivan forecasts the women's underwear market in Australia to grow at a CAGR of 2.3% between 2020 and 2025 to reach a size of A\$1.1 billion. In 2020, Frost & Sullivan estimates that the market leading brand had a market share in Australia of 15% of the women's underwear market, with the top 5 brands accounting for 34% of the market. Similar to the men's underwear market, the women's underwear market is also fragmented with 66% of the market being held by brands outside of the top 5 brands, with less than 1.6% individual market share.

Figure 2: Women's underwear market in Australia 2020 (size and market share)



## 2. Industry overview

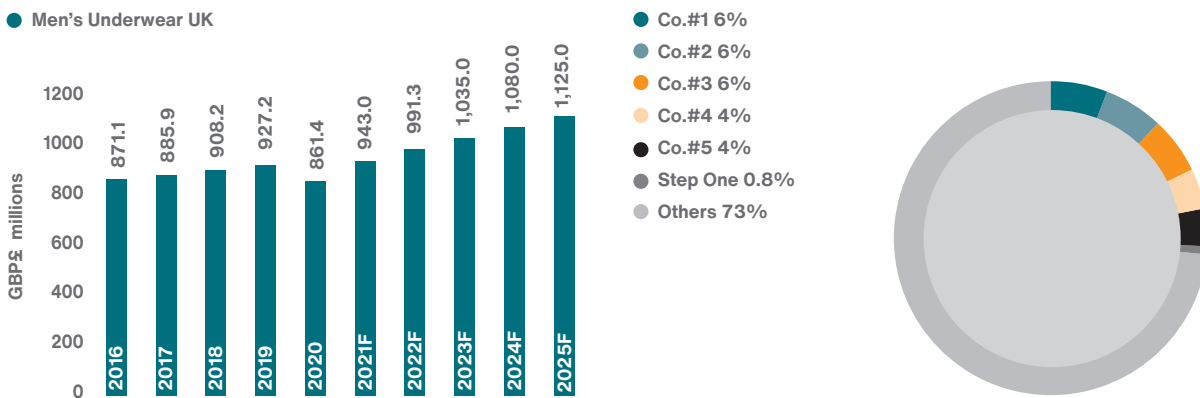
### 2.2.2 United Kingdom (UK)

Frost & Sullivan estimates that the underwear market in the UK declined by a CAGR of -0.3% from 2016 to 2020 with a total market size of GBP£3.15 billion (A\$5.6 billion<sup>1</sup>) but is forecast to increase by a CAGR of 4.0% through to 2025 to reach GBP£3.85 billion (A\$6.9 billion). The decline in the period to 2020 is linked to lower retail sales during the COVID-19 pandemic, with other historical years showing year on year growth.

#### 2.2.2.1 Men’s market

Within the total UK underwear market, Frost & Sullivan forecasts that the men’s underwear will grow at CAGR of 5.5% between 2020 and 2025 to reach a size of GBP£1,125 million (A\$2.0 billion<sup>2</sup>). In 2020, Frost & Sullivan estimates that the market leading brand had a market share in the UK of 6% of the men’s underwear market, with the top 5 brands accounting for 26% of the market. Frost & Sullivan estimates that Step One had a market share of approximately 0.8% in 2020. The UK market appears to be more fragmented, with 73% of the market being held by brands with less than 4% market share.

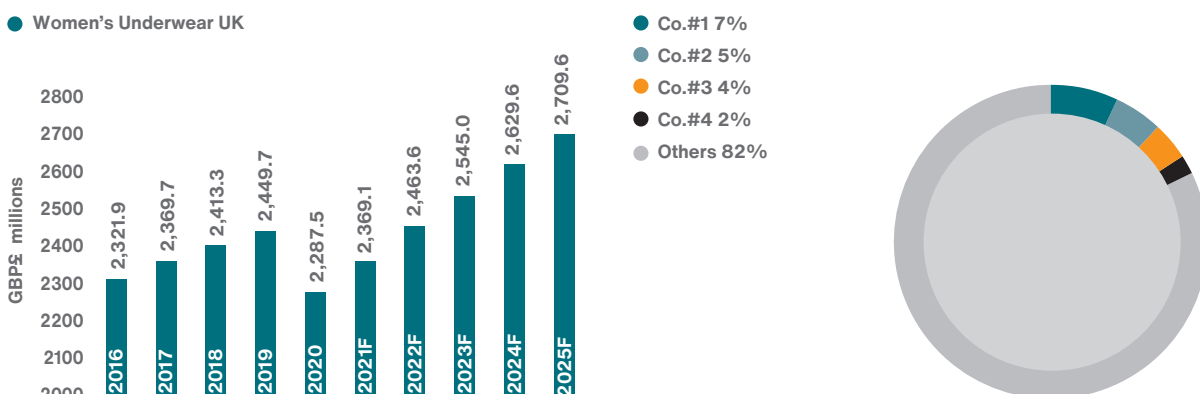
Figure 3: Men’s underwear market in the United Kingdom 2020 (size and market share)



#### 2.2.2.2 Women’s market

Frost & Sullivan forecasts the women’s underwear market in the UK to grow at a CAGR of 3.4% between 2020 and 2025 to reach a size of GBP£2.7 billion (A\$4.8 billion<sup>3</sup>). In 2020, Frost & Sullivan estimates that the market leading brand had a market share in the UK of 7% of the women’s underwear market, with the top 4 brands accounting for 18% of the market. Similarly, to the men’s underwear market, the UK women’s underwear market is highly fragmented with 82% of the market being held by brands outside of the top 4 brands, with less than 2.0% individual market share.

Figure 4: Women’s underwear market in the United Kingdom (size and market share)



<sup>1</sup> Assuming 1 May 2021 AUD:GBP exchange rate of 0.56

<sup>2</sup> Ibid

<sup>3</sup> Assuming 1 May 2021 AUD:GBP exchange rate of 0.56

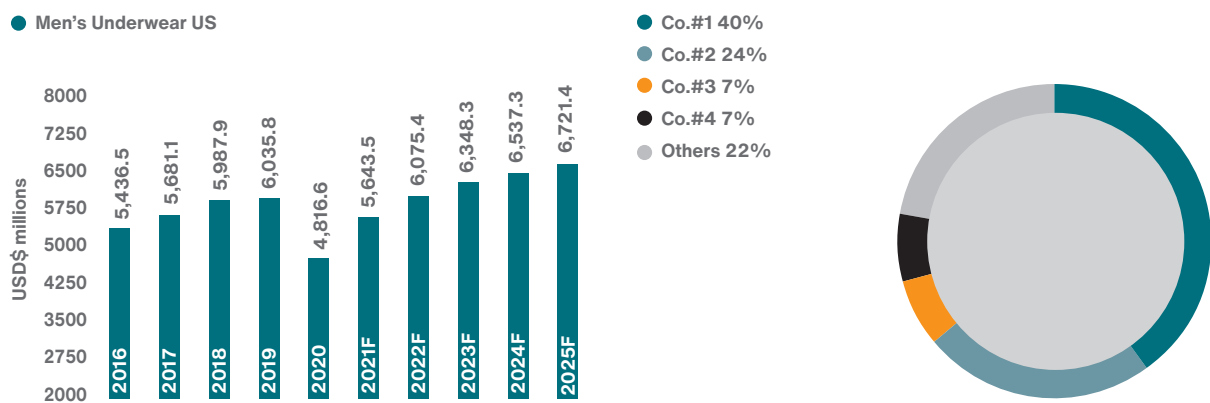
### 2.2.3 United States (US)

Frost & Sullivan estimates that the underwear market in the US declined by a CAGR of -4.3% from 2016 to 2020 with a total market size of USD\$14.7billion (A\$18.9 billion<sup>4</sup>) but is forecast to increase by a CAGR of 7.6% through to 2025 to reach USD\$21.2 billion (A\$27.2 billion<sup>5</sup>). Similar to the UK, the US market experienced a decline in 2020 due to the COVID-19 pandemic and the associated lockdowns whilst historically the market has been growing year on year.

#### 2.2.3.1 Men’s market

Within the total US underwear market, Frost & Sullivan forecasts that men’s underwear will grow at a CAGR of 6.9% between 2020 and 2025 to reach a size of USD\$6.7 billion (A\$8.6 billion<sup>6</sup>), reflecting a rebound from the COVID-19 impacted year of 2020. In 2020, Frost & Sullivan estimated that the market leading company in the US had a market share of approximately 40% (across multiple brands), with the top 4 participants holding approximately 78% market share. The US market is more concentrated and significantly larger than the Australian and UK markets, as shown in Figure 5 below.

Figure 5: Men’s underwear market in the United States (size and market share)



#### 2.2.3.2 Women’s market

Frost & Sullivan forecasts the women’s underwear market in the US to grow at a CAGR of 8.0% between 2020 and 2025 to reach a size of USD\$14.5 billion (A\$18.6 billion<sup>7</sup>). In 2020, Frost & Sullivan estimates that the market leading brand had a market share in the US at 21% of the women’s underwear market, with the top 4 brands accounting for 50% of the market. The women’s underwear market in the US is more fragmented than the men’s market, with 50% of the market being held by brands outside of the top 4 brands, with less than 5.7% individual market share; however, it is more concentrated than the women’s underwear market in Australia and the UK.

<sup>4</sup> Assuming 1 May 2021 AUD:USD exchange rate of 0.78

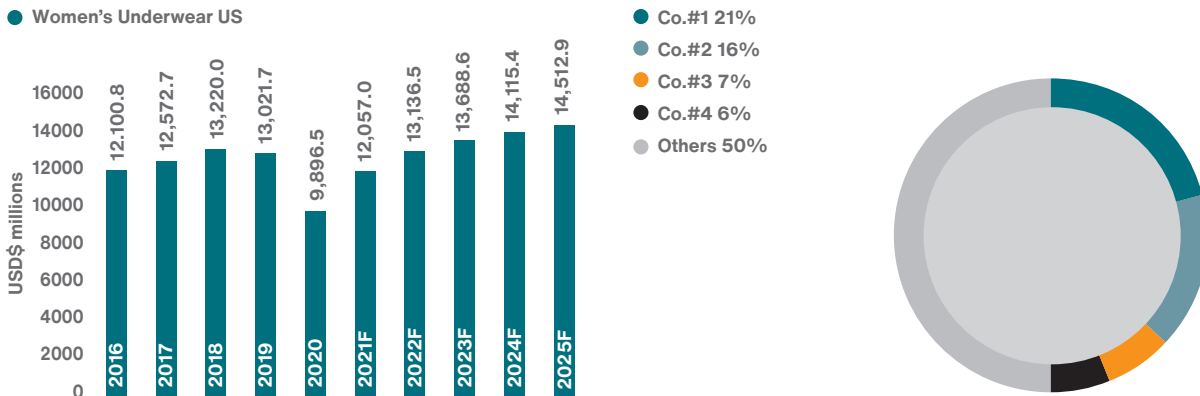
<sup>5</sup> Ibid

<sup>6</sup> Ibid

<sup>7</sup> Ibid

## 2. Industry overview

Figure 6: Women’s underwear market in the United States (size and market share)



### 2.3 Industry Trends and Drivers

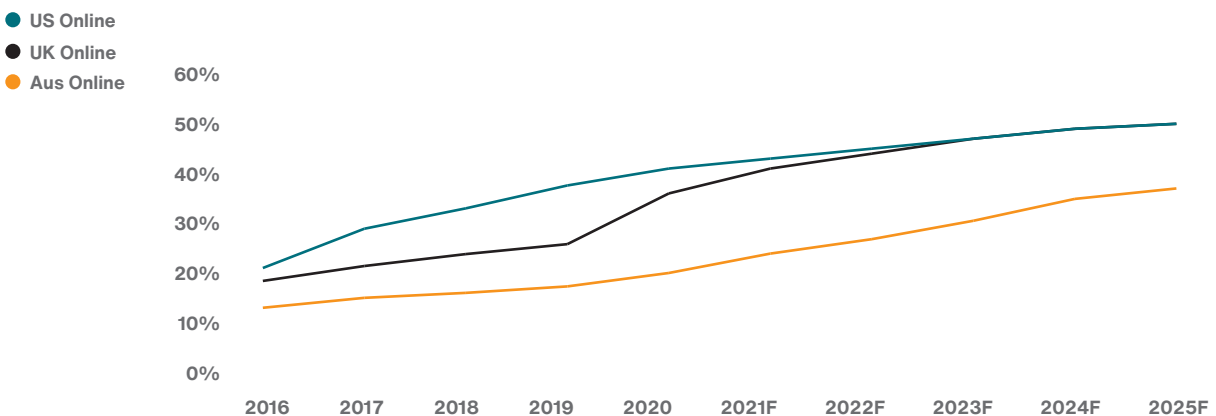
#### 2.3.1 Increasing online penetration in apparel retail

A key shift in consumer markets recently has been the increase in penetration of online sales in the broader apparel market. This includes traditional retailers establishing an online presence, the emergence of online marketplaces and multi-line online retailers, and direct to consumer brands.

While the level of online penetration does vary between different markets, there is a clear trend of increasing online sales as a proportion of total sales in the apparel market. Frost & Sullivan forecasts the proportion of online sales in the broader apparel market to increase materially in Australia, the UK and the US.

By 2025, Frost & Sullivan forecasts online sales as a percentage of total apparel sales to increase to 38% in Australia, 51% in the UK and 51% in the US.

Figure 7: Online percentage of underwear market (Australia, UK and US)



While this reflects the broader apparel market, and not specifically the underwear market, it is indicative of a shift and continuing trend in consumer preferences to purchasing apparel online.

This increase in online sales is believed to be linked to a number of factors, including:

- the increased adoption of mobile technology across consumers globally;
- improvements in e-commerce technology including responsive web design to enhance the consumer experience;
- improving customer service levels in e-commerce, including free shipping, free returns and other initiatives, providing a low-risk alternative to in-store shopping;
- convenience of 24 hour / 7 day a week access to online stores;



- younger consumers being ‘digital natives’ with growing disposable incomes; and
- reduced delivery periods as distribution infrastructure have improved.

Online retail has also recently been a beneficiary of the COVID-19 pandemic as consumers have been restricted in their physical movement by lockdowns, which has encouraged an increase in online transactions.

## 2.3.2 Other Trends and Drivers

### 2.3.2.1 Economic conditions

As with the broader retail market, sales in the underwear market are impacted by economic conditions, including household incomes, consumer sentiment and employment data. Retail sales were significantly impacted in March 2020 with the onset of the COVID-19 pandemic but have recovered to levels higher than pre-COVID. For example, total retail sales in Australia in June 2021 were 2.9% higher than June 2020 and up 11.6% compared to June 2019<sup>8</sup>. Importantly, clothing retail was 9.6% higher in June 2021 compared to June 2020 and 5.5% higher than June 2019, indicating sustained recent growth in the sector.

Buoyed by positive employment data, and a strong housing market, Australian consumer confidence rebounded from COVID-19 reasonably strongly. Despite a weakening in the most recent Westpac-Melbourne Institute Index of Consumer Sentiment (reporting a 4.4% month-over-month fall to 104.1 in August 2021), this reading is still well above the lows seen during 2020’s national lock-down (75.6) and the index is comfortably above the readings seen over the twelve months prior to the pandemic (an average of 97.5)<sup>9</sup>. The UK’s GfK Consumer Confidence edged down to -8 in August of 2021, from -7 in the previous month<sup>10</sup>, which was the highest reading since March 2020, as expectations for personal financial situations for the coming 12 months held up. Conversely, in the US the economic recovery from COVID has taken a slump recently with The University of Michigan’s consumer sentiment index for the US reporting a reading of 70.3 in August of 2021<sup>11</sup>. It is the weakest reading in more than a decade, mainly due to the slump in the expectations gauge, as personal financial prospects continued to worsen due to smaller income gains amid higher inflationary trends. Consumers’ extreme reactions were due to the surging Delta variant, higher inflation, slower wage growth and smaller declines in unemployment.

In terms of employment, Australia’s unemployment rate has improved strongly in recent months and was 4.6% at July 2021 compared to a high of 7.5% in July 2020 when the pandemic effects were most pronounced<sup>12</sup>. At 4.6%, the unemployment rate is now lower than pre-COVID levels, partly reflecting the success of government economic stimulus measures such as JobKeeper and JobSeeker. The US employment market has made a strong recovery since April 2020 when the unemployment rate hit 14.8% to reach 5.2% in August 2021<sup>13</sup>. In the UK, unemployment fell to 4.7% in the second quarter of 2021 from 4.9% in the first quarter, suggesting the labour market has continued to recover following the relaxation of restrictions related to COVID<sup>14</sup>.

### 2.3.2.2 Geopolitical tensions

Over the course of 2020 and 2021 there have been ongoing trade tensions particularly between Australia and China, and the United States and China, which have the potential to impact businesses that rely on importing and exporting product between these nations. In addition, the UK is continuing to establish itself and its trading relationship with various global economies post its exit from the European Union. These sorts of geopolitical factors can create material disruptions to businesses operating on a multi-national basis, and with a supply chain that utilises offshore production. This has seen a trend towards “nearshoring”, moving production to nations closer to the home market or market of sale, and also the diversification of production away from markets that could potentially be impacted by trade tensions.

<sup>8</sup> Australian Bureau of Statistics, 8501.0 Retail Trade, Australia. Released April 2021.

<sup>9</sup> Westpac-Melbourne Institute Index of Consumer Sentiment. Released 14 April 2021.

<sup>10</sup> United Kingdom’s Growth from Knowledge (GfK) Consumer Confidence Barometer.

<sup>11</sup> University of Michigan – US Consumer Sentiment. Released 30 July 2021.

<sup>12</sup> Australian Bureau of Statistics, Labour Force, Australia. Released July 2021.

<sup>13</sup> U.S Bureau of Lab or Statistics. Released July 2021.

<sup>14</sup> Office for National Statistics. Labour Market Overview, UK July 2021. Released July 2021.

## 2. Industry overview

### 2.3.2.3 COVID Pandemic

From March 2020, the COVID-19 pandemic brought about widespread economic uncertainty and the implementation of government imposed social restrictions and lockdowns in a range of markets including Australia, the UK and the US, which led to the sharp and significant economic contraction of these economies.

The COVID-19 pandemic has also posed challenges for supply chains globally, with physical lockdowns interrupting the flow of goods and disrupting manufacturing and logistical operations as a result.

In response to the COVID-19 pandemic there has been substantial economic stimulus globally. This economic stimulus has driven a sharp recovery in economic activity, including apparel sales, and is expected to support the expected growth of the underwear market as forecast by Frost & Sullivan.

### 2.3.2.4 Environmental & sustainability

Consumers are increasingly seeking products that cause minimal environmental harm and bring about positive social impact. As awareness of supply chain impact on the environment grows, retailers are increasingly embracing sustainability and seeking to understand their environmental impact. This has seen a rise in environmentally and sustainably conscious products and brands.

## 2.4 Barriers to entry

The barriers to entry to the underwear market will continue to evolve. The primary barriers to entry and competing at scale relate to the time and costs associated with establishing a business, building brand recognition and consumer trust, developing a team with the necessary expertise, developing a product set, building relationships with suppliers and developing an efficient supply chain.

### 2.4.1 Customer base

A large and engaged customer base is attractive, and provides a retailer with a broad customer reach and greater sales potential, compared to a customer base that is smaller or is relatively less engaged. Building an engaged customer base can involve considerable time and marketing spend across multiple markets.

### 2.4.2 Brand recognition and loyalty

Many customers are discerning about certain brands, and brands can use this to assist in generating a loyal customer base. Retailers must establish a product set and a customer value proposition that is understood and appreciated by the customer as well as being ethical and sustainable.

### 2.4.3 Consumer trust

Customer trust can be built up through successful interactions during the course of a transaction with a retailer. These interactions include the full lifecycle of a purchase from attracting the customer to the site through targeted marketing to purchasing a good, to the ultimate delivery of that good. Credibility of brand and warranty claims such as "money-back guarantees" of retailers are a key consideration for consumers given the various consumer groups and regulatory landscape they operate under.

Each part of the transaction is critiqued by discerning customers, and those retailers that complete each successfully can build trust with their customers.

### 2.4.4 Data

Online retailers can utilise their internally generated data and analytics to potentially provide a better experience for their customers, or to provide the customer with a compelling offer at the appropriate time. Online retailers can also use data and analytics to generate more effective marketing campaigns to attract new customers.

### 2.4.5 Supplier relationships

Strong, sustainable and effective supplier relationships allow for greater flexibility and responsiveness by retailers to manage their inventory levels to meet customer demands but also to have appropriate diversification of supply chains geographically.

## SECTION 03

# BUSINESS OVERVIEW



## 3. Business overview

### 3.1 Overview

Step One is a leading direct-to-consumer online retailer for men's underwear. The Company offers an exclusive range of high quality, organically grown, sustainable and ethical underwear that suit a range of body types.

Step One's business model is centred on the following key components:

- Innovative combination of product features
- Sustainable and ethical focus
- Successful marketing strategy and in-house content
- Delivering an outstanding online customer experience

Step One prides itself on customer satisfaction and offers a 12-month product warranty, with a first pair guarantee<sup>1</sup> and 24/7 support available to customers. This outstanding customer experience is underpinned by the 40,000+ 5-star reviews that it has received across established consumer review websites<sup>2</sup>.

The Company has focused on building trust and long-term relationships with quality, reliable and accredited manufacturers. Step One works with four manufacturing partners between China and Vietnam that are either BSCI or SA8000 accredited as part of its focus to produce sustainable and ethical products (as at August 2021).

Since its creation in 2017, Step One has experienced strong growth underpinned by a track record of customer acquisition and retention. In FY2021, approximately 45% of customer orders were from returning customers in a year where Step One fulfilled over 832,000 customer orders (growth of 182% over FY2020).

In 2020 Step One entered the UK market, with sales contribution from the UK quickly growing to represent approximately 34% of revenue in FY2021. Following that successful launch Step One now plans to expand into the US market and has commenced early market testing. In addition to geographic expansion, Step One is also planning the introduction of a women's line in response to feedback and demand from existing female customers, who already accounted for approximately 37% of customers in FY2021. Step One is also exploring further innerwear adjacencies to extend its product offering and drive future growth. The Step One team is led by Founder and CEO, Greg Taylor, instilling values that place customer satisfaction, product quality and sustainability as a priority for the Company.

### 3.2 Company History

Step One was founded in 2017 when Founder and CEO, Greg Taylor, set out to create a pair of ethically focused underwear that solved the problem chafing and 'ride-up' caused by traditional underwear.

With a product concept developed and ideas for a creative product featured in mind, Greg travelled to China in 2016 to meet with potential manufacturing partners and refine the product design. Greg worked with manufacturers to create an innovative product and after just 4 months in development the Company released its first product to market, with all 5,000 pairs selling out.

Since its launch, Step One has created a loyal customer community and sense of belonging which has resulted in strong repeat order rates. This high level of customer engagement is created through a combination of factors, including Step One's in-house marketing content, distinctive style of ads and creative marketing initiatives including colour releases, special product offers and competitions.

Over time, Step One has established relationships with additional manufacturing partners in China and Vietnam to increase production capacity, satisfy customer demand and mitigate risk of supply chain disruption.

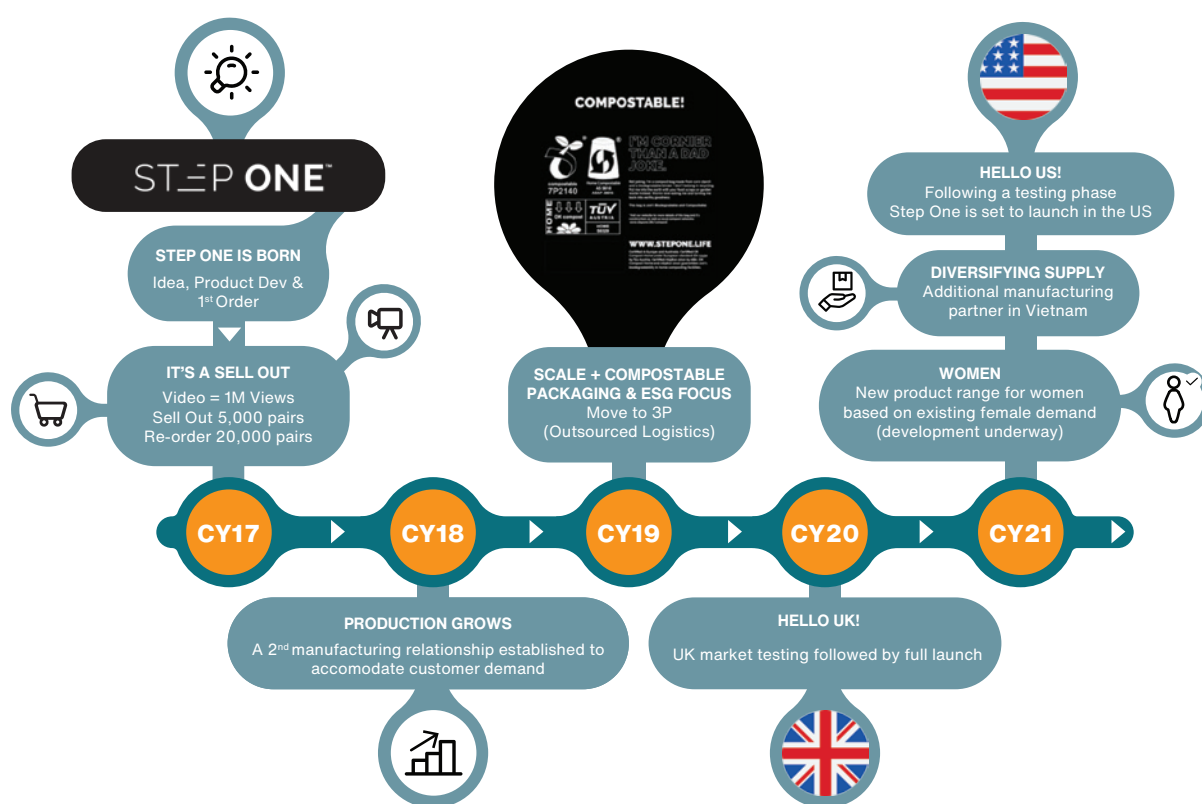
<sup>1</sup> Step One will either send the customer a different size or give a full refund on the first pair of underwear.

<sup>2</sup> Customer reviews taken from respective websites as at August 2021.

In July 2020, in response to orders being received from international markets, the Company officially launched in the UK after a successful testing phase. In FY2021, approximately 34% of Step One’s revenue was derived from UK customers.

With the UK continuing to gain traction, the Company is focused on further expanding its product offering into the USA during FY2022 following an initial testing phase. Feedback received by customers has also encouraged Step One to explore further product development in the form of a women’s line and other innerwear adjacencies, giving Step One the opportunity to become a substantial player in the innerwear market.

Figure 8: Company History



### 3.3 Product

#### 3.3.1 Product overview

Step One men’s underwear was created to solve the problems of traditional underwear with functional features to reduce friction, stop the need for constant readjustment and keep customers feeling comfortable and fresher for longer.

Step One believes that its products have changed men’s underwear, with an innovative combination of features including organically grown bamboo material, Ultraglyde™ panels between the thighs and an elastic 3D pouch for support as described further in Section 3.3.3.

As at the date of this Prospectus, Step One is in the process of launching a women’s underwear line.

#### 3.3.2 Product range

Step One has released three core men’s underwear styles including Boxer Briefs, Trunks and a Boxer Brief with a Fly, illustrated in Figure 9. These products have been developed to suit different customers:

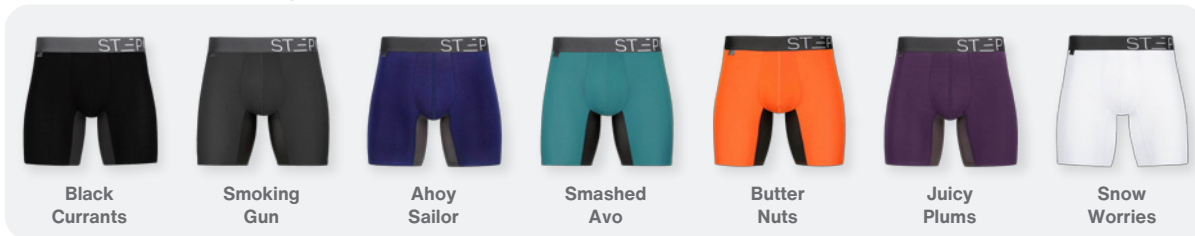
- **Boxer Brief:** suited for customers with thicker legs, with an additional 3cm leg length
- **Trunks:** suited for customers with leaner legs and junior age category

### 3. Business overview

Figure 9: Men's underwear styles



Step One has a core range of seven colours:



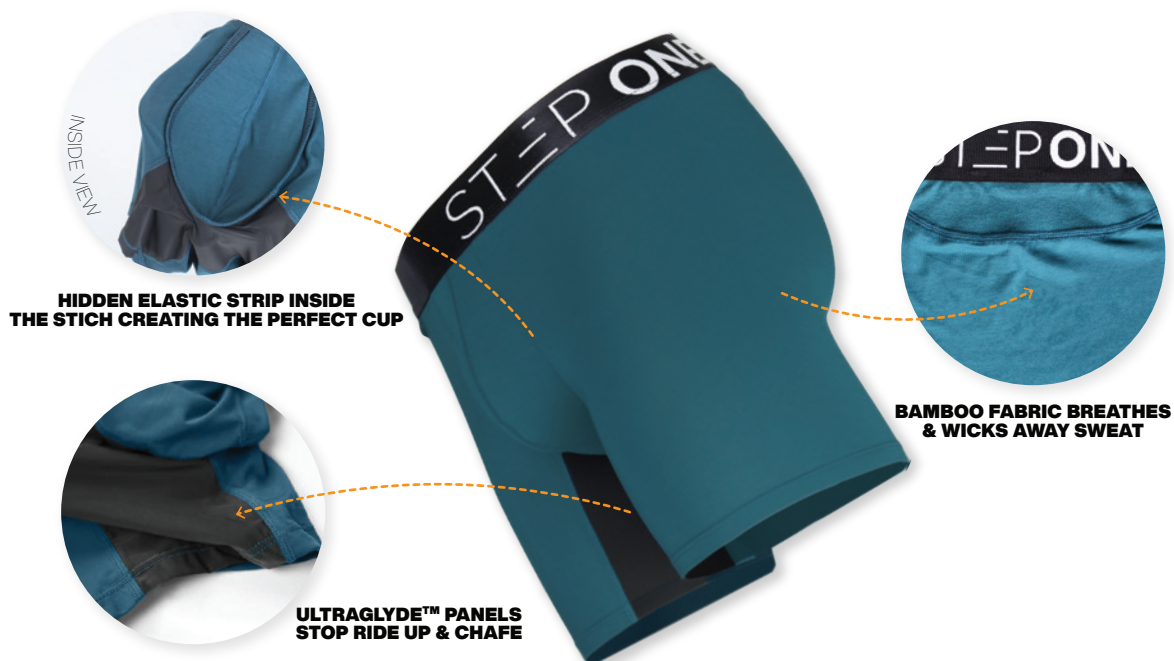
In addition to its core colour range, Step One's marketing and customer engagement strategy is centred around regular colour releases, as further described in Section 3.4.2.

#### 3.3.3 Product Features

Step One underwear has an innovative combination of features including:

- **Organically grown and certified bamboo:** wicks away sweat and has excellent breathing qualities. Bamboo is naturally grown without the use of pesticides.
- **UltraGlyde™ panels:** with a similar material to bike shorts or compression leggings, our UltraGlyde™ panels prevent chafing and underwear riding up.
- **Elastic 3D pouch:** an elastic-lined pouch that reduces skin-to-leg contact and sweating, maximising freshness, support and comfort.

Figure 10: Step One's innovative features



Step One believes that customers are highly satisfied with the quality and features of the product, demonstrated by over 40,000 5-star reviews received across consumer review websites as at August 2021.

Figure 11: Customer reviews<sup>3</sup>



Refer to Section 3.5.4 for more information on Step One's outstanding customer experience.

## 3.4 Marketing and customer engagement

### 3.4.1 Overview

Step One has a mantra of keeping its advertising content, campaigns and competitions fun and simple across all marketing channels, with content primarily written, filmed, directed and edited in-house, allowing the Company to respond quickly to market trends and community feedback.

Step One utilises 'top and middle of funnel' marketing to capture the attention of new customers across TV and online channels by highlighting its innovative features and solutions-driven product. Step One's key marketing channels are primarily paid searches, social media, email and TV.

Step One has a very strong online presence, with over 75,000 followers across its social media platforms and views in excess of 13.5<sup>4</sup> million as at August 2021 on YouTube. This is supported by TV advertising campaigns which are designed to capture the attention of new customers across a wider audience.

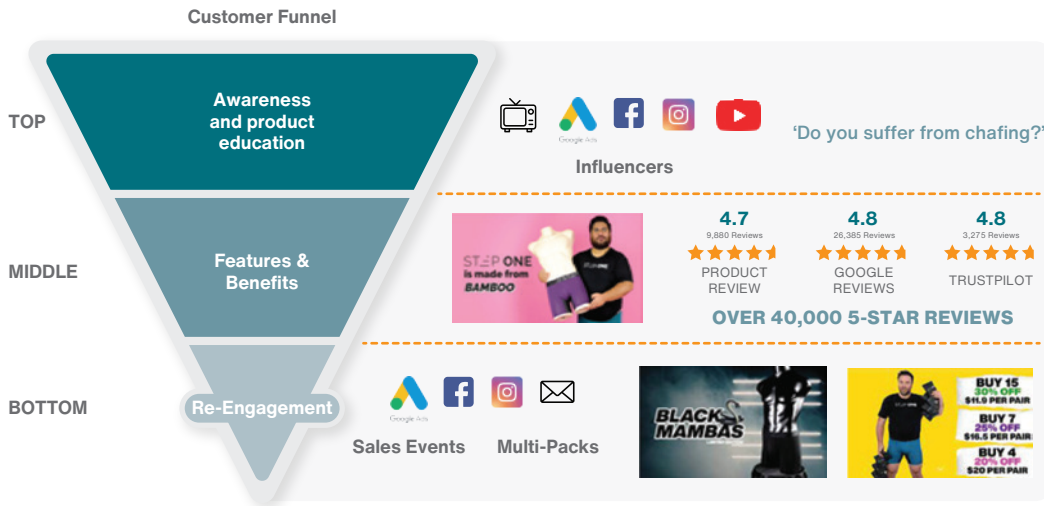
In addition to advertising its core colour range, Step One undertakes colour releases, special campaigns and competitions, and sales events that are a key element of the Company's marketing, customer engagement and retention strategy.

