



18 January 2023

### Trading update and FY23 guidance

The Redbubble Limited (ASX:RBL) group (the Group) provides an update ahead of the release of its financial results for the half year ended 31 December 2022 (1HFY23) and revises its FY23 guidance.<sup>1</sup>

#### Overview

- 2QFY23 Marketplace Revenue (MPR)<sup>2</sup> up 3% on the prior corresponding period (pcp), and up 5% on an Underlying<sup>3</sup> basis. 1HFY23 MPR of \$289.3 million, in line with the pcp
- Increased investment in promotional activities to attract new and existing customers impacted GPAPA margin
- Implementing cost reduction measures aimed at returning the Group to cash flow positive by the end of calendar year 2023
- FY23 guidance revised for MPR to be broadly in line with FY22 and Gross Profit After Paid Acquisition (GPAPA) margin to be higher than 1HFY23 but below FY22 GPAPA margin

Michael Ilczynski, CEO of Redbubble Limited, said, “The Group delivered a solid revenue result for the half, with MPR in line with the pcp and Underlying MPR up 2%. MPR momentum improved in the second quarter, with Group MPR growth of 3% driven by TeePublic, which continued to perform strongly, delivering double-digit MPR growth and its largest quarter ever, surpassing its previous high during the peak of the COVID-19 pandemic.

“In response to consumer behavior and competitive intensity, the Group increased its promotional activities during the second quarter holiday period. This helped drive MPR growth, however it impacted the Group’s GPAPA margin and therefore EBITDA.

“Looking ahead, we expect consumer demand to remain challenging in the near term. As a result, we have decided to reduce the cost base within the Redbubble marketplace to accelerate the Group’s return to cash flow positive. These are hard decisions and I am sorry for the impact this will have on our people. The steps we are taking, however, will put our business on stronger footing and position us to capitalize on the tremendous potential of the Group as the consumer landscape improves.”

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<sup>1</sup>All figures in this announcement are provided on an unaudited basis. The financial results (provided on a delivered basis unless otherwise noted) are from internal management reports. All references to dollar amounts or figures are in AUD unless stated otherwise.

<sup>2</sup> Marketplace Revenue is total revenue less artist revenue.

<sup>3</sup>1HFY23 included \$0.7 million of mask sales (2QFY23: \$0.3 million), compared to \$7.9 million of mask sales in 1HFY22 (2QFY22: \$3.8 million). 1HFY23 also included a \$1.8 million delivery date adjustment (2QFY23: \$0.2 million), and 1HFY22 included a \$3.2 million delivery date adjustment (2QFY22: \$0.8 million).



## Financial overview

The following table details the Group's 2QFY23 and 1HFY23 unaudited preliminary financial metrics.

	2Q (\$m)		%	% CC <sup>4</sup>	1H (\$m)		%	% CC
	FY22	FY23	Change	Change	FY22	FY23	Change	Change
MPR	182.2	188.5	3%	(3%)	288.1	289.3	0%	(5%)
Underlying MPR	179.2	188.3	5%	NA	283.4	290.4	2%	NA
GPAPA	36.4	28.6	(21%)	(24%)	63.4	51.8	(18%)	(20%)
Operating EBITDA <sup>5</sup>	6.8	(7.2)	nm	nm	10.5	(18.0)	nm	nm
Cash (at 31st December)					142.8	97.0	(32%)	NA

The Group delivered 1HFY23 MPR of \$289.3 million, in line with the pcp . Underlying MPR, which adjusts for delivery date revenue adjustments and mask sales, for the half year was \$290.4 million, up 2%. Across both marketplaces, Apparel in the US remained relatively resilient. This was offset by the continued weaker performance in Redbubble's more discretionary categories, such as Wall Art and Homewares.

Trading conditions were increasingly challenging during the half year. Consumers were value driven in a tougher economic environment and as a result, competitive intensity in the market was high. To compete in this environment, the Group increased its promotional activities, which drove Marketplace Revenue growth of 3% in 2QFY23 (5% on an Underlying basis).

