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# 1HFY23 Results

15 February 2023



**'Gravel Bike' art print**  
Designed and sold by **2BROS Creative**

# 1HFY23 overview

## Solid MPR result

with MPR increasing during the second quarter, driven by strong apparel sales across both marketplaces and Teepublic's double-digit growth

## Experimented with new promotional activities

to drive revenue growth which impacted gross profit. Refining use of initiatives to protect margins going forward

## Initiated cost-reduction program

to reduce the Group's operating expenditure by approximately \$20 million to \$25 million on an annualized basis to accelerate the Group's return to cash flow positive

### Marketplace Revenue

# \$289.3m

0% floating  
-5% cc

### Gross Profit

# \$101.3m

-6% floating  
-11% cc

### EBITDA

# -\$23.2m

-\$31.2m YoY

### Cash Balance

# \$97.0m

31 December 2021: \$142.8m



# Operational highlights



**'Hot Stuff' apron**

Designed and sold by **evannave**



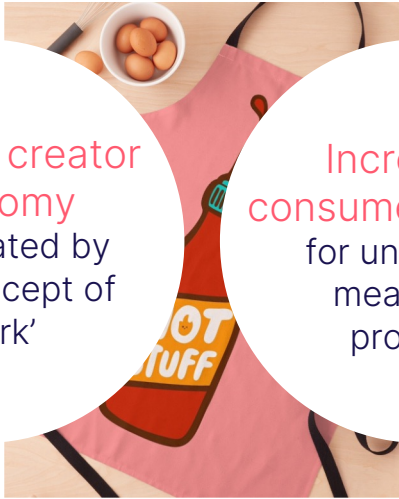
# The Group continues to be positioned to be a long-term beneficiary of macro tailwinds



Increased  
eCommerce  
penetration  
following  
pandemic  
normalization



Growing creator  
economy  
accelerated by  
new concept of  
'work'



Increasing  
consumer demand  
for unique and  
meaningful  
products



Sustainability  
and corporate  
responsibility  
driving consumer  
and investor choice