<sup>3</sup> Customer reviews taken from respective websites as at 21 July 2021

<sup>4</sup> From organic and paid sources

# 3. Business overview

Figure 12: Step One’s marketing and customer engagement strategy<sup>5</sup>

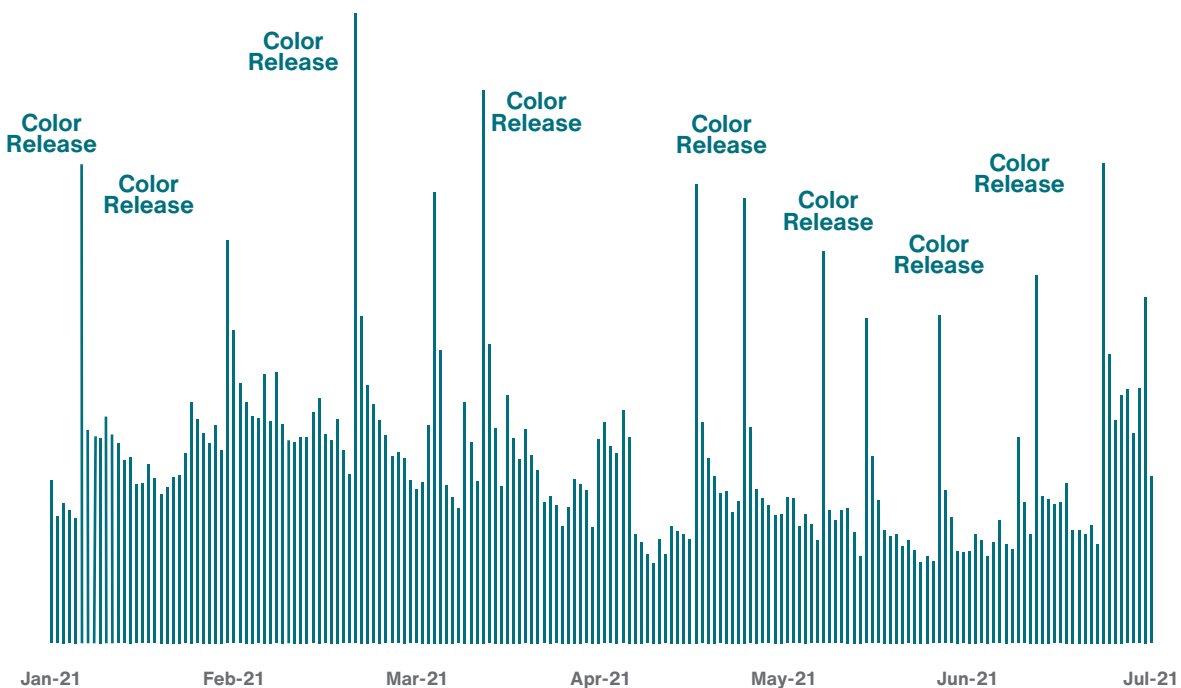


## 3.4.2 Colour Releases

Colour releases occur on a regular basis which assists in driving traffic to Step One’s website for both new and returning customers. Direct marketing campaigns are sent to existing customers highlighting the new colour release to engage existing customers, in conjunction with social media and TV campaigns to capture new customers.

For the 2H FY2021 period, colour releases experienced on average, in Australia alone, over 35,000 website sessions on the launch day and over 2,600 customer orders.

Figure 13: Daily customer orders for 2H FY2021



<sup>5</sup> Customer reviews taken from respective websites as at 21 July 2021. 40,000 5-star reviews as at August 2021



### 3.4.3 Other Promotional Activity

In addition to Step One's colour releases, the Company also re-engages customers at key trading events such as Black Friday and the End of Financial Year sales, and through other promotional activity.

Alternative product releases, competitions and special promotions, such as trucker hats and t-shirts, have successfully increased brand awareness, engaged existing customers and driven repeat purchases. In addition to such initiatives increasing sales for Step One, the Company has an increased social media presence, with influencers and customers becoming ambassadors of the Step One brand.

Figure 14: Limited edition products and events



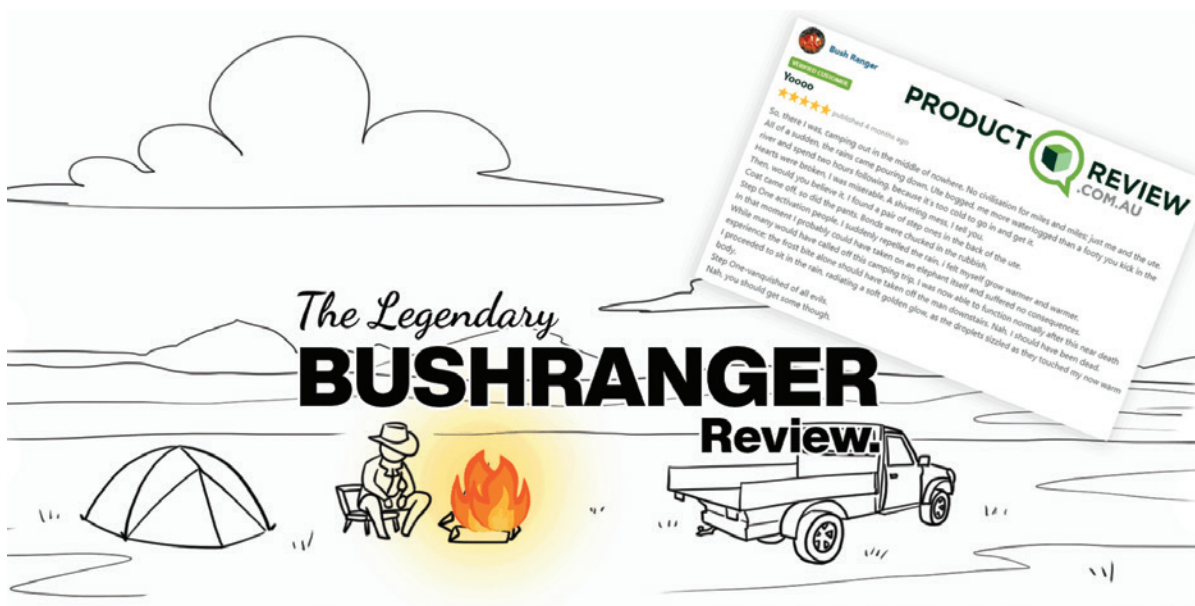
### 3.4.4 Content Marketing

Step One's marketing content is primarily written, filmed, directed and edited by Step One or contractors employed by Step One. This allows the Company to respond quickly to market trends and the needs of the Step One community. The Company believes that the Step One community is unique in the men's underwear space, with high engagement levels and a cult-like following.

An example of Step One's content marketing capability is the "Bushranger Review". The Legendary Bushranger Review is a video that tells the tale of how a Step One customer (known only as The Bushranger) survived a treacherous camping trip by packing his Step Ones. Step One's in-house content team saw The Bushranger's review and quickly got to work, bringing the story to life with a short animation and giving The Bushranger's review the platform it deserved. The Bushranger Review is an example of Step One's fun marketing style which it believes resonates with customers and drives a sense of community around the brand.

# 3. Business overview

Figure 15: Bushranger Review



## 3.4.5 Marketing Channels

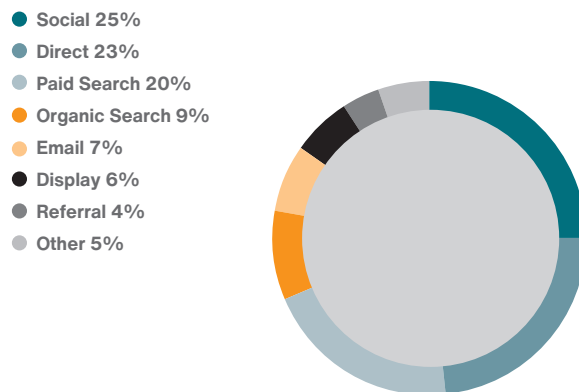
Step One utilises several marketing channels as customer touchpoints to drive traffic growth directly to the Step One website.

Table 2: Step One’s marketing channels

<b>PAID SEARCH</b>	Customers are directed to the Step One website via ‘pay per click’ strategies and paid media using the Google Ad network.
<b>FACEBOOK</b>	Facebook Ad Manager provides feedback on the success and engagement of advertising allowing Step One to create more tailored ads. As at August 2021, Step One had over 50,000 followers on Facebook.
<b>INSTAGRAM</b>	Posting of content created by Step One’s in-house team, together with content being created and shared by customers and influencers. As at August 2021, Step One had over 25,000 followers on Instagram.
<b>YOUTUBE</b>	Advertising platform where Step One seeks to post engaging and amusing advertising. As at August 2021, Step One had over 800 subscribers on YouTube.
<b>EMAIL</b>	Step One utilises automated workflows to incentivise customers’ next purchase with automated emails sent at various stages of the customer lifecycle. As at August 2021, Step One had over 470,000 customers opting in to its mailing database.
<b>TV</b>	TV campaigns seek to reach a wider base of potential customers that are yet to hear about Step One. Campaigns have been rolled out on Foxtel and free to air TV with a focus on daytime TV slots.

In FY2021, social media, direct and paid search channels were key drivers for website traffic origination, contributing 25%, 23% and 20% respectively. Marketing channels for website traffic origination during FY2021 are shown in Figure 16 below.

Figure 16: Website traffic origination FY2021

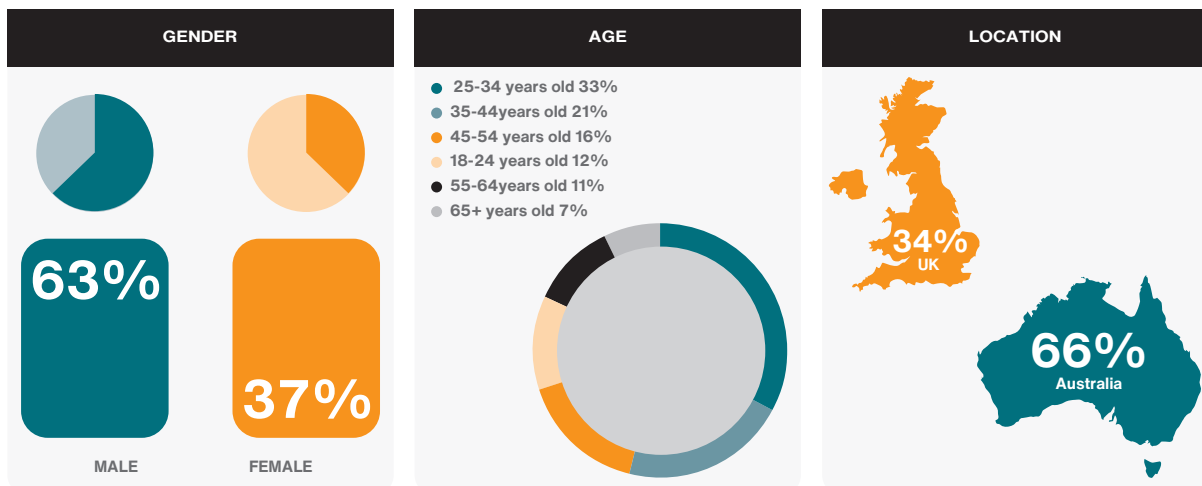


### 3.5 Customers

#### 3.5.1 Step One’s Customers

For FY2021, Step One estimates 63% of customers were male with 37% of the customer base female customers purchasing underwear for a male, or themselves. The majority of customers are between the ages of 25-34 years old (33%), followed by those between the age of 35-44 years old (21%). Australia represents approximately 66% of total customers by revenue, with the UK growing strongly following its launch in 2020 at 34%.

Figure 17: Step One’s customers<sup>6</sup>



#### 3.5.2 Customer Engagement and Conversion

Step One has experienced strong growth in website sessions from FY2019 to FY2021, accelerated by the UK market introduction in July 2020. For FY2021, Step One saw over 10 million website sessions, which was an increase of 190% from the prior corresponding period. For FY2021, the average conversion rate remained strong at 7.8%.

<sup>6</sup> Google Analytics - by website visits for time period July 2017 – June 2021

### 3. Business overview

Figure 18: Website sessions (millions)

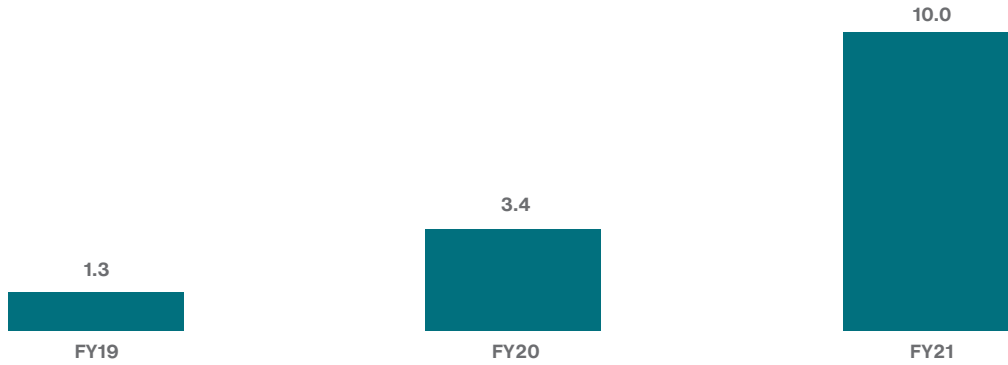
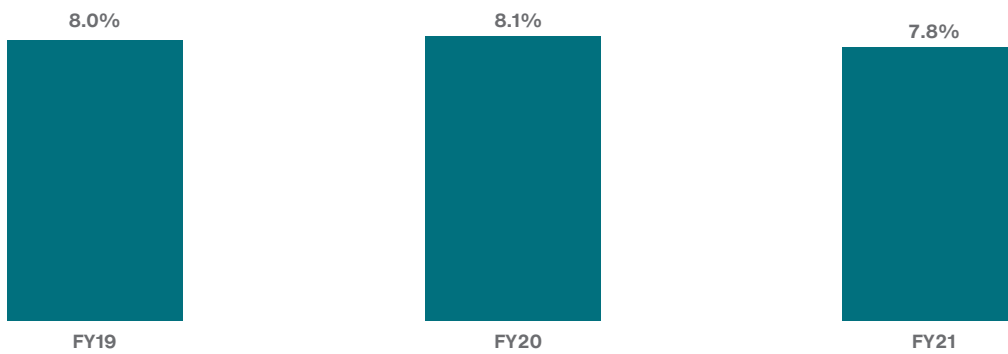


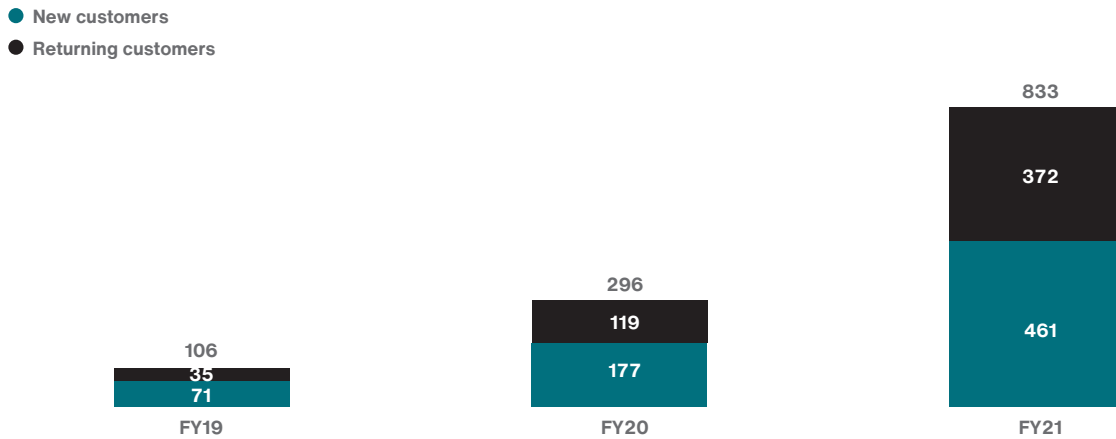
Figure 19: Average conversion rate (%)



In FY2021, over 460,000 new customer orders were completed, reflecting the continued strong growth of new customers purchasing Step One underwear. In total during FY2021, Step One completed over 832,000 orders from new and returning customers.

It is also evident that once new customers are acquired by the Company, these customers then exhibit strong brand loyalty and trust in the product. The number of customer orders received from returning customers has consistently grown from FY2019 to FY2021, with a CAGR of 225%. The average order frequency during FY2021 was approximately 1.54x, reflecting customers’ willingness to return to Step One before the end of the life of existing underwear, which Step One believes to be between 12 – 18 months. Step One believe the number of returning customers is testament to the Company’s strong customer engagement and retention, which are the result of the exceptional product offering and targeted marketing strategy.

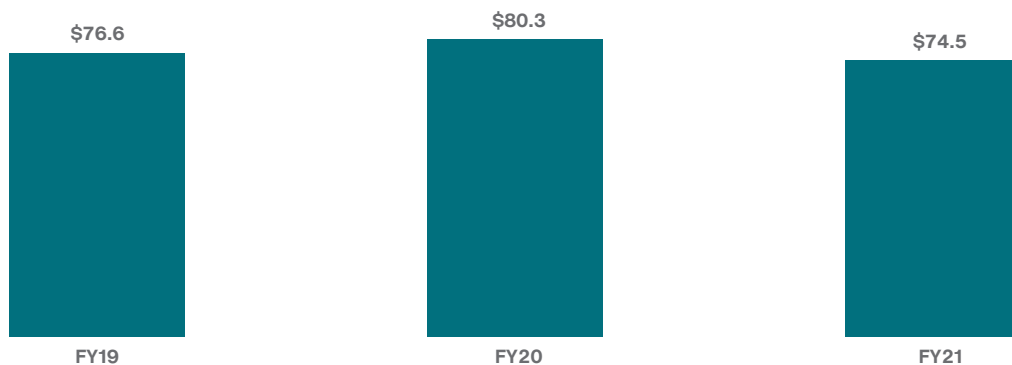
Figure 20: Customer orders ('000s)



### 3.5.3 Average Order Value

The average order value (AOV)<sup>7</sup> has increased year on year in Australia during FY2019, FY2020 and FY2021, with the overall AOV showing a slight decline in FY2021 as the Company grew in the UK, as new customers tend to have a lower AOV than returning customers. In FY2021, Step One saw an AOV of \$74.50.

Figure 21: Average Order Value (AUD)



### 3.5.4 Outstanding Customer Experience

Step One is passionate about delivering a quality product and superior customer service. In addition to providing a high-quality product, Step One invests in customer service through:

- 30-day first pair of underwear guarantee (providing the customer a full refund on their first pair if the customer is not satisfied);
- Free delivery on all order sizes with no minimum spend;
- 12-month manufacturer’s warranty; and
- Live chat to provide on-demand personal customer assistance with a 24/7 customer support network.

Step One believes that customers are highly satisfied with the quality and features of the products and the outstanding online experience. Step One has received over 40,000 5-star reviews across consumer review websites as at August 2021. Step One monitors customers’ comments and reviews on an ongoing basis. Information on the product review is discussed in Section 3.3.3.

<sup>7</sup> AOV represents the average spend by a customer each time an order is placed on the Step One website based on order date

## 3. Business overview

### 3.5.5 Collecting, Using and Protecting Customer Data

Customer data is collected at checkout as part of Step One's user purchase agreement. This includes contact details, shipping information and order details, which are collected and stored by Shopify. Customers can also manually opt-in to the Step One mailing list at checkout, giving access to exclusive emails and offers. Google Analytics and Shopify is used to track website traffic and customer behaviour in conjunction with Facebook ads and other paid media advertisements to track the success of marketing content, with detailed reports of each campaign, ad set or ad for each subset of customer, in accordance with customer privacy policies in relevant markets.

Step One utilises email marketing platforms integrated with Shopify, the e-commerce platform utilised by Step One, to re-engage customers. Marketing platforms send automated emails to customers at key points of the customer lifecycle. This includes automatic purchase reminders for abandoned carts, alerts for new releases, and emails at other regular intervals to incentivise the next purchase. To support this function, Google Analytics, consumer purchase behaviour and Facebook Ads data is used to understand customer behaviour and tailor advertisements.

Step One employs two-factor authentication across all key software platforms, providing greater security and decreasing the risk of data or security breaches. Customer data is collected and stored externally by Step One's third-party software-as-a-service providers (e.g. Shopify). Step One does not hold customers' credit card information.

### 3.6 Supply Chain and Logistics

Step One sources 100% organically grown, certified bamboo for its product range from China. The organically certified bamboo is then manufactured by the Company's accredited partners in China and Vietnam. As at the date of this Prospectus, Step One has agreements with three manufacturing facilities in China and one manufacturing facility in Vietnam to maintain flexibility across the production cycle, mitigate risk of disruption, and support the continued growth of the business.

Step One's warehousing and distribution efforts are outsourced to third party logistics (**3PL**) providers in Australia and the UK, who tend to receive stock within 120-150 days from sourcing the bamboo. In July 2021, Step One also entered into an agreement with a US 3PL provider to facilitate US market entry. There are three 3PL providers who manage Step One's warehousing, sorting, picking, packing and freighting. Sales are processed through Shopify, which is integrated with Step One's 3PL warehouse, ensuring timely and efficient movement of stock. Customer orders are processed and dispatched from the warehouse, on average, within 1-3 business days and handled by the 3PL provider. A main competitive advantage for Step One is the capital light model of being a direct-to-consumer business, removing the typical overheads that bricks and mortar retailers face.

Figure 22: Supply chain and logistics

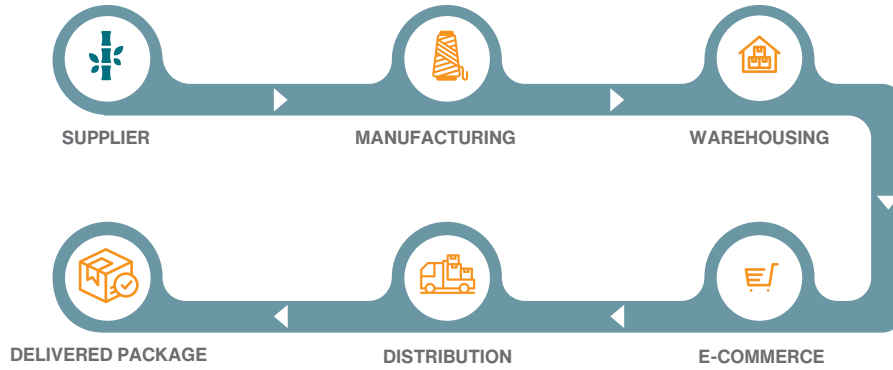


Table 3: Manufacturing partners

	COUNTRY	PERCENTAGE (%) OF PRODUCTION FOR FY2020 AND FY2021
Manufacturer 1	China	45%
Manufacturer 2	China	45%
Other	China, Vietnam and other locations	10%

Each manufacturer has the capacity to increase production. Step One believes that there is sufficient manufacturing capacity to meet Step One’s growth plans, including the USA expansion.

## 3. Business overview

### 3.7 Environmental, Social and Governance (ESG) Focus

#### 3.7.1 Product and processing

ESG has always been a focus for management. Step One uses organically certified bamboo without the use of any pesticides. A closed-loop process ensures any exhaust gas is recovered, water is treated for direct use in agriculture and the alkali used for bamboo chips is recycled, minimising waste.

Step One's manufacturing facilities are all either BSCI or SA8000 accredited, meaning the Company ensures fair wages, fair working conditions and no child or forced labour is present. Subject to the ongoing COVID-19 environment, every Step One manufacturing facility located in China is monitored by in-person visits at least once a month by a Step One contractor.

In August 2020, Step One commissioned a report from Green Story which confirmed that Step One's products save energy and resources compared to conventional underwear production.

Based on the Green Story Comparative Life Cycle Impact Assessment for Step One Australia report, Step One's impact on the environment is lower than similar products made of conventional cotton which is traditionally used in underwear and apparel. For every kilogram of apparel, Step One's bamboo underwear production utilises 65% less blue water, 38% less energy, and 11% less GHG emissions than similar conventional cotton products (as shown in Figure 23 below). These benefits equate to 423 hours in LED bulb energy savings, 170 days of drinking water savings and the avoidance of 1.2km of driving emissions, demonstrating the positive impact Step One's bamboo products have on the environment.



Figure 23: Green Story Environmental Focus, August 2020



**BSCI**  
accredited  
factories



**SA8000**  
accredited  
factories



**Fair wages**  
and  
working  
conditions



**1.2km**  
of driving emmissions avoided

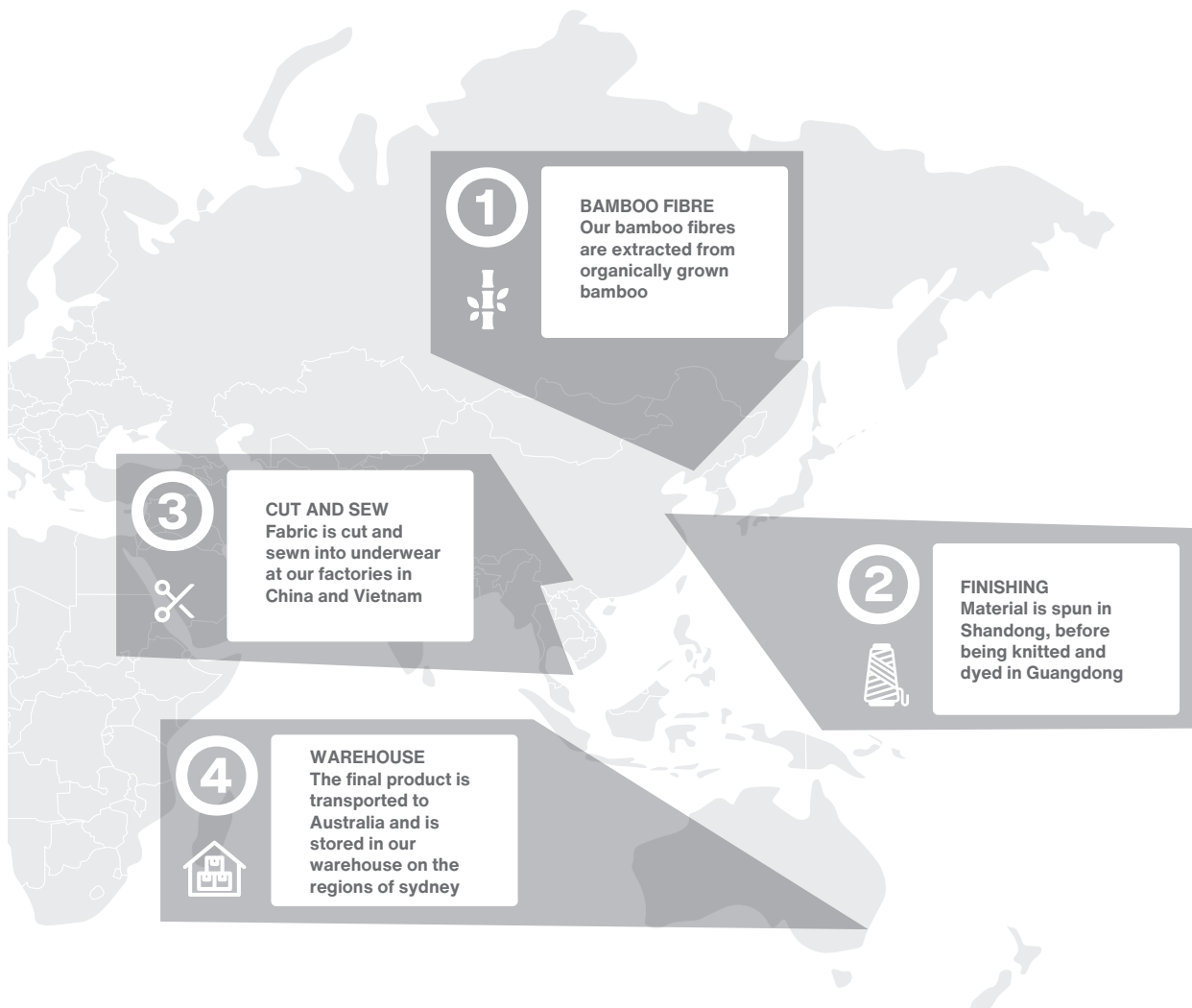


**423hrs**  
of LED bulb energy saved



**170days**  
of drinking water saved

Per kg of apparel	Unit	Bamboo	Conventional cotton	Percentage lower
GHG emissions	kgCO2e	15.20	17.02	11%
Blue water consumption	Litres	1,045	2,954	65%
Energy	MJ	148	238	38%



# 3. Business overview

## 3.7.2 Packaging

Step One packaging is fully compostable and composed of polylactic acid (PLA), corn starch and polybutyrate adipate terephthalate (PBAT). PLA is a bio-based plastic with no toxins and is derived from renewable resources such as corn. PBAT is a petroleum-based plastic, added due to its high flexibility and biodegradable nature. Customers who purchase Step One products are able to dispose of the packaging knowing harm to the environment is minimised as it will decompose accordingly to the standards applicable in the relevant jurisdiction.



## 3.8 Growth Strategy

### 3.8.1 Overview

Step One has multiple avenues for pursuing growth through clearly defined strategic initiatives. The growth strategy is focused on three key pillars:

- (1) Strengthening brand equity among existing and new customers
- (2) Product development to specialise in the innerwear market
- (3) International expansion

### 3.8.2 Strengthen Brand Equity

Step One is focused on strengthening its brand equity to grow its customer base across new and existing markets. A fundamental component of the Company’s growth strategy is to roll out ‘top and middle of funnel’ marketing to capture the attention of new customers. Coupled with colour releases and sales events, the strategy is focused on appealing to new and returning customers to continue the strong growth trajectory of the Company. Step One’s marketing and customer engagement strategy is detailed in Section 3.4.

### 3.8.3 Product Development

Step One will invest in new product development with the intention of introducing a women’s line during FY2022.

Despite not having a dedicated women’s range, women represented 37% of Step One’s customer base in FY2021. Female customers have provided positive feedback and enquired if a women’s underwear range could be launched. Step One is progressing through prototype testing for the women’s range and will adopt a test and learn phase to understand the most appropriate marketing strategies for female customers.

Dayna

**BAMBOO UNDERWEAR**

I have purchased step one underwear for all the men in my life young and old. They all love them. A common saying is "they are more comfortable than free balling." Can you create a ladies line using the bamboo material?

Sarah

**BAMBOO BOXER BRIEF (LONGER)**

Do you make similar boxers for women, as a truck driver these seem like a great alternative to the usual girlie undies and the daily struggles that go with those. Thanks in advance.

Corinna

**BAMBOO UNDERWEAR**

Why do you not make women's step one! Perfect for under dresses no chaffing in hot weather?

Catherine T

**BAMBOO UNDERWEAR**

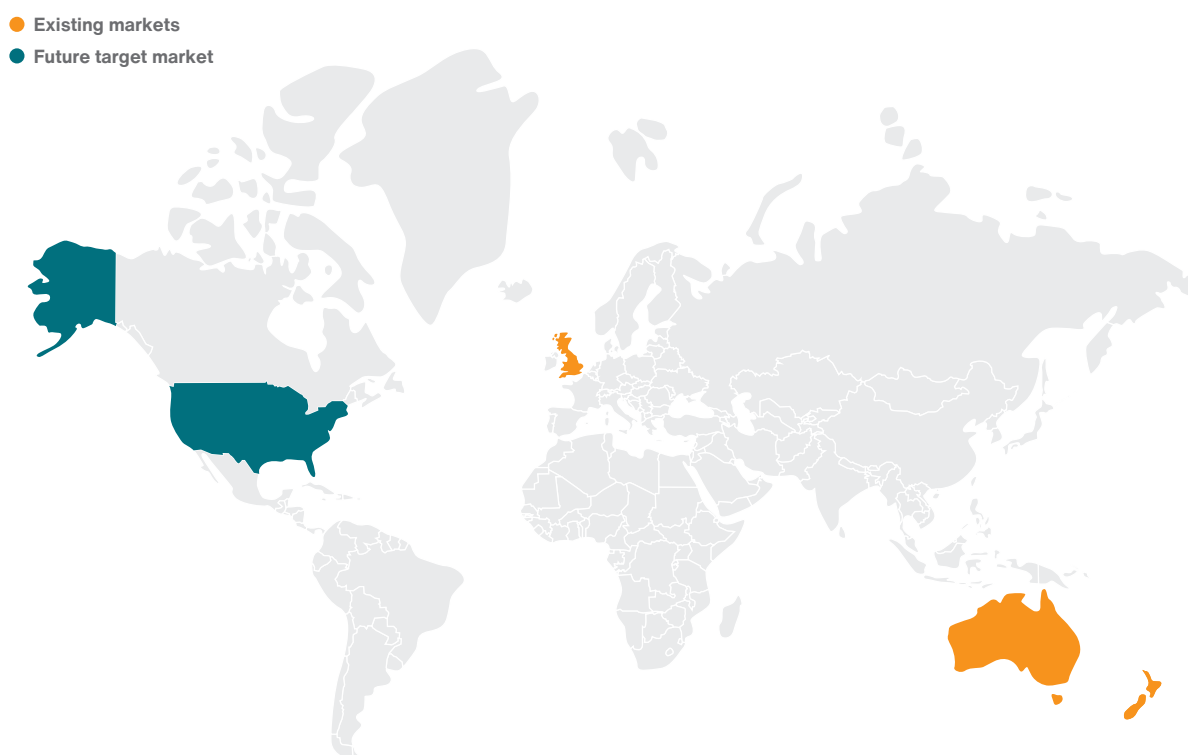
When are you going to make a female version for all us not so lady like girls

Step One is also evaluating other product adjacencies within the innerwear category where the Company believes there is consumer appetite.

### 3.8.4 International Expansion

Step One will continue to expand its presence internationally by seeking high potential markets as demonstrated by the UK market entry in July 2020. Underwear is considered a staple wardrobe item and Step One believes its men's product will have wide appeal across multiple geographies. At the time of this prospectus, the Company is substantially progressed through the early stages of testing in the USA, with a full launch targeted for FY2022. Other high potential markets for entry are also targeted to undergo preliminary testing. Testing includes placing adverts on social media and utilising other digital marketing channels to understand messaging and product demand.

Figure 24: International growth strategy<sup>8</sup>



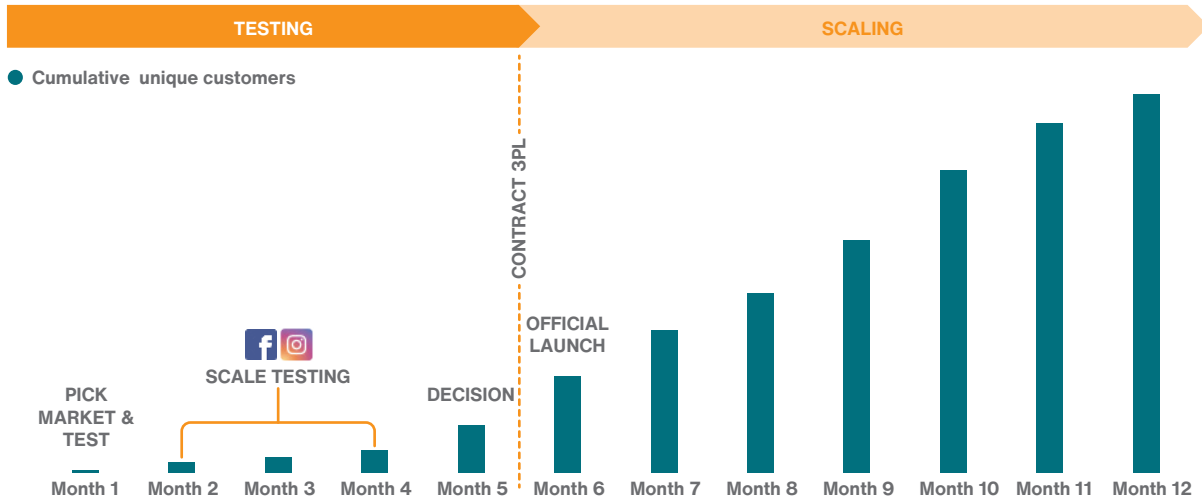
#### 3.8.4.1 UK Market Entry: Case Study

Following a soft launch in January 2020, Step One undertook a test and learn phase to understand key messaging and product demand. Advertisements were used to promote Step One on several social media platforms within the UK. The official launch encompassed an increase in social media marketing spend, followed by a UK TV roll-out. In FY2021, the UK market contributed over \$21 million in sales revenue.