The step-up in promotional activity, as well as offering free shipping above a certain threshold, drove a reduction to the Group's 1HFY23 GPAPA margin to 17.9% from 22.0% in 1HFY22.

### Actions to return to cash flow positive

While we remain confident in the Group's medium-term aspirations, we expect macroeconomic conditions to remain challenging in the near term and accordingly, we have decided to adjust the Group's operating expenditure. The Group is focused on improving its EBITDA margin and is aiming to be sustainably cash flow positive by the end of calendar year 2023.

<sup>4</sup>Reflects the growth before translation to Australian dollars for reporting purposes. Redbubble sources approximately 92% of its Marketplace Revenue in currencies other than Australian dollars. TeePublic sources approximately 92% of its Marketplace Revenue in US dollars.

<sup>5</sup>Operating EBITDA is calculated as EBITDA excluding share based payment expenses and foreign exchange gains and losses.



To enable this, the Group is implementing the following cost-reduction initiatives:

- Suspending investment in the Redbubble brand awareness project.
- Reducing the Redbubble marketplace's workforce by approximately 20% (representing 14% of the Group's current workforce)
- Reducing general costs to align with business priorities and scale.

In total, these initiatives are expected to reduce the Group's cost base by approximately \$20 million to \$25 million on an annualized basis. A proportion of this reduction will be realized during the second half of this financial year, with the full benefit anticipated to be realized from the beginning of FY24.

### **FY23 guidance**

Given the Redbubble marketplace's performance in 2QFY23, as well as initial January trading, we now expect the Group's FY23 MPR to be broadly in line with FY22.<sup>6</sup> We now expect the Group's FY23 GPAPA margin to be higher than 1HFY23 (17.9%) but below FY22 GPAPA margin (22.1%).

In August 2022, we forecasted the Group's FY23 operating expenditure to between \$135 million and \$145 million. We now expect FY23 operating expenditure to be between \$125 million and \$135 million. This does not include one-off costs totalling approximately \$2.1 million in 3QFY23, related to the Group's cost-reduction initiatives.

The Group will provide 1HFY23 detailed financials and operational metrics with the release of the Group's audited half-year results in February.

### **Conference call**

Michael Ilczynski (CEO) and Mark Hall (Interim CFO) will host a market briefing this morning at 10.00am (AEDT) Wednesday 18 January 2023 | 3.00pm (PDT) and 6.00pm (EST) on Tuesday 17 January 2023.

Please register for the call via the following link:

<https://s1.c-conf.com/diamondpass/10028140-gtr4et.html>.

This announcement was authorised for lodgment by Redbubble Limited's Board of Directors.

### **For further information, please contact:**

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<sup>6</sup> This guidance assumes that there is not a significant change to current levels of consumer demand, foreign exchange rates or geographic and product mix.



### **About Redbubble Group**

Founded in 2006, the Redbubble Group incorporates Redbubble Limited and its subsidiaries, including TP Apparel LLC (TeePublic). The Redbubble Group owns and operates the leading global online marketplaces, Redbubble.com and TeePublic.com. The Redbubble Group's community of passionate creatives sell uncommon designs on high-quality, everyday products such as apparel, stationery, housewares, bags, wall art and so on. Through the Redbubble and TeePublic marketplaces, independent artists are able to profit from their creativity and reach a new universe of adoring fans. For the artists' customers, it's the ultimate in self-expression. A simple but meaningful way to show the world who they are and what they care about.

### **Forward-looking Statements**

This announcement includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Redbubble Group. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement. Redbubble Group disclaims any responsibility for the accuracy or completeness of any forward-looking statement. Redbubble Group disclaims any responsibility to update or revise any forward-looking statements to reflect any change in Redbubble Group's financial condition, status or affairs or any change in the events, conditions, or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this announcement have not been audited, examined, or otherwise reviewed by the independent auditors of Redbubble Group. You must not place undue reliance on these forward-looking statements.