The Redbubble Group owns and operates two marketplaces of **unique scale**



### 1HFY23 Group metrics

**80m**

Designs

**133**

Products

**>4b**

Product listings

**0.7m**

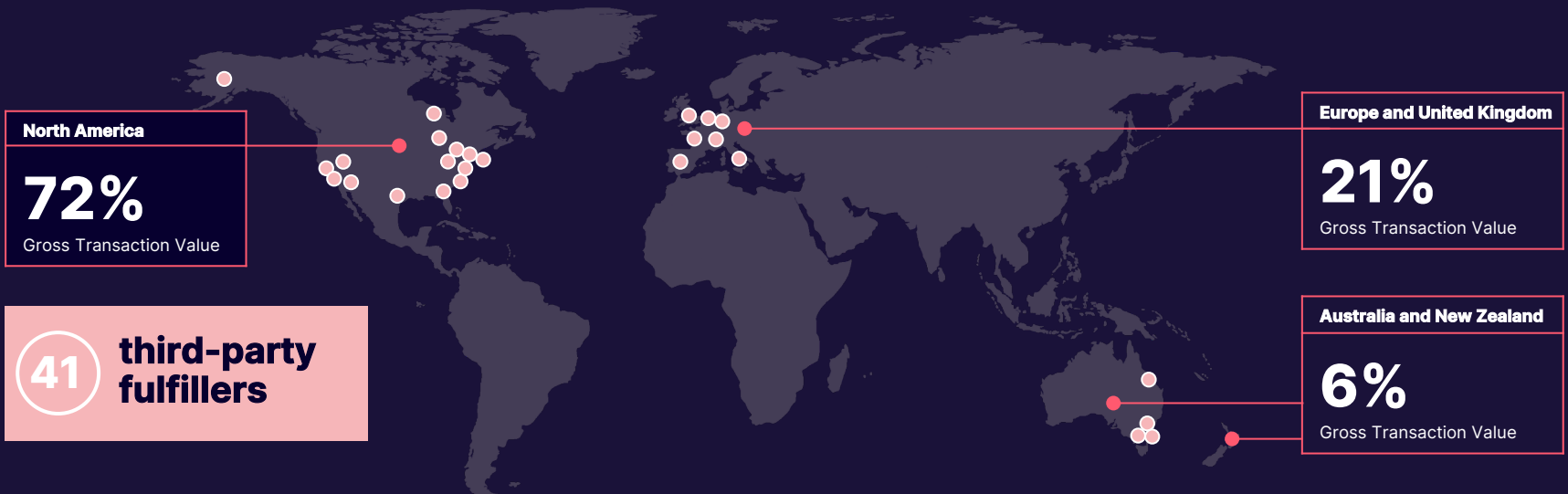
Selling artists

**4.9m**

Customers

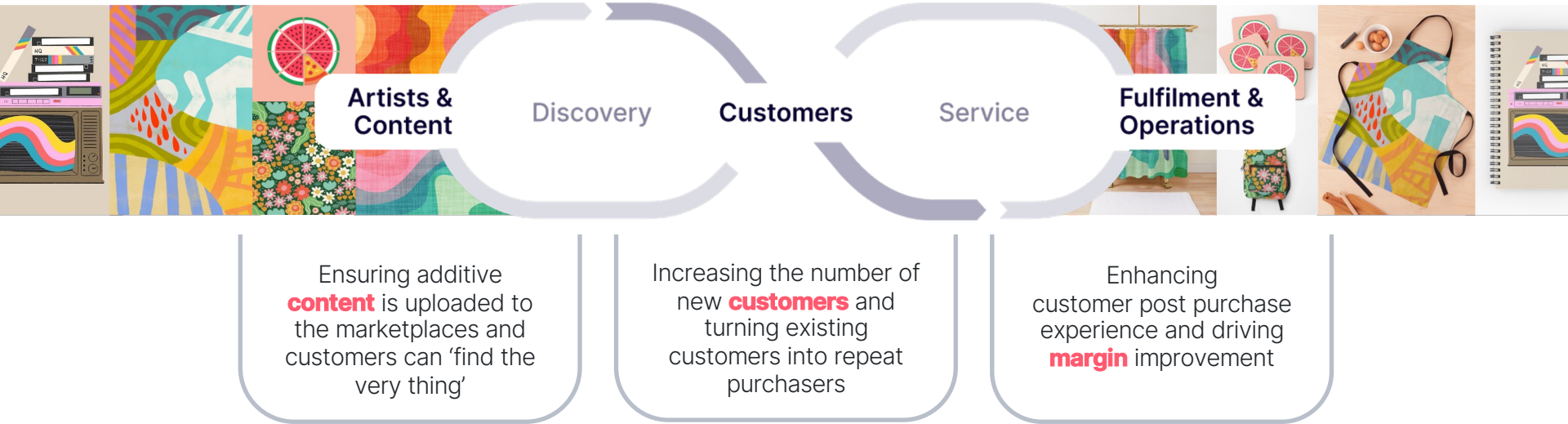
**5.8m**

Orders



● May represent multiple third-party fulfillers.

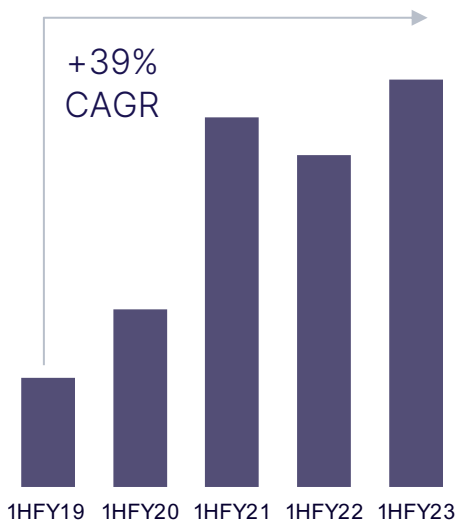
# We remain focused on optimising each marketplace's flywheel



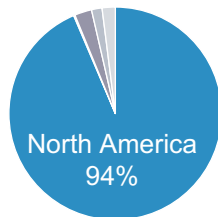
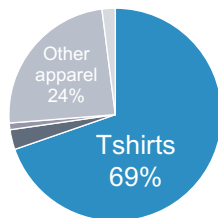
Improving one side of the flywheel creates a positive reinforcing impact on other side

TeePublic delivered a strong revenue performance, benefiting from its geographic exposure, product mix and approach to content

**TeePublic 1H MPR since acquisition<sup>1</sup>**  
(\$m, 1HFY19 - 1HFY23)



**Proportion of TeePublic's GTV (1HFY23)**



**Opportunities for future growth**

**Increase customer retention**

through improvements to onsite experience, personalized marketing campaigns and more targeted promotions

**Diversify revenue mix**

by scaling the marketplace outside the US and increasing artists' sales in other apparel categories

