ASX Announcement
20 August 2025

Step One Clothing Limited
FY25 Results

Step One Clothing Limited (ASX:STP) (“Step One” or “the Company”), a leading online direct-to-consumer underwear brand, today announces its financial results for the year ending 30 June 2025 (FY25).

Overview

- Revenue of $86.9 million, up 2.8% on pcp (FY24: $84.5 million)
- EBITDA of $17.4 million, down 3.7% on pcp (FY24: $18.1 million)
- Net profit of $12.7 million, up 2.0% on pcp (FY24: $12.4 million)
- Strong financial position with cash and financial assets of $33.1 million and no debt
- Final dividend of 2.4 cents per share, fully franked; 100% of earnings distributed while maintaining capacity to invest in growth

FY25 Key financial metrics

		FY25	FY24	Variance	
				$/#	%
Revenue	$'000	86,882	84,548	2,334	2.8%
Gross Margin	%	76.4%	80.8%		-4.4pp
EBITDA[1]	$'000	17,420	18,129	-709	-3.9%
Net Profit after Tax (NPAT)	$'000	12,651	12,400	251	2.0%

Step One Founder and CEO, Greg Taylor, said: “In line with the broader retail sector, maintaining market share in FY25 required an elevated level of promotional activity and discounting. We delivered modest revenue growth for FY25 of $86.9 million, reflecting this subdued retail environment.

“Cost of living pressures and inflation continued to dampen consumer confidence and discretionary spending. In response to these challenging conditions, we made the decision to reduce marketing investment in the Australian market, ensuring a disciplined focus on profitability during a demanding period for the industry. This resulted in another solid EBITDA profit result of $17.4 million for the year.

“Our cash balance – while still very strong – reflects higher inventory investment, which we are now actively working to draw down through our strengthened inventory management processes.

“The UK was a key area of focus for us in the second half, and I’m pleased to report this market delivered revenue growth of 8.7% for the year. We trialled a refreshed marketing approach informed by local insights and customer feedback, which resonated strongly and reinforced our brand positioning. This positive response gives us confidence as we consider evolving our global messaging to reflect this formula and market efficiently across geographies. We’re also encouraged by the late-period success of our test campaigns on TikTok Shop, which is proving to be a cost-effective and scalable channel in the UK.

[1] Earnings before interest, tax, depreciation and amortisation (EBITDA) is a financial measure that is not prescribed by Australian Accounting Standards.

"We remain committed to a prudent, capital light approach in the US in the short-term, which continues to represent a significant long-term opportunity for Step One.

"While increased discounting helped us remain competitive and support customer acquisition, it is not a sustainable long-term approach, as excessive discounting can erode brand equity. We are therefore undertaking a deliberate reset: moderating discount depth, focusing on value-led product innovation, and restoring the quality values of the Step One brand. Our strong customer retention and product quality position Step One well to capture new opportunities as we broaden our product range, invest further in brand awareness, and work to make our offer more accessible to new customers in the year ahead."

Roadmap

Moving forward, Step One will continue to be guided by its profitable growth strategy, centred on four key pillars: expanding the product range; acquiring new customers through targeted marketing and strategic partnerships; pursuing profitable growth opportunities across all markets; and testing and developing new channels where meaningful traction can be achieved, while maintaining operational discipline.

In addition, in response to the increasingly challenging market conditions faced across the retail sector, Step One is refining its tactical execution and implementing the following adaptive measures that reflect its nimble approach to navigating difficult trading environments. The retail landscape has become more demanding, with softening demand trends leading to increased promotional activity. These conditions require a careful balance between maintaining market share and managing margins, and the Company is taking deliberate steps to navigate this trade-off.

Adaptive initiatives

1. **Pricing realignment:** reduce average prices and adjust bundle discount structures to enhance competitiveness and lower barriers to entry;
2. **Refined promotional approach:** continue participation in sale events but apply moderated site-wide discount rates to balance customer acquisition with margin preservation;
3. **Inventory optimisation program:** systematically clear slower-moving inventory through designated website clearance pages and targeted sale events, maintaining promotional visibility while optimising working capital;
4. **Brand investment acceleration:** align global brand messaging to highlight core product attributes and improve visibility across e-commerce, social commerce and AI-driven search engines; and
5. **Product development focus:** prioritising new products and adjacencies, strategic collections and collaborations that lift brand credibility and expand category reach, as well as strategic limited edition colour releases.

Financial impact and outlook

The Company expects these initiatives to impact financial performance as follows:

- **Revenue growth:** moderate revenue growth anticipated, with the UK market expected to be the primary driver of expansion in the near term, supported by new product launches planned before the end of 1H FY26;
- **Marketing investment:** advertising costs will increase above FY25 levels to support brand building and customer acquisition initiatives aligned to long-term growth;
- **Operating costs:** personnel costs will be higher than the prior corresponding period due to hires already made; further hiring will be limited in the current market environment. Other costs are expected to increase in line with inflationary pressures or to support strategy execution; and

- **Margin impact:** the sale of slower-moving inventory at promotional pricing is expected to moderate gross margins toward 2H25 levels.

Based on these adaptive initiatives and their anticipated financial impact, the Company expects earnings performance to moderate in the near term. Management remains confident these initiatives will position Step One to respond effectively to the challenging market conditions and establish a stronger foundation for sustainable, profitable growth when market conditions improve.

FY26 EBITDA is expected to be in the range of $10 to $12 million, reflecting the above measures and deliberate investments in brand building, product expansion, and inventory optimisation, positioning the Company for strong growth when market conditions recover.

-ENDS-

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

Investor Conference Call & Webcast

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

Conference call registration:
https://s1.c-conf.com/diamondpass/10048510-ghu763.html

Live audio webcast registration:
https://webcast.openbriefing.com/stp-fyr-2025/

About Step One Clothing

Step One is a leading direct-to-consumer online retailer specialising in high quality, certified sustainable and ethically manufactured underwear that suits a broad range of body types. Step One has transformed the underwear market with its innovative design and strong customer following which has driven its growth into a multinational company operating in Australia, the US and the UK.

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

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