<sup>8</sup> Step One sells into New Zealand through the Australian store.

# 3. Business overview

Figure 25: UK Market Entry Case Study



### 3.8.4.2 US Market Entry

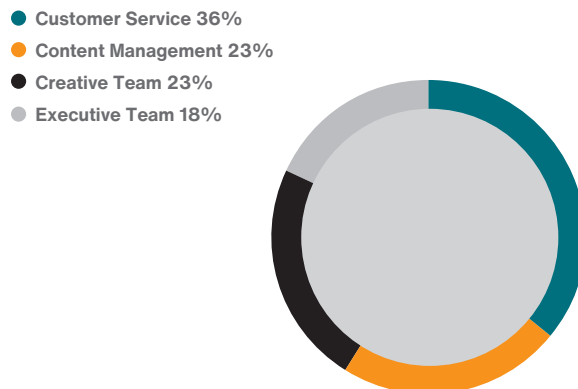
Step One is in the process of initial marketing tests in a number of US states, with a targeted official launch during FY2022.

## 3.9 Employees and Culture

### 3.9.1 Overview

As at the date of this prospectus, Step One is supported by 22 team members, with scope to employ additional personnel to support the Company’s growth initiatives. Step One is supported by specialised outsourced teams for certain functions such as Finance and Customer Service. Detail of the Company’s team structure is illustrated below in Figure 26.

Figure 26: The Step One team



Step One's values revolve around creating ethically made underwear in line with fantastic customer service and experiences. These are highlighted in Figure 27 below.

Figure 27: Step One's values



## 3. Business overview

### 3.9.2 Case Study: Supporting Our Firefighters

During the 2020 bushfires, Step One was proud to donate 20,000 pairs of underwear to firefighters across New South Wales. Firefighters in areas such as Bundanoon, Narooma, Wingello and Clarence Town received pairs of Step One underwear whilst stationed to defend local communities and wildlife from bushfires.



### 3.10 COVID-19

Step One was able to successfully navigate the COVID-19 pandemic in part due to its capital light and direct to consumer model. Through various stages of lockdown and reopening across Australia and the UK, Step One has experienced variability in certain aspects of its business and has sought to remain flexible to adapt to changing circumstances.

#### 3.10.1 Supply Chain

Step One utilises third party manufacturing partners, with three manufacturing partners in China and one in Vietnam. The Company also utilises 3PL providers in Australia and the UK for warehousing and local market logistics. Periodically, different service providers may experience their own COVID-19 challenges, which have short-term impacts on production or delivery schedules. Step One has utilised various measures, for example the use of air freight periodically to ensure flexibility and continuity of product supply.

Step One's logistics providers have COVID-19 safe work procedures in place to address business continuity.

#### 3.10.2 Employees

To address the safety and wellbeing of its employees and contractors, Step One implemented measures such as moving to a remote working environment where possible, providing access to additional technology where required, and implementing COVID-19 safe work practices for employees and contractors that are not able to work remotely.

Step One's business productivity has been largely uninterrupted during the COVID-19 pandemic.

Step One received approximately \$100,000 as part of the ATO's cash flow boost. Cash flow boosts were delivered as credits in the activity statement system. Step One did not apply for the JobKeeper payments scheme.

**SECTION 04**  
**FINANCIAL**  
**INFORMATION**



# 4. Financial information

## 4.1 Introduction

The Financial Information of Step One contained in this Section includes the following:

- Historical Financial Information for the financial years ended 30 June 2019 (FY2019), 30 June 2020 (FY2020) and 30 June 2021 (FY2021); and
- Forecast Financial Information for the financial year ending 30 June 2022 (FY2022).

Figure1: Overview of Step One's Financial Information

	STATUTORY FINANCIAL INFORMATION	PRO FORMA FINANCIAL INFORMATION
<b>Historical Financial Information</b>	<ul style="list-style-type: none"> <li>▪ Statutory Consolidated Historical Financial Information comprises the following:               <ul style="list-style-type: none"> <li>▪ Statutory consolidated historical statements of profit and loss and other comprehensive income for FY2019, FY2020 and FY2021 ('Statutory Historical Results');</li> <li>▪ Statutory consolidated historical statements of cash flows for FY2019, FY2020 and FY2021 ('Statutory Historical Cash Flows'); and</li> <li>▪ Statutory consolidated historical statement of financial position as at 30 June 2021 ('Statutory Historical Statement of Financial Position').</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Pro Forma Consolidated Historical Financial Information comprises the following:               <ul style="list-style-type: none"> <li>▪ Pro forma consolidated historical statements of profit and loss and other comprehensive income for FY2019, FY2020 and FY2021 ('Pro Forma Historical Results') together with a reconciliation to the audited/statutory historical statement of profit and loss and other comprehensive income;</li> <li>▪ Pro forma historical cash flows of FY2019, FY2020 and FY2021 ('Pro Forma Historical Cash Flows') together with a reconciliation to the audited/statutory historical statement of cash flows; and</li> <li>▪ Pro forma consolidated historical statement of financial position as at 30 June 2021 ('Pro Forma Historical Statement of Financial Position').</li> </ul> </li> </ul>
<b>Forecast Financial Information</b>	<ul style="list-style-type: none"> <li>▪ Statutory Consolidated Forecast Financial Information comprises the following:               <ul style="list-style-type: none"> <li>▪ Statutory consolidated forecast statement of profit and loss and other comprehensive income for FY2022 ('Statutory Forecast Results'); and</li> <li>▪ Statutory consolidated forecast cash flows for FY2022 ('Statutory Forecast Cash Flow').</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Pro Forma Consolidated Forecast Financial Information comprises the following:               <ul style="list-style-type: none"> <li>▪ Pro forma consolidated forecast statement of profit and loss and other comprehensive income for FY2022 ('Pro Forma Forecast Results') together with a reconciliation to the statutory forecast statement of profit and loss and other comprehensive income; and</li> <li>▪ Pro forma consolidated forecast cash flows for FY2022 ('Pro Forma Forecast Cash Flows') together with a reconciliation to the Statutory Forecast Cash Flows).</li> </ul> </li> </ul>

The Historical Financial Information and Forecast Financial Information defined above together form the Financial Information.

Step One reports on a 30 June financial year end basis, and the Financial Information in this Section has been presented on this basis.



## Additional Information

Also summarised in this section are:

- the basis of preparation and presentation of the Financial Information (Section 4.2);
- information regarding certain non-IFRS financial measures (Section 4.5);
- a summary of key pro forma operating and financial metrics (Section 4.7);
- the pro forma adjustments to the Statutory Historical Results and Statutory Forecast Results, and reconciliations to the Pro Forma Historical Results and the Pro Forma Forecast Results respectively (Section 4.8);
- the Directors' best estimate assumptions underlying the Forecast Financial Information (Section 4.10);
- a description of the key drivers affecting Step One's business including key financial and operating metrics and management discussion and analysis of the Financial Information (Section 4.11);
- the impact of COVID-19 on Step One's business (Section 4.12);
- key sensitivities in respect of the Forecast Financial Information (Section 4.13); and
- a summary of Step One's proposed dividend policy (see Section 4.17).

The information in Section 4 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

Unless stated otherwise, all amounts disclosed in this section are presented in Australian dollars and are rounded to the nearest \$'000. Some numerical tables in this Prospectus have been subject to rounding adjustments. Any differences between totals and sums of components in tables contained in this Prospectus are due to rounding.

The Financial Information has been reviewed in accordance with the Australian Standard on Assurance Engagements ASAE 3450 Assurance Engagements involving Fundraising and/or Prospective Financial Information by the Investigating Accountant, who's Independent Limited Assurance Report on the Financial Information is contained in Section 8. Investors should note the scope and limitations of that report.

## 4.2 Basis of preparation and presentation of the Financial Information

The Directors are responsible for the preparation and presentation of the Financial Information.

The Financial Information in this Prospectus is intended to present potential investors with information to assist them in understanding the historical financial performance, cash flows and financial position of Step One together with the statutory and forecast financial performance and cash flows.

The Financial Information has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards adopted by the Australian Accounting Standards Board which are consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Step One's accounting policies. Step One's Significant Accounting Policies are described in Appendix A and have been consistently applied throughout the financial periods presented in this Prospectus unless stated otherwise. All new and applicable accounting standards have been in place throughout the historical and forecast period.

The Financial Information is presented in an abbreviated form and does not contain all of the disclosures, statements or comparative information required by Australian Accounting Standards applicable to financial reports prepared in accordance with the Corporations Act 2001.

## 4. Financial information

### 4.3 Basis of preparation of the Historical Financial Information

The Pro Forma Consolidated Historical Financial Information (other than the pro forma adjustments) to the consolidated historical statement of profit and loss and other comprehensive income, consolidated historical cash flows and historical statement of financial position and the results of the adjustments) has been extracted from the audited general purpose financial reports of Step One Clothing Pty Ltd and its controlled entities for FY2019, FY2020 and FY2021, which were prepared for the purposes of this Prospectus. The general purpose financial reports of Step One Clothing Pty Ltd and its controlled entities for FY2019, FY2020 and FY2021 were audited by Grant Thornton Audit Pty Ltd in accordance with Australian Auditing Standards. The audit opinions issued to the Directors for FY2019, FY2020 and FY2021 were unqualified. The Statutory Consolidated Historical Financial Information has been adjusted to include the impact of the following to form the Pro Forma Consolidated Historical Financial Information:

- incremental costs of being a listed entity;
- one off share based payment in relation to the issue of Shares and associated contractual liability;
- one of legal fees and other one-off costs;
- one-off costs incurred in relation to the Offer; and
- the tax impact for the above adjustments.

Section 4.8 sets out the pro forma adjustments made to the Statutory Consolidated Historical Financial Information for FY2019, FY2020 and FY2021.

The Pro Forma Consolidated Historical Statement of Financial Position is derived from the Statutory Consolidated Historical Statement of Financial Position and is adjusted to reflect:

- the impact of the Offer, including costs directly attributable to the Offer offset against share capital (with the remainder expensed in retained earnings);
- the extinguishing of a financial liability in relation to the issue of Shares and payment of the associated contractual liability;
- Pre IPO dividend of \$4.8 million of which \$1.4 million paid in cash and \$3.4 million set off against Shareholder loan accounts;
- cash settlement of a legal dispute (see section 9.11); and
- the tax impacts of the above adjustments.

The Pro Forma Consolidated Historical Statement of Financial Position is provided for illustrative purposes only and is not represented as being necessarily indicative of the future financial position of Step One.

### 4.4 Basis of preparation of the Forecast Financial Information

The Forecast Financial Information has been prepared solely for inclusion in this Prospectus. The basis of preparation and presentation of the Statutory Consolidated Forecast Financial Information and the Pro Forma Consolidated Forecast Financial Information is consistent with the basis of preparation of the Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information.

The Forecast Financial Information has been prepared by Step One based on an assessment of current economic and operating conditions including the impact of COVID-19 and on the general and specific assumptions regarding future events and actions set out in Section 4.10 and 4.11. The Forecast Financial Information should be read in conjunction with the general and specific assumptions set out in Section 4.10 and 4.11, the sensitivity analysis described in Section 4.13, the risk factors described in Section 5, the Significant Accounting Policies set out in Appendix A and other information in this Prospectus.

The disclosure of these assumptions is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring and the effect on the Forecast Financial Information if they do not occur and is not intended to be a representation that the assumptions will occur. The Directors believe the general and specific assumptions, when taken as a whole, to be reasonable at the time of preparing this Prospectus. However, the information is not fact, and investors are cautioned not to place undue reliance on the Forecast Financial Information. Investors should be aware that the timing of actual events and the magnitude of their impact might differ from the assumed in preparing the Forecast Financial Information and that this may have a material positive or negative effect on Step One's actual financial performance, cash flows or financial position.

In addition, the assumptions upon which the Forecast Financial Information is based are by their very nature subject to significant uncertainties and contingencies, many of which will be outside the control of Step One, the Directors and management, and are not reliably predictable. Accordingly, none of Step One, its Directors and management or any other person can give investors any assurance that the outcomes disclosed in the Forecast Financial Information will arise. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact of the Forecast Financial Information.

The Company has no intention to update or revise the Forecast Financial Information or other 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 Prospectus, except where required by law or regulation.

The Forecast Financial Information is presented on both a Statutory and a Pro Forma basis. The Statutory Consolidated Forecast Financial Information and the Pro Forma Consolidated Forecast Financial Information for FY2022 have had regard to current trading performance up until the date of lodgement of the Prospectus.

In preparing the Pro Forma Forecast Financial Information, pro forma adjustments have been made to the Statutory Forecast Financial Information to:

- reflect the full year impact of incremental costs associated with being a public listed company;
- adjust for the share based payment in relation to the issue of Shares and associated contractual liability; and
- adjust for the impact of the Offer costs, which are recognised in the Statutory Forecast Financial Information in FY2022.

Section 4.8 sets out the Pro Forma Adjustments made to the Statutory Forecast Financial Information and a reconciliation of the Statutory Forecast Financial Information to Pro Forma Forecast Financial Information.

## 4.5 Non-IFRS financial measures

Step One uses certain measures to manage and report on its business that are not recognised under IFRS. These measures are collectively referred to as 'non-IFRS financial measures'. These non-IFRS financial measures do not have a prescribed definition under IFRS and therefore may not be directly comparable to similarly titled measures presented by other entities. These measures are collectively referred in this Section 4 and under Regulatory Guide 230 Disclosing Non-IFRS Financial Information published by ASIC as 'non-IFRS financial measures'. These should not be construed as an indication of, or an alternative to, corresponding financial measures determined in accordance with the IFRS. Although Step One believes these non-IFRS financial measures provide useful information to users in measuring the financial performance and condition of the business, investors are cautioned not to place undue reliance on any non-IFRS financial measures included in this Prospectus.

In particular, the following non-IFRS financial measures are included:

- Sales revenue – represents gross revenue net of allowances and returns from customers recognised upon estimated order delivery of six days after order date per AASB15 Revenue from Contracts with Customers;
- Cost of sales – represents the costs of products from suppliers;
- Gross profit – represents sales revenue less cost of sales;
- Advertising & marketing – relates to digital marketing which includes television advertising, Google AdWords and Facebook;
- Distribution and fulfilment expenses – relates to freight and 3PL expenses;
- Contribution margin – gross profit less advertising and marketing expenses and distribution and fulfilment expenses;
- Employee related expenses – relates to the cost of employees;
- Other operating expenses – include professional fees, rent, insurance, IT, forex and other general expenditures such as travel, recruitment and office costs;
- Merchant fees – relates to fees charged when customers make a credit or debit payment using a credit card, including chargebacks and transaction fees from the eCommerce provider;

## 4. Financial information

- Share based payment expenses - relates to the issue of Options to Directors and executives as well as the issue of Shares;
- EBITDA – presented as net profit/(loss) before net interest income, income tax benefit/(expense), depreciation and amortisation;
- Depreciation and amortisation – represent the depreciation of office and computer equipment and amortisation of the costs to register brand names;
- EBIT – is earnings before interest and tax;
- Other income – represents interest and other non-operating income;
- Net interest income – represents the interest income derived from cash at bank;
- Income tax expense – represents income tax paid on taxable income;
- Number of orders – the number of orders made by returning and new customers based on order date, noting one order may comprise of the purchase of more than one product;
- Average order value – represents the average spend by a customer each time an order is placed on the Step One website based on order date;
- New customer – a customer who has not previously made a purchase based on order date;
- Returning customer – a customer who has at any point in time made a purchase based on order date;
- Order acquisition cost – the total advertising and marketing costs divided by the total number of customer orders based on order date;
- New customer order acquisition costs – the total advertising and marketing costs divided by the new customer orders based on order date; and
- Operating cash flow – represents cash flow from operating activities after the add back of non-cash items and the impact of working capital movements.

Although the Directors believe these measures provide useful information about the financial performance of Step One, they should be considered as supplements to the income statements that are presented in Section 4.6 and not as a replacement for them. These non-IFRS financial measures are not based on accounting standards, they do not have standard definitions and the way Step One calculates these measures may differ from similarly titled measures by other companies. Potential investors should therefore not place undue reliance on these non-IFRS financial measures.

### 4.6 Pro Forma Historical and Forecast Results and Statutory Forecast Results

The table below presents the Pro Forma Historical Results for FY2019, FY2020 and FY2021 and the Pro Forma Forecast Results for FY2022. Section 4.8 sets out a reconciliation between the Statutory Historical and Forecast Results to the Pro Forma Historical and Forecast Results.

The Statutory Historical Consolidated Financial Information for FY2019, FY2020 and FY2021 is included in Appendix B of the Prospectus.

Table 1: Pro forma historical and forecast results and statutory forecast results

	HISTORICAL PERIOD				FORECAST PERIOD
	FY2019 PRO FORMA	FY2020 PRO FORMA	FY2021 PRO FORMA	FY2022 PRO FORMA	FY2022 STATUTORY
<b>\$'000</b>					
Sales revenue	7,718	22,247	61,717	73,972	73,972
Cost of sales	(1,642)	(4,096)	(10,733)	(12,145)	(12,145)
<b>Gross profit</b>	<b>6,076</b>	<b>18,151</b>	<b>50,984</b>	<b>61,827</b>	<b>61,827</b>
Advertising and marketing expenses	(2,350)	(8,263)	(26,880)	(30,202)	(30,202)
Distribution and fulfilment expenses	(574)	(1,756)	(6,161)	(7,651)	(7,651)
<b>Contribution profit</b>	<b>3,152</b>	<b>8,131</b>	<b>17,943</b>	<b>23,974</b>	<b>23,974</b>
Employee related expenses	(2,078)	(2,232)	(2,596)	(3,713)	(3,672)
Other operating expenses	(1,311)	(1,753)	(2,722)	(2,999)	(7,367)
Merchant fees	(253)	(676)	(1,402)	(1,600)	(1,600)
Share based payments and associated costs	(360)	(360)	(360)	(609)	(6,685)
<b>EBITDA</b>	<b>(851)</b>	<b>3,111</b>	<b>10,863</b>	<b>15,053</b>	<b>4,649</b>
Depreciation and amortisation	(1)	(1)	(4)	(36)	(36)
<b>EBIT</b>	<b>(852)</b>	<b>3,110</b>	<b>10,859</b>	<b>15,017</b>	<b>4,612</b>
Other non-operating income	-	4	114	-	-
Net interest income/ (expenses)	4	1	21	(9)	(9)
<b>NPBT/(NLBT)</b>	<b>(848)</b>	<b>3,115</b>	<b>10,995</b>	<b>15,008</b>	<b>4,604</b>
Income tax expense	307	(825)	(3,261)	(4,502)	(2,605)
<b>NPAT/(NLAT)</b>	<b>(541)</b>	<b>2,291</b>	<b>7,733</b>	<b>10,506</b>	<b>1,999</b>

Notes: The Pro Forma Historical Results are reconciled to the Statutory Historical Results (as applicable) in Table 3.

Refer to Appendix B, Table 1 for a summary of the Statutory Historical Results for FY2019, FY2020 and FY2021.

## 4. Financial information

### 4.7 Key financial and operating metrics

Set out below are the key pro forma historical and forecast financial and operating metrics for FY2019, FY2020 and FY2021 and FY2022.

Table 2: Key annual pro forma historical and forecast financial and operating metrics

KEY OPERATING METRICS	HISTORICAL PERIOD			FORECAST PERIOD
	FY2019 PRO FORMA	FY2020 PRO FORMA	FY2021 PRO FORMA	FY2022 PRO FORMA
Sales revenue growth %	n/a	188.3%	177.4%	19.9%
Total number of customer orders (annual)	106,134	295,520	832,770	964,556
Number of orders growth %	n/a	178%	182%	16%
Total number of returning customer orders	35,462	118,885	371,986	502,338
Total number of new customer orders	70,672	176,635	460,784	462,218
Average order value of product sales (\$) (Weighted)	76.6	80.3	74.5	78.3
Gross margin (% of sales revenue)	78.7%	81.6%	82.6%	83.6%
Contribution profit (% of sales revenue)	40.8%	36.5%	29.1%	32.4%
Marketing and advertising (% of sales revenue)	30.4%	37.1%	43.6%	40.8%
Order acquisition costs (\$ per customer order)	\$22.14	\$27.96	\$32.28	\$31.31
New customer order acquisition cost (\$ per new customer order)	\$33.25	\$46.78	\$58.34	\$65.34
EBITDA margin (% of sales revenue)	(11.0%)	14.0%	17.6%	20.3%
NPAT (% of sales revenue)	(7.0%)	10.3%	12.5%	14.2%

Refer to Section 4.5 for the basis of which the operating metrics are calculated.

## 4.8 Pro Forma Adjustments to the Statutory Historical and Forecast Results

Set out below is a reconciliation between the Statutory Historical and Forecast Results net profit/(loss) after tax to the Pro Forma Historical and Forecast Results net profit/(loss) after tax:

**Table 3: Pro forma adjustments to the statutory historical and forecast results**

\$'000	NOTES	HISTORICAL PERIOD			FORECAST PERIOD
		FY2019	FY2020	FY2021	FY2022
<b>Statutory NPAT</b>		<b>1,575</b>	<b>3,741</b>	<b>600</b>	<b>1,999</b>
Key management employment costs	1	(942)	(942)	(859)	–
Transaction costs	2	–	–	605	4,662
Incremental public company costs	3	(1,720)	(1,720)	(1,720)	(434)
Share based payment including associated contractual liability	4	(360)	(360)	7,640	6,076
Legal fees and one off costs	5	–	950	1,004	100
Fit out costs expensed	6	–	–	91	–
Tax effect of pro forma adjustments	7	907	622	372	(1,897)
<b>Pro forma NPAT/(NLAT)</b>		<b>(541)</b>	<b>2,291</b>	<b>7,733</b>	<b>10,506</b>

Notes: Description of pro forma adjustments:

1. Key management employment costs: relates to the salary of the CEO and CFO inclusive of superannuation, which has not been historically incurred (see Section 6).
2. Transaction costs: comprises of legal, tax and financial due diligence costs related to the Offer.
3. Incremental public company costs: representing Directors fees, D&O insurance.
4. Share based payment: relates to options provided to Directors and executives and add back share based payment in relation to the issue of Shares including the associated contractual payment (see Section 6).
5. Legal fees: relates to costs incurred in relation to the settlement of a legal dispute (refer to Section 9.11) and other one-off costs in FY2020.
6. Fit out costs expensed: relates to the office fit out costs expensed.
7. Tax effect of pro forma adjustments: the income tax expense/(benefit) associated with the above-mentioned pro forma adjustments.

## 4. Financial information

### 4.9 Historical Segment Information

Step One has one reportable segment, revenue by geography is described in Section 4.11.2.

### 4.10 Forecast Financial Information

The Forecast Financial Information is based on specific and general assumptions, including those set out in this Section. In preparing the Forecast Financial Information, Step One has undertaken an analysis of historical performance and applied assumptions where appropriate in order to forecast future performance for FY2022. Step One believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions, when taken as a whole, to be reasonable at the time of preparing the Prospectus. However, actual results are likely to vary from those forecasts and any variation may be materially positive or negative.

The assumptions on which the Forecast Financial Information is based are, by their nature, subject to significant uncertainties and contingencies, many of which are outside the control of Step One and its Directors and Management, and are not reliably predictable. Accordingly, none of Step One, its Directors or any other person can give assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.13, the risk factors set out in Section 5 and the Independent Limited Assurance Report set out in Section 8. A reconciliation of the Pro Forma Forecast Financial Information and Statutory Forecast Financial Information is set out in Section 4.8.

#### 4.10.1 General assumptions

In preparing the Forecast Financial Information, the following general Directors' best estimate assumptions have been adopted:

- No material change in the competitive operating environment in which Step One operates;
- No material changes in government legislation, regulatory requirements or other government policy in any country in which Step One operates that will have a material negative impact on the financial performance, cash flows, financial position, accounting policies, financial reporting or disclosures of the Group;
- No significant deviation from current market expectations in the geographies in which Step One operates and the economic conditions relevant to Step One;
- No changes in current Australian tax legislation;
- No material changes in applicable AAS, IFRS or other mandatory professional reporting requirements which have a material effect on Step One's financial performance, financial position, accounting policies, financial reporting or disclosure during the Forecast Period;
- No material employee relations disputes or other disturbances;
- No material industry strikes or other disruptions to Step One's supply chain, or business operations impacting the continuity of Step One's operations;
- No material fine, penalty, dispute, litigation or other contingent liabilities to arise or be settled to the detriment of Step One;
- No material acquisitions, disposals, restructuring or investments;
- No material change in Step One's corporate or capital structure other than the transactions contemplated under the terms of the Offer set out in this Prospectus;



- No material amendments to any material contract, agreements or arrangements relating to Step One's business or intellectual property;
- None of the risks listed in Section 5 eventuate, or if they do, none of them has a material adverse impact on the operations of Step One; and
- The IPO process concludes, and the proceeds of the Offer are received in accordance with the timetable set out in the Key Dates section of this Prospectus.

#### **4.10.2 Specific assumptions**

The Forecast Financial Information is based on various best estimate assumptions, including a comparison to historical financial performance. In preparing the Forecast Financial Information, Step One has analysed historical financial performance, including the current rates of revenue and expenses and applied assumptions, where appropriate across the business. The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.13, the risk factors set out in Section 5, the Independent Limited Assurance Report set out in Section 8 and other information contained in this Prospectus.

### **4.11 Management discussion and analysis of key historical and forecast metrics**

#### **4.11.1 Discussion of historical and forecast trading**

The following information provides an overview of the general factors which affected Step One's operations and financial performance in FY2019, FY2020 and FY2021 and which the Directors expect may continue to affect Step One in FY2022.

This has been prepared using Step One's Pro Forma Consolidated Historical Financial Information for FY2019, FY2020 and FY2021 and the Pro Forma Consolidated Forecast Financial Information for FY2022.

#### **Drivers of Step One's financial performance**

Step One's primary sources of revenue are generated from the online sale of its own branded men's underwear in Australia and the UK.

The key drivers of sales revenue are:

- The number of orders placed by returning and new customers driven by the level of advertising and marketing expenditure; and
- The average order value generated from customer orders.

The key drivers of cost are:

- The level of product purchases;
- The fulfilment costs;
- The amount of advertising and marketing expenditure required to further acquire new customers and retain existing customers;
- The number of employees required to support the growth of the business; and
- Other operating costs involved in running the Step One business.

#### **4.11.2 Sales revenue**

Step One derives revenue from the online sale of its own branded men's underwear via its website. Sales revenue is generated from the online sale of products after allowances for customer returns in accordance with Step One's returns policy.

The increase in revenue between FY2019 and FY2020 was equally driven by the acquisition of new customers and the retention of existing customers as well as the successful launch in the UK in June 2020.

The increase in revenue in Australia and the UK between FY2020 and FY2021 was attributable to strong investment in marketing and advertising initiatives to increase brand awareness and loyalty, which resulted in the higher proportion of revenues generated from returning customers. This strong growth in revenue demonstrated

## 4. Financial information

Step One's ability to successfully attract and convert new customers into returning customers through strategic investment in marketing and advertising initiatives.

Following the successful launch in the UK Step One now plans to officially launch in the US in October 2021 following a soft launch in August 2021. The revenue from the US market is forecast based on sales revenue achieved for the revenue generated from the operation in the UK market in the first 9 months (from June 2020) relative to the anticipated level of marketing and advertising spend.

**Figure 1: Revenue by geography across the Historical and Forecast Period**

REVENUE \$'000	HISTORICAL PERIOD			FORECAST PERIOD
	FY2019	FY2020	FY2021	FY2022
	PRO FORMA	PRO FORMA	PRO FORMA	PRO FORMA
Australia	7,718	21,185	40,667	44,777
United Kingdom (UK)	-	1,062	21,050	23,092
United States (US)	-	-	-	6,103
Total	7,718	22,247	61,717	73,972

### Seasonality

Step One's revenue experiences seasonality across the year predominately associated with key promotional events. The second half of the calendar year is typically the strongest period for sales revenue due to the End of Financial Year sale (the majority of this revenue is recognised in July) as well as Step One undertaking a number of promotions (as do the majority of online retailers) during November including Black Friday and Cyber Monday (this sales revenue is recognised in November). This is followed by the usual retail promotional period around Boxing Day (this revenue is recognised in December).

Step One also has a regular number of colour releases throughout the year which account for approximately 13% of total sales revenue. The colour releases and the launch in the US in October 2021 are expected to result in revenues being split more evenly between the first and second halves of the financial year.

### AOV and customer orders

The average order value and the total number of orders are two key drivers of revenue. The AOV reflects the average dollar amount spent each time a customer places an order on the Step One website based on order date. The AOV is not adjusted for the deferral of revenue recognition for estimated delivery.

The total number of orders is derived from the level of advertising and marketing investment and returning customer rates

In preparing the sales revenue forecast assumptions, the Directors have considered historical trends and current trading. Forecast number of orders are based on the number of returning and new customers as well as seasonal patterns.

Figure 2 below represents the contribution to sales revenue growth from returning and new customers across the Historical and Forecast Period.

Figure 2: Revenue by new and returning customers and geography across the historical and forecast period



Revenue growth between FY2019 and FY2020 was split equally between returning and new customers as the Step One brand gained a loyal customer base driven by the level of investment in marketing and advertising. As mentioned, the growth in sales revenue between FY2020 and FY2021 was driven by the increase in new and returning customers as well as the successful launch in the UK market in July 2020.

Forecast number of orders from new and returning customers in FY2022 is based on the expected performance trend in sales and marketing spend converting to customer orders, with the level of growth in sales and marketing spend in the existing markets (Australia and UK) reflecting a slower rate of growth than experienced in FY2021. The US is expected to contribute \$6.1 million in sales revenue in FY2022, (based on an official launch in October 2021 and nine months trading), compared to the actual sales revenue generated in the UK for the initial 9 months from launch in June 2020 of approximately \$15 million.

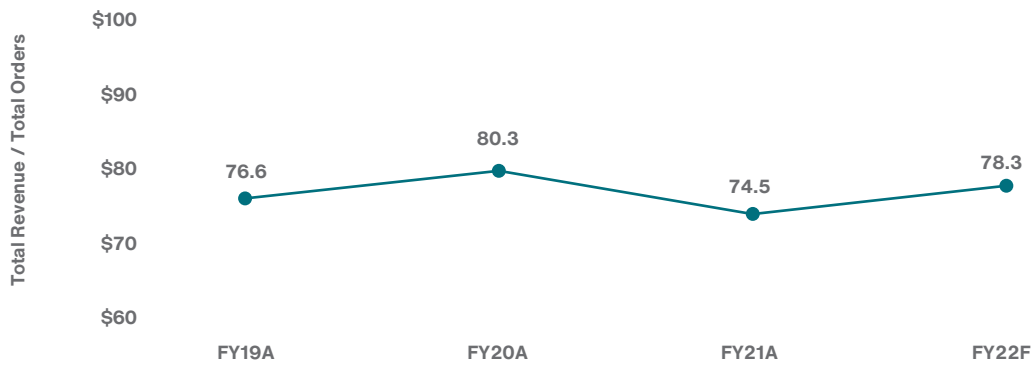
The AOV generated by Step One has increased year on year in Australia during FY2019, FY2020 and FY2021, with the overall AOV showing a slight decline in FY2021. This was driven by the launch in the UK in June 2020 as first-time customers tend to have a lower AOV than returning customers.

The increase in AOV forecast in FY2022 is driven by a price increase in May 2021. The change in AOV is influenced by the mix of returning and new customers, with new customers tending to buy single items or smaller multi-packs (for example a four pack) generating a lower AOV as opposed to returning customers buying colour releases supplemented by additional pairs in larger multi-packs (for example a 7 pack) generating a higher AOV.

# 4. Financial information

Figure 3 below represents the movement in the AOV across the Historical and Forecast Period.

Figure 3: AOV (weighted average)

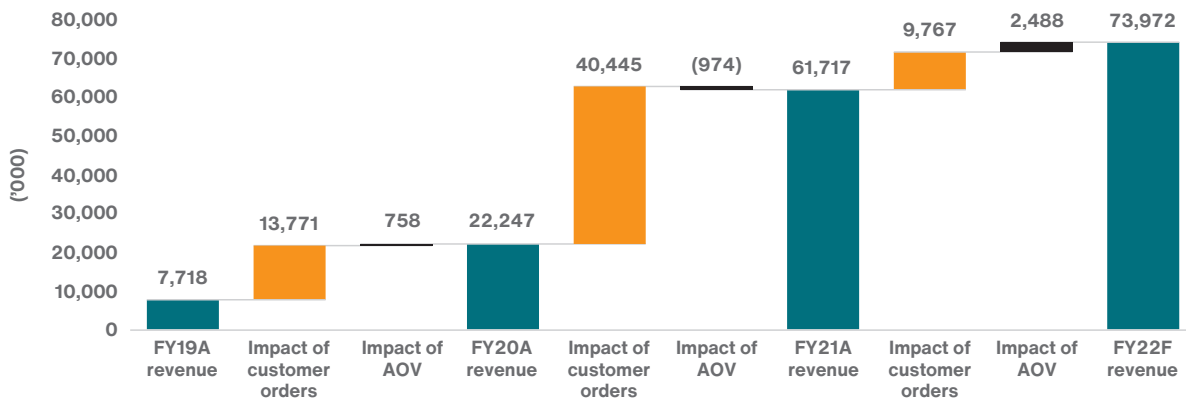


Note: The average order value is based on the number of individual orders which can include multiple items. Refer to Section 4.5 for the basis on which the average order value is calculated.

Figure 4 below sets out a bridge of sales revenue growth from FY2019 to FY2022 between the number of customers and AOV.

The primary driver of growth in FY2019 and FY2020 was an increase in the number of customers, supported by Step One’s marketing and advertising initiatives. The growth in revenue between FY2020 and FY2021 can be attributed to securing new customers in the UK following the launch in July 2020 as well as the continued growth of the Australian customer base. The forecast growth in FY2022 is driven by customer numbers (both returning and new) as well as the launch in the US.

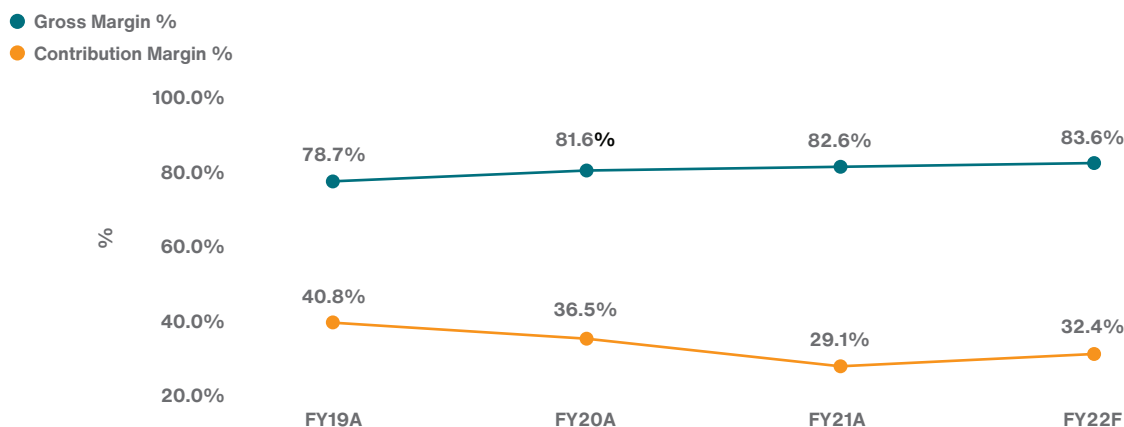
Figure 4: Sales revenue growth from FY2019 to FY2022 by customer numbers and AOV across the historical and forecast period



Refer to Section 4.5 for the basis on which the operating metrics are calculated.