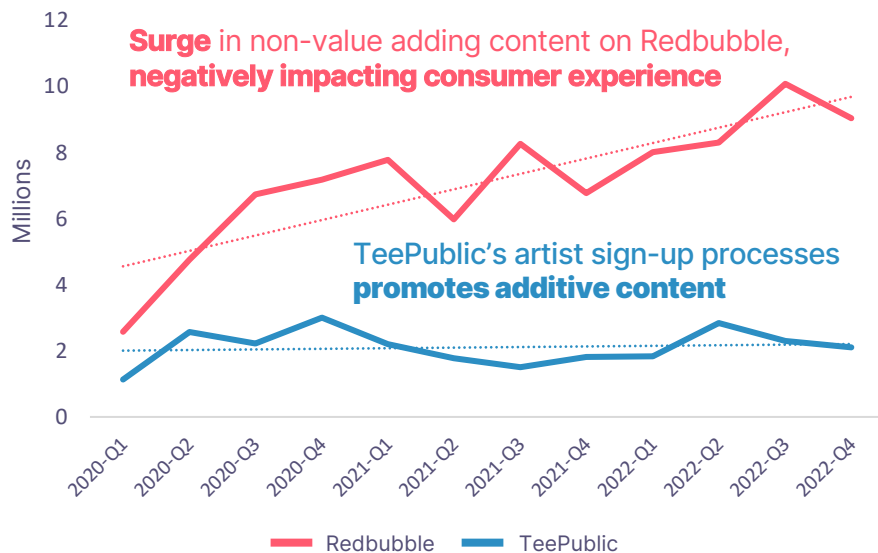
**Improve search and discovery**

both onsite and offsite

# The Redbubble marketplace is addressing the increase in non-additive content to improve customer and artist experience

## New content uploads

(CY20 - CY22)



Immediate actions have **already had an impact**

**Content uploads are down 35%** from October 2022 to January 2023.

### Immediate actions include:

- **Signup improvements:** Added additional steps to prevent bot activity and commercial viability on platform.
- **Technology improvements:** Invested in technology to better identify bad actors during and post signup.
- **Account re-reviews:** Dedicated resourcing to review accounts based on internal signals.



The Redbubble marketplace is uniquely placed to benefit from advancements in AI, which may revolutionize search and discovery of the marketplace's four billion product listings

## Image to Text

AI validation of artists' description of their designs to improve relevancy of content surfaced to their customers.

## Text to Image

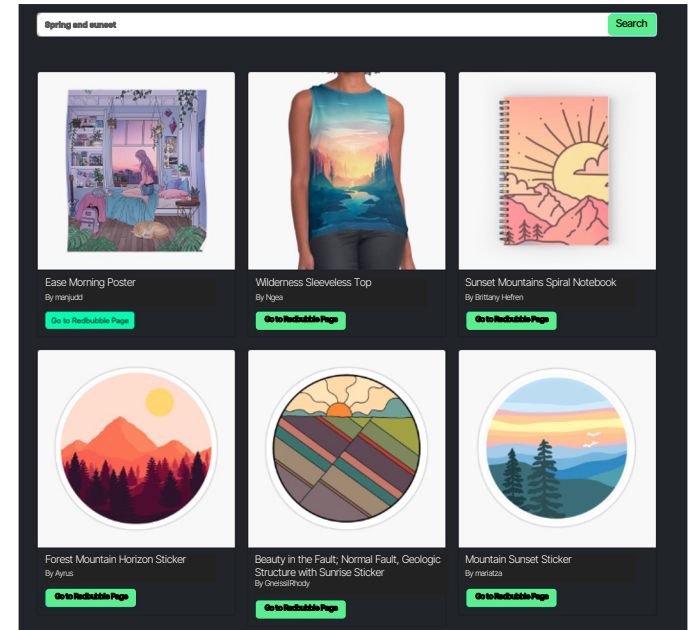
AI powered search and recommendation engine to improve relevancy and discovery of content both on and off site.

## Image to Image

AI enhanced review of marketplace's user-generated library to detect duplicative content.

