

ASX Announcement

22 December 2021

Step One GST Credit Overclaim and Trading Update

Step One Clothing Limited ("Step One" or the "Company"), a leading online, direct to consumer, innerwear brand, has identified a potential overclaim of GST credits on an Australian supply made by a foreign corporation to Step One (**Overclaim**) which was not previously identified.

A preliminary review of other foreign suppliers has been completed resulting in the conclusion that this issue is limited to one supplier. The financial impact of the Overclaim in FY22 is estimated to be \$1.6m (\$1.1m after tax). The Overclaim in FY21 is estimated to be \$1.3m (\$0.9m after tax) and \$0.2m (\$0.1m after tax) in FY20 and prior years. The adjustment will be reflected as higher advertising costs.

Step One is in the process of informing the Australian Tax Office of the Overclaim. A full and detailed GST review over the coming months will be undertaken.

Step One expects first half sales revenue of approximately \$36-39 million being approximately 12% growth on the previous corresponding period (10% growth on the previous corresponding period for the Australian business, 3% growth on the previous corresponding period in the UK and the balance from expansion in the USA).

Step One encountered challenges in both the UK and Australia associated with logistics during the Black Friday trading period which increased customer delivery times and impacted media spend effectiveness. This backlog has now been cleared however it did impact the Christmas trading period as several pre-Christmas campaigns and new colour launches were withheld (including last minute Christmas gifts) and the release of the Women's line needed to be delayed.

Performance of the UK business is expected to improve in H2FY22 based on the successful initial launch of thermals into the UK Market for the winter season and a planned greater range of patterns and prints.

As confirmed in the announcement dated 1 November 2021, Step One has entered the US market and is tailoring its advertising to regional market expectations.

Step One expects sales revenue to grow 21-25% for FY22 (compared to 19.9% as per the Prospectus), including the introduction of the women's innerwear line in January 2022.

Despite the Overclaim, Step One reaffirms its proforma FY22 EBITDA forecast of \$15 million as per the Prospectus.

Further information on the Company's sales and financial performance for the 6 months ending 31 December 2021 will be delivered at a results announcement on 22 February 2022.

The financial information in this market release is unaudited.

Step One will host an investor call at 10.30am AEDT on 22 December 2021. Investors must pre-register to attend this call by following this link:

<https://s1.c-conf.com/diamondpass/10018740-2lam56.html>

-ENDS-

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

About Step One Clothing

Step One is a leading direct-to-consumer online retailer for innerwear. Step One offers an exclusive range of high quality, organically grown and certified, sustainable, and ethically manufactured innerwear that suits a broad range of body types. Step One has transformed the innerwear market with an innovative design and cult-like following and has quickly grown to a multinational Company operating in Australia, the US and the UK.

Further information can be found on the Company's website <https://stepone.group> or by contacting:

Media Enquiries

Peter Brookes
Citadel-MAGNUS
pbrookes@citadelmagnus.com
+61 2 8234 0104 / 0407 911 389

Investor Enquiries

Maddie Seacombe
Citadel-MAGNUS
mseacombe@citadelmagnus.com
+61 2 8234 0114 / 0402 999 291