### 4.11.3 Gross margin and contribution profit

Figure 5: Gross profit and contribution profit (% of revenue)



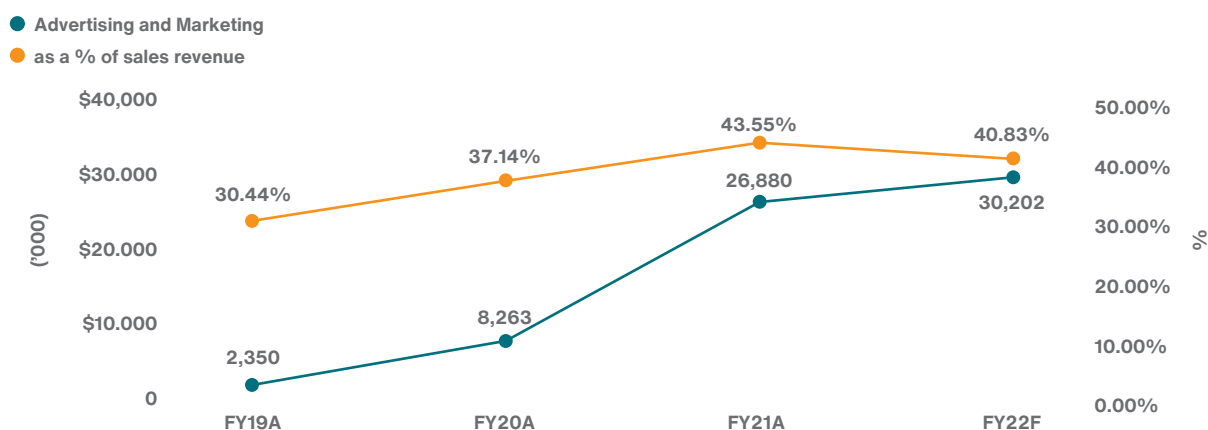
Gross margin is sales revenue less the cost of products sourced from suppliers. As Step One uses third party logistics providers for delivering to customers, distribution and fulfilment costs are not included in the cost of sales. Gross margin was relatively consistent between FY2019, FY2020 and FY2021 with a modest increase year on year. Gross margin is forecast to improve in FY2022, primarily as a result of a price increase in May 2021 having a full year impact in FY2022 and less air freight forecast in FY2022 compared to FY2021.

Contribution margin is gross margin less advertising and marketing expenses, and distribution and fulfilment expenses. Contribution margin declined between FY2019 and FY2021 due to increases in both advertising and marketing costs, and distribution and fulfilment expenses, as described in Section 4.11.4 and 4.11.5 below. Contribution margin is expected to increase in FY2022 primarily related to improved advertising and marketing efficiency as described in 4.11.4 below.

Refer to Section 4.5 for the basis of which the operating metrics are calculated.

### 4.11.4 Advertising and marketing cost assumptions

Figure 6: Advertising and marketing costs (\$'000s) and as a % of sales revenue



Advertising and marketing spend relates to costs associated with various marketing and advertising activities including television advertising, Facebook and Google AdWords.

## 4. Financial information

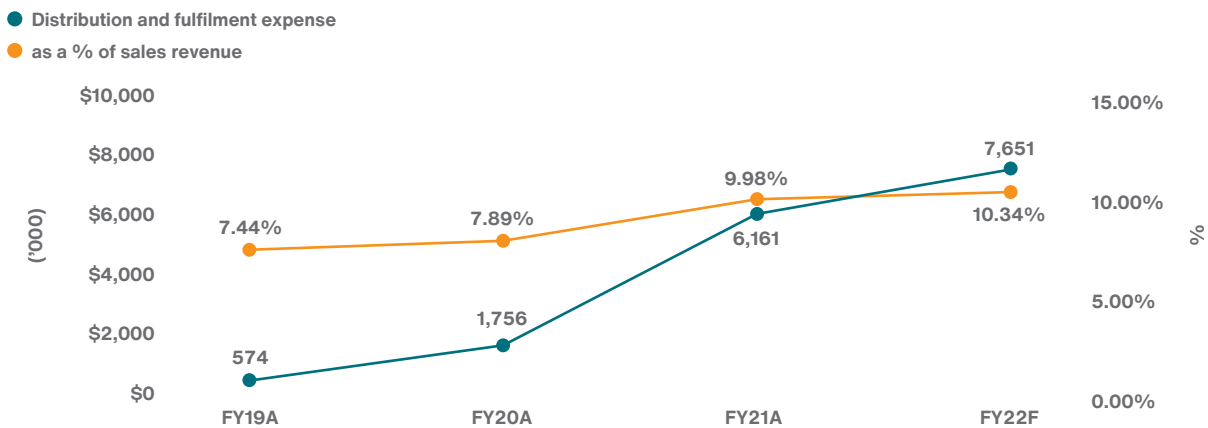
Advertising and marketing expenditure as a proportion of sales revenue provides an indication of the efficiency of advertising and marketing expenditure. Due to the return hurdles Step One implements in relation to its planned advertising and marketing investment, the Company has historically achieved a strong conversion of advertising and marketing into revenue.

Advertising and marketing spend is forecast as a percentage of sales revenue, with reference to historical trends. Advertising and marketing increased as a percentage of revenue from FY2019 to FY2021 as the Company invested in new advertising channels and expanded into the UK market. FY2021 in particular was impacted by testing in new marketing channels (including prime time television in Australia), which proved to be less effective than Step One's traditional marketing channels.

Advertising and marketing spend is forecast to increase in FY2022 to reflect additional marketing initiatives funded by the Offer aimed at driving new customer additions, retention of existing customers and to cultivate repeat purchases of Step One's products, as well as support the Company's planned official launch in the US market in October 2021. Advertising and marketing as a percentage of sales revenue is expected to reduce in FY2022 reflecting the removal of prime-time television advertising incurred in FY2021 which is not forecast to occur in FY2022.

### 4.11.5 Distribution and fulfilment expenses

Figure 7: Distribution and fulfilment costs (\$'000s) and as a % of sales revenue

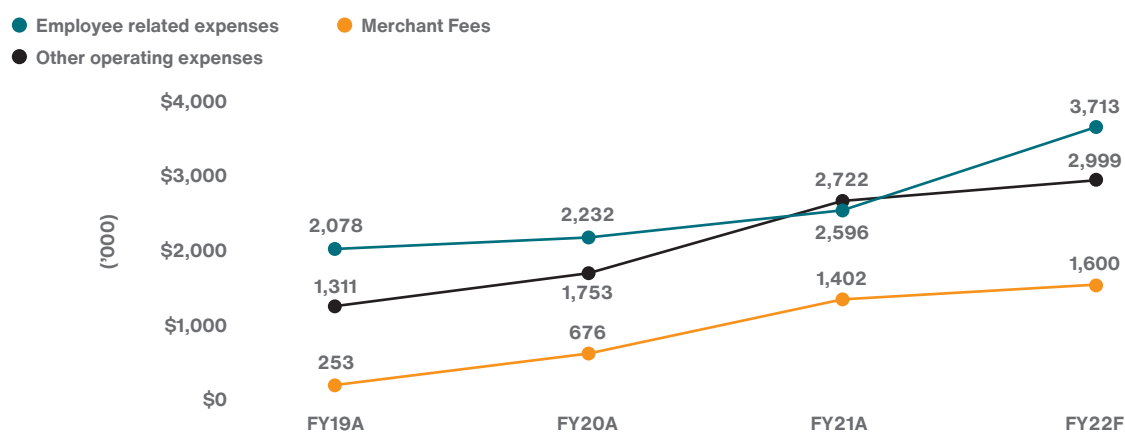


Distribution and fulfilment costs relate to freight and packaging costs, freight services are outsourced to third party logistics providers. Distribution and fulfilment costs as a percentage of revenue increased between FY2019 and FY2020 partly impacted by COVID-19 and also fulfilling orders to the UK (during testing phase) and to a lesser extent other international markets from Australia. Distribution and fulfilment costs further increased as a percentage of revenue between FY2020 and FY2021 due to the increase in freight costs and the official launch in the UK. Distribution and fulfilment costs are forecast to increase as a percentage of revenue in FY2022 mainly due to increasing freight costs generally and the planned launch in the US in October 2021.

#### 4.11.6 Other operating costs

Step One presents its other operating cost categories within the consolidated income statement on a category basis. The categories used are employee costs expense, other operating expenses and merchant fees.

Figure 8: Other operating expenses (\$'000s)



#### Employee costs

Due to Step One's business model as an e-commerce retailer, the majority of employee costs are fixed, driven by head count and do not grow in line with sales revenue.

In recent periods, Management have invested in a number of senior hires (CFO, Non-executive Chairperson and two Non-Executive Directors), making allowance for remuneration as part of public company costs. The Company has also forecast for the expected cost of a Chief Marketing Officer to support its growth and the remuneration costs of 3 new hires during FY2022.

Step One has outsourced a number of functions including finance and accounting support, outside of the CFO between FY2019 and FY2021. These costs are included in other operating expenses below.

#### Other operating expenses

Other operating expenses include professional fees, insurance, occupancy and utilities and general administrative costs.

Professional fees relate to fees paid to external services providers for audit, tax, legal and annual ASX fees. These costs are forecast to remain in line with historical trends as a percentage of sales revenue (increased for being a public company on a pro forma basis).

#### Merchant fees

Merchant fees include fees paid to Shopify and payment gateway providers and are largely variable in nature. The reduction in Merchant fees as a percentage of sales revenue between FY2019/ FY2020 and FY2021 is due to the agreement structure including a fixed element therefore with increased sales revenue reducing the overall percentage Merchant fees are forecast in FY2022 at a consistent level to FY2021.

#### Depreciation and amortisation assumptions

Due to the capital light business model depreciation is minimal and is forecast in FY2022 in line with historical trends.

## 4. Financial information

### Foreign Exchange

In the forecast period Step One's sales revenue is derived predominately in Australian Dollars, British Pounds and United States Dollars with the majority of product costs denominated in Chinese Renminbi (CNY). Advertising, Distribution and fulfilment costs are incurred in Australian Dollars, British Pounds and United States Dollars with general operating costs predominately incurred in Australian Dollars. Step One therefore has exposure to movements in foreign currency particularly in relation to product costs and therefore Step One hedge against movements in the CNY and the Australian Dollar.

### 4.12 Assessment of the impact of COVID-19

Prior to COVID-19, Step One was experiencing growth in sales and website visits on a month-on-month basis. The pandemic of COVID-19 which started in March 2020 has accelerated the shift to online shopping globally. This has resulted in a general increase in website visits to e-commerce websites such as Step One.

In this context Management would have expected Step One's conversion rates to decrease all other things remaining equal, however, Step One has experienced a consistent conversion rate since March 2020, implying historical revenue growth is not specifically COVID-19 related. The increased growth in sales revenue is attributed to more potential customers being exposed to daytime advertising during the initial lock down periods, and an improvement in the effectiveness of Step One's advertising and marketing strategy due to the ability to access cheaper advertising (particularly daytime television).

At the date of the Prospectus, Step One has not experienced any disruptions to the product supply chain or the ability to deliver products to customers due to the COVID-19 pandemic and the associated restrictions, other than periods of increased airfreight which is reflected in the historical results for FY2020 and FY2021.

### 4.13 Sensitivity analysis

The Forecast Financial Information is based on a number of estimates and assumptions as described in Section 4.10 and Section 4.11. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Company, the Directors and Step One's management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the FY2022 Forecast Financial Information to changes in a number of key variables. The changes in the key variables as set out in the sensitivity analysis are not intended to be indicative of the complete range of variations that may be experienced.

Care should be taken in interpreting these sensitivities. In order to illustrate the likely impact on the Forecast Financial Information, the estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions and assumes a full year impact. In practice, changes in assumptions may offset each other or be additive, and it is likely that Step One's management would respond to any changes to seek to minimise the net effect on Step One's revenue, EBITDA, NPAT and cash flow.

For the purposes of the analysis below, the effect of the changes in key assumptions is based on the FY2022 pro forma forecast EBITDA of \$15.1 million and pro forma sales revenue of \$74.0 million.



**Table 5: Sensitivity analysis (\$'000s) for FY2022**

Refer to Section 4.5 for the basis of which the operating metric are calculated.

ASSUMPTION	PRO FORMA EBITDA	IMPACT EBITDA	ADJUSTED EBITDA	PRO FORMA SALES REVENUE.	IMPACT SALES REVENUE.	ADJUSTED SALES REVENUE.
+5.0% Marketing spend	15,053	87	15,140	73,972	2,006	75,978
-5.0% Marketing spend	15,053	(87)	14,966	73,972	(2,007)	71,965
+5.0% New customer orders	15,053	1,395	16,448	73,972	2,007	75,979
-5.0% New customer orders	15,053	(1,395)	13,658	73,972	(2,007)	71,965
+5.0% Average order value	15,053	3,190	18,243	73,972	3,263	77,235
-5.0% Average order value	15,053	(3,190)	11,863	73,972	(3,263)	70,709
+1.0% Cost of sales	15,053	(107)	14,946	73,972	-	73,972
-1.0% Cost of sales	15,053	107	15,160	73,972	-	73,972
+1.0% Operating expenses	15,053	(131)	14,922	73,972	-	73,972
-1.0% Operating expenses	15,053	131	15,184	73,972	-	73,972

## 4. Financial information

### 4.14 Pro Forma Historical and Pro Forma and Statutory Forecast Cash Flows

Set out in the table below is a summary of Step One's pro forma historical and forecast cash flows for FY2019, FY2020, FY2021 and FY2022.

Table 6: Pro Forma historical and forecast cash flows

	HISTORICAL PERIOD			FORECAST PERIOD	
	FY2019 PRO FORMA	FY2020 PRO FORMA	FY2021 PRO FORMA	FY2022 PRO FORMA	FY2022 STATUTORY
<b>\$'000</b>					
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
EBITDA	(851)	3,111	10,863	15,053	4,649
Add back noncash share based payment	360	360	360	360	6,130
FX translation	-	-	57	-	-
Add back already expensed transaction costs	-	-	-	-	4,662
Adjusted EBITDA	(491)	3,471	11,280	15,413	15,441
Net working capital movements	92	1,098	(2,580)	(5,238)	(5,738)
Other income	-	4	114	-	-
Pre-tax operating cash flows	(399)	4,573	8,814	10,175	9,703
Taxes paid	905	(97)	(2,065)	(8,943)	(8,943)
Net operating cash flows	506	4,476	6,749	1,232	759
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Net capex	(2)	-	(3)	(22)	(22)
Intangibles	-	(13)	(43)		
Net investing cash flows	(2)	(13)	(46)	(22)	(22)
Net operating and investing cash flows	504	4,463	6,703	1,210	738
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Interest paid	4	1	21	(9)	(9)
Dividends paid	(80)	(1,091)	(78)	-	-
Related party loans	80	(397)	(3,150)	(1,408)	(1,408)
Proceeds from the Offer (net of costs)	-	-	-	32,763	32,763
Net financing cash flows	4	(1,487)	(3,207)	31,346	31,346
Net cash flows	507	2,976	3,497	32,556	32,084

Table 7: Pro Forma adjustments to the historical and forecast statutory cash flows

\$'000	NOTES	HISTORICAL PERIOD			FORECAST PERIOD
		FY2019	FY2020	FY2021	FY2022
<b>Statutory Net Cash Flows</b>		<b>2,263</b>	<b>4,066</b>	<b>4,004</b>	<b>32,084</b>
Key management employment costs	1	(942)	(942)	(859)	-
Transaction costs	2	-	-	605	-
Incremental public company costs	3	(1,720)	(1,720)	(1,720)	(434)
Payment of contractual liability	4	-	-	-	306
Legal fees and one off costs	5	-	950	1,004	600
Fit out costs expensed	6	-	-	91	-
Tax effect of pro forma adjustments	7	907	622	372	-
<b>Pro forma Net Cash flows</b>		<b>507</b>	<b>2,976</b>	<b>3,497</b>	<b>32,556</b>

Notes: Description of pro forma adjustments to the statutory operating cash flow:

1. Key management employment costs: relates to the salary of the CEO and CFO inclusive of superannuation, which has not been historically incurred (see Section 6).
2. Transaction costs: comprises of legal, tax and financial due diligence costs related to the Offer.
3. Incremental public company costs: representing Directors fees, D&O insurance and other anticipated costs.
4. Payment of contractual liability in relation to share based payment in relation to the issue of Shares (see Section 6).
5. Legal fees: relates to costs incurred in relation to the settlement of a legal dispute (see section 9.11) and other one off costs in FY2020.
6. Fit out costs expensed: relates to the office fit out costs expensed.
7. Tax effect of pro forma adjustments: the income tax expense/ (benefit) associated with the above-mentioned pro forma adjustments.

#### 4.14.1 Discussion of historical and forecast operating cash flows

With the inclusion of pro forma adjustments, the pro forma EBITDA has been in a loss making position in FY2019 noting that the Step One website had only been launched in 2017. This has led to pro forma pre-tax operating cash flows being in deficit for FY2019.

Pro forma FY2020, FY2021 and forecast FY2022 operating cash flows are in surplus as the business has reached a scale where operating inflows are sufficient to cover operating costs. The operating cash flow surplus is also attributable to sales revenue largely being received in cash on the same day of a transaction. Trade payables and accruals have also contributed to the operating cash flow surplus as inventory purchases made with suppliers increased to meet added customer demand with suppliers being paid 90 days from the dispatch of goods from the manufacturer.

In FY2021 the movement in working capital is in relation to the build-up of inventory to service the continued growth in customer orders, the investment in working capital forecast in FY2022 is in relation to the payment of suppliers for inventory purchases in both FY2021 and FY2022.

#### 4.14.2 Investing cash flows

Investing cash flows have historically been minimal due to the capital light business model and are forecast at similar levels in FY2022.

## 4. Financial information

### 4.14.3 Financing cash flows

Financing activities relate the drawings and dividend flows to the Shareholder and the subsequent receipt of the IPO proceeds (net of costs) forecast in FY2022.

### 4.15 Statutory and Pro Forma Historical Statement of Financial Position

The table below has been extracted from the audited consolidated historical statement of financial position of Step One Clothing Pty Ltd as at 30 June 2021 and adjusted to reflect the pro forma adjustments that have been made to the consolidated historical statement of financial position (further described in Section (4.15.1) and the pro forma consolidated historical statement of financial position as at 30 June 2021).

The pro forma consolidated historical statement of financial position is provided for illustrative purposes and is not represented as being necessarily indicative of Step One's view on its future financial position.

**Table 8: Statutory and Pro Forma statement of financial position as at 30 June 2021**

\$'000	NOTES	AUDITED AS AT 30 JUNE 2021	IMPACT OF THE OFFER	PRO FORMA AS AT 30 JUNE 2021
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	1	10,845	30,835	41,680
Inventory	2	9,730	-	9,730
Derivative financial instruments	3	134	-	134
Related party receivable	4	3,408	(3,408)	-
Other assets	5	1,303	328	1,631
<b>Total current assets</b>		<b>25,421</b>	<b>27,755</b>	<b>53,176</b>
<b>Non-current assets</b>				
Plant and equipment		2	-	2
Intangibles	6	56	-	56
Deferred tax asset	7	1,323	1,586	2,909
<b>Total non-current assets</b>		<b>1,381</b>	<b>1,586</b>	<b>2,967</b>
<b>TOTAL ASSETS</b>		<b>26,802</b>	<b>29,341</b>	<b>56,143</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	8	7,276	(500)	6,776
Contract liabilities	9	2,620	-	2,620
Provision for Income Tax		3,677	(406)	3,272
Employee provisions		34	-	34
Financial liability	10	8,000	(8,000)	-
<b>Total current liabilities</b>		<b>21,608</b>	<b>(8,906)</b>	<b>12,702</b>

\$'000	NOTES	AUDITED AS AT 30 JUNE 2021	IMPACT OF THE OFFER	PRO FORMA AS AT 30 JUNE 2021
<b>Non-current liabilities</b>				
Employee provisions		2	–	2
Deferred tax liability		201	–	201
<b>Total non-current liabilities</b>		<b>203</b>	<b>–</b>	<b>203</b>
<b>TOTAL LIABILITIES</b>		<b>21,811</b>	<b>(8,906)</b>	<b>12,905</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>4,991</b>	<b>38,247</b>	<b>43,238</b>
<b>EQUITY</b>				
Issued capital		1	52,042	52,043
Reserves		173	–	173
Retained earnings		4,817	(13,795)	(8,978)
<b>TOTAL EQUITY</b>		<b>4,991</b>	<b>38,247</b>	<b>43,238</b>

Notes: Description of key Statement of Financial Position items

1. Cash and cash equivalents: represent the balances held in various bank accounts, as well as merchant clearing accounts
2. Inventories: relates to stock in transit between dispatch from the supplier and receipt by Step One and stock on hand
3. Derivative financial instruments: relates to forward foreign exchange contracts which is used to hedge against forex fluctuations with Chinese suppliers, the purchases from whom take place in CNY
4. Related party receivable: represents shareholder loan to Greg Taylor that has been cleared through payment of a pre IPO dividend
5. Other assets: represent prepayments for SG&A items and deposits for purchases from suppliers (10% of invoice total)
6. Intangibles: represents capitalised costs the company has incurred towards Trademarks which are amortised over their useful life
7. Deferred tax asset: represents temporary tax differences and unused tax losses recognised at the tax rate of each respective financial year
8. Trade and other payables: comprise predominantly of amounts due to suppliers, accruals, GST, wages payable, superannuation and PAYG withholding
9. Contract liabilities: represents the portion of sales that takes place towards the end of each month to the extent the goods have not been received by the customers
10. Financial Liability: relates to the Share Based Payment for the issue of Shares (refer to Section 6 for further details)

#### 4.15.1 Pro forma adjustments

The following transactions and events contemplated in this Prospectus which are to take place on or before Completion of the Offer, referred to as the Pro Forma Adjustments, are presented as if they, together with the Offer, had occurred on or before 30 June 2021 and are set out below.

With the exception of the pro forma transactions noted below no material transactions have occurred between 30 June 2021 and the date of this Prospectus, which the Directors consider, require disclosure.

Pro forma transactions:

- (1) A share split into 150,000,000 Shares;
- (2) Repayment of the shareholder loan by way of a cashless dividend amounting to \$4.8 million (which includes \$1.4 million cash drawn after 30 June 2021);
- (3) Settlement of legal dispute (see Section 9.11);

## 4. Financial information

- (4) The conversion of the financial liability and revaluation on issue of Shares to Equity including payment of a contractual liability amounting to \$0.3 million;
- (5) The Completion of the Offer, raising \$40 million through the issue of 26,143,791 Shares at the Offer Price of \$1.53; and
- (6) Cash costs outstanding associated with the Offer totalling \$7.0 million with \$2.0 million being capitalised and \$4.7 million being expensed. The GST claimable as a result of the RITC provisions within the GST legislation totals \$0.3 million. A Deferred tax asset has been recognised for the future deductibility of the offer costs.

### 4.15.2 Pro forma cash and cash equivalents

Step One expects that it will have sufficient cash to fund its operational requirements and business objectives following the Offer.

**Table 9: Pro Forma cash and cash equivalents as at 30 June 2021**

\$'000	PRO FORMA ADJUSTMENT	CASH AND CASH EQUIVALENTS
Audited as at 30 June 2021		10,845
Pro forma transactions:		
Shareholder drawings	2	(1,392)
Settlement of legal dispute	3	(500)
Payment of contractual liability		(306)
Pre Offer pro forma cash balance		8,647
Offer	5	40,000
Offer costs	6	(6,967)
Pro forma cash and cash equivalents		41,680

### 4.15.3 Pro forma capital structure summary

Table 10: Pro Forma capital structure as at 30 June 2021

	PRO FORMA ADJUSTMENT	NO. OF SHARES	ISSUED CAPITAL \$'000	RESERVES	RETAINED EARNINGS \$'000	NET ASSETS \$'000
As at 30 June 2021						
Audited		1,000	1	173	4,817	4,991
Subsequent transactions:						
Share split	1	149,999,000	-	-	-	-
Subtotal (post share split)		150,000,000	1	173	4,817	4,991
Issue of shares to Michael Reddie and payment of contractual liability	3	9,000,000	13,770	-	(6,076)	7,694
Issue of shares to Directors		196,500	248	-	(248)	-
Pre Offer capital structure		159,196,500	14,019	173	(1,507)	12,685
Dividend payment	2	-	-	-	(4,800)	(4,800)
Pro forma transactions:						
Public offer	4	26,143,791	40,000	-	-	40,000
Offer costs	5	-	(1,976)	-	(2,671)	(4,647)
Total		185,340,291	52,043	173	(8,978)	43,238

Refer to Notes in Section 4.15.1.

### 4.16 Borrowings

Step One does not have any borrowings or external financing facilities.

### 4.17 Dividend policy

The dividend policy of the Company is to reinvest all cash flows into the business to maximise its growth. Accordingly, no dividends are expected to be paid in the near term following the Company's listing on the ASX.

# SECTION 05

## RISK FACTORS





## 5.1 Introduction

There are a number of risks both specific to Step One and of a general nature, which may either individually or in combination materially and adversely affect the future operating and financial performance of Step One, its business and the value of the Shares.

Prospective investors should note that this Section 5 does not contain an exhaustive list of risks associated with an investment in Step One, either now or in the future, and should be considered in conjunction with other information disclosed in this Prospectus. Many of the risks described below are outside the control of Step One, its Directors and Management and there can be no guarantee that Step One will achieve its stated objectives or that any forward-looking statements or forecasts contained in this Prospectus will be realised or otherwise eventuate. You should note that past performance may not be an indicator of future performance.

Before applying for Shares, you should be satisfied that you have a sufficient understanding of the risks involved in making an investment in Step One. Investors should have regard to their own investment objectives and financial circumstances, and should consider seeking professional guidance from their accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.

## 5.2 Risks specific to an investment in Step One

### 5.2.1 Step One's competition may increase and change

The Australian retail industry in which Step One operates is competitive and is subject to changing customer preferences.

Step One faces competition from specialty retailers, department stores, supermarkets, as well as online only retailers. Competition is based on a variety of factors including merchandise range, quality, price, advertising, online presence and presentation and customer service. Existing online competitors may strengthen their market share through increased funding or industry consolidation, an increase in brand awareness or attractiveness to customers, or through financial or operational advantages which allow them to compete aggressively on pricing. Step One's market share in the underwear segment may decline if competitors increase their focus on growing online sales through investment in the retail e-commerce market.

Step One's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors or a failure by Step One to successfully maintain its position as the retail environment changes. Any deterioration in Step One's competitive position may result in a loss of market share and a decline in revenue and earnings.

### 5.2.2 Continued growth of retail e-commerce and growth in product demand may be affected by general economic factors

While the retail e-commerce market has been growing, there is no guarantee this will continue into the future or as currently forecast. Step One is subject to factors outside its control including both the Australian and global economic outlook, movements in the cash rate and unemployment rate, levels of building activity, instability in real estate and housing markets, consumer sentiment, foreign economic shocks, changes to trade policies (including the imposition of tariffs or other protectionist measures) and adverse exchange rate instability. Some of these factors have experienced (and may continue to experience) a period of volatility in light of the COVID-19 pandemic and the State and Federal Governments' responses to the pandemic. One or more of these factors could cause a contraction in the forecasted growth of retail e-commerce or demand for Step One's products. As a result, Step One may not be able to meet its business objectives which would adversely affect Step One's financial and/or operational performance.

## 5. Risk factors

### 5.2.3 COVID-19

Events related to the Coronavirus pandemic (COVID-19) have resulted in significant market volatility. There is continued uncertainty as to the extent, duration, and final effects of the COVID-19 pandemic, including as to ongoing and future response of governments and authorities globally. The State and Federal Governments have imposed social-distancing restrictions which have, and may continue to, disrupt the operations of Step One's business. Step One's marketing content is primarily written, filmed, directed and edited by Step One or contractors employed by Step One. Step One's marketing initiatives would be adversely affected if stringent social distancing requirements were enforced and ads are not able to be filmed in person.

There remains a risk that the spread of COVID-19 has an adverse impact on Step One's supply chain. This could occur if the ability to transport products between countries is disrupted, Step One's key suppliers are negatively affected, or Step One is otherwise unable to efficiently distribute products to customers. In the event that our supply chain is disrupted this may have a material adverse effect on Step One's financial and/or operating performance.

The full impact of COVID-19 on consumer behaviour, suppliers, employees and Step One are not fully known. Given this, the impact of COVID-19 could potentially be materially adverse to Step One's financial and/or operational performance. Further, any government or industry measures may adversely affect our operations and are likely beyond our control. In compliance with its continuous disclosure obligations, we will continue to update the market in regard to any material impact of COVID-19 on our business.

### 5.2.4 Change in customer preferences

Demand for Step One's products is sensitive to its successful range development and customer demand for design and production features that are distinct from more established underwear brands. Step One's range development may fail to satisfy evolving customer preferences, or customers may not see value in Step One's distinct design and production features. Step One's failure to accurately predict or respond to customer preferences could result in lower sales or margins or reputational damage to the Step One brand and could have a material adverse effect on its financial and/or operational performance.

### 5.2.5 Seasonal trading patterns may change

Step One's revenue has historically been subject to seasonal patterns, with approximately 55% of FY2021 sales being generated in the first half of the financial year (which includes part of the End of Financial Year (EOFY), Black Friday and Christmas trading periods). An unexpected decrease in sales over those traditionally high-volume trading periods may impact Step One's revenue during the relevant period and could also result in abnormally large amounts of surplus inventory, which may need to be sold over an extended period or at lower margins. This would have an adverse effect on Step One's financial performance. Increased volumes during high-volume trading periods may also put pressure on Step One's suppliers and any failure by them to adequately respond may impact Step One's ability to meet customer demands and maximise sales during high-volume trading periods.

### 5.2.6 Management may be unable to achieve Step One's growth objectives

Step One has identified a number of strategic growth initiatives to continue to drive sales including expansion into other international markets (such as the US) through the launch of websites targeting customers in a range of international markets and introducing a women's range and other product adjacencies in the innerwear market. There is a risk that Step One may need to spend more than it anticipates executing these strategies. There is also the risk that these growth initiatives do not attract enough customer demand for Step One products.

Step One's strategy on strengthening its brand equity with new and returning customers is focused on colour releases and sales events. There is the risk that colour releases and sale event initiatives do not have the same level of success as previously experienced.

Step One's ability to grow also relies on its ability to retain its existing key supplier relationships and continue to attract suppliers on acceptable terms. Step One's supply agreements are negotiated on a case-by-case basis and there is no guarantee that these arrangements will be renewed on like terms.

Step One's suppliers may also have a "stock out" with insufficient quantities of products available in a timely manner, or encounter financial or material difficulties, labour shortage or unilaterally amend their terms of agreement with Step One's competitors. These factors may adversely affect Step One's ability to achieve its growth objectives.

Any delay in implementation of, failure to successfully implement, or unintended consequences of implementing, any or all of Step One's growth strategies may have an adverse effect on Step One's future financial performance. In addition, Step One's historical growth rates may not be sustainable or indicative of future growth.

### **5.2.7 Disruption in product supply or distribution and issues relating to supplier contracts may adversely affect Step One's operations**

Step One does not manufacture the products which it sells and is reliant on third party suppliers. Step One's reliance on third party suppliers for the products it sells, exposes it to risks relating to the actions or operations of those suppliers. For example, Step One is exposed to potential risks relating to the quality of goods supplied to it or increases in the cost of materials and cost of manufacturing. Step One's relationships with its suppliers may deteriorate or geopolitical tensions or restrictions (including the imposition of tariffs or other protectionist measures) may have an impact on trade or the supply chain between Step One and its suppliers. Supply arrangements may also be terminated or discontinued (which may occur at short notice). There may also be potential delays in sourcing new products or disruptions in identifying and engaging alternative suppliers. Given the majority of its suppliers are located outside Australia (predominantly in China), Step One is also subject to foreign exchange risks, which are detailed further in Section 5.2.19, as well as challenges associated with enforcing contractual arrangements in foreign jurisdictions.

Step One has supply contracts with three manufacturing suppliers, and informal arrangements with one other manufacturing supplier. Where contracts exist, they do not provide the supplier with guaranteed minimum annual order quantities; however conversely, they do not afford Step One compensation if the supplier is unable to fulfil orders placed with them.

Furthermore, Step One relies on the timely supply of products and services (e.g. production, freight, warehousing and internet services) from its suppliers. In the event that there are delays or failures in providing products or services to Step One, this may impact Step One's retail operations and results. This may occur, for example, where Step One's suppliers are unable to adequately respond to increased demand for their products or services during seasons (e.g. Christmas) where Step One's sales are substantially higher than normal, and any failure of suppliers to adequately service Step One's needs during those periods may have a significant adverse impact on Step One's financial performance. While this may occur through the actions of the supplier itself, it may also occur if the operations of a significant supplier to Step One are disrupted due to factors outside its control including fire, labour disputes, weather events, regulation and actions of government authorities, or other similar events or circumstances.

Finally, certain Step One material supply contracts are due to expire within 12 months of the date of this Prospectus. If Step One is unable to renew these material supply contracts, replace the suppliers on similar terms or if disruptions to Step One's business occur as a result of changing its suppliers, this may adversely impact Step One's operations and financial performance.

## 5. Risk factors

### 5.2.8 Step One may lose key management personnel

Step One's future success is dependent on its ability to retain and/or attract individuals that will complement its culture and retain an experienced senior management team, including the founder and chief executive officer Greg Taylor. Competition for key personnel within the retail e-commerce market could increase the demand and cost for quality employees. In the interests of managing the risks and challenges associated with leadership succession and retention of intellectual property and experience, Step One has arrangements in place with key employees including employment agreements and short and long-term incentives, and key employee equity holdings. Whilst Step One has arrangements in place with key employees, its business may be disrupted and its financial and/or operational performance could be materially adversely affected if Step One cannot attract and/or retain employees or senior management personnel to implement its growth strategy.

### 5.2.9 The value of Step One's brand name may diminish

The Step One brand name is a key asset of the business and is integral in Step One's ability to consistently appeal to its existing customers and to attract new customers to maintain its sales growth. The reputation and value associated with the Step One brand name could be adversely impacted by a number of factors, in particular product recalls or liability claims, failure to provide customers with the quality of product and service standards they expect, disputes or litigation with third parties such as employees, competitors, suppliers and customers, or adverse media coverage (including social media). The occurrence of many of the risks outlined in this Section 5 may also be harmful to Step One's reputation. Significant deterioration in the reputation of, or value associated with, the Step One brand name could have an adverse effect on customer loyalty, relationships with key suppliers, employee retention rates and demand for Step One's products, any of which may adversely affect Step One's financial performance and position.