**Testing underway and implementation at scale in  
CY23**

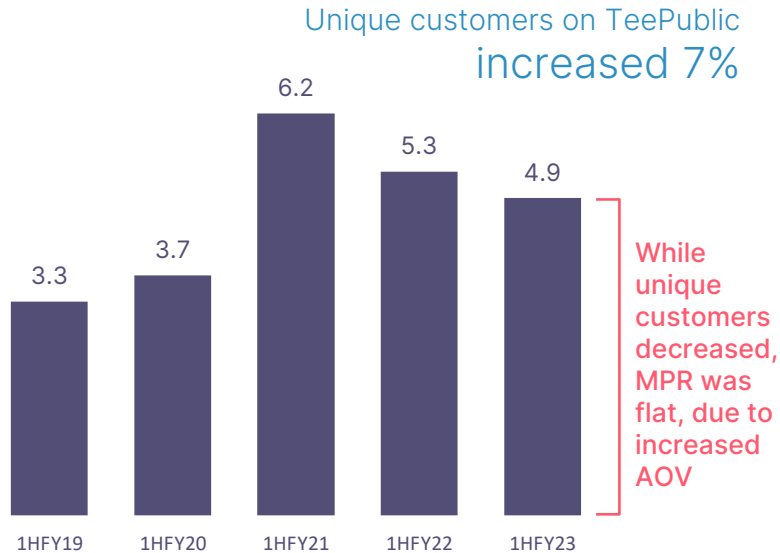
## Redbubble marketplace's search results for 'spring and sunset' using AI



# Proportion of MPR from repeat purchases at record first-half high, improvements in search and discover will help grow new customer acquisition

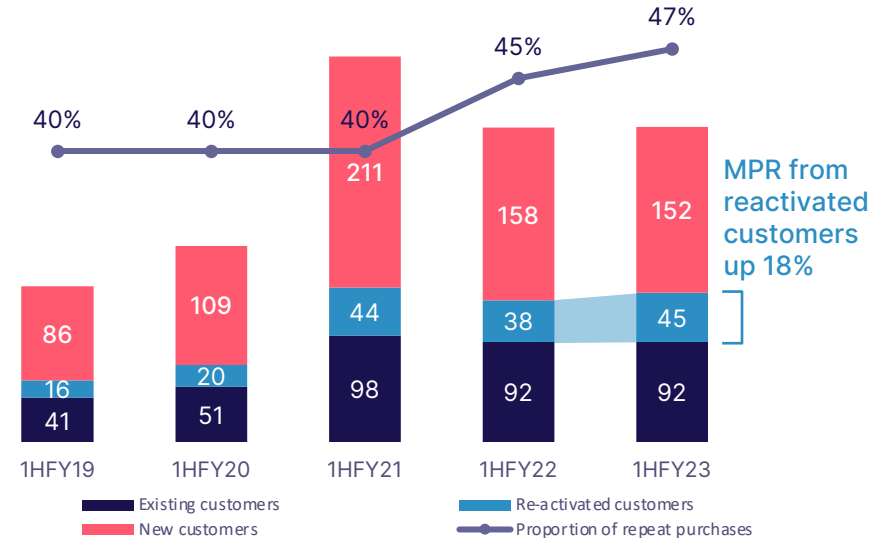
## Unique customers

(m, 1HFY19 - 1HFY23)



## MPR by customer segment and proportion from repeat purchases<sup>1</sup>

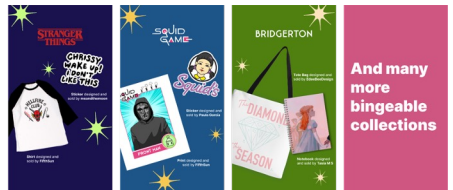
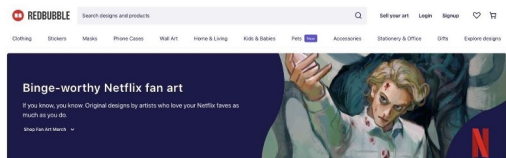
(\$m, %, 1HFY19 - 1HFY23)



1. Based on Marketplace Revenue earned from purchases made by repeat customers who have previously purchased, regardless of the date of their initial purchase. Repeat customers represent the sum of existing (purchased in the 12 months prior) and reactivated (purchased before, but not in the previous 12 months).

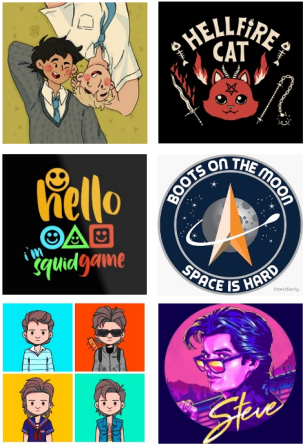
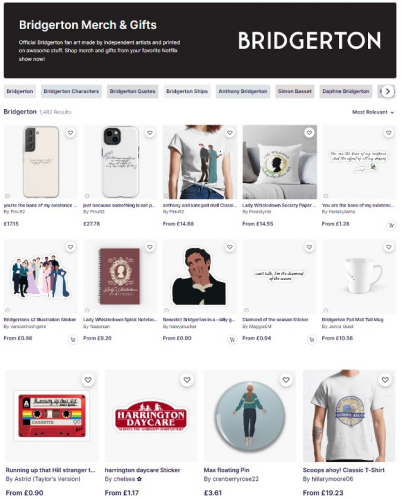
# Netflix fan-art licensing agreement assisting to reactivate existing customers