### 5.2.10 Performance and reliability of Step One's website, databases, its operating systems and internet and risk of data security breaches

Step One's website, databases, IT, warehouse systems and management systems are critically important to its success in attracting and retaining customers and maximising sales conversion from those customers. There is a risk that if one or more of Step One's critical operating systems do not function properly, there could be system disruptions, corruption of databases or other electronic information, delays in marketing events to drive sales, delays in transaction processing, delays in receiving or processing orders through the warehouse, website slowdown or unavailability, loss of data or the inability to accept and fulfil customer orders. Such disruption, if sustained or regular, could materially adversely affect Step One's financial and operational performance.

Step One's financial and operational performance could be adversely affected by a system failure that causes prolonged disruption to its website, or to third party suppliers. This could damage the reputation and brand of the platform and reduce visitors to the website leading to a decrease in sales.

A failure in the systems of a third party provider is likely to have a material impact on Step One's systems and operations. While Step One mitigates such risk through alternative suppliers, data back-up and restore, manual procedures, and alternative pathways to market (such as fulfilment from another country), mitigation is not available against a failure of critical suppliers at a global level. As these are global companies with industry standing, such outcomes are considered unlikely, however remain possible. There remains a risk that any mitigation, where available, may not be sufficient to avoid customer disenchantment or reputational damage, which in turn may adversely affect Step One's financial performance.

Customer data is collected at checkout as part of Step One's privacy policy. This includes contact details, shipping information and order details which is collected and stored by Shopify.

A significant breach of customer data could attract regulatory action, negative media attention or brand damage and result in lost sales, fines or litigation, which could have a material adverse effect on Step One's future financial performance and financial position. Step One does not store payment or credit card or bank account information of customers within its systems.

In addition, Step One has access to a significant amount of employee and company data, and any security breach in respect of this data could result in damage to Step One, including through financial penalties and damage to Step One's reputation with employees and suppliers and ultimately result in a material adverse effect on the financial performance of the business.

Step One does not currently insure against cyber risk and as a result the occurrence of any of the above would result in direct costs being incurred by Step One, which may impact its financial performance.

#### **5.2.11 Changes in technology and technology updates**

The retail e-commerce market is influenced by changing technologies and adapting industry standards for the future.

Step One may be impacted by its ability to maintain and update its technology platforms to address such changes. Maintaining and updating Step One's technology could involve a significant cost and no assurance can be given that we will have the capital required to develop or acquire new technologies in the future required to meet any future changes. Step One's inability to do so may have a material adverse impact on its business and financial and/or operating performance.

#### **5.2.12 Step One's website may be excluded from or ranked lower in organic search results due to changes to search engines' algorithms or terms of services**

Organic search results are not dependent on payments or marketing costs but are the result of a search engine's "organic" listing. Customers sourced through organic listings generate higher gross margins for Step One as there are less marketing costs associated with transactions with these customers. Search engines will typically modify their algorithms to prevent manipulation of the rankings. Historically, search engines have not accepted payments to manipulate these rankings.

These algorithms may be confidential or proprietary information. If Step One is unable to adapt quickly to algorithm changes, its marketing effectiveness may be adversely affected, and we could suffer financially from a significant decrease in customer traffic and subsequent conversion rates. There is a risk that Step One could violate a search engine's terms of service by trying to improve its ranking. As a result Step One could be excluded from a search engine's organic listing. Such exclusion could significantly affect Step One's ability to achieve higher gross margins which could have a material adverse effect on its financial and/or operational performance in the future.

#### **5.2.13 Step One's email campaigns may be subject to spam filters or unsubscribed by customers**

Step One utilises direct email to its customers as part of its marketing campaigns. Whilst customers are required to consent to email marketing campaigns, there is the risk that email marketing campaigns could be flagged as spam. Spam filters used by internet service providers differ and some may have more aggressive spam filters that flag emails based on specific content or images. If Step One's email marketing campaigns are inadvertently caught in spam filters, this may reduce the effectiveness of email marketing campaigns. Customers may also choose to unsubscribe from Step One's direct emails. Step One's business, financial performance and/or operations may be materially adversely affected by any decrease in the effectiveness of its email marketing campaigns.

## 5. Risk factors

### 5.2.14 Step One's digital advertising may be impacted by changes to advertising or technology platforms

Step One utilises third party platforms such as Google Analytics, Google Ad Manager, Facebook, and Instagram to plan, execute and monitor the performance of paid media advertisements. These platforms operate across other technology platforms, such as the Android operating platform and Apple operating platforms. These technology platforms are regularly updated by the owners and operators of these platforms and these changes are outside the control of Step One. Recent changes have been made, and ongoing changes are expected, to these platforms in response to a range of factors, including privacy legislation such as GDPR in the United Kingdom and the CCPA in the United States of America. Future changes to these platforms may impact Step One's ability to effectively plan, execute and monitor its media campaigns, which may reduce the effectiveness of digital campaigns and have an adverse effect on Step One's operating and financial performance.

### 5.2.15 Domain name

Step One is the registrant of the internet domain name for the website [www.stepone.life](http://www.stepone.life). Domain name registrants may change the requirements for continued registration or renewal. If Step One fails to re-register this name when required to do so, or lose control of any domain name, Step One would lose all website traffic directed to that domain. This could lead to a significant reduction in Step One's revenue, even if it was ultimately able to re-direct users to other domain names.

### 5.2.16 Potential regulation of Buy Now Pay Later (BNPL) sector

Payment for a proportion of Step One's total revenues is facilitated by BNPL platforms such as AfterPay, Zip, Klarna and ClearPay. An assumption of the continued unfettered operation of BNPL platforms to assist Step One's customers to fund their purchases is imbedded within the business' forecasts. However, the BNPL sector may be subject to increased regulation that could affect the platform's growth, functionality and customer utilisation. Step One's financial, operational performance and/or growth objectives may be adversely impacted if BNPL services were restricted in use by Step One's customers, or if the costs or ease of use were adversely altered.

### 5.2.17 Inventory management

If Step One's inventory management system fails or provides inaccurate information, it may experience disproportionate demand and supply for specific products or "stock-out" issues. This may result in lost sales, increased holding costs, less than forecast margins, damage to our reputation or brand which may have a material adverse effect on Step One's financial and/ or operational performance.

### 5.2.18 Increase in the cost of or reliance upon paid marketing

Some of Step One's revenues are attributable to customers who accessed the Company's websites by clicking on links, content or videos that Step One paid to list on search engine's results pages and social media platforms. From time to time, the Company places bids on key words at a certain cost per click, or displays content or videos on social media platforms, the cost of which are subsequently paid to the search engine or social media platform in order to place these listings with a search engine or a social media platform. Under the bidding or display system, the order in which websites appear in a search engine's paid search results or on a social media platform's feed is determined by a range of factors. Bids on general search terms are typically higher cost, whereas bids on branded search terms (such as "Step One") are typically lower cost. The click-through rate is, in turn, influenced by the strength & relevance of the advertisement, the websites' brand and the popularity of the website. The cost of search engine and social media platform marketing generally increases as the importance of online advertising increases and competition to be ranked higher in paid listings increases and as the business grows to acquire new customers. Further, businesses might have to submit higher bids or pay higher costs to acquire customers in order to purchase certain key words to offset a reduction in their click-through rate or broaden its content and video display budget to reach a larger audience to acquire customers.

Step One's reliance on paid marketing may increase if it were to suffer negative publicity or if its market share were to decline, or if any other factor impacted on its brand or reputation. In addition, if the Company's websites were to experience a reduction in natural search visibility in search engines, it could increase Step One's reliance on search engine and social media platform marketing. Step One's business, financial performance and/or operations may be materially adversely affected by any increase in the cost of, or in reliance on, search engine and social media platform marketing, or any decrease in the effectiveness of its search engine and social media platform marketing.

#### **5.2.19 There may be adverse exchange rate movements**

Step One purchases the majority of its products from suppliers in China. Most of the arrangements for purchase of products are denominated in Chinese renminbi, US dollars and Australian dollars in that descending order. Step One is therefore exposed to the foreign exchange rate movements. For example, if the Australian dollar falls in value against the US dollar or Chinese renminbi, and Step One's hedging strategies are not effective, the cost to Step One of purchasing its products will increase. If Step One is not able to pass the increased costs on to its customers, this will impact Step One's product margins and profitability.

Furthermore, should Step One move forward with international expansion plans, it could also be exposed to additional currencies through the receipt of revenues and payment of costs in foreign currencies. Adverse exchange rate movements in those currencies may also negatively impact on revenues generated by Step One, and as a result impact Step One's financial performance.

#### **5.2.20 Step One may be involved in disputes or litigation**

Step One may from time to time be the subject of complaints, litigation, inquiries or audits initiated by customers, employees, suppliers, competitors, government agencies, regulators or other third parties alleging matters such as incorrect product descriptions, injury, health, environmental, safety or operational concerns, negligence, failure to comply with applicable laws and regulations or failure to comply with contractual obligations. Recently, Step One was a party to proceedings in the Federal Court of Australia with Sojo Pty Ltd (**Sojo**), in relation to claims made by Sojo that Step One had engaged in misleading and deceptive conduct in an advertisement broadcasted by Step One on television and online, and various additional claims made by both Sojo and Step One. Refer to Section 9.11 for further details.

While the proceedings involving Sojo referred to above have been settled, other complaints, litigation, inquiries or audits may arise from time to time, and if Step One were found to be liable under any claims involved or decided to settle them, there is no assurance that Step One's insurance will be adequate to cover liabilities resulting from such claims, and the need for payments by Step One could have a material adverse effect on Step One's financial position and performance. Furthermore, claims made against Step One which are covered by insurance will likely increase premiums paid by Step One to its insurers, and may make it more difficult for Step One to obtain insurance on favourable terms, or at all, in the future.

Finally, even if ultimately unsuccessful against Step One, complaints, litigation, inquiries or audits could have an adverse effect on Step One's reputation and may divert Management's attention from normal operations, which could in turn have a material adverse effect on Step One's operational and financial performance.

## 5. Risk factors

### 5.2.21 A workplace accident or incident may occur

Step One's employees are at risk of workplace accidents and incidents. Should an employee be injured in the course of their employment, Step One may be liable for penalties or damages as a result. If Step One was required to pay monetary penalties, this may adversely affect its financial position as well as the reputation of Step One.

### 5.2.22 Laws and regulations may change, and any breach of law may negatively impact Step One

Step One is subject to, and must comply with, a variety of laws and regulations in the ordinary course of its business. These laws and regulations include those that relate to privacy, fair trading and consumer protection, product safety, employment, taxation (including employment tax, GST and stamp duty) and customs and tariffs.

Changes to laws and regulations in these areas may restrict Step One's operations or otherwise adversely affect Step One, including by increasing Step One's costs either directly (such as an increase in the amount of tax Step One is required to pay), or indirectly (including by increasing the cost to the business of complying with legal requirements). Any such adverse effect may impact Step One's future financial performance.

Any failure to comply with laws may adversely affect Step One's operations and financial performance, including by resulting in fines or penalties, negative publicity or other claims against Step One or inability to operate its business as currently operated.

### 5.2.23 Our possible expansion into new markets may not be successful

Any future acquisitions or expansions into new markets (in product segments, relevant adjacencies and potentially geographically) may expose us to unforeseen risks. A number of these risks could include regulatory requirements, complications or inefficiencies related to staff, managerial and operational performance, enforcing contractual obligations and intellectual property rights, the inability to register Step One's trademarks or other intellectual property in certain jurisdictions, differing consumer sentiments and preferences, competition from existing established competitors, exchange rate fluctuations, political or economic instabilities, and taxation.

Step One will make informed decisions on the attractiveness and effectiveness of any future acquisitions or expansions into new markets, based on information available to Step One at that time. If such information turns out to be inaccurate, or circumstances arise outside of Step One's control while entering these new markets, there may be a material adverse effect on the financial and/or operational performance of Step One.

### 5.2.24 Future growth may place significant demands on Step One's warehouse, infrastructure and online platforms

As Step One is in a growth phase of its development, Step One will need to continue to upgrade and enhance its access to 3PL, infrastructure and online platforms to ensure it has sufficient capacity for its forecast growth in customer base and product offering. If Step One is unable to manage its warehouse, infrastructure and online platforms in line with the forecast growth and demand, this may have a material adverse effect on Step One's financial and/or operational performance in the future.



## 5.3 Investment risk factors

### 5.3.1 Prices of shares may fluctuate

The price of the Shares on the ASX may rise or fall due to numerous factors that impact all securities listed on a securities exchange and that are outside Step One's control, including:

- general economic conditions including inflation rates and interest rates;
- variations in the local and global market for listed stocks, in general, or in particular for consumer discretionary and retail stocks;
- changes to government policy, legislation or regulation;
- inclusion or removal from major market indices;
- the nature of competition in the markets in which Step One operates;
- global hostilities, tensions and acts of terrorism;
- natural disasters; and
- general operational and business risks.

No assurances can be given that the performance of the Shares will not be adversely affected by any such market fluctuations or factors. None of Step One, its Directors or any other person guarantees the performance of the Shares.

### 5.3.2 Trading and liquidity in shares

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on the ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is less or more than the price that Shareholders paid.

As noted in Section 9.6, certain Shares will be escrowed until after the release of FY2023 results. The fact that these Shares cannot be traded until they are released from escrow will also reduce the liquidity of trading in Shares for the duration of the escrow periods. Following release of escrow restrictions on the Shares, a significant sale of Shares by the Existing Shareholder, or the perception that such a sale might occur, could adversely affect the market price of Shares.

### 5.3.3 There is a risk of Shareholder dilution

In the future, Step One may elect to issue Shares (or securities convertible into Shares), including to fund investments that Step One may wish to undertake. While Step One will be subject to the constraints of the Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares or securities.

### 5.3.4 There is a risk of taxation changes

Taxation law is complex and frequently changing, both prospectively and retrospectively. Changes in taxation law (including employment tax, GST and stamp duty), or changes in the way taxation laws are interpreted, create a degree of uncertainty, and may impact the tax liabilities or future profitability of Step One or the tax treatment of a Shareholder's investment. In particular, any change to the current rate of company income tax in jurisdictions where Step One operates will impact on Shareholder returns. Any changes to the current rates of income tax applying to individuals and trusts will similarly impact on Shareholder returns. In addition, any change in tax arrangements between Australia and other jurisdictions could have an adverse impact on the level of dividend franking.

## 5. Risk factors

Tax authorities may review the tax treatment of transactions entered into by Step One. Any actual or alleged failure to comply with, or any change in the application or interpretation of, taxation laws applied in respect of such transactions, may increase Step One's tax liabilities or expose it to legal, regulatory, or other actions. An interpretation of taxation law by a revenue authority that is contrary to Step One's or its advisers' interpretation of those taxation laws may also increase the amount of tax to be paid.

An investment in the Shares involves tax considerations which may differ for each Shareholder. Each prospective investor is encouraged to seek professional tax advice in connection with any investment in Step One.

### 5.3.5 There is a risk of changes to accounting standards

Australian Accounting Standards are set by the AASB and are outside the control of either Step One or its Directors. From time to time, the AASB may introduce new or refined Australian Accounting Standards, which may affect future measurement and recognition of key income statement and balance sheet items, including revenue and receivables.

There is also a risk that interpretation of existing Australian Accounting Standards, including those relating to the measurement and recognition of key income statement and balance sheet items, including revenue and receivables, may differ. Changes to Australian Accounting Standards issued by the AASB or changes to the commonly held views on the application of those standards could materially adversely affect the financial performance and position reported in Step One's financial statements.

### 5.3.6 General economic and financial market conditions

General economic conditions (both domestically and internationally) may impact the demand for Step One's products. For example, an increase in unemployment rates, negative consumer and business sentiment and an increase in interest rates, among other factors, could be expected to have an impact on demand for Step One's products and may result in a material impact on its business and financial performance.

### 5.3.7 Expected future events may not occur

Certain statements in this Prospectus constitute forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance, and achievements of Step One to differ materially from any future results, performance or achievements expressed or implied in such forward-looking statements.

Given these uncertainties, prospective investors should not place undue reliance on such forward-looking statements. In addition, under no circumstances should a forward-looking statement be regarded as a representation or warranty by Step One or any other person referred to in this Prospectus that a particular outcome or future event is guaranteed.

## SECTION 06

# KEY PEOPLE, INTERESTS AND BENEFITS



## 6. Key people, Interests and Benefits

### 6.1 Board of Directors

#### DIRECTOR/POSITION EXPERIENCE, QUALIFICATIONS AND EXPERTISE



**David Gallop AM**  
Non-Executive  
Chairperson

- David is currently a NED of Tabcorp Holdings Ltd and of Cricket NSW.
- David was previously CEO of Football Federation Australia and CEO of the National Rugby League.
- David is a lawyer and has extensive experience and background in sports administration, media rights and broadcasting, digital content delivery, customer experience, legal and regulatory frameworks and stakeholder relationship management.



**Greg Taylor**  
Founder and Chief  
Executive Officer

- Greg is the founder of Step One.
- Greg launched Step One in 2017 with the aim to reinvent men's underwear in a sustainable and ethical way.
- Greg held various roles in e-commerce and technology prior to founding Step One and holds a Bachelor of Commerce in Accounting and Finance.



**Kate Thompson**  
Non-Executive  
Director

- In 2012, Kate joined M.H. Carnegie & Co, an alternative asset manager based in Sydney, where she is currently Partner and COO.
- Kate has also held roles at Herbert Smith Freehills, King & Wood Mallesons and Lazard, where she was Director, Senior Legal Counsel and Head of Compliance.
- Kate is Chairperson of Revtech Media and Carsingha Investments (owner of the Entertainment Quarter, Moore Park, Sydney) and serves as a NED on a number of boards.



**Michael Reddie**  
Chief Legal Officer  
and Executive  
Director

- Michael is the Chief Legal Officer and an Executive Director at Step One.
- Michael is a corporate and commercial lawyer and Director of Reddie Lawyers. Michael also held roles at Gadens Lawyers and Lander & Rogers.
- Michael has worked with Step One since inception as an independent legal advisor.

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**DIRECTOR/POSITION    EXPERIENCE, QUALIFICATIONS AND EXPERTISE**


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**Rick Dennis**  
Non-Executive  
Director

- Rick serves on the boards and Audit & Risk committees of several listed and private Australian companies.
- Rick is currently a NED of and Chair of the Audit & Risk Committee of Motorcycle Holdings Limited, Apiam Animal Health Limited and Cettire Limited, and is a member of the Queensland Advisory Board for Australian Super.
- Rick held various leadership roles at EY including Managing Partner Queensland, COO in Oceania and CFO/Deputy COO in Asia-Pacific.

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## 6.2 Management

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**MEMBER/POSITION    EXPERIENCE, QUALIFICATIONS AND EXPERTISE**


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**Greg Taylor**  
Founder and Chief  
Executive Officer

- See above



**Michael Reddie**  
Chief Legal Officer  
and Executive  
Director

- See above



**Nigel Underwood**  
Chief Financial  
Officer

- Nigel has over 20 years of listed company financial, reporting and corporate governance experience globally in a variety of customer centric industries, including roles as CFO of ASX listed companies
  - Nigel has worked in senior finance roles for companies including Qantas, Bellamy's Organic, Virgin Australia and Downer EDI
  - Nigel holds an M.B.A., is a fellow of Chartered Accountants Australia and New Zealand and is a graduate member of the Australian Institute of Company Directors
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## 6. Key people, Interests and Benefits

### 6.3 Interests and benefits

This Section 6.3 sets out the nature and extent of the interests and fees of certain persons involved in the Offer. Other than as set out below or elsewhere in the Prospectus, no:

- Director of the Company;
- person named in the Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of the Company; or
- underwriter to the Offer or financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

holds as of the time of lodgement of this prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or in connection with the Offer; or
- the Offer,

and no amount (whether in cash, Securities or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such person in connection with the formation or promotion of the Company or the Offer, or to any Director to induce them to become, or to qualify them as, a Director.

#### 6.3.1 Director's interests and remuneration

##### 6.3.1.1 Chief Executive Officer and Managing Director

Step One has entered into an employment agreement with Greg Taylor to govern his employment with Step One. Greg Taylor is employed in the position of Chief Executive Officer of Step One.

Refer to Section 6.3.2.1 for a description of the CEO's remuneration.

##### 6.3.1.2 Non-Executive Director remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a director, but the total aggregate amount provided to all non-executive directors of the Company for their services as directors must not exceed in any financial year the amount fixed by the Company in general meeting. This amount has been fixed by the Company at \$1,200,000 per annum.

Any change to that aggregate annual sum needs to be approved by Shareholders.

As at the Prospectus Date, the annual Non-Executive Directors' fees (which include participation in, or the chairing of, any committees) to be paid by the Company (inclusive of any superannuation payable) are as follows:

- a fee of \$154,000 per annum to the Chairperson;
- a fee of \$88,000 per annum to each director (other than Greg Taylor).

In subsequent years, these figures may vary.

In recognition of each Director's role, prior to their appointment as a Director, in assisting the Company to prepare for the Offer, the Directors (other than Greg Taylor) will receive remuneration (on a fee basis equivalent to that set out above) from the date they agreed to become a member of the Board. As part of their remuneration for FY2022, including in respect of the period prior to their appointment to the Board, each of the Non-Executive Directors have elected to receive part of that amount in the form of Shares as set out below:

DIRECTOR	FORM OF REMUNERATION
David Gallop	In respect of the remuneration for the months of August, September, October, November and December 2021 – 51,000 Shares. See Section 6.3.1.4
Kate Thompson	In respect of the remuneration for the months of July 2021 to June 2022 (inclusive) – 67,500 Shares. See Section 6.3.1.4
Rick Dennis	In respect of the remuneration for the months of August, September, October, November and December 2021 – 30,000 Shares. See Section 6.3.1.4

The Directors are entitled to be paid all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Such amounts will not form part of the aggregate remuneration amount approved by Shareholders.

Any Director who performs extra services, makes any special exertions for the benefit of the Company or who otherwise performs services which, in the opinion of the Board, are outside the scope of the ordinary duties of a non-executive director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. Any amount paid will not form part of the aggregate remuneration amount approved by Shareholders.

### 6.3.1.3 Deeds of indemnity, insurance and access

The Company has entered into deeds of indemnity, insurance and access with each Director. Each deed contains a right of access to certain books and records of the Company and its related bodies corporate for a period of seven years after the Director ceases to hold office. This seven-year period is extended where certain proceedings or investigations commence during the seven-year period but are not resolved until later.

Pursuant to the Constitution, the Company must indemnify Directors and executive officers on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by those individuals as officers of the Company or of a related body corporate. Under the deeds of indemnity, insurance and access, the Company indemnifies each Director on a full indemnity basis and to the full extent permitted by law, against all losses or liabilities (including all reasonable legal costs) incurred by the Director as an officer of the Company or of a related body corporate.

Pursuant to the Constitution, the Company may purchase and maintain insurance for each director and executive officer of the Company to the full extent permitted by law against any liability incurred by those individuals in their capacity as officers of the Company or a related body corporate. Under the deeds of indemnity, insurance and access, the Company must maintain such insurance for each Director until a period of seven years after a Director ceases to hold office. This seven-year period is extended where certain proceedings or investigations commence during the seven-year period but are not resolved until later.

### 6.3.1.4 Directors' interests in Shares and other securities

The Directors are not required by the Constitution to hold any Shares.

The Directors' (and their associated entities') interests in Shares and other securities in Step One on the Prospectus Date and at Completion of the Offer (subject to any further acquisitions under the Offer) are set out below:

DIRECTOR	NOTES	SHARES HELD IMMEDIATELY PRIOR TO COMPLETION OF THE OFFER		SHARES TRANSFERRED TO SALECO IN CONNECTION WITH THE OFFER		SHARES HELD ON COMPLETION OF THE OFFER	
		NO.	%	NO.	%	NO.	%
Greg Taylor <sup>1</sup>		150,000,000	100%	27,000,000	18.0%	123,000,000	66.4%
Michael Reddie <sup>2</sup>		0	0.0%	0	0.0%	9,000,000	4.9%
David Gallop		0	0.0%	0	0.0%	99,000 <sup>3</sup>	0.1%
Kate Thompson		0	0.0%	0	0.0%	67,500	0.0%
Rick Dennis		0	0.0%	0	0.0%	30,000	0.0%

Notes:

- Greg Taylor's shareholding is held through the Existing Shareholder, an entity controlled by Greg Taylor.
- Michael Reddie's shareholding will be held through Faraday, an entity controlled by Michael Reddie. Prior to the date of this Prospectus, Step One has granted 60 phantom share units to Faraday. Under the terms of the phantom share units, the 60 phantom share units will convert to 9,000,000 Shares at the Completion of the Offer.
- In addition to 51,000 Shares being issued to David Gallop as remuneration for FY2022, the Company has also agreed to make a one off grant of 48,000 Shares to David Gallop.

Shares held on Completion of the Offer include Shares which will be subject to voluntary escrow conditions (see Section 9.6 for more details).

## 6. Key people, Interests and Benefits

### 6.3.2 Executive remuneration

#### 6.3.2.1 Chief Executive Officer

Table 1: Chief Executive Officer remuneration

TERM	DESCRIPTION
Employer	Greg Taylor is employed by Step One Clothing Limited.
Total fixed remuneration (TFR)	<p>From 1 July 2021, Greg is entitled to receive annual TFR of \$500,000 (inclusive of base salary and superannuation).</p> <p>Step One makes contributions on Greg's behalf to a complying superannuation fund in accordance with relevant superannuation legislation and his terms of employment.</p>
Incentive arrangement	Greg is not entitled to participate in Step One's incentive arrangements.
Termination	Greg's employment may be terminated by either party upon giving six months' notice. In either event, Step One may make payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, Step One may terminate Greg's employment contract immediately without payment in lieu of notice.
Restraint	Following termination of Greg's employment, he will be subject to post-employment non-competition and non-solicitation restraints that apply across any country in which a Group Company is located or otherwise operates a business or provides a product or service for a period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.

#### 6.3.2.2 Chief Financial Officer

Table 2: Chief Financial Officer remuneration

TERM	DESCRIPTION
Employer	Nigel Underwood is employed by Step One Clothing Limited.
Total fixed remuneration (TFR)	<p>From 30 March 2021, Nigel is entitled to receive annual TFR of \$330,000 (inclusive of base salary and superannuation).</p> <p>Step One makes contributions on Nigel's behalf to a complying superannuation fund in accordance with relevant superannuation legislation and his terms of employment.</p>
Incentive Arrangements	<p>In relation to the financial year ending 30 June 2022:</p> <ul style="list-style-type: none"> <li>Nigel will be eligible to receive a short-term incentive award with an on-target opportunity of \$33,000 (STI); and</li> <li>Nigel will be eligible to receive a long-term incentive award with an on-target opportunity of \$187,000 (LTI).</li> </ul> <p>The terms applicable to the STI and LTI may include vesting conditions and performance criteria as determined by the Company. Whether or not Nigel will receive an STI or LTI award, and the quantum of such award, will be determined by the Company in its absolute discretion.</p>



TERM	DESCRIPTION
<b>Termination</b>	<p>Following Nigel's probation period, Nigel's employment may be terminated by either party upon giving six months' notice. During his 6 months probationary period, either party may terminate his employment by giving one week's notice.</p> <p>In either event, Step One may make payment in lieu of notice. In the event of serious misconduct or other circumstances warranting summary dismissal, Step One may terminate Nigel's employment contract immediately without payment in lieu of notice.</p>
<b>Restraint</b>	<p>Following termination of Nigel's employment, he will be subject to post-employment non-competition and non-solicitation restraints that apply across any country in which a Group Company is located or otherwise operates a business or provides a product or service for a period of 12 months. The enforceability of the restraint clause is subject to all usual legal requirements.</p>

### 6.3.3 Legacy option grants

On 30 June 2021, Nigel Underwood and Ty Barlow were each granted 6 options. At the date of this Prospectus, Nigel Underwood and Ty Barlow each hold 900,000 options, which resulted from a share split undertaken by Step One prior to the date of this Prospectus. On 6 October 2021, Kama Business Solutions Limited, an entity associated with Karl Bengston, was granted 300,000 options on similar terms to the 30 June 2021 grant. The key terms of the options are set out below:

TERM	DESCRIPTION
<b>Issue price</b>	No issue price payable
<b>Vesting</b>	Subject to the optionholder remaining employed or engaged by Step One or any of its subsidiaries, the options will vest on 30 June 2024.
<b>Exercise Price</b>	\$1.33 per option
<b>Exercise Period</b>	Subject to vesting, the options may be exercised at any time from 30 June 2024 to 30 June 2031, being the expiry date of the options.
<b>Entitlement to shares</b>	Upon exercise of an option, the optionholder will be entitled to receive one share. Step One may either issue shares or acquire shares on market to satisfy an option exercise.
<b>Change of control</b>	If a change of control event occurs, any unvested options that have not lapsed will vest on a pro-rata basis to time based on the vesting period that has passed at the time of the change of control event, unless the Board determines otherwise, acting reasonably.
<b>Clawback</b>	The Board will be able to reclaim options, and any Shares acquired on the exercise of options, in certain circumstances, such as in the event of fraud, negligence, misconduct, breach of duties or obligations or behaviour that brings Step One into disrepute.
<b>Reorganisations</b>	In the event of any reorganisation (including reconstruction, consolidation, subdivision, reclassification, buy back or cancellation) of the issued share capital of Step One, the rights of the optionholder and the number of options will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of reorganisation.
<b>Disposal restrictions</b>	<p>Shares allocated under an exercise of the options are not able to be disposed until the earlier of:</p> <ul style="list-style-type: none"> <li>▪ The optionholder ceasing to be employed or engaged by, and no longer holding any office with Step One or any of its subsidiaries; or</li> <li>▪ 30 June 2024.</li> </ul>

## 6. Key people, Interests and Benefits

### 6.3.4 Related Party Agreements

CMB Services Pty Ltd (trading as Bendigo Bookkeeping) ABN 67 117 062 049 is a related party to Greg Taylor. The key terms of the agreement are set out below:

<b>Service provided</b>	Accounting, tax, payroll and other bookkeeping services
<b>Value of services</b>	Base fee of \$30,000 per month (GST exclusive). Additional fees are payable for additional services provided at the request of the CFO.
<b>Term and termination</b>	Terminates in September 2023. A 30 day termination for convenience option is available to both parties.
<b>Other</b>	Agreement provides for confidentiality and protection of Step One intellectual property.

The Fable Clothing Pty Ltd ABN 11 625 449 005 is a related party to Greg Taylor. The key terms of the agreement are set out below:

<b>Service provided</b>	Management of digital advertising on social media and performance marketing
<b>Value of services</b>	Base fee of \$10,000 per month (GST exclusive).
<b>Term and termination</b>	Terminates in September 2023. A 30 day termination for convenience option is available to both parties.
<b>Other</b>	Agreement provides for confidentiality and protection of Step One intellectual property.

### 6.3.5 Interests of advisers

The Company has engaged the following professional advisers in relation to the Offer:

- Morgans have acted as Lead Manager to the Offer. The Company has agreed to pay the Lead Manager the fees described in Section 9.5.1 for these services;
- KPMG Corporate Finance has acted as Financial Adviser to the Company in relation to the Offer. The Company has paid, or agreed to pay, approximately \$1,610,000 (excluding disbursements and GST) for these services up to the Prospectus Date;
- Herbert Smith Freehills has acted as Australian legal adviser (other than in relation to taxation and stamp duty) to Step One in relation to the Offer. The Company has paid, or agreed to pay, approximately \$930,000 (excluding disbursements and GST) for these services up to the Prospectus Date. Further amounts may be paid to Herbert Smith Freehills in accordance with its normal time-based charges;
- Grant Thornton Corporate Finance Pty Ltd has acted as Investigating Accountant to the Company in relation to the Financial Information and has prepared the Independent Limited Assurance Report included in Section 8. The Company has paid, or agreed to pay, approximately \$280,000 (excluding disbursements and GST) for these services up to the Prospectus Date. Further amounts may be paid to the Investigating Accountant in accordance with its normal time-based charges;
- Grant Thornton Australia Limited has acted as taxation adviser to Step One in relation to the Offer. The Company has paid, or agreed to pay, approximately \$58,000 (excluding disbursements and GST) for these services up to the Prospectus Date. Further amounts may be paid to Grant Thornton Australia Limited in accordance with its normal time-based charges;
- Frost & Sullivan has prepared the Independent Market Report referred to in Section 2. The Company has paid, or has agreed to pay, approximately \$21,000 (excluding disbursements and GST) for these services up and until the Prospectus Date.

These amounts, and other expenses of the Offer, will be paid by the Company out of available cash.

## 6.4 Corporate governance

### 6.4.1 Overview

This Section 6.4 explains how the Board will oversee the management of Step One's business. The Board is responsible for the overall corporate governance of Step One.

In conducting Step One's business, the Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising Step One's strategies, policies and performance;
- protect and optimise Company performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Constitution;
- set, review and monitor compliance with Step One's values and governance framework; and
- ensure that Shareholders are kept informed of Step One's performance and major developments affecting its state of affairs.

Accordingly, the Board has created a framework for managing Step One, including adopting relevant internal controls, risk management processes and corporate governance policies and practices that it believes are appropriate for Step One's business and that are designed to promote the responsible management and conduct of Step One.

The main policies and practices adopted by Step One, which will take effect from Listing, are summarised below. Copies of Step One's key policies and the charters for the Board and each of its Committees will be available from Listing at [www.stepone.group](http://www.stepone.group).

### 6.4.2 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

Step One is seeking a listing on the ASX. The ASX Corporate Governance Council has developed the 4th edition of the Corporate Governance Principles and Recommendations (**ASX Recommendations**), which set out recommended corporate governance practices for entities listed on the ASX in order to assist listed entities achieve good corporate governance outcomes and meet investor expectations.

The ASX Recommendations are not prescriptive, but guidelines. Under the ASX Listing Rules, Step One must prepare a corporate governance statement disclosing the extent to which it has followed the ASX Recommendations during each reporting period. Where Step One does not follow an ASX Recommendation, it must identify the recommendation that has not been followed and give reasons for not following it. Step One intends to comply with all of the ASX Recommendations from the time of its Listing.

### 6.4.3 Board composition

The Board of Directors is comprised of five Directors, comprising an Independent Chairperson, the Chief Executive Officer, one Executive Director and two Non-Executive Directors (both of whom are independent).

Detailed profiles of the Board members on Listing are provided in Section 6.1.

The Board considers a Director to be independent where he or she is free of any interest, position or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of Step One as a whole rather than an individual shareholder or other party. The Board reviews the independence of each Non-Executive Director in light of information disclosed to the Board.

The Board Charter sets out guidelines to assist in considering the independence of Directors and has adopted a definition of independence that is based on the fourth edition ASX Recommendations.

The Board considers that each of David Gallop, Kate Thompson and Rick Dennis are free from any interest, position or relationship that might influence, or might reasonably be perceived to influence, in a material respect, his or her capacity to bring independent judgement to bear on issues before the Board and to act in the best interests of Step One as a whole rather than in the interests of an individual shareholder or other party and is able to fulfil the role of an Independent Director for the purpose of the ASX Recommendations. These Directors'

## 6. Key people, Interests and Benefits

shareholdings in the Company are disclosed in Section 6.3.1.4 and the Board has formed the view that these shareholdings do not impact on the independence of each of these Directors, as in each case the Director is not a substantial Shareholder (as defined in the Corporations Act).

Greg Taylor and Michael Reddie are not considered by the Board to be independent Directors as they are respectively the Chief Executive Officer and an Executive Director of Step One.

### 6.4.4 Board Charter

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the Board's composition;
- the Board's role and responsibilities; and
- the relationship and interaction between the Board, Board Committees and Management.

The Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising Step One's strategies, policies and performance. This includes overseeing the financial and human resources Step One has in place to meet its objectives and reviewing management performance;
- protect and optimise Step One's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and monitor compliance with Step One's values and governance framework (including establishing and observing high ethical standards and demonstrating leadership); and
- ensure Shareholders are kept informed of Step One's performance and major developments affecting its state of affairs.

While the Board retains ultimate responsibility for the strategy and performance of Step One, the day-to-day operation of Step One is conducted by, or under the supervision of, the Chief Executive Officer as directed by the Board. Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time when they consider it appropriate.

The Board collectively, and each Director individually, has the right to seek independent professional advice, subject to the approval of the Chair or the Board as a whole.

The Board, together with the Nomination and Remuneration Committee, will review the skills, experience, expertise and diversity represented by Directors on the Board and determine whether the composition and mix remain appropriate for the Company's strategy and covers the skills needed to address existing and emerging business and governance issues relevant to the entity. The Board and Nomination and Remuneration Committee will have regard to this review when considering Board succession planning and ongoing director education program.

### 6.4.5 Board Committees

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities. The Board has established an Audit and Risk Committee and a Remuneration and Nomination Committee. Other Committees may be established by the Board as and when required.

#### 6.4.5.1 Audit and Risk Committees

Under its charter, the Audit and Risk Committee must consist of a minimum of three members of the Board, only Non-Executive Directors, a majority of independent Directors and an independent chair who is not the Chairperson of the Board. The Audit and Risk Committee will comprise:

- Rick Dennis (Chair);
- David Gallop; and
- Kate Thompson

The Audit and Risk Committee's key responsibilities and functions are to oversee Step One's:

- financial and other periodic corporate reporting;
- relationship with the external auditor and the external audit function generally;
- relationship with the internal audit function;
- processes for identifying and managing financial and non-financial risk;
- internal controls and systems; and
- processes for monitoring compliance with laws and regulations.

All Non-Executive Directors have a standing invitation to attend Audit and Risk Committee meetings. Other non-committee members, including members of Management and the external auditor, may attend meetings of the Committee at the invitation of the Committee Chair.

#### 6.4.5.2 Remuneration and Nomination Committee

Under its charter, this committee must consist of a minimum of three members of the Board, only Non-Executive Directors, and a majority of independent Directors. The Remuneration Committee comprises:

- Kate Thompson (Chair);
- David Gallop; and
- Rick Dennis

The responsibilities of the Remuneration Committee include:

- review and recommend to the Board employment and remuneration arrangements for the CEO;
- on the recommendation of the CEO, review and recommend to the Board employment and remuneration arrangements for other members of the senior executive team;
- conduct regular reviews of, and monitor the implementation of, the Company's remuneration framework;
- approve major changes and developments in Step One's policies and procedures related to remuneration, recruitment, retention, termination, and performance assessment for senior management;
- approve major changes and developments in the remuneration policies, superannuation arrangements, personnel practices and industrial relations strategies for Step One;
- review and recommend to the Board major changes and developments in relation to Step One's employee equity incentive plans;
- oversee the operation of Step One's employee equity incentive plans and recommend to the Board whether offers are to be made under any of Step One's employee equity incentive plans in respect of a financial year; and
- assess and make recommendations to the Board on incentive award outcomes for the CEO and other members of the senior executive team based on performance against the applicable performance targets and any other factors that the Committee determines to be relevant.

All Non-Executive Directors have a standing invitation to attend Remuneration Committee meetings. Other non-committee members, including members of Management, may attend meetings of the Committee at the invitation of the Committee Chair.

## 6. Key people, Interests and Benefits

### 6.5 Corporate governance policies

The Board has adopted the following corporate governance policies, each having been prepared having regard to the ASX Recommendations and which will be available from Listing on Step One's website at [www.stepone.group](http://www.stepone.group).

#### 6.5.1 Anti-bribery and Corruption Policy

Step One is committed to acting ethically and has zero tolerance for bribery and corruption. Step One has developed an Anti-bribery and Corruption Policy for countering bribery and corruption.

The Anti-bribery and Corruption Policy applies to the Company and all subsidiary and affiliate companies over which it exercises control and all directors, officers and employees of the Company (which includes temporary employees, contract staff and consultants). Step One also expects that its business partners (including individuals and corporate entities associated with Step One, who act for or on behalf of Step One, or perform functions in relation to Step One) will comply with the Anti-bribery and Corruption Policy, to the extent they do not have their own policies managing bribery and corruption risk.

The Anti-bribery and Corruption Policy requires that personnel and business partners of Step One must not pay, offer, promise or accept, directly or indirectly, any bribe, kickback, secret commission, facilitation payment, or other form of improper payment, or otherwise breach relevant anti-corruption laws.

The Anti-bribery and Corruption Policy also requires that personnel and business partners of Step One must not:

- make political donations on behalf of Step One;
- make any charitable or community donations or sponsorships which are or could be perceived as bribes or otherwise in a manner contrary to the Anti-bribery and Corruption Policy;
- offer, provide or accept gifts, hospitality or travel in a manner contrary to the Anti-bribery and Corruption Policy;
- engage or deal with a business partner in a manner contrary to the Anti-bribery and Corruption Policy;
- enter new business ventures or invest in new companies or countries in a manner contrary to the Anti-bribery and Corruption Policy;
- falsify or mis-describe any book, record or account relating to Step One's business. All receipts and expenditures must be supported by documents that describe them accurately and properly; or
- cause or authorise any of the above conduct or any other conduct which is inconsistent with the Anti-bribery and Corruption Policy or any anti-corruption laws.

#### 6.5.2 Disclosure policy

Once listed, the Company will be required to comply with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. The Company is aware of its obligation to keep the market fully informed of any information the Company becomes aware of concerning Step One, which may have a material effect on the price or value of Step One's securities, subject to certain exceptions. Step One has adopted a Disclosure Policy to take effect from Listing to reinforce its commitment to addressing its continuous disclosure obligations and to describe the processes in place that enable Step One to provide Shareholders with the timely disclosure of material price-sensitive information.

### 6.5.3 Securities dealing policy

The Company has adopted a Securities Dealing Policy that is intended to recognise that some types of dealing in securities are prohibited by law and outline the policy and procedures that apply to Directors and employees when dealing in Step One's securities.

The Policy provides that Directors and employees must not deal in the Company's or another company's securities when they are aware of 'inside' information.

In addition, Directors and certain designated employees must not deal in the Company's securities during any of the following blackout periods (except in exceptional circumstances with approval):

- the period from the close of trading on the ASX on 30 June each year until the day following the announcement to the ASX of the full year results;
- the period from the close of trading on the ASX on 31 December each year until the day following the announcement to the ASX of the half year results; and
- any other period that the Board specifies from time to time.

Outside these periods, the Directors and designated employees must receive prior approval for any proposed dealing in the Company's securities, and in all instances, buying or selling securities is not permitted at any time by any person who possesses 'inside' information.

Company securities acquired under an employee, executive or director equity plan operated by the Company must never be hedged prior to vesting. Company securities must never be hedged while they are subject to a holding lock or restriction on dealing under the terms of an employee, executive or director equity plan operated by the Company.

Key management personnel must not deal in the Company's securities on a short-term trading basis.

### 6.5.4 Code of conduct

Step One is committed to integrity and ethical standards in all business practices. Accordingly, the Board has adopted a Code of Conduct that outlines how Step One expects its employees and Directors to behave and conduct business in the workplace on a range of issues.

The Code is designed to:

- provide a benchmark for professional behaviour throughout the Company;
- support Step One's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences of breaching the code.

### 6.5.5 Diversity and Inclusion policy

The Board has approved a Diversity Policy in order to, among other matters, to actively facilitate a more diverse and representative management structure and workforce. The Company will include in the corporate governance statement each year the respective proportion of men and women on the Board, in senior executive positions and across the whole workforce.

### 6.5.6 Speak Up Policy

Step One has adopted a Speak Up Policy to provide a means for anyone with information about potential misconduct to report that information to the Company.

The Speak Up Policy:

- encourages people to speak up if they become aware of potential misconduct;
- explains how to make a report and what protections a discloser will receive;
- outlines Step One's processes for responding to reports; and
- promotes a workplace environment in which everyone feels safe, supported and encouraged to "speak up".

**SECTION 07**  
**DETAILS OF**  
**THE OFFER**



STEP

**BLACK**  
**CURRANTS**



## 7.1 The Offer

The Offer is an initial public offering of shares at an Offer Price of \$1.53 per Share, to apply for:

- 26,143,791 Shares offered for issue by the Company, to raise proceeds of approximately \$40 million; and
- 27,000,000 Shares offered for sale by SaleCo, to raise proceeds of approximately \$41 million.

The Shares offered under this Prospectus will represent approximately 29% of the Shares on issue on Completion of the Offer, being approximately 53,143,791 Shares. All Shares are fully paid and will rank equally with each other. A summary of the rights attaching to the Shares is set out in Section 7.11.

On Completion of the Offer, 123,000,000 Shares will be held by the Existing Shareholder and 9,000,000 Shares will be held by Faraday (representing approximately 71% of the Shares on issue). The Shares held by the Existing Shareholder, Faraday and the Directors, being 132,196,500 Shares (representing approximately 71% of the Shares on issue) will be subject to the voluntary escrow arrangements described in Section 9.6.

The Offer will be fully underwritten by the Lead Manager. A summary of the Underwriting Agreement, including the events which would entitle the Lead Manager to terminate the Underwriting Agreement, is set out in Section 9.5.

The Offer is made with disclosure under this Prospectus and is made on the terms, and is subject to the conditions, set out in this Prospectus.

### 7.1.1 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, which is open to Australian resident retail clients of Brokers who have received a firm allocation of Shares from their Broker;
- the Priority Offer, which is open to selected investors in Australia nominated by the Company who receive an offer to apply for Shares; and
- the Institutional Offer, which consists of an offer to Institutional Investors in Australia and a number of other eligible jurisdictions, made under this Prospectus.

No general offer of Shares will be made in the Offer.

The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer will be determined by agreement between the Company and the Lead Manager.

For further details of the:

- Broker Firm Offer and the allocation policy under it, see Section 7.3;
- Priority Offer and the allocation policy under it, see Section 7.4; and
- Institutional Offer and the allocation policy under it, see Section 7.6.

### 7.1.2 Purpose of the Offer

The Offer is being conducted to:

- allow the Existing Shareholder an opportunity to realise all or part of its investment in the Company;
- provide the Company with access to capital markets to improve financial flexibility;
- create a liquid market for the Shares and an opportunity for others to invest in the Company; and
- provide the Company with the benefits of an increased profile that arises from being a listed entity.

## 7. Details of the Offer

### 7.1.3 Sources and uses of Offer Proceeds

The following table details the sources and uses of funds.

SOURCES	A\$ MILLION	USES	A\$ MILLION
Cash proceeds received by the Company for the issue of Shares under the Offer	\$40.0 million	Inventory investment	\$15.7 million
Cash proceeds received for the transfer of Shares by SaleCo under the Offer	\$41.3 million	Advertising and branding expenditure for US market entry	\$12.1 million
		Corporate and Public Company Costs and Working Capital	\$5.2 million
		Payment of Offer costs	\$7.0 million
		Payment to SaleCo of cash proceeds as consideration for the sale of existing Shares under the Offer	\$41.3 million
<b>Total sources</b>	<b>\$81.3 million</b>	<b>Total Uses</b>	<b>\$81.3 million</b>

### 7.1.4 Other information about the Company and the Offer

The Company's Pro Forma Historical Statement of Financial Position following Completion of the Offer, including details of pro forma adjustments, is set out in Section 4.15.

The Company's capital structure and indebtedness as at 30 June 2021 is set out in Section 4.15.2.

The Company is an Australian resident public company for tax purposes. The financial year of the Company ends on 30 June annually.

### 7.1.5 Potential effect of the fundraising on the future of the Company

The Directors believe that on Completion of the Offer, the Company will have sufficient working capital available to fulfil the purposes of the Offer and meet the Company's stated business objectives.

## 7.1.6 Shareholding structure

The details of the ownership of Shares immediately prior to Completion of the Offer and on Completion of the Offer, are set out below.

SHAREHOLDER	SHARES HELD	SHARES HELD	SHARES	SHARES	SHARES	SHARES	OPTIONS	SHARES
	PRIOR TO COMPLETION OF THE OFFER (#)	PRIOR TO COMPLETION OF THE OFFER (%)	TRANSFERRED TO SALECO IN CONNECTION WITH THE OFFER (#)	TRANSFERRED TO SALECO IN CONNECTION WITH THE OFFER (%)	HELD AT COMPLETION OF THE OFFER UNDILUTED (#)	HELD AT COMPLETION OF THE OFFER UNDILUTED (%)	HELD AT COMPLETION OF THE OFFER (#)	HELD AT COMPLETION OF THE OFFER FULLY DILUTED (%)
Greg Taylor <sup>1</sup>	150,000,000	100%	27,000,000	18.0%	123,000,000	66.4%	0	65.6%
Michael Reddie <sup>2</sup>	0	0.0%	0	0.0%	9,000,000	4.9%	0	4.8%
David Gallop	0	0.0%	0	0.0%	99,000	0.05%	0	0.05%
Other Directors and Staff	0	0.0%	0	0.0%	97,500	0.05%	2,100,000	1.2%
Successful Applicants	0	0.0%	0	0.0%	53,143,791	28.7%	0	28.4%
<b>Total</b>	<b>150,000,000</b>	<b>100%</b>	<b>27,000,000</b>		<b>185,340,291</b>	<b>100%</b>	<b>2,100,000</b>	<b>187,440,291</b>

Notes:

1. Greg Taylor's shareholding is held through the Existing Shareholder, an entity controlled by Greg Taylor.
2. Michael Reddie's shareholding will be held through Faraday, an entity controlled by Michael Reddie. Prior to the date of this Prospectus, Step One granted 60 phantom share units to Faraday. Under the terms of the phantom share units, the 60 phantom share units will convert to 9,000,000 Shares at the Completion of the Offer.

This table assumes the Existing Shareholder and Directors do not acquire any Shares in the Offer.

## 7.1.7 Control implications of the Offer

Greg Taylor, through his shareholding in the Existing Shareholder is expected to hold a significant and controlling shareholding on Completion (as defined in section 50AA of the Corporations Act).

## 7.2 Terms and conditions of the Offer

TOPIC	SUMMARY
What type of security is being offered?	Shares (being fully paid ordinary shares in the Company).
What are the rights and liabilities attached to the Shares?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 7.11.
What is the consideration payable for each Share?	The Offer Price is \$1.53 per Share.

## 7. Details of the Offer

TOPIC	SUMMARY
What is the Offer Period?	<p>The key dates, including details of the Offer Period, are set out in the “Key dates for the Offer” section on page 6. No Shares will be issued or transferred on the basis of this Prospectus later than the Expiry Date.</p> <p>The key dates are indicative only and may change. Unless otherwise indicated, all times are stated in Sydney time.</p> <p>The Company and SaleCo, in consultation with the Lead Manager, reserve the right to vary any and all of the times and dates without notice (including, subject to the ASX Listing Rules and the Corporations Act, to close the Offer early, to extend the Offer Period relating to any component of the Offer, or to accept late Applications, either generally or in particular cases, or to cancel or withdraw the Offer before Completion, in each case without notifying any recipient of this Prospectus or any Applicant).</p> <p>If the Offer is cancelled or withdrawn before Completion, then all Application Monies will be refunded in full (without interest) as soon as possible in accordance with the requirements of the Corporations Act.</p>
What are the cash proceeds to be raised under the Offer?	Approximately \$81.3 million will be raised from investors under the Offer.
What is the minimum and maximum Application size under the Broker Firm Offer?	<p>The minimum Application under the Broker Firm Offer is \$2,001.24, and in multiples of \$500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer.</p> <p>The Lead Manager, the Company and SaleCo reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for. The Lead Manager, the Company and SaleCo also reserve the right to aggregate any Applications, which they believe may be multiple Applications from the same person.</p>
What is the minimum and maximum Application size under the Priority Offer?	<p>The minimum Application amount under the Priority Offer is \$2,001.24, or such other amount as specified in the terms of the invitation to participate in the Priority Offer.</p> <p>The maximum value of Shares that may be applied for under the Priority Offer is as specified in the terms of the Priority Offer invitation.</p> <p>The Lead Manager, the Company and SaleCo reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for. The Lead Manager, the Company and SaleCo also reserve the right to aggregate any Applications, which they believe may be multiple Applications from the same person.</p>
What is the guaranteed minimum allocation size under the Priority Offer?	Invited Applicants under the Priority Offer will receive a guaranteed minimum allocation of the number of Shares specified in their personalised invitation.

TOPIC	SUMMARY
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer, Priority Offer and the Institutional Offer will be determined by agreement between the Lead Manager and the Company.</p> <p>With respect to the Broker Firm Offer, it will be a matter for Brokers as to whom they allocate Shares among their eligible clients, and they (and not the Lead Manager or the Company) will be responsible for ensuring that eligible clients who have received an allocation from them receive the relevant Shares.</p> <p>The allocation of Shares in the Priority Offer will be determined by the Company, following consultation with the Lead Manager, subject to the guaranteed minimum allocation of the number of Shares specified in the personalised invitation for Applicants under the Priority Offer, subject to a minimum Application size of \$2,001.24 worth of Shares (at the Offer Price), or otherwise as specified in an Applicant's personalised invitation to participate in the Priority Offer.</p> <p>The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between the Lead Manager and the Company.</p>
When will I receive confirmation whether my Application has been successful?	<p>It is expected that initial holding statements will be dispatched by standard post on or about 29 October 2021.</p> <p>Refunds (without interest) to Applicants who make an Application and receive an allocation of Shares, the value of which is smaller than the amount of Application Monies received from them, will be made as soon as possible after Completion of the Offer, which is expected to occur on or about 27 October 2021. No refunds will be made where the overpayments relate solely to rounding at the Offer Price.</p>
Will the Shares be quoted?	<p>The Company will apply to ASX for admission to the official list of ASX and quotation of Shares on ASX under the code STP within seven days after the Prospectus Date.</p> <p>Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn, and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p> <p>The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.</p> <p>ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the official list of ASX is not to be taken as an indication of the merits of the Company or the Shares offered under the Offer.</p>

## 7. Details of the Offer

TOPIC	SUMMARY
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on ASX will commence on a normal settlement basis on or about 1 November 2021.</p> <p><b>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.</b></p> <p>The Company, SaleCo, the Share Registry and the Lead Manager disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial holding statement, whether on the basis of a confirmation of allocation provided by any of them, by the Information Line, by a Broker or otherwise.</p>
Is the Offer underwritten?	Yes. The Lead Manager has underwritten the Offer. Details are provided in Sections 7.8 and 9.5.
Are there any escrow arrangements?	Yes. Details are provided in Section 9.6.
Has any ASIC relief or ASX waiver been obtained or been relied on?	No.
Are there any tax considerations?	<p>Yes. Refer to Section 9.12 and note that given the taxation consequences of an investment will depend upon the investor's particular circumstances, it is the obligation of each investor to make their own enquiries (including consulting independent tax advisers) concerning the taxation consequences of an investment in Shares.</p> <p>If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant, tax adviser or other independent and qualified professional adviser.</p>
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.</p> <p>See Sections 6.3.4 and 9.5.1 for details of various fees payable by the Company and SaleCo to the Lead Manager.</p>
How can I apply?	<p>Broker Firm Applicants should refer to section 7.3.2 for details on how to apply.</p> <p>Priority Offer Applicants should refer to section 7.4.2 for details on how to apply.</p> <p>Institutional Offer Applicants were contacted by the Lead Manager in relation to applying under the Institutional Offer.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>
What should I do with any enquiries?	<p>For more information, call the Information Line on 1800 642 133 (within Australia) or +61 1800 642 133 (outside Australia) from 8.30am until 5.30pm (Sydney time) Monday to Friday.</p> <p>All enquiries in relation to the Broker Firm Offer should be directed to your Broker.</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Shares are a suitable investment for you, you should consult with your accountant, financial adviser, stockbroker, lawyer or other professional adviser before deciding whether to invest.</p>

## 7.3 Broker Firm Offer

### 7.3.1 Who can apply?

The Broker Firm Offer is open to persons who have received a firm allocation from their Broker and who have a registered address in Australia. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

### 7.3.2 How to apply

Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus. If you are an Applicant applying under the Broker Firm Offer, you should complete and lodge your Broker Firm Application Form with the Broker from whom you received an invitation to participate. Broker Firm Application Forms must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the Application Form.

By making an Application under the Broker Firm Offer, you declare that you were given access to this Prospectus (including any supplementary or replacement prospectus), together with a Broker Firm Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is \$2,001.24 worth of Shares and in multiples of \$500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, the Company, SaleCo and the Lead Manager reserve the right to aggregate any Applications that they believe may be multiple Applications from the same person or reject or scale back any Applications in the Broker Firm Offer. The Company and SaleCo may determine a person to be eligible to participate in the Broker Firm Offer and may amend or waive the Broker Firm Offer Application procedures or requirements, in their discretion in compliance with applicable laws.

Applicants under the Broker Firm Offer must lodge their Application Form and Application Monies with their Broker in accordance with the Broker's directions in order to receive their firm allocation. Applicants under the Broker Firm Offer must not send their Application Forms to the Share Registry.

The Company, SaleCo, the Lead Manager and the Share Registry take no responsibility for the acts or omissions of your Broker in connection with your Application.

The Broker Firm Offer opens at 9.00am (Sydney time) on 18 October 2021 and is expected to close at 5.00pm (Sydney time) on 25 October 2021. The Company, SaleCo and the Lead Manager may elect to extend the Offer or any part of it or accept late Applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice (subject to the ASX Listing Rules and the Corporations Act). Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Broker for instructions.

### 7.3.3 How to pay

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions received from their Broker.

### 7.3.4 Broker Firm Offer allocation policy

The allocation of Shares to Brokers is determined by agreement between the Lead Manager and the Company.

Shares that have been allocated to Brokers for allocation to their Australian resident retail clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Brokers (subject to the right of the Company, SaleCo and the Lead Manager to reject or scale back applications). It will be a matter for those Brokers as to how they allocate Shares among their retail clients, and they (and not the Company, SaleCo or the Lead Manager) will be responsible for ensuring that retail clients who have received an allocation from them, receive the relevant Shares.

# 7. Details of the Offer

## 7.4 Priority Offer

### 7.4.1 Who can apply?

The Priority Offer is open to investors nominated by the Company who receive a Priority Offer invitation.

### 7.4.2 How to apply

If you receive a personalised invitation to apply for Shares under the Priority Offer and you wish to apply for Shares, you should follow the instructions on your personalised invitation to complete and lodge your Application.

By making an Application under the Priority Offer, you declare that you were given access to this Prospectus (including any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or a complete and unaltered electronic version of this Prospectus.

Applications under the Priority Offer must be for a minimum size of \$2,001.24 worth of Shares (or as otherwise specified in the terms of the invitation) at the Offer Price and in multiples of \$500 worth of Shares thereafter. The maximum amount each Applicant can apply for will be specified in their personalised invitation. Applicants under the Priority Offer will receive a guaranteed minimum allocation of the number of Shares specified in their personalised invitation to participate in the Priority Offer.

### 7.4.3 How to pay

Applicants under the Priority Offer must pay by BPAY® or otherwise in following the instructions outlined in their personalised invitation and online Priority Offer Application Form. When completing your BPAY® payment, please make sure to use the specific biller code and unique customer reference number provided to you on your online Priority Offer Application Form.

It is the Applicant's responsibility to ensure payments are received by the end of the Offer Period, being 5.00pm (Sydney time) on 25 October 2021. If you make a BPAY® payment, your bank, credit union or building society may impose a limit on the amount that you can transact on BPAY® and policies with respect to timing for processing BPAY® transactions, which may vary between bank, credit union or building society. The Company, SaleCo and the Lead Manager take no responsibility for any failure to receive Application Monies by BPAY® before the end of the Offer Period arising as a result of, among other things, delays in processing of payments by financial institutions.

If the amount of your BPAY® payment for Application Monies (or the amount for which those BPAY® payments clear in time for allocation) is insufficient to pay for the number of Shares you have applied for in your Priority Offer Application Form, you may be taken to have applied for such lower number of Shares as your cleared Application Monies will pay for (and to also have specified that amount in your Priority Offer Application Form), or your Application may be rejected.

### 7.4.4 Allocation policy

The allocation of Shares in the Priority Offer will be determined by the Company, following consultation with the Lead Manager. Applicants under the Priority Offer will receive a guaranteed minimum allocation of the number of Shares specified in their personalised invitation to participate in the Priority Offer. The Company and SaleCo may reject an Application in their absolute discretion.

The Company and SaleCo reserve the right to scale back or reject Applications in whole or part, without giving any reason, subject to the guaranteed minimum allocation described above. Applicants under the Priority Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for (subject to the guaranteed minimum allocation), will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded. The Company and SaleCo may amend or waive the Priority Offer Application procedures or requirements, in their discretion in compliance with applicable laws.



## 7.5 Acceptance of Applications under the Retail Offer

An Application in the Broker Firm Offer and Priority Offer is an offer by an Applicant to the Company and SaleCo to acquire Shares in the amount specified on the Application Form at the Offer Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement prospectus) and the Application Form. To the extent permitted by law, an Application is irrevocable.

An Application in any part of the Offer may be accepted by the Company and SaleCo in respect of the full number of Shares specified in the Application Form or any of them, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract. The Company, SaleCo and the Lead Manager reserve the right to reject any Application, which is not correctly completed, or which is submitted by a person who they believe is ineligible to participate in the Offer or any part of it, or to waive or correct any errors made by the Applicant in completing their Application.

Applicants whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any Application Monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Offer Price. Where the Offer Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be rounded down. Your Application Monies should be for the entire number of Shares you are applying for. For applicants applying under the Retail Offer no refunds pursuant solely to rounding will be provided.

## 7.6 Institutional Offer

### 7.6.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Lead Manager separately advised Institutional Investors of the Application procedures for the Institutional Offer. Offers and acceptances in the Institutional Offer are made under this Prospectus and are at the Offer Price per Share.

### 7.6.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by agreement between the Lead Manager and the Company. The Lead Manager and the Company had absolute discretion regarding the basis of allocation of Shares among the Institutional Investors.

Participants in the Institutional Offer have been advised of their allocation of Shares, if any, by the Lead Manager. The allocation policy for the Institutional Offer was influenced, but not constrained by, the following factors:

- the number of Shares bid for by particular Applicants;
- the timeliness of the bid by particular Applicants;
- the Company's desire for an informed and active trading market following Completion of the Offer;
- the Company's desire to establish a wide spread of Institutional Shareholders;
- the overall anticipated level of demand under the Broker Firm Offer, Priority Offer and Institutional Offer;
- the size and type of funds under management of particular Applicants;
- the likelihood that particular Applicants will be long-term Shareholders; and
- any other factors that the Company and the Lead Manager considered appropriate.

## 7.7 Acknowledgements

Each Applicant under the Offer will be deemed to have:

- agreed to become a member of the Company and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement prospectus) including or accompanied by the Application Form and having read them all in full;

## 7. Details of the Offer

- declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is/are over 18 years of age;
- acknowledged that, once the Company, SaleCo or a Broker receives an Application Form, it may not be withdrawn;
- applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- agreed to being allocated and issued or transferred the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised the Company, SaleCo and the Lead Manager and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that the Company may not pay dividends, or that any dividends paid may not be franked;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement prospectus) is not financial product advice or a recommendation that Shares are suitable for the Applicant(s), given the investment objectives, financial situation and particular needs (including financial and taxation issues) of the Applicant(s);
- declared that the Applicant(s) is/are a resident of Australia (except as applicable to the Institutional Offer);
- acknowledged and agreed that the Offer may be withdrawn by the Company and SaleCo or may otherwise not proceed in the circumstances described in this Prospectus; and
- acknowledged and agreed that if Listing does not occur for any reason, the Offer will not proceed.

Each Applicant, will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States and may not be offered, sold or resold, pledged, transferred in the United States, except in accordance with US Securities Act regulation requirements or in a transaction exempt from, or not subject to, registration under the US Securities Act and any other applicable state securities laws;
- it is not in the United States or a US Person;
- it has not sent and will not send the Prospectus or any other material relating to the Offer to any person in the United States;
- it is purchasing the Shares in an offshore transaction meeting the requirements of Regulation S; and
- it will not offer or sell the Shares in the United States or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration requirements of the US Securities Act and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

### 7.8 Underwriting arrangements

The Offer is fully underwritten by the Lead Manager. The Lead Manager, the Company and SaleCo have entered into the Underwriting Agreement under which the Lead Manager has agreed, subject to certain conditions and termination events, to underwrite Applications for all Shares under the Offer and to manage the Offer. The Underwriting Agreement sets out a number of circumstances in which the Lead Manager may terminate the Underwriting Agreement and its underwriting obligations.

A summary of certain terms of the Underwriting Agreement, including the termination provisions, is provided in Section 9.5.

### 7.9 Discretion regarding the Offer

The Company and SaleCo may withdraw the Offer at any time before Completion of the Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest). The Lead Manager, the Company and SaleCo also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications either generally or in particular cases, reject any Application, waive or correct any errors made by any Applicant in completing an Application Form, or allocate to any Applicant fewer Shares than those applied for. Applicants received under the Offer are irrevocable and may not be varied or withdrawn except as required by law.

## 7.10 ASX listing, registries and holding statements

### 7.10.1 Application to ASX for listing of the Company and quotation of Shares

The Company will apply to ASX for admission to the official list of ASX and quotation of the Shares on ASX within seven days of the Prospectus Date. The Company's code is expected to be STP.

If the Company does not make such an application within seven days after the Prospectus Date, or permission is not granted for the official quotation of the Shares on ASX within three months after the Prospectus Date (or any later date permitted by law), the Offer will be withdrawn and all Application Monies received by the Company and SaleCo will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

The Company will be required to comply with the ASX Listing Rules, subject to any waivers obtained by the Company from time to time.

ASX and its officers take no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit the Company to the official list is not to be taken as an indication of the merits of the Company or the Shares offered for sale.

### 7.10.2 CHESS and issuer sponsored holdings

The Company will apply to participate in ASX's Clearing House Electronic Sub-register System (**CHESS**) and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two sub-registers, being an electronic CHESS sub-register or an issuer sponsored sub-register.

For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS sub-register. All other Shares will be registered on the issuer sponsored sub-register.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. It is expected that holding statements will be dispatched by standard post on or about 29 October 2021. This statement will also provide details of a Shareholder's Holder Identification Number (**HIN**) for CHESS holders or, where applicable, the Securityholder Reference Number (**SRN**) of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements during the first week of the following month if there has been a change to their holding on the register and as otherwise required under the ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring Broker in the case of a holding on the CHESS sub-register or through the Share Registry in the case of a holding on the issuer sponsored sub-register. The Company and the Share Registry may charge a fee for these additional issuer sponsored statements.

### 7.10.3 Restrictions on distribution

No action has been taken to register or qualify this Prospectus, the Shares or the Offer or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation to apply for Shares in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or issue under this Prospectus.

This Prospectus may not be released or distributed in the United States, and may only be distributed to persons outside the United States to whom the Offer may lawfully be made in accordance with the laws of any applicable jurisdiction.

## 7. Details of the Offer

In particular, the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

Each Applicant under the Institutional Offer has been required to make certain representations, warranties and covenants set out in the confirmation of allocation letter distributed to it.

### 7.11 Summary of rights and liabilities attaching to Shares and other material provisions of the Constitution

#### 7.11.1 Introduction

The rights and liabilities attaching to ownership of Shares arise from a combination of the Constitution, statute, the ASX Listing Rules and general law. A summary of the significant rights, liabilities and obligations attaching to the Shares and a description of other material provisions of the Constitution are set out below. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that the Company is admitted to the Official List.

#### 7.11.2 Voting at a general meeting

At a general meeting of the Company, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held (with adjusted voting rights for partly paid shares). If the votes are equal on a proposed resolution, the chairperson of the meeting has a casting vote, in addition to any deliberative vote.

#### 7.11.3 Meeting of members

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and the ASX Listing Rules. The Company must give at least 28 days' written notice of a general meeting.

#### 7.11.4 Dividends

The payment of dividends by the Company is at the discretion of the Board. In the near term the Company does not expect to pay dividends as it intends to reinvest cash earnings to drive its growth strategy.

#### 7.11.5 Transfer of Shares

Subject to the Constitution and to any restrictions attached to a Shareholder's Share, Shares may be transferred in accordance with the ASX Settlement Operating Rules, the Corporations Act (and Regulations) and ASX Listing Rules or by a written transfer in any usual form or in any other form approved by the Board and permitted by the relevant laws and ASX requirements. The Board may decline to register a transfer of Shares or apply a holding lock to prevent a transfer in accordance with the Corporations Act or the ASX Listing Rules.

#### 7.11.6 Issue of further Shares

The Board may, subject to the Constitution, Corporations Act and the ASX Listing Rules, issue, allot or grant Options for, or otherwise dispose of, Shares in the Company on such terms as the Board decides.

#### 7.11.7 Winding up

If the Company is wound up, then subject to the Constitution, the Corporations Act and any rights or restrictions attached to any Shares or classes of shares, Shareholders will be entitled to a share in any surplus property of the Company in proportion to the number of Shares held by them. If the Company is wound up, the liquidator may, with the sanction of a special resolution, divide among the Shareholders the whole or part of the Company's property and decide how the division is to be carried out as between Shareholders or different classes of shareholders.

### 7.11.8 Non-marketable parcels

In accordance with the ASX Listing Rules, the Board may sell Shares that constitute less than a marketable parcel by following the procedures set out in the Constitution.

### 7.11.9 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. These provisions will cease to apply unless renewed by Shareholders passing a special resolution by the third anniversary of either the date those rules were adopted or the date those rules were last renewed.

### 7.11.10 Variation of class rights

The procedure set out in the Constitution must be followed for any variation of rights attached to the Shares. Under that rule, and subject to the Corporations Act and the terms of issue of a class of shares, the rights attached to any class of Shares may be varied:

- with the consent in writing of the holders of 75% of the issued Shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those Shares.

### 7.11.11 Directors – appointment and removal

Under the Constitution, the Board is comprised of a minimum of three Directors and a maximum of nine Directors, unless the Shareholders pass a resolution varying that number at a general meeting. Directors are elected or re-elected at annual general meetings of the Company.

No Director (excluding a managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected. The Board may also appoint any eligible person to be a Director either to fill a casual vacancy on the Board or as an addition to the existing Directors, who will then hold office until the conclusion of the next annual general meeting of the Company following their appointment.

### 7.11.12 Directors – voting

Questions arising at a meeting of the Board must be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution, the chairperson of the meeting has a casting vote in addition to his or her deliberative vote, unless there are only two Directors present or entitled to vote in which case the chairperson of the meeting does not have a second or casting vote and the proposed resolution is taken as lost.

### 7.11.13 Directors – remuneration

Under the Constitution, the Board may decide the remuneration from the Company to which each Director is entitled for his or her services as a Director. However, the total aggregate amount provided to all non-executive Directors for their services as Directors must not exceed in any financial year the amount fixed by the Company in general meeting.

The remuneration of a Director (who is not a managing director or an executive Director) must not include a commission on, or a percentage of, profits or operating revenue. The current maximum aggregate sum of non-executive Director remuneration is set out in Section 6.3.1. Any change to that maximum aggregate amount needs to be approved by Shareholders.