**16 popular shows**  
authorized for sale by artists on Redbubble



**>20,000 designs**

**32% higher average order value**

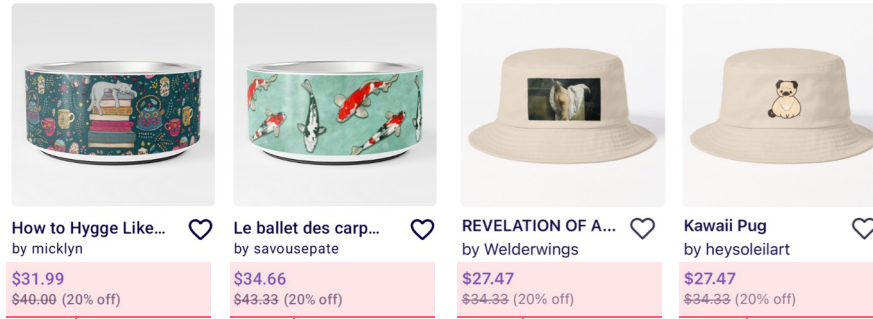


**62% existing customers**



# Expanding successful initiatives across marketplaces to improve customer experience

## Strike-through pricing



Showcasing deep discounts drives higher conversion

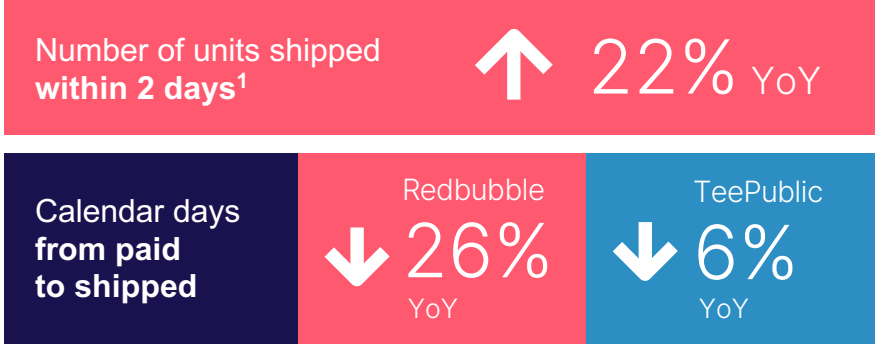
**20%-25% higher uplift from baseline when using 30% strike-through pricing vs 30% discount code**

## Proportion of customers purchasing above free shipping threshold (March 2022 – October 2022)

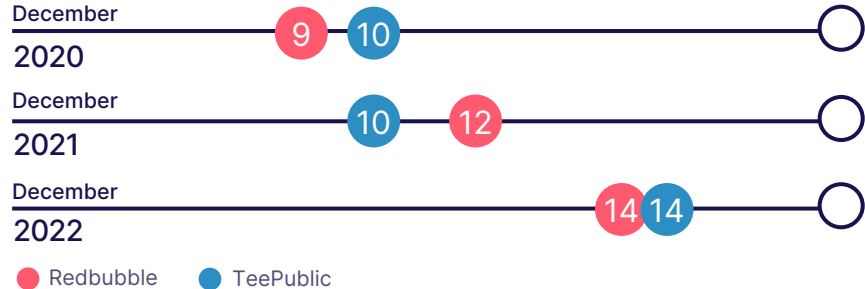


Both initiatives increased sales but running them together did not have the anticipated compounding effect. To protect margins, unlikely to run both promotions concurrently in future.