Directors may be paid for all travelling and other expenses the Directors incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the Board or of committees of the Board. Any Director who performs extra services or makes any special exertions for the benefit of the Company, which, in the opinion of the Board, are outside the scope of ordinary duties of a Director, may be remunerated for the services (as determined by the Board) out of the funds of the Company. These amounts will not form part of the maximum aggregate sum of non-executive Director remuneration.

Directors' remuneration is discussed in Section 6.3.1.

# 7. Details of the Offer

## 7.11.14 Powers and duties of Directors

The business and affairs of the Company are to be managed by or under the direction of the Board, which (in addition to the powers and authorities conferred on it by the Constitution) may exercise all powers and do all things that are within the Company's power and the powers that are not required by law or by the Constitution to be exercised by the Company in general meeting.

## 7.11.15 Preference shares

The Company may issue preference shares including preference shares which are, or at the option of the Company or holder are, liable to be redeemed or convertible to ordinary shares. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company.

## 7.11.16 Indemnities

The Company, to the extent permitted by law, indemnifies each Director and executive officer of the Company on a full indemnity basis against all losses, liability, costs, charges and expenses incurred by that person as an officer of the Company or of a related body corporate.

## SECTION 08

# INVESTIGATING ACCOUNTANT'S REPORT



# AHOY SAILOR

# 8. Investigating Accountant's Report



The Board of Directors  
Step One Clothing Limited  
5/ 69 Reservoir Street  
Surry Hills NSW 2010

The Board of Directors  
Step One SaleCo Limited  
5/ 69 Reservoir Street  
Surry Hills NSW 2010

**Grant Thornton Corporate  
Finance Pty Ltd**  
Level 17  
383 Kent Street  
Sydney NSW 2000  
Locked Bag Q800  
Queen Victoria Building NSW  
1230  
T +61 2 8297 2400

8 October 2021

Dear Directors

## INDEPENDENT LIMITED ASSURANCE REPORT AND FINANCIAL SERVICES GUIDE

### Introduction

This report has been prepared at the request of the directors of Step One Clothing Limited ("the Company") and Step One SaleCo Limited ("SaleCo") for inclusion in the Prospectus dated on or about 8 October 2021 (the "Prospectus") in respect of the initial public offering of fully paid ordinary shares in the Company ("the Offer") and admission to the Australian Securities Exchange.

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") holds an appropriate Australian Financial Services Licence (AFS Licence Number 247140) under the Corporations Act 2001 for the issue of this report. This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at **Appendix A**.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

### Scope

Grant Thornton Corporate Finance has been engaged by the Directors of the Company and the Directors of SaleCo to perform a limited assurance engagement in relation to the following statutory historical, pro forma historical, statutory forecast and pro forma forecast consolidated financial information of the Company and its controlled entities ("Group") included in Section 4 of the Prospectus:

#### Statutory Consolidated Historical Financial Information

- The consolidated historical statement of profit and loss and other comprehensive income and consolidated historical statement of cash flows for the years ended 30 June 2019 ("FY2019"), 30 June 2020 ("FY2020"), and 30 June 2021 ("FY2021") which are included in Appendix B of the Prospectus; and
- The consolidated historical statement of financial position as at 30 June 2021 which is included in Section 4.15 of the Prospectus;

ABN-59 003 265 987 ACN-003 265 987 AFSL-247140

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987 (holder of Australian Financial Services Licence No. 247140), a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127556 389. 'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

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(together the "Statutory Consolidated Historical Financial Information").

***Pro Forma Consolidated Historical Financial Information***

- The pro forma consolidated historical statement of profit or loss and other comprehensive income and pro forma consolidated historical statement of cash flows for FY2019, FY2020 and FY2021 which are included in Section 4.6 and 4.14 of the Prospectus together with a reconciliation to the Statutory Consolidated Financial Information which is included in Section 4.8 and 4.14 of the Prospectus; and
- The pro forma consolidated historical statement of financial position as at 30 June 2021 and the pro forma adjustments applied as at that date which is included in Section 4.15 of the Prospectus.

(together the "Pro Forma Consolidated Historical Financial Information").

The Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information is presented in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001 (Cth).

The Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information have been prepared for inclusion in the Prospectus and have been derived from the audited consolidated financial statements of Step One Clothing Pty Ltd and controlled entities. The consolidated financial statements of Step One Clothing Pty Ltd for FY2019, FY2020 and FY2021 were prepared for the purpose of the Prospectus and were audited by Grant Thornton Audit Pty Ltd in accordance with Australian Auditing Standards. The audit opinions issued to the Directors of the Group in respect of FY2019, FY2020 and FY2021 were unqualified.

As described in Section 4.2 of the Prospectus the stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Group's adopted accounting policies as described in Appendix A of the Prospectus.

The Pro Forma Consolidated Historical Financial Information has been derived from the Statutory Consolidated Historical Financial Information after adjusting for the effects of the pro forma adjustments described in Section 4.8 and 4.15.1 of the Prospectus (the "Pro Forma Adjustments"). The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Pro Forma Adjustments as if those events or transactions had occurred as at the date of the Statutory Consolidated Historical Financial Information. Due to its nature, the Pro Forma Consolidated Historical Financial Information does not represent the Group's actual or prospective financial position, financial performance or cash flows.

***Statutory Consolidated Forecast Financial Information***

- the statutory consolidated forecast statement of profit and loss and other comprehensive income for the year ending 30 June 2022 ("FY2022") which is included in Section 4.6 of the Prospectus;
- the statutory consolidated forecast statement of cash flows for FY2022 which is included in Section 4.14 of the Prospectus;

(together the "Statutory Consolidated Forecast Financial Information").

***Pro Forma Consolidated Forecast Financial Information***

- The pro forma consolidated forecast statement of profit and loss and other comprehensive income for FY2022 which is included in Section 4.6 of the Prospectus;
- the pro forma consolidated forecast statement of cash flows for FY2022 which is included in Section 4.14 of the Prospectus;

(together the "Pro forma Consolidated Forecast Financial Information").

## 8. Investigating Accountant's Report

(the Statutory Consolidated Forecast Financial Information and the Pro forma Consolidated Forecast Financial Information together form the "Forecast Financial Information")

The Directors' best estimate assumptions underlying the Statutory Consolidated Forecast Financial Information are described in Sections 4.10 and 4.11 of the Prospectus. The stated basis of preparation used in the preparation of the Statutory Consolidated Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Group's adopted accounting policies.

The Pro forma Consolidated Forecast Financial Information has been derived from the Statutory Consolidated Forecast Financial Information, after adjusting for the effects of the Pro Forma Adjustments. An audit has not been conducted on the source from which the unadjusted financial information was prepared. The stated basis of preparation used in the preparation of the Pro forma Consolidated Forecast Financial Information is the recognition and measurement principles contained in the Australian Accounting Standards and the Group's adopted accounting policies, applied to the Statutory Consolidated Forecast Financial Information and the event(s) or transaction(s) to which the Pro Forma Adjustments relate, as if those event(s) or transactions(s) had occurred as at 1 July 2021. Due to its nature the Pro Forma Consolidated Forecast Financial Information does not represent the Group's actual prospective financial performance and / or cash flows for the year ending 30 June 2022.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for FY2022. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variations may be material.

The Directors' best estimate assumptions on which the Forecast Financial Information is based relate to future events and/or transactions that management expect to occur and actions that management expect to take, and are also subject to uncertainties and contingencies, which are often outside the control of the Company. Evidence may be available to support the best estimate assumptions on which the Forecast Financial Information is based, however such evidence is generally future orientated and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the Directors' best estimate assumptions. We do not express any opinion on the achievability of the results. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties relating to an investment in the Company, which are detailed in Section 5 of the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly prospective investors should have regard to the investment risks set out in Section 5 of the Prospectus and sensitivities set out in Section 4.13 of the Prospectus. The sensitivity analysis set out in Section 4.13 of the Prospectus demonstrates the impacts on the Forecast Financial Information of changes in key best estimate assumptions. The Forecast Financial Information is therefore only indicative of the financial performance which may be achievable. We express no opinion as to whether the Forecast Financial Information will be achieved.

### Directors' Responsibility

The Directors are responsible for:

- the preparation and presentation of the Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information including the selection and determination of the pro forma adjustments made to the Statutory Consolidated Historical Financial Information and included in the Pro Forma Consolidated Historical Financial Information;

- the preparation of the Forecast Financial Information, including the best estimate assumptions underlying the Forecast Financial Information and the selection and determination of the pro forma adjustments made to the Statutory Consolidated Forecast Financial Information and included in the Pro Forma Consolidated Forecast Financial Information; and
- the information contained within the Prospectus.

This responsibility includes for the operation of such internal controls as the Directors determine are necessary to enable the preparation of the Statutory Consolidated Historical Financial Information, Pro Forma Consolidated Historical Financial Information and Forecast Financial Information that are free from material misstatement, whether due to fraud or error.

#### **Our Responsibility**

Our responsibility is to express limited assurance conclusions on the Statutory Consolidated Historical Financial Information, Pro Forma Consolidated Historical Financial Information, Statutory Consolidated Forecast Financial Information and Pro Forma Consolidated Forecast Financial information, based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450: *“Assurance Engagements involving Corporate Fundraisings and/ or Prospective Financial Information”*.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we will not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report of the Group used as a source of the financial information.

We have performed the following procedures which we, in our professional judgement, considered reasonable in the circumstances.

#### **Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information**

- consideration of work papers, accounting records and other documents, including those dealing with the extraction of the Statutory Consolidated Historical Financial Information from the audited financial statements of the Company covering FY2019, FY2020 and FY2021;
- consideration of the appropriateness of the pro forma adjustments described in Section 4.8 and 4.15 of the Prospectus;
- enquiry of the Directors, management and others in relation to the Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information;
- analytical procedures applied to the Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information;
- a review of the work papers, accounting records and other documents of the Company and its auditors; and
- a review of the consistency of the application of the stated basis of preparation and adopted accounting policies as described in the Prospectus used in the preparation of the Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information;

## 8. Investigating Accountant's Report

### *Forecast Financial Information*

- enquiries, including discussions with management and Directors of the factors considered in determining the best estimate assumptions used in the preparation of the Forecast Financial Information;
- analytical and other review procedures we considered necessary including examination, on a test basis, of evidence supporting the assumptions, amounts and other disclosures in the Forecast Financial Information;
- review of the accounting policies adopted and used in the preparation of the Forecast Financial Information; and
- consideration of the pro forma adjustments applied to the Statutory Consolidated Forecast Financial Information in preparing the Pro Forma Consolidated Forecast Financial Information.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction outside of Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

### **Conclusion**

#### *Statutory Consolidated Historical Financial Information and Pro Forma Consolidated Historical Financial Information*

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Statutory Consolidated Historical Financial Information and Pro forma Consolidated Historical Financial Information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Section 4.2 and Section 4.3 of the Prospectus and (in respect of the Pro Forma Consolidated Historical Financial Information) the event(s) or transaction(s) to which the Pro Forma Adjustments relate, as described in sections 4.8 and Section 4.15 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Pro forma Consolidated Historical Financial Information.

#### *Statutory Consolidated Forecast Financial Information*

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- i. the Directors' best estimate assumptions used in the preparation of the Statutory Consolidated Forecast Financial Information do not provide reasonable grounds for the Statutory Consolidated Forecast Financial Information;
- ii. in all material respects, the Statutory Consolidated Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Sections 4.10 and 4.11 of the Prospectus;
  - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Group and the recognition and measurement principles in conformity with Australian Accounting Standards; and
- iii. the Statutory Consolidated Forecast Financial Information itself is unreasonable.

***Pro Forma Consolidated Forecast Financial Information***

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that:

- i. the Directors' best estimate assumptions used in the preparation of the Pro Forma Consolidated Forecast Financial Information do not provide reasonable grounds for the Pro Forma Consolidated Forecast Financial Information;
- ii. in all material respects, the Pro Forma Consolidated Forecast Financial Information:
  - a. is not prepared on the basis of the Directors' best estimate assumptions as described in Section 4.10 and 4.11 of the Prospectus;
  - b. is not presented fairly in accordance with the stated basis of preparation, being the accounting policies adopted and used by the Group and the recognition and measurement principles in conformity with Australian Accounting Standards, applied to the Statutory Consolidated Forecast Financial Information and the Pro Forma Adjustments as if those adjustments had occurred as at the date of the Forecast Financial Information; and
- iii. the Pro Forma Consolidated Forecast Financial Information itself is unreasonable.

**Restriction on Use**

Without modifying our conclusion, we draw your attention to Section 4.2 of the Prospectus which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, this Independent Limited Assurance Report may not be suitable for another purpose.

**Consent**

Grant Thornton Corporate Finance consents to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included and to being named in the Prospectus as the Investigating Accountant.

**Liability**

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

## 8. Investigating Accountant's Report

### Independence or Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully,

GRANT THORNTON CORPORATE FINANCE PTY LTD



NEIL COOKE

Partner



**Grant Thornton Corporate  
Finance Pty Ltd**  
Level 17  
383 Kent Street  
Sydney NSW 2000  
Locked Bag Q800  
Queen Victoria Building NSW  
1230  
T +61 2 8297 2400

## Appendix A (Financial Services Guide)

This Financial Services Guide is dated 8 October 2021.

### 1 About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) (Grant Thornton Corporate Finance) has been engaged by Step One Clothing Limited (“Step One” or “the Company”) and Step One SaleCo Limited (“SaleCo”) to provide a report in the form of an Independent Limited Assurance Report (the “Report”) for inclusion in a Prospectus dated on or about 8 October 2021 (the “Prospectus”) relating to the offer of fully paid ordinary shares in the Company (the “Offer”). You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

### 2 This Financial Services Guide

This Financial Services Guide (FSG) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

### 3 Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

ABN-59 003 265 987 ACN-003 265 987 AFSL-247140

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987 a subsidiary or related entity of Grant Thornton Australia Limited ABN 41 127556 389 Holder of Australian Financial Services Licence No. 247140 ‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Limited is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. Liability limited by a scheme approved under Professional Standards Legislation.

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# 8. Investigating Accountant's Report

## 4 General financial product advice

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

## 5 Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including the Report. These fees are negotiated and agreed with the entity which engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this Report, Grant Thornton Corporate Finance will receive from the Company a fee of \$280,000 (excluding GST), which is based on commercial rates plus reimbursement of out-of-pocket expenses.

Partners, Directors, employees or associates of Grant Thornton Corporate Finance, or its related bodies corporate, may receive dividends, salary or wages from Grant Thornton Australia Ltd.

None of those persons or entities receive non-monetary benefits in respect of, or that is attributable to, the provision of the services described in this FSG.

## 6 Referrals

Grant Thornton Corporate Finance - including its Partners, Directors, employees, associates and related bodies corporate - does not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## 7 Associations with issuers of financial products

Grant Thornton Corporate Finance and its Partners, Directors, employees or associates and related bodies corporate may from time to time have associations or relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business.

In the context of the Report, Grant Thornton Corporate Finance considers that there are no such associations or relationships which influence in any way the services described in this FSG.

## 8 Independence

Grant Thornton Corporate Finance is required to be independent of Step One and SaleCo in order to provide this Report. The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.



*“Grant Thornton Corporate Finance and its related entities do not have at the date of this Report, and have not had within the previous two years, any shareholding in or other relationship with Step One Clothing Limited (and associated entities) including SaleCo that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Offer.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Offer, other than the preparation of this Report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this Report. This fee is not contingent on the outcome of the Offer. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the Report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this Report.*

## 9 Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Australian Financial Complaints Authority (AFCA) (membership no. 11800). All complaints must be in writing and addressed to the Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to AFCA who can be contacted at:

### **Australian Financial Complaints Authority**

GPO Box 3  
Melbourne, VIC 3001  
Telephone: 1800 931 678 (free call)

Email: [info@afca.org.au](mailto:info@afca.org.au)

Grant Thornton Corporate Finance is only responsible for the Report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

## 10 Compensation arrangements

Grant Thornton Corporate Finance has professional indemnity insurance cover under its professional indemnity insurance policy. This policy meets the compensation arrangement requirements of section 912B of the Corporations Act, 2001.

## 11 Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

Head of Corporate Finance  
Grant Thornton Corporate Finance Pty Ltd  
Level 17, 383 Kent Street  
Sydney, NSW, 2000

# SECTION 09

## ADDITIONAL INFORMATION



## 9.1 Registration

The Company was registered in New South Wales, Australia, on 6 January 2017 and converted to a public company on 7 October 2021.

SaleCo was incorporated in New South Wales, Australia on 6 October 2021.

## 9.2 Company tax status and financial year

The Company, as head company of the Step One Clothing Limited ACN 616 696 318 income tax consolidated group, which comprises the following subsidiary members: Step One Clothing Pty Ltd, Step One Production Pty Ltd, Step One Clothing UK Ltd and Step One Clothing USA Inc., will be taxed as an Australian resident public company for the purposes of Australian income tax law. The Company will be subject to tax at the applicable Australian corporate tax rate. The Company's tax year ends on 30 June.

## 9.3 Sale of Shares by SaleCo

SaleCo is a special purpose vehicle that has been established to facilitate the sale of Shares by the Existing Shareholder.

The Existing Shareholder has entered into an irrevocable sale deed with SaleCo under which it irrevocably offers to sell some or all of its Shares to SaleCo free from encumbrances and third party rights.

The Existing Shareholder has agreed to sell approximately 27,000,000 Shares to SaleCo, being 14.6% of the Shares on issue at Completion of the Offer. The Shares which SaleCo acquires from the Existing Shareholder will be transferred to successful Applicants at the Offer Price. The price payable by SaleCo to the Existing Shareholder for these Shares is the Offer Price, less the costs of the Offer referable to sale of Shares by SaleCo.

SaleCo has no material assets, liabilities or operations other than its interests in and obligations under the Underwriting Agreement and sale deeds described above. The shareholder of SaleCo is Michael Reddie and the directors of SaleCo are David Gallop, Greg Taylor and Michael Reddie. The Company has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and has indemnified SaleCo in respect of costs of the Offer (other than those costs referable to sale of Shares by SaleCo, which will be borne by SaleCo from the proceeds of the sale of Shares by it). The Company has also indemnified SaleCo and each director of SaleCo for any loss which SaleCo or any director of SaleCo may incur in connection with the Offer.

## 9.4 Corporate structure



The diagram above sets out the corporate structure of the Company group before and after Completion of the Offer. Each of the entities shown above are in the business of selling Step One's products. Step One Clothing Limited is the head entity and is the owner of the Step One brand. It also provides management services to its subsidiary entities. Step One Production Pty Ltd is incorporated in Australia and manages manufacturing contracts on behalf of the Group including shipping to each country. Step One Clothing Australia Pty Ltd is incorporated in Australia and its business activities include marketing, sales and distribution of Step One products in Australia. Step One Clothing UK Ltd is incorporated in the United Kingdom and its business activities are principally conducted in the United Kingdom. Step One Clothing USA Inc. is incorporated in the United States of America and its business activities are principally conducted in the United States of America.

## 9. Additional information

### 9.5 Underwriting arrangements

The Company, SaleCo and the Lead Manager have entered into an underwriting agreement dated 6 October 2021 (**Underwriting Agreement**) pursuant to which the Lead Manager has agreed to, subject to certain customary conditions, arrange, manager and underwrite the Offer.

#### 9.5.1 Commission, fees and expenses

The Company must pay the Lead Manager an underwriting fee of 2.40% of the Offer proceeds (which does not include any Shares issued to directors or employees of the Company) and a management fee of 0.6% of the Offer proceeds (which does not include any Shares issued to directors or employees of the Company) on the settlement of the Offer (as shown in the 'Key dates for the Offer' section) (Settlement Date). The Company may, in its sole discretion, pay the Lead Manager an incentive fee of up to 0.75% of the Offer proceeds (which does not include any Shares issued to directors or employees of the Company), to be determined within 5 Business Days after the Settlement Date and payable within 4 weeks of the Settlement Date. These fees may be set off as a deduction from the total Offer proceeds upon issue and transfer of Shares under the Offer.

The Company and SaleCo have also agreed to pay or reimburse the Lead Manager for reasonable costs, charges or expenses of and incidental to the Offer.

#### 9.5.2 Termination events

If any of the following events has occurred or occurs at any time from the date of the Underwriting Agreement until 4.00pm on the Settlement Date or at any other earlier time as specified below, the Lead Manager may terminate the Underwriting Agreement without cost or liability by notice to the Company and SaleCo:

- (**disclosures in Prospectus**) a statement in this Prospectus or investor presentation is misleading or deceptive or likely to mislead or deceive, or there is an omission from this Prospectus or investor presentation of material required to be included in it (including, without limitation, having regard to the provisions of Part 6D.2 of the Corporations Act);
- (**new circumstances**) there occurs a new circumstance that arises after this Prospectus is lodged, that would have been required to be included in this Prospectus if it had arisen before lodgement and is in the opinion of the Lead Manager, materially adverse from the point of view of an investor;
- (**supplementary prospectus**) the Company and SaleCo:
  - issue or are required to issue, a supplementary prospectus because of the operation of section 719(1) of the Corporations Act and fails to lodge a supplementary prospectus with ASIC within the time period reasonably required by the Lead Manager; or
  - lodge a supplementary prospectus with ASIC in a form and substance that has not been approved by the Lead Manager in circumstances required by the Underwriting Agreement;
- (**market fall**) at any time the S&P/ASX 200 Index falls to a level that is 87.5% or less of the level as at the close of trading on the date of the close of the bookbuild and is at or below that level at the close of trading:
  - for at least 3 consecutive Business Days during any time after the date of the Underwriting Agreement; or
  - on the business day immediately prior to the Settlement Date;
- (**voluntary escrow deeds**) any of the voluntary escrow deeds under which Escrowed Shareholders are restricted from dealing in their Shares is withdrawn, varied, terminated, rescinded, altered, amended or breached or failed to be complied with (other than with the prior written consent of the Lead Manager);
- (**share sale deed**) the share sale deed under which the Existing Shareholder irrevocably offers to sell some or all of their Shares to SaleCo is varied, terminated, rescinded, altered or amended, breached or failed to be complied with (other than with the prior written consent of the Lead Manager);
- (**fraud**) any of the Company, SaleCo or any of their directors or officers (as those terms are defined in the Corporations Act) engage, or have engaged, in any fraudulent conduct or activity whether or not in connection with the Offer;

- **(listing and quotation)** approval is refused or not granted, or approval is granted subject to conditions other than customary conditions, to:
  - the Company’s admission to the official list of ASX on or before the listing approval date; or
  - the quotation of the Shares on ASX or for the Shares to be traded through CHESSE on or before the date of expected commencement of trading on the ASX, as shown in the ‘Key dates for the offer’ section), or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- **(notifications)** any of the following notifications are made in respect of the Offer:
  - ASIC gives notice of an intention to hold a hearing under section 739(2) of the Corporations Act or ASIC applies for an order (including an interim order) under section 739 or 1324B of the Corporations Act, and that order becomes public or is not withdrawn within 2 Business Days of when it was made, or if it is made within 2 business days of the Settlement Date, it has not been withdrawn by the Settlement Date;
  - an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or an Offer document and that application becomes public or is not withdrawn within 2 Business Days of when it was made, or if it is made within 2 Business Days of the Settlement Date, it has not been withdrawn by the Settlement Date; or
  - ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer or an Offer document and that investigation or hearing becomes public or is not withdrawn within 2 Business Days of when it was made, or if it is made within 2 Business Days of the Settlement Date, it has not been withdrawn by the Settlement Date;
- **(consents)**
  - any person who has previously consented to the inclusion of its name in this Prospectus (other than the Lead Manager) withdraws that consent; or
  - any person gives a notice under section 730 of the Corporations Act in relation to this Prospectus (other than the Lead Manager);
- **(certificate)** the Company or SaleCo does not provide a closing certificate as and when required by the Underwriting Agreement;
- **(material contracts)** if any of the obligations of the relevant parties under any of the contracts disclosed in this Prospectus as material are not capable of being performed in accordance with their terms (in the reasonable opinion of the Lead Manager) or if all or any part of any of such contracts:
  - is amended, withdrawn, rescinded, avoided or repudiated;
  - is materially breached;
  - ceases to have effect, otherwise than in accordance with its terms; or
  - is or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights) or capable of being terminated, withdrawn, rescinded, avoided or of limited force and affect, or its performance is or becomes illegal;
- **(withdrawal)** the Company or SaleCo withdraws this Prospectus, an Offer document or the Offer, or indicates that it does not intend to proceed with the Offer or any part of the Offer;
- **(insolvency events)** any member of Step One or SaleCo becomes insolvent, or there is an act or omission which is likely to result in a member of Step One or SaleCo becoming insolvent;
- **(timetable)** an event specified in the timetable set out in the Underwriting Agreement up to and including the Settlement Date is delayed by more than 2 business days (other than a delay agreed to between the parties, or required as a result of ASIC extending the period under section 727(3) of the Corporations Act);
- **(unable to issue or transfer)** the Company is prevented from allotting and issuing (as applicable) the Shares or SaleCo is prevented from transferring Shares within the time required by the timetable set out in the Underwriting Agreement, the Offer documents, the Listing Rules, by applicable laws, an order of a court of competent jurisdiction or a governmental authority;

## 9. Additional information

- **(change to Company)** the Company:
  - alters the issued capital of the Company or another Step One member (other than the issue of Shares under this Prospectus); or
  - disposes or attempts to dispose of a substantial part of the business or property of the Company or another Step One member,
 without the prior written approval of the Lead Manager;
- **(regulatory approvals)** if a regulatory body withdraws, revokes or amends any regulatory approvals required for the Company or SaleCo to perform their obligations under the Underwriting Agreement or to carry out the transactions contemplated by the Offer documents;
- **(force majeure)** there is an event or occurrence, including any statute, order, rule, regulation, directive or request (including one compliance with which is in accordance with the general practice of persons to whom the directive or request is addressed) of any government agency which makes it illegal for the Lead Manager to satisfy an obligation under the Underwriting Agreement, or to market, promote or settle the Offer;
- **(change in management)** a change in the chief executive officer, chief financial officer or the chairperson of the Company or any director of the Company vacate their office or there is any change in the persons holding the offices that they hold on the date of the Underwriting Agreement, or there is any other material change in the chief executive officer, the chief financial officer or the board of directors of the Company;
- **(prosecution)** any of the following occurs:
  - a director or proposed director of the Company or SaleCo is charged with an indictable offence relating to a financial or corporate matter;
  - any government agency commences any public action against an the Company, SaleCo or any of their respective directors in their capacity as a director of the Company or SaleCo (as applicable), or announces that it intends to take action; or
  - any person named in this Prospectus as a director or proposed director of the Company or SaleCo is disqualified from managing a corporation under sections 206B, 206C, 206D, 206E or 206F of the Corporations Act.

### 9.5.2.1 Termination events subject to materiality

The Lead Manager may terminate without cost or liability by notice to the Company or SaleCo if any of the following events occur at any time on or before 4.00pm on the Settlement Date or at any earlier time as specified below, and the Lead Manager has reasonable grounds to believe the event: (i) has or is likely to have a material adverse effect on the success, settlement, outcome or marketing of the Offer or on the ability of the Lead Manager to market or promote or settle the Offer or on the likely price at which the Shares will trade on ASX or the willingness of investors to subscribe for the Shares; or (ii) will, or is likely to, give rise to a liability of the Lead Manager or certain of its affiliated parties under, or a contravention by the Lead Manager or certain of its affiliated parties of any applicable law:

- **(forecasts)** in the reasonable opinion of the Lead Manager, there are not, or there ceases to be, reasonable grounds for any statement or estimate in this Prospectus or other related Offer documents which relate to a future matter or any statement or estimate in these documents which relate to a future matter is, in the reasonable opinion of the Lead Manager, unlikely to be met in the projected timeframe (including in each case financial forecasts);
- **(disclosures in the due diligence report)** the due diligence report or verification material or any other information supplied by or on behalf of the Company or SaleCo provided to the Lead Manager in connection with SaleCo, any member of the Step One group or the Offer is (or is likely to), or becomes (or is likely to become), misleading or deceptive, including by way of omission;
- **(adverse change)** an event occurs which is, or is likely to give rise to an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or Step One (insofar as the position in relation to a member of Step One affects the overall position of the Company), including any adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Company or Step One from those respectively disclosed in any Offer document or the public information;

- **(change of law)** there is introduced, or there is a public announcement of a proposal to introduce, into the Parliament of Australia or any State or Territory of Australia a new law, or the Reserve Bank of Australia or any Commonwealth or State authority, including ASIC, adopts or announces a proposal to adopt a new policy (other than a law or policy which has been announced before the date of the Underwriting Agreement) any of which does or is likely to prohibit or regulate the Offer, capital markets or stock markets;
- **(breach of laws)** there is a contravention by the Company or SaleCo or any Step One member of the Corporations Act, the Competition and Consumer Act 2010 (Cth), the ASIC Act (any regulations under those acts) any other applicable law or regulation;
- **(compliance with law)**
  - in the reasonable opinion of the Lead Manager, any of the Offer documents (other than this Prospectus or the investor presentation) or the public information is or becomes misleading or deceptive or is likely to mislead or deceive, or a matter required to be included is omitted from an Offer document or the public information (including, without limitation, having regard to the Provisions of Part 6D.2 of the Corporations Act);
  - any of the Offer documents or any aspect of the Offer does not comply with the Corporations Act (and all regulations under that act), the Listing Rules or any other applicable law or regulation
- **(representations and warranties)** a representation, warranty or undertaking contained in the Underwriting Agreement on the part of the Company or SaleCo is breached, becomes not true or correct or is not performed;
- **(breach)** the Company or SaleCo defaults on one or more of its obligations under the Underwriting Agreement;
- **(constitution)** the Company varies any term of its constitution without the prior written consent of the Joint Lead Managers;
- **(legal proceedings)** any of the following occurs:
  - the commencement of legal proceedings against the Company, any other Step One member or SaleCo or against any director or officer of any of them in that capacity; or
  - any governmental agency commences certain inquiries or public action against the Company, SaleCo or any Step One member;
- **(hostilities)** in respect of any one or more of Australia, New Zealand, Hong Kong, Singapore, the People's Republic of China, the United States of America or the United Kingdom:
  - hostilities not presently existing commence (whether war has been declared or not);
  - a major escalation in existing hostilities occurs (whether war is declared or not);
  - a declaration is made of a national emergency;
  - a major escalation of a national emergency; or
  - a major terrorist act is perpetrated;
- **(certificate incorrect)** a statement in any closing certificate provided to the Lead Manager under the Underwriting Agreement is false, misleading, inaccurate or untrue or incorrect;
- **(disruption in financial markets)** any of the following occurs:
  - a general moratorium on commercial banking activities in Australia, New Zealand, Hong Kong, Singapore, the United States of America or the United Kingdom is declared by the relevant central banking authority in those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;
  - trading in all securities quoted or listed on ASX, New York Stock Exchange, Hong Kong Stock Exchange or London Stock Exchange is suspended for at least 1 day (or a substantial part of 1 day) on which that exchange is open for trading; or
- **(change to pathfinder)** there is a difference between the information contained in the pathfinder prospectus provided to institutional investors and the information required to be contained in this Prospectus.

## 9. Additional information

### 9.5.3 Conditions representations, warranties and undertakings

The Underwriting Agreement contains representations, warranties and undertakings provided by either or both of the Company and SaleCo to the Lead Manager, as well as customary conditions precedent. The representations and warranties relate to matters such as the Company's and SaleCo's powers and capacities, conduct (including in relation to Step One's businesses and operations, compliance with applicable laws, the due diligence undertaken and in relation to the Offer), information provided to the Lead Manager, financial information, accounting controls, litigation and other matters including intellectual property, insurance, property and labour relations.

The Company's undertakings include that it will not (without the consent of the Lead Manager), at any time after the date of the Underwriting Agreement and up to 90 days after Completion of the Offer, undertake certain actions, including not making certain changes to its business, Board, CEO or CFO, constitution or material contracts, and not issuing or agreeing to issue, any shares or other securities of the Company or any Step One member (or securities convertible or exchangeable into equity, or that represent the right to receive equity, of the Company or any Step One member), subject to certain limited exceptions including pursuant to an equity incentive plan, a dividend reinvestment or a bonus share plan.

### 9.5.4 Indemnity

Subject to certain exclusions including gross negligence, bad faith, recklessness, wilful misconduct or fraud by an indemnified party, the Company and SaleCo each agree to keep the Lead Manager and certain of its affiliated parties indemnified from losses suffered or incurred in connection with the Offer.



## 9.6 Escrow arrangements

Each Escrowed Shareholder has entered into a voluntary escrow deed in respect of their Escrowed Shares, which prevents them from dealing in their respective Escrowed Shares for the periods set out below (**Escrow Period**).

In aggregate, 132.2 million Shares will be the subject of these escrow arrangements, representing approximately 71.0% of the total Shares on issue immediately following Completion. A table setting out the Escrowed Shareholders and the Shares they hold following Completion is set out below:

SHAREHOLDER	SHARES HELD ON COMPLETION OF THE OFFER (#)	SHARES SUBJECT TO VOLUNTARY ESCROW (#)	% OF SHAREHOLDER'S SHAREHOLDING SUBJECT TO VOLUNTARY ESCROW	% OF TOTAL ISSUED SHARES IN THE COMPANY ON COMPLETION OF THE OFFER SUBJECT TO VOLUNTARY ESCROW	END OF ESCROW PERIOD
Greg Taylor <sup>1</sup>	123,000,000	24,600,000	20.0%	13.3%	5 Days following the release of FY2022 results
		98,400,000	80.0%	53.1%	5 Days following the release of FY2023 results
Michael Reddie <sup>2</sup>	9,000,000	1,800,000	20.0%	1.0%	5 Days following the release of FY2022 results
		7,200,000	80.0%	3.9%	5 Days following the release of FY2023 results
David Gallop	99,000	99,000	100%	0.1%	5 Days following the release of FY2022 results
Kate Thompson	67,500	67,500	100%	0.0%	5 Days following the release of FY2022 results
Rick Dennis	30,000	30,000	100%	0.0%	5 Days following the release of FY2022 results
<b>Total</b>	<b>132,196,500</b>	<b>132,196,500</b>			

Notes:

1. Greg Taylor's shareholding is held, and escrow commitments will be given, by the Existing Shareholder, an entity controlled by Greg Taylor.
2. Michael Reddie's shareholding will be held, and escrow commitments will be given, by Faraday, an entity controlled by Michael Reddie.

## 9. Additional information

The restriction on “dealing” is broadly expressed and includes, among other things, to dispose of, or agree or offer to dispose of, the Escrowed Shares or any legal, beneficial or economic interest in the Escrowed Shares or to create or agree or offer to create any security interest in the Shares.

An Escrowed Shareholder may be released early from these escrow obligations, as required by law, or:

- to enable:
  - the Escrowed Shareholder to accept an offer under a takeover bid in respect of all or a proportion of the Shares, provided that the holders of at least half of the Shares that are not subject to any voluntary escrow deed, and to which the offers under the takeover bid relate, have accepted an offer under the takeover bid; or
  - the Escrowed Shares held by the Escrowed Shareholders to be transferred or cancelled as part of a merger by scheme of arrangement relating to the Company under Part 5.1 of the Corporations Act,

provided that, in each case, if for any reason any or all Escrowed Shares are not transferred or cancelled in accordance with such a takeover bid or scheme of arrangement, then the holder of such Escrowed Shares agrees that the restrictions applying to the Escrowed Shares will continue to apply;

- to enable the Escrowed Shares to be dealt with in the event of death or incapacity, provided that all of the Escrowed Shares held by the Escrowed Shareholder will remain subject to, and will be released in accordance with, the original escrow conditions; or
- to enable the Escrowed Shareholder to participate in an equal access share buyback, equal access capital return or equal access capital reduction (in each case made in accordance with the Corporations Act).

### 9.7 Material contracts

#### 9.7.1 Product supply contracts

Step One has in place contracts with three manufacturers for the supply and manufacturing of its products. These product supply contracts largely comprise terms and conditions agreed between Step One and the respective counterparty, under which Step One can submit purchase orders for the supply of goods.

Under the product supply contracts, the term and pricing mechanism are fixed. The product supply contracts provide for early termination for convenience by either counterparty.

#### 9.7.2 Other supply arrangements

Step One has a range of established supply arrangements with suppliers of other services important to Step One’s business, for example for warehousing, logistics, IT systems and payment systems services. These relationships are typically governed by commercial contracts between Step One and the various providers which are standard for arrangements of this nature (often based on the relevant supplier’s standard form agreement). In the event that one of these arrangements terminates, Step One considers that replacement arrangements are generally available.

### 9.8 Participation in issues of securities

Except as described in this Prospectus, the Company has not granted, or proposed to grant any rights to any person, or to any class of person, to participate in an issue of the Company’s securities.

### 9.9 Description of the syndicate

The Lead Manager to the Offer is Morgans.

## 9.10 Selling restrictions

### 9.10.1 International offer restrictions

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

#### Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (SFO). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

#### Malaysia

No approval from, or recognition by, the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered, sold or issued in Malaysia except pursuant to, and to persons prescribed under, Schedules 5 and 6 of the Malaysian Capital Markets and Services Act.

#### New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (FMC Act). The Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

#### Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (SFA), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

## 9. Additional information

This document has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) an "accredited investor" (as defined in the SFA). If you are not an investor falling within one of these categories, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### 9.11 Legal proceedings

The Company and its subsidiaries are, from time to time, party to various disputes and legal proceedings incidental to the conduct of its business. As at the Prospectus Date there are no current, pending or threatened civil litigation, arbitration proceedings or administrative appeals, or criminal or governmental prosecutions of a material nature in which the Company or its subsidiaries are directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

Recently, Step One was a party to proceedings in the Federal Court of Australia with Sojo Pty Ltd (**Sojo**), in relation to claims made by Sojo that Step One had engaged in misleading and deceptive conduct in an advertisement broadcast by Step One on television and online, and various additional claims made by both Sojo and Step One. Those proceedings have been settled and discontinued, and claims released, without admission of liability by either Step One or Sojo, and with each party paying its own costs, but Step One has paid Sojo a settlement amount of \$500,000 and the parties have agreed to various provisions in relation to future advertising. Among other things, these provisions prevent Step One (and various related entities) from referring to the "TRADIE" brand, and prevent Sojo (and various related entities) from the referring to the "STEP ONE" and "ULTRAGLYDE" brands, in each case for seven years, and prevent Step One (and various related entities) from using the term "tradie" or referring to Mr Nick Cummins for four years. Step One does not consider that the matters that have been agreed will be material to it in the conduct of its business.

### 9.12 Taxation considerations

#### 9.12.1 Taxation treatment of the acquisition of Shares

The IPO involves the acquisition of Shares which will constitute an equity interest for Australian tax purposes. There are no immediate income tax consequences to the acquirer on the acquisition of equity interests.

#### 9.12.2 Taxation treatment of dividends

The treatment of the dividends which may be paid to investors will vary depending on whether or not the investor is an Australian resident or a non-resident Shareholder. The taxation treatment will also vary depending on the extent to which any dividends are franked.

##### 9.12.2.1 Dividends received by Australian resident investors

Dividends received by Australian resident investors will be assessable income for Australian tax purposes. Generally, both the amount of the cash dividend received and an amount equal to the franking credits attached to a franked dividend must be included in assessable income in the year of receipt. Generally, an Australian resident shareholder would then be entitled to a franking offset against the income tax on this assessable dividend income. However, it is important to note that securities must be held 'at risk' for a period of 45 days, in order for any investor to be able to claim an offset for franking credits.

The level of franking credits attached to such dividends will depend on the level of franking credits generated and available to the Company, through the payment by it of Australian company tax.

The tax treatment in respect of the dividends from ordinary shares will vary depending on the nature of the investor, as follows

**Individual investors**

An individual receiving a dividend that is unfranked will include the amount of the dividend in their assessable income, with tax being paid at the individual's marginal rate of tax.

Where the dividend is fully or partly franked, the individual's assessable income is grossed up to include the franking credit attaching to the dividend. The individual should then be entitled to a tax offset equal to the amount of the franking credit.

Where the individual's marginal rate of tax is greater than the applicable corporate tax rate (which is currently 30%, unless the company qualifies for the lower base rate entity tax rate of 26%), further tax will be payable on the grossed up dividend. This is commonly referred to as "top-up tax".

Where the individual's marginal rate of tax is less than the applicable corporate tax rate, a tax offset is available to reduce tax payable on other income or alternatively results in a refund of the excess franking credits.

**Corporate Shareholders**

A corporate investor receiving an unfranked dividend will pay tax on this dividend (net of any allowable deductions) at the applicable corporate tax rate (which is currently 30%, unless the company qualifies for the lower base rate entity tax rate of 26%).

Where dividends are franked, the corporate investor will be entitled to offset the franking credit against its tax liability for the year. To the extent that the franking credit exceeds the corporate investor's tax liability, the excess can be converted into a carry forward loss and offset against future taxable profits (subject to the loss testing rules for companies). Generally a corporate investor cannot receive a refund of franking credits (noting there are limited exceptions for certain entities).

Further, the franked dividend may give rise to a franking credit in the corporate investor's franking account.

**Complying Superannuation Funds**

Complying Superannuation Funds (which includes Self-Managed Superannuation Funds) are assessable on the dividend and gross up the franked dividend in the same way as individuals and corporate investors.

A Complying Superannuation Fund investor receiving an unfranked dividend will pay tax on this dividend (net of any allowable deductions) at the rate of 15% (current, as at the date of this Prospectus).

Where dividends are franked, the Complying Superannuation Fund investor will include in its assessable income the amount of dividend received and the amount of any franking credits attached to that dividend. The Complying Superannuation Fund tax rate of 15% is then applied to the grossed up dividend. The franking credit is available to offset tax payable on other income of the Complying Superannuation Fund or alternatively results in a refund of the excess franking credits.

**Trusts and partnerships**

Investors who are trustees (other than trustees of Complying Superannuation Funds) or partnerships should include the franking credit in determining the net income of the trust or partnership. The relevant beneficiary or partner may be entitled to a share of the tax offset equal to the beneficiary's or partner's share of the net income of the trust or partnership.

**9.12.2.2 Dividends received by non-resident investors**

The taxation treatment of dividends received by non-resident investors will depend on whether the dividends paid are franked or unfranked.

**Franked Dividends**

Non-resident investors will not be subject to Australian withholding tax on fully franked dividends.

However, non-resident investors may be subject to income tax on the receipt of such dividends in their local jurisdictions.

## 9. Additional information

### *Unfranked Dividends*

It may be necessary for the Company to withhold tax from unfranked dividends paid to non-resident Shareholders and remit the tax to the ATO. Where unfranked dividends are paid to non-resident Shareholders, and the unfranked dividend is not declared to be “conduit foreign income”, dividend withholding taxes must be deducted from the gross dividends paid.

The withholding tax rate on the payment of unfranked dividends per Australia’s domestic income tax law is the applicable corporate tax rate. However, where the investor is resident of a country which Australia has entered into a double tax treaty with, then the rate at which withholding tax is applied will generally be lower, typically ranging from nil to 15%.

Again, non-resident investors may still be subject to income tax on the receipt of such dividends in their local jurisdictions but may be entitled to a credit for the Australian withholding tax applied.

### **9.12.3 Taxation treatment of disposal of Shares**

As noted above, the following overview of Australian tax implications associated with the disposal of Shares is confined to investors who hold their shares on capital account.

#### **9.12.3.1 Disposal of Shares – Australian tax residents**

The disposal of a Share by an investor will give rise to a CGT event where the investor holds their Share on capital account. Australian tax resident investors will:

- make a capital gain where the capital proceeds received on the disposal of the Share exceed the cost base of the Share, or
- make a capital loss where the capital proceeds received on the disposal of the Share are less than the reduced cost base of the Share.

The capital proceeds will generally be equal to the amount received for the disposal of the Share. Broadly, the cost base and reduced cost base (subject to modifications) of a Share will be equal to the Issue Price of the Share plus any incidental costs of acquisition and disposal (such as brokerage).

If an investor is an individual or complying superannuation entity and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder will generally be entitled to a “CGT discount” for any capital gain made on the disposal of the Share. Where the CGT discount applies, any capital gain arising (after applying any available capital losses) may be reduced by:

- 50% in the case of individuals, or
- one-third in the case of complying superannuation entities.

Investors that are companies are not entitled to a CGT discount.

Any resulting net capital gain is included in an investor’s assessable income.

Where the disposal results in a net capital loss and the investor has no remaining capital gains to offset, the capital loss is carried forward and may be available to be offset against capital gains in future years (subject to the satisfaction of any applicable loss recoupment rules). Capital losses cannot be used to reduce ordinary assessable income (only capital gains).

### 9.12.3.2 Disposal of Shares by non-resident investors

Generally, for Australian income tax purposes, non-resident shareholders can disregard the capital gain or capital loss arising from the disposal of shares in Australian resident companies under Division 855 of the *ITAA 1997*.

Notwithstanding the above comments, certain non-resident shareholders will still be subject to Australian CGT where the Shares constitute Taxable Australian Property (“**TAP**”). Broadly, the Shares should only constitute TAP if both of the following requirements are satisfied:

- the investor (together with any associates) holds an interest of at least 10% of the Shares in the Company at the time of the disposal, or for a 12 month period in the 24 months preceding the disposal; and
- the Company is land rich for Australian income tax purposes (i.e. more than 50% of the market value of the Company’s assets is comprised of Australian real property interests).

Based on the understanding that the Company is not currently land rich, any capital gain or loss arising to a non-resident investor on disposal of the Shares is not expected to relate to TAP and should therefore be disregarded. However, this would need to be assessed at the time of disposal.

### 9.12.4 Quotation of Tax File Number

It is not compulsory for Australian resident Shareholders to provide the Company with details of their Tax File Number (**TFN**) or Australian Business Number (**ABN**). However, a failure to quote a TFN or ABN (or proof of exemption) to the Company will result in the Company being required to withhold and remit tax at the top marginal rate (currently 45% plus 2% Medicare levy) from unfranked dividends paid to the relevant Australian resident Shareholder. The amount withheld in these circumstances should be available as a credit against the investor’s tax liability.

### 9.12.5 Goods & Services Tax (GST)

No GST is applicable to the issue or transfer of the Shares given that, under current law, shares in a company are an input-taxed financial supply for GST purposes. However, investors may incur GST on costs that relate to their participation in the proposed offer and should seek their own independent advice in relation to the GST implications.

### 9.12.6 Stamp duty

On the basis that the Company is not a landholder for stamp duty purposes in any Australian jurisdiction, no stamp duty should be payable by investors on acquisition of the Shares.

## 9.13 Consent to be named and statement of disclaimers of responsibility

Each of the parties listed below in this Section 9.13 (each a consenting party) to the maximum extent permitted by law, expressly disclaims all liabilities in respect of, makes no representations regarding and takes no responsibility for any statements in or omissions from this Prospectus, other than the reference to its name in the form and context in which it is named and a statement or report included in this Prospectus with its consent as specified below.

Each of the consenting parties listed below has given and has not, at the time of lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of statements in this Prospectus that are specified below in the form and context in which the statements appear:

- Morgans has given, and have not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as a Lead Manager to the Offer;
- KPMG Corporate Finance has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the Financial Adviser of the Company in relation to the Offer in the form and context in which it is named;
- Herbert Smith Freehills has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Australian legal adviser (other than in relation to taxation and stamp duty matters) to the Company in relation to the Offer in the form and context in which it is named;

## 9. Additional information

- Grant Thornton Corporate Finance Pty Ltd has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as Investigating Accountant to the Company in relation to the Financial Information in the form and context in which it is named and to the inclusion in this Prospectus of its Investigating Accountant's Report in Section 8 in the form and context in which it is included;
- Grant Thornton Audit Pty Ltd has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the auditor of the Company in the form and context in which it is named;
- Grant Thornton Australia Limited has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as tax advisor to the Company in the form and context in which it is named;
- Frost & Sullivan has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in relation to the inclusion in this Prospectus of references to its report *The Men's and Women's Underwear Markets*, in the form and context in which it is named. Frost & Sullivan takes no responsibility for any part of this Prospectus other than any reference to its name and its report;
- Green Story Inc. has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus in relation to the inclusion in this Prospectus of references to its report *Green Story Comparative Life Cycle Impact Assessment for Step One Australia*, in the form and context in which it is named. Green Story Inc. takes no responsibility for any part of this Prospectus other than any reference to its name and its report; and
- Link Market Services has given, and has not withdrawn prior to the Prospectus Date, its written consent to be named in this Prospectus as the Share Registry to the Company in the form and context in which it is named.

No consenting party referred to in this Section 9.13 has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. Each consenting party referred to in this Section 9.13 has not authorised or caused the issue of this Prospectus, does not make any offer of Shares and expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus, except as stated above in this Section 9.13.

### 9.14 Ownership restrictions

#### 9.14.1 Corporations Act

The takeover provisions in Chapter 6 of the Corporations Act restrict acquisitions of shares in listed companies if the acquirer's (or another party's) voting power would increase to above 20%, or would increase from a starting point that is above 20% and below 90%, unless certain exceptions apply. The Corporations Act also imposes notification requirements on persons having voting power of 5% or more in the Company, either themselves or through an associate.

#### 9.14.2 Foreign Acquisitions and Takeovers Act

Generally, the Foreign Acquisitions and Takeovers Act 1975 (Cth) (FATA) applies to acquisitions of shares and voting power in a company of 20% or more by a single foreign person and its associates (substantial interest), or 40% or more by two or more un-associated foreign persons and their associates (aggregate substantial interest). Where a foreign person holds a substantial interest in the Company or foreign persons hold an aggregate substantial interest in the Company, the Company itself will be a 'foreign person' for the purposes of the FATA.

Where an acquisition of a substantial interest meets certain criteria, the acquisition may not occur unless notice of it has been given to the Federal Treasurer, and the Federal Treasurer has either stated that there is no objection to the proposed acquisition or a statutory period has expired without the Federal Treasurer objecting. An acquisition of a substantial interest or an aggregate substantial interest meeting certain criteria may also lead to divestment orders unless a process of notification, and either a statement of non-objection or expiry of a statutory period without objection, has occurred.

In addition, acquisitions of direct investments in Australian companies by foreign governments and their related entities are generally required to be notified to the Foreign Investment Review Board for approval, irrespective of value. A 'direct investment' will include any investment of 10% or more of the shares (or other securities or equivalent economic interest or voting power) in an Australian company and may also include investments of less than 10% in specified circumstances.



### **9.15 Costs of the Offer**

The costs of the Offer are expected to be approximately A\$7.0 million (including advisory, legal, accounting, tax and duty, listing and administrative fees, the Lead Manager's management and underwriting fees, Prospectus design and printing, advertising, marketing, Share Registry and other expenses). These costs have been, or will be, borne by the Company from available funds.

### **9.16 Governing law**

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in New South Wales, Australia and each Applicant under this Prospectus submits to the exclusive jurisdiction of the courts of New South Wales, Australia.

### **9.17 Statement of Directors**

This Prospectus has been authorised by each Director and each SaleCo Director who has consented to its lodgement with ASIC and its issue and has not withdrawn that consent. The Directors have made enquiries and nothing has come to their attention to suggest that Step One is not continuing to earn profit from continuing operations up to the date of this Prospectus.

**APPENDIX A**  
**SIGNIFICANT**  
**ACCOUNTING POLICIES**



## Significant accounting policies

The principal accounting policies adopted in the preparation of the financial information set out in the Prospectus are noted below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory at the date of the Prospectus.

## Basis of preparation

The financial information included in the Prospectus has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. The financial information included in the Prospectus also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

## Historical cost convention

The financial information has been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

## Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in the Critical accounting judgements, estimates and assumptions below

## Principles of consolidation

The consolidated financial information incorporates the assets and liabilities of all subsidiaries of Step One Clothing Pty Ltd and the results of all subsidiaries. Step One Clothing Pty Ltd and its subsidiaries together are referred to as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

# Appendix A – Significant Accounting Policies

## Foreign currency translation

The financial statements are presented in Australian dollars, which is Step One Clothing Pty Ltd's functional and presentation currency.

## Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

## Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

On consolidation, assets and liabilities have been translated into Australian dollars at the closing rate at the reporting date. Exchange differences are charged or credited to other comprehensive income and recognised in the foreign currency translation reserve in equity. On disposal of a foreign operation, the related cumulative translation differences recognised in equity are reclassified to profit or loss and are recognised as part of the gain or loss on disposal.

## Revenue recognition

The Group recognises revenue as follows:

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

## Sales revenue

Sales revenue is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. Amounts disclosed as revenue are net of sales returns and trade discounts.

## Interest revenue

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

## Other revenue

Other revenue is recognised when the promised performance obligation is satisfied.

## Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

## Share-based payments

The Group operates equity and cash-settled share-based remuneration plans for its employees and non-employees, respectively.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values.

The cost of equity-settled transactions with employees are measured at fair value on grant date. Fair value is determined independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the company value at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions. Company valuation was determined by the shareholders after considering a range of valuation estimates which included discounted cash flows.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to the statement of profit or loss and other comprehensive income is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in the statement of profit or loss and other comprehensive income is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions with non-employees are measured at fair value on grant date and is accounted for as a compound financial instrument which is an instrument that contains both a debt and equity component. The financial liability component of the instrument is subsequently remeasured at each reporting period and upon settlement, taking any differences to the statement of profit or loss and other comprehensive income. Where the award is subsequently settled in equity, the liability is transferred to equity. Otherwise, where settled in cash, the cash payments are applied against the financial liability. No subsequent changes are required to the equity component on grant date.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

# Appendix A – Significant Accounting Policies

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to share capital up to the nominal value of the shares issued with any excess being recorded as share premium.

## Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## Provisions, contingent assets and contingent liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. The timing or amount of the outflow may still be uncertain.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group is virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities unless the outflow of resources is remote.

## Goods and Services Tax ('GST'), Value-Added Tax ('VAT'), and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST/VAT, unless the GST/VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST/VAT receivable or payable. The net amount of GST/VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST/VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST/VAT recoverable from, or payable to, the tax authority.

## New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

### **Conceptual Framework for Financial Reporting (Conceptual Framework)**

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 July 2021 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the Group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the Group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the Group's financial statements.

### **Critical accounting judgements, estimates and assumptions**

The preparation of the financial information requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### **Coronavirus (COVID-19) pandemic**

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

### **Revenue recognition**

When recognising revenue in relation to the sale of goods to customers, the key performance obligation of the Group is considered to be the point of delivery of the goods to the customer, as this is deemed to be the time that the customer obtains control of the promised goods and therefore the benefits of unimpeded access.

### **Provision for impairment of inventories**

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

### **Income tax**

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

### **Recovery of deferred tax assets**

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

# Appendix A – Significant Accounting Policies

## **Fair value measurement**

Management uses various valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible.

## **Employee benefits provision**

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

## **Share-based payments**

The Group assesses the fair value of options granted applying the Black-Scholes valuation model. The use of this model requires significant judgement and assumptions in regard to the key inputs such as risk-free rate, share price volatility and time to maturity.



## APPENDIX B

# STATUTORY HISTORICAL CONSOLIDATED FINANCIAL INFORMATION



## Appendix B – Statutory Historical Consolidated Financial Information

Financial Information Reconciliation Tables

Table 1: Statutory Consolidated Historical Profit and Loss and Other Comprehensive Income

\$'000	AUDITED 30 JUNE 2019	AUDITED 30 JUNE 2020	AUDITED 30 JUNE 2021
Sales revenue	7,718	22,247	61,717
Cost of sales	(1,597)	(4,096)	(10,733)
<b>Gross profit</b>	<b>6,121</b>	<b>18,151</b>	<b>50,984</b>
Net foreign exchange gain	–	33	23
Interest revenue calculated using the effective interest method	4	5	22
Other revenue	–	10	90
<b>Expenses</b>			
Depreciation and amortisation expense	(1)	(1)	(4)
Distribution and fulfilment expense	(537)	(1,754)	(6,190)
Advertising and marketing expense	(2,325)	(8,278)	(26,856)
Merchant fees	(251)	(676)	(1,403)
Professional, legal and insurance fees	–	(140)	(2,606)
Administration expense	(837)	(2,162)	(1,827)
Share-based payment expense	–	–	(8,000)
<b>Profit before income tax expense</b>	<b>2,174</b>	<b>5,187</b>	<b>4,233</b>
Income tax expense	(600)	(1,446)	(3,633)
<b>Profit after income tax expense for the year attributable to the owners of Step One Clothing Pty Ltd</b>	<b>1,575</b>	<b>3,741</b>	<b>600</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation	–	10	163
Other comprehensive income for the year, net of tax	–	10	163
<b>Total comprehensive income for the year attributable to the owners of Step One Clothing Pty Ltd</b>	<b>1,575</b>	<b>3,751</b>	<b>764</b>

Table 2: Statutory Statement of Financial Position

ASSETS	AUDITED 30 JUNE 2019	AUDITED 30 JUNE 2020	AUDITED 30 JUNE 2021
<b>Current assets</b>			
Cash and cash equivalents	2,629	6,735	10,845
Inventories	341	1,561	9,730
Derivative financial instruments	–	33	134
Related party receivables	1	86	3,409
Other assets	369	842	1,303
<b>Total current assets</b>	<b>3,340</b>	<b>9,257</b>	<b>25,421</b>
<b>Non-current assets</b>			
Plant and equipment	3	2	2
Intangibles	–	13	56
Deferred tax asset	107	631	1,322
Related party receivables	–	372	–
<b>Total non-current assets</b>	<b>110</b>	<b>1,018</b>	<b>1,380</b>
<b>Total assets</b>	<b>3,450</b>	<b>10,276</b>	<b>26,802</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	594	1,827	7,276
Contract liabilities	361	2,142	2,620
Income tax	726	1,887	3,677
Employee benefits	5	9	34
Financial liability	140	–	8,000
<b>Total current liabilities</b>	<b>1,826</b>	<b>5,865</b>	<b>21,608</b>
<b>Non-current liabilities</b>			
Deferred tax liability	13	103	201
Employee benefits	2	3	2
<b>Total non-current liabilities</b>	<b>15</b>	<b>106</b>	<b>203</b>
<b>Total liabilities</b>	<b>1,840</b>	<b>5,971</b>	<b>21,811</b>
<b>Net assets</b>	<b>1,610</b>	<b>4,305</b>	<b>4,991</b>
<b>Equity</b>			
Issued capital	1	1	1
Reserves	–	10	173
Retained earnings	1,609	4,294	4,817
<b>Total equity</b>	<b>1,610</b>	<b>4,305</b>	<b>4,991</b>

## Appendix B – Statutory Historical Consolidated Financial Information

Table 3: Statutory Consolidated Statement of Cash Flows

	AUDITED 30 JUNE 2019	AUDITED 30 JUNE 2020	AUDITED 30 JUNE 2021
Cash flows from operating activities			
Receipts from customers (inclusive of GST/VAT)	8,553	25,884	70,480
Payments to suppliers and employees (inclusive of GST/VAT)	(6,290)	(19,387)	(61,582)
Receipts from government stimulus package	–	10	90
Interest received	4	5	22
Income taxes paid	(2)	(719)	(2,415)
Net cash from operating activities	2,265	5,793	6,595
Cash flows from investing activities			
Payments for plant and equipment	(2)	–	(3)
Payments for intangibles	–	(13)	(43)
Net cash used in investing activities	(2)	(13)	(46)
Cash flows from financing activities			
Receipts from related parties	80	–	–
Payments to related parties	–	(658)	(2,467)
Dividends paid	(80)	(1,056)	(78)
Net cash used in financing activities	(0)	(1,714)	(2,545)
Net increase in cash and cash equivalents	2,263	4,066	4,004
Cash and cash equivalents at the beginning of the financial year	367	2,629	6,735
Effects of exchange rate changes on cash and cash equivalents	–	40	106
Cash and cash equivalents at the end of the financial year	2,629	6,735	10,845

# APPENDIX C

## GLOSSARY



## Appendix C – Glossary

TERM	MEANING
<b>AAS or Australian Accounting Standards</b>	Australian Accounting Standards and other authoritative pronouncements issued by the AASB.
<b>AASB</b>	Australian Accounting Standards Board.
<b>Appendix</b>	an appendix to this Prospectus.
<b>Applicant</b>	a person who submits an Application.
<b>Application</b>	an application made to subscribe for or buy Shares offered under this Prospectus.
<b>Application Form</b>	an application form attached to or accompanying this Prospectus (including the electronic form provided by an online application facility).
<b>Application Monies</b>	the amount of money submitted or made available by an Applicant in connection with an Application.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASIC Act</b>	<i>Australian Securities and Investments Commission Act 2001 (Cth)</i> .
<b>ASX</b>	ASX Limited ABN 98 008 624 691 or the Australian Securities Exchange that it operates, as the context requires.
<b>ASX Listing Rules or Listing Rules</b>	listing rules of ASX as amended, modified or waived from time to time.
<b>ASX Recommendations</b>	the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition).
<b>ASX Settlement</b>	ASX Settlement Pty Limited ABN 49 008 504 532.
<b>ASX Settlement Operating Rules</b>	the settlement operating rules of ASX Settlement.
<b>A\$</b>	the Australian dollar, being the lawful currency of Australia.
<b>Board or Board of Directors</b>	the board of directors of the Company.
<b>Broker</b>	any ASX participating organisation selected by the Lead Manager and the Company to act as a broker to the Offer.
<b>Broker Firm Application Form</b>	an application form attached to or accompanying this Prospectus (including any electronic form provided by an online application facility) in respect of the Broker Firm Offer.
<b>Broker Firm Offer</b>	the offer of Shares under this Prospectus to Australian resident retail clients and sophisticated New Zealand resident retail clients of Brokers who have received a firm allocation from their Broker, provided that such clients are not in the United States as described in Section 7.3.1.

TERM	MEANING
<b>Business Day</b>	a day on which ASX is open for trading securities, and banks are open for general banking business in Sydney.
<b>CAGR</b>	compound annual growth rate.
<b>CEO</b>	Chief Executive Officer.
<b>Chairperson</b>	David Gallop AM
<b>CHESS</b>	Clearing House Electronic Subregister System operated in accordance with the Corporations Act.
<b>Closing Date</b>	the date on which the Offer closes, which is expected to be <b>Monday, 25 October 2021</b> .
<b>Company</b>	Step One Clothing Limited ACN 616 696 318.
<b>Completion or Completion of the Offer</b>	the date on which Shares are issued and transferred to Successful Applicants in accordance with the terms of the Offer.
<b>Constitution</b>	the constitution of the Company.
<b>Corporations Act</b>	<i>Corporations Act 2001</i> (Cth).
<b>CY</b>	calendar year ended/ending 31 December (as applicable).
<b>Director</b>	a member of the Board.
<b>EBIT</b>	earnings before interest and tax.
<b>EBITDA</b>	earnings before interest, tax, depreciation, depletion and amortisation.
<b>Escrow Arrangements</b>	the voluntary escrow arrangements described in section 9.6
<b>Escrowed Shares</b>	each of the Shares held by the Escrowed Shareholders at Completion of the Offer, as described in section 9.6.
<b>Escrowed Shareholder(s)</b>	each of Greg Taylor, Michael Reddie, David Gallop, Kate Thompson and Rick Dennis.
<b>Existing Shareholder</b>	Dallard Road Pty Ltd ACN 616 695 393 as trustee for the Dallard Road Trust.
<b>Existing Shares</b>	Shares held by the Existing Shareholder immediately prior to Completion.
<b>Expiry Date</b>	13 months after the Prospectus Date.
<b>Exposure Period</b>	the seven day period commencing after lodgement of this Prospectus with ASIC during which no Applications may be accepted, which may be extended by ASIC for up to an additional seven days.
<b>Faraday</b>	Faraday Capital Pty Ltd as trustee of the Faraday Capital Trust.

## Appendix C – Glossary

TERM	MEANING
<b>FATA</b>	<i>Foreign Acquisitions and Takeovers Act 1975 (Cth).</i>
<b>Financial Adviser</b>	KPMG Corporate Finance, a division of KPMG Financial Advisory Services (Australia) Pty Ltd.
<b>Financial Information</b>	the Forecast Financial Information together with the Historical Financial Information described in Section 4.
<b>Forecast Financial Information</b>	the Statutory Forecast Financial Information together with the Pro Forma Forecast Financial Information described in Section 4.
<b>GST</b>	goods and services tax imposed in Australia.
<b>Historical Financial Information</b>	the Statutory Historical Financial Information together with the Pro Forma Historical Information described in Section 4.
<b>HIN</b>	Holder Identification Number.
<b>IASB</b>	International Accounting Standards Board.
<b>IFRS</b>	International Financial Reporting Standards.
<b>Institutional Investor</b>	<p>investors who are:</p> <ul style="list-style-type: none"> <li>▪ persons in Australia who are either “sophisticated investors” or “professional investors” under sections 708(8) and 708(11) of the Corporations Act; or</li> <li>▪ an institutional investor in certain other jurisdictions, as agreed between the Company and the Lead Manager, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing, registration or qualification with, or approval by, any governmental agency (except one with which the Company is willing, in its absolute discretion, to comply).</li> </ul>
<b>Institutional Offer</b>	the invitation to Institutional Investors to acquire Shares under this Prospectus, as described in Section 7.6.
<b>Investigating Accountant or Grant Thornton</b>	Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987.
<b>Investigating Accountant’s Report</b>	the Investigating Accountant’s Report and financial services guide prepared by the Investigating Accountant and set out in Section 8.
<b>IPO</b>	initial public offering.
<b>IT</b>	information technology.
<b>Lead Manager or Morgans</b>	Morgans Corporate Limited ABN 32 010 539 607.
<b>Listing</b>	admission of the Company to the Official List and quotation of the Shares.
<b>LTI and LTI Plan</b>	Long-term incentive award has the meaning given in Section 6.3.2.2.



TERM	MEANING
<b>Management</b>	management team of the Company.
<b>NPAT</b>	net profit after tax.
<b>NSW</b>	New South Wales.
<b>Offer</b>	the offer of Shares under this Prospectus.
<b>Offer Period</b>	the period from 18 October 2021 to 25 October 2021.
<b>Offer Price</b>	A\$1.53 per Share.
<b>Official List</b>	the official list of entities that ASX has admitted to and not removed from listing.
<b>Policy</b>	has the meaning given in Section 9.15.2.
<b>Priority Offer</b>	the Offer of Shares under this Prospectus to select investors nominated by the Company, as described in Section 7.4.
<b>Pro Forma Forecast Cash Flow Information</b>	the pro forma forecast cash flow information for FY2022 described in Section 4.
<b>Pro Forma Forecast Financial Information</b>	the pro forma forecast financial information for FY2022 described in Section 4.
<b>Pro Forma Historical Balance Sheet</b>	the pro forma historical balance sheet as at 30 June 2021.
<b>Pro Forma Historical Cash Flow Information</b>	the pro forma historical cash flow information for FY2019, FY2020 and FY2021.
<b>Prospectus</b>	this document (including the electronic form of this document) and any supplementary or replacement prospectus in relation to this document.
<b>Prospectus Date</b>	the date on which a copy of this Prospectus was lodged with ASIC, being 8 October 2021.
<b>Regulation S</b>	Regulation S under the US Securities Act.
<b>Related Body Corporate</b>	has the meaning given in the Corporations Act.
<b>Retail Offer</b>	the Broker Firm Offer and the Priority Offer.
<b>SaleCo</b>	Step One SaleCo Limited ACN 654 256 881.
<b>SaleCo Directors</b>	the directors of SaleCo, being David Gallop, Greg Taylor and Michael Reddie.
<b>Settlement</b>	Settlement in respect of the Shares the subject of the Offer, occurring as described in the Underwriting Agreement.
<b>Share</b>	a fully paid ordinary share in the Company.

## Appendix C – Glossary

TERM	MEANING
<b>Share Registry</b>	Link Market Services.
<b>Shareholder</b>	a holder of Shares.
<b>Shareholding</b>	a holding of Shares.
<b>SRN</b>	Securityholder Reference Number.
<b>Statutory Forecast Cash Flow Information</b>	the statutory forecast cash flow information for FY2022 described in Section 4.
<b>Statutory Forecast Financial Information</b>	the statutory forecast financial information for FY2022 described in Section 4.
<b>Statutory Historical Financial Information</b>	the statutory historical financial information for FY2019, FY2020 and FY2021 described in Section 4.
<b>Step One</b>	the Company and its subsidiaries, and, where the context requires, the business operated by these entities.
<b>STI and STI Plan</b>	Short-term incentive award has the meaning given in Section 6.3.2.2 .
<b>Successful Applicant</b>	a person who submits an Application to subscribe for Shares offered under this Prospectus, which is successful.
<b>Sydney Time</b>	the official time in Sydney, Australia.
<b>Third-party logistics (3PL)</b>	Third-party logistics (abbreviated as 3PL, or TPL) in logistics and supply chain management is the use of third-party businesses to outsource elements of its distribution, warehousing, and fulfilment services.
<b>Underwriting Agreement</b>	the underwriting agreement dated 6 October 2021 between the Company, SaleCo and the Lead Manager.
<b>United States or US or USA</b>	the United States of America.
<b>US Person</b>	has the meaning given to it in Rule 902(k) under Regulation S.
<b>US Securities Act</b>	United States Securities Act of 1933, as amended.

# APPENDIX D

## APPLICATION FORM



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# CORPORATE DIRECTORY

## Registered office

Step One Clothing Limited  
5/69 Reservoir Street  
Surry Hills NSW 2010

## Legal Adviser

Herbert Smith Freehills  
Level 34  
161 Castlereagh Street  
Sydney NSW 2000

## Lead Manager

Morgans Corporate Limited  
Level 21, 88 Phillip Street  
Sydney NSW 2000

## Financial Adviser

KPMG Corporate Finance, a division of KPMG  
Financial Advisory Services (Australia) Pty Ltd  
Level 38, Tower Three,  
International Towers Sydney  
300 Barangaroo Avenue  
Sydney NSW 2000

## Registry / IPO Offer Information Line

Within Australia: 1800 642 133  
Outside Australia: +61 1800 642 133  
Operating hours between 8:30am to 5:30pm  
(Sydney time)

## Investigating Accountant

Grant Thornton Corporate Finance Pty Ltd  
Level 17, 383 Kent Street  
Sydney NSW 2000

## Auditor

Grant Thornton Audit Pty Ltd  
Collins Square, Tower 5  
727 Collins Street  
Melbourne VIC 3008

## Tax Adviser

Grant Thornton Australia Limited  
Collins Square, Tower 5  
727 Collins Street  
Melbourne VIC 3008

## Share Registry

Link Market Services  
Level 12, 680 George Street  
Sydney NSW 2000

## Offer website

<https://events.miraqle.com/stepone-ipo>

## Company website

[www.stepone.group](http://www.stepone.group)

STEP ONE™