# Improving customers post-purchase experience to encourage repeat business

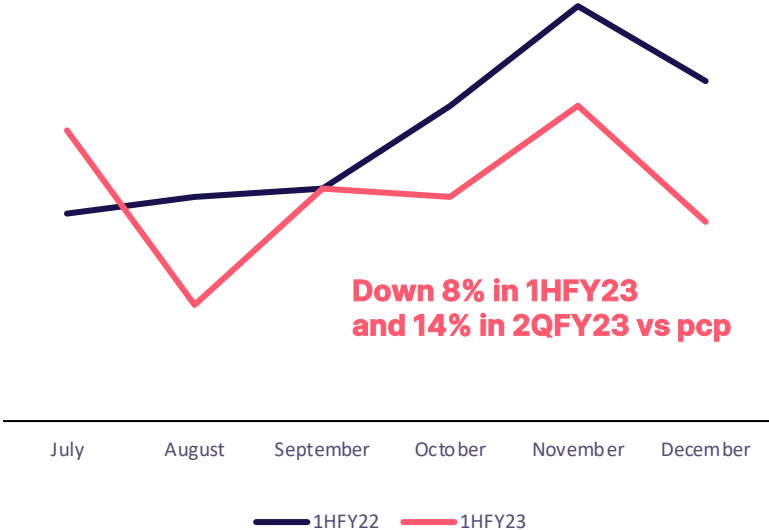


## Extending average standard last order by date



## Redbubble marketplace defect rate<sup>1</sup>

(1HFY22 vs 1HFY23)



1. Data for Redbubble marketplace (does not include TeePublic).

# Senior leaders with experience gained at leading global marketplaces recruited to complement existing team

## Senior leaders hired since March 2021



**Nicole Brolan**  
**Chief Product Officer**  
Ex-Xero, Seek



**Meahan Callaghan**  
**Chief People and Culture Officer**  
Ex-Afterpay, Seek



**Rob Doyle**  
**CFO (from March 2023)**  
Ex-Domain Group



**Thilo Kaipert**  
**VP, Artist and Content**  
Ex-Uber



**Vivek Kumar**  
**CEO, TeePublic**  
Ex-UrbanStems, Newell Brands



**Siebert Lubbe**  
**Chief Technology Officer**  
Ex-Open Universities, REA Group



**Alethea Mundy**  
**VP, Supply Chain**  
Ex-Amazon



**Patrick Reiter**  
**VP, Growth Marketing**  
Ex-Etsy, Target



**Stacey Wallace**  
**Chief Supply Chain Officer**  
Ex-Amazon



**Scott Wlossak**  
**SVP, Corporate Strategy**  
Ex-Westpac, NAB



<https://www.redbubble.com/i/hat/Leo-Zodiac-Teacup-by-heysoleilart/58349849.XAK6W#&gid=1&pid=2>

## Financial results



**'Jolly Corgis In Blue' pet bowl**

Designed and sold by **Colordrillos**



# 2QFY23 and 1HFY23 Profit and Loss

P&L (\$million)	2Q			1H		
	FY22	FY23	YOY 2Q FY23 v 2Q FY22 Growth	FY22	FY23	YOY 1H FY23 v 1H FY22 Growth
Total Revenue	214.9	222.6	4%	341.6	343.8	1%
Less: Artist Revenue	(32.7)	(34.2)	5%	(53.5)	(54.5)	2%
<b>MPR</b>	<b>182.2</b>	<b>188.5</b>	<b>3%</b>	<b>288.1</b>	<b>289.3</b>	<b>0%</b>
<b>Gross Profit</b>	<b>65.7</b>	<b>61.9</b>	<b>(6%)</b>	<b>108.1</b>	<b>101.3</b>	<b>(6%)</b>
Gross Profit Margin	36.0%	32.9%	(3.2)pp	37.5%	35.0%	(2.5)pp
Paid Acquisition	(29.3)	(33.4)	14%	(44.6)	(49.5)	11%
<b>GPAPA</b>	<b>36.4</b>	<b>28.6</b>	<b>(21%)</b>	<b>63.4</b>	<b>51.8</b>	<b>(18%)</b>
GPAPA Margin	20.0%	15.2%	(4.8)pp	22.0%	17.9%	(4.1)pp
Brand Investment	0.0	(2.3)	n/a	0.0	(6.1)	n/a
Operating Expenses (excl Brand)	(29.6)	(33.5)	13%	(52.9)	(63.6)	20%
<b>Operating EBITDA</b>	<b>6.8</b>	<b>(7.2)</b>	<b>nm</b>	<b>10.5</b>	<b>(18.0)</b>	<b>nm</b>
Other Income/Expenses	(2.7)	(1.4)	(48%)	(2.5)	(5.2)	107%
EBITDA	4.1	(8.6)	nm	8.0	(23.2)	nm
Depreciation & Amortisation	(2.8)	(2.5)	(9%)	(5.7)	(4.9)	(13%)
EBIT	1.4	(11.1)	nm	2.3	(28.2)	nm

MPR momentum improved over the half, leading to MPR growth of 3% in 2QFY23

Responding to consumer behavior and competitive intensity the Group increased its promotional activities, which impacted Gross Profit.

Paid acquisition costs remained elevated in competitive market

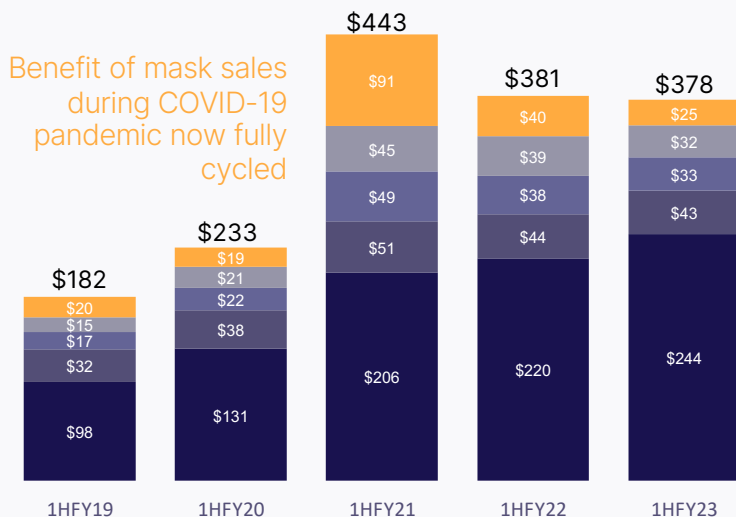
Slowed hiring of roles in 1QFY23 in response to market conditions. Further cost-reduction initiatives announced with benefit to begin to be realised during second half.



# Double-digit growth in largest product category

## Gross Transaction Value by Product Category

(millions, 1HFY19 - 1HFY23)



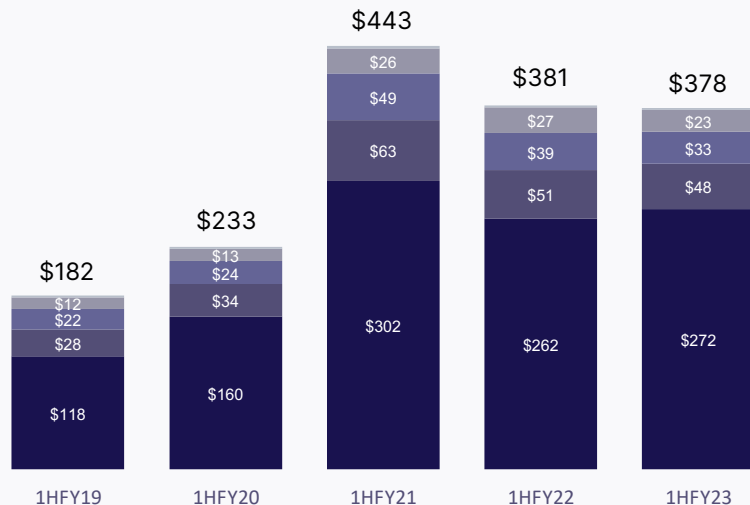
Category	Total business	1HFY22-23 change
Accessories	7%	(36%)
Artwork	9%	(18%)
Homewares	9%	(12%)
Stationery and Stickers	11%	(2%)
Apparel	65%	11%



# Continued growth in our largest market

## Gross Transaction Value by Region

(millions, 1HFY19 - 1HFY23)

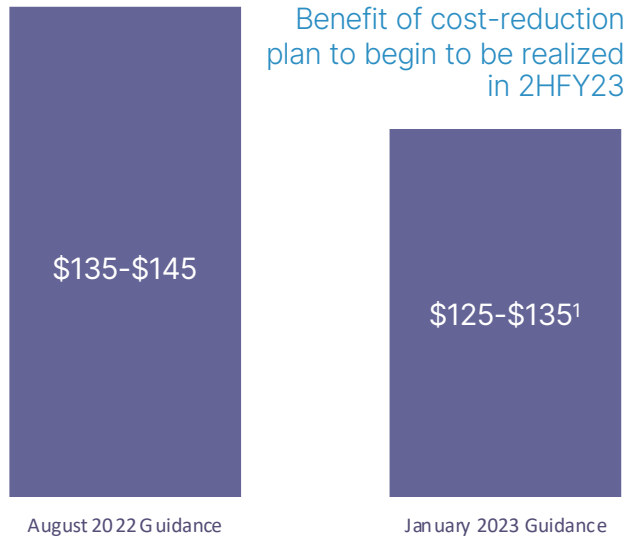


Region	Total business	1HFY23- 1H FY22 change
ROW	0%	(19%)
AU/NZ	6%	(14%)
UK	9%	(16%)
EU	13%	(5%)
North America	72%	4%

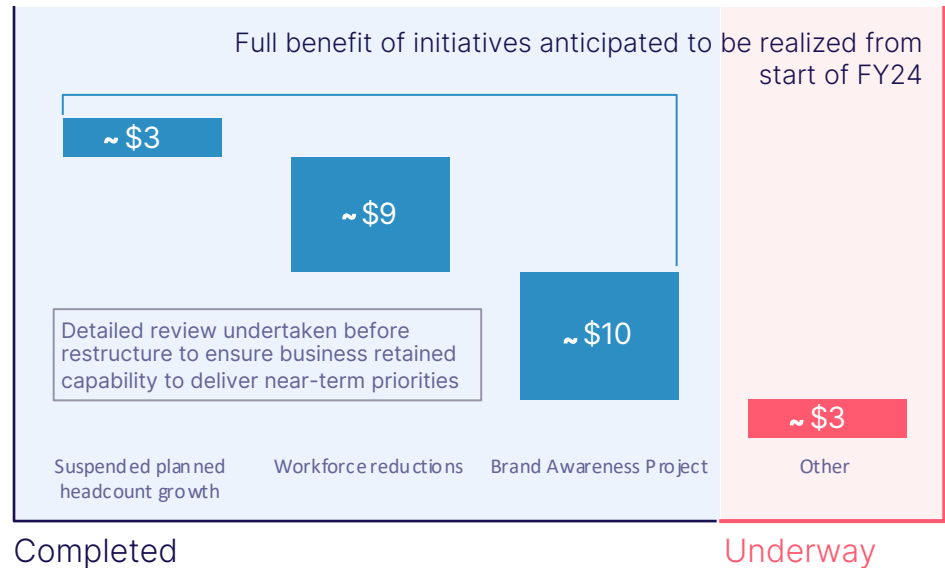


# Cost-reduction initiatives are substantially progressed and expected to have minimal impact on near-term revenue

## Operating Expenditure Guidance (millions)



## Estimated annualised savings of \$20m-\$25m (millions)

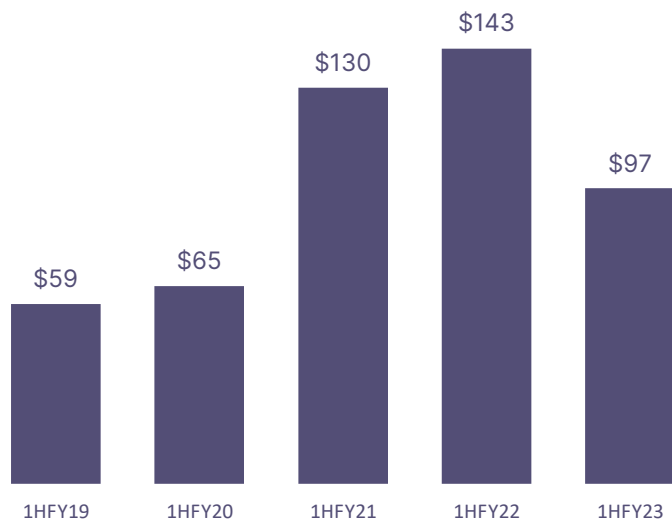


1. This does not include one-off costs totaling approximately \$2.1 million in 3QFY23, related to the Group's cost-reduction initiatives.

# Focused on accelerating return to cash-flow positive

## Closing cash balance

(\$m, 1HFY19 - 1HFY23)



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Key focus on cash reserves  
and returning to sustainable free cash flow

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Immediate actions include cost-reduction  
initiatives, GPAPA optimisation and working  
capital management

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Consistent with seasonal payments to  
marketplace participants, cash balance of  
\$44 million at 31 January 2023

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Aiming to return the Group to cashflow  
positive by the end of CY23<sup>1</sup>

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# Outlook



# The pathway to cash flow positive



Implementation underway

CY23 focus

# Our CY23 focus is to increase MPR and improve the Group's GPAPA margin



**Build on continued strong performance**



**Increase** US market share in new and existing apparel categories

**Grow** proportion of MPR from existing customers

**Improve** margins by optimizing pricing and promotions

**Optimize** search and discovery onsite and offsite



**Grow MPR and drive margin improvement**



**Improve** onsite experience to increase transactions

**Leverage** AI technology to revolutionize search and discovery for artists' content

**Optimize** the marketplace supply chain and roll-out cost-reduction initiatives

**Introduce** monetization opportunities to better balance the marketplace

# FY23 Guidance

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In January 2023, the Group revised its FY23 guidance, given the Redbubble marketplace's performance in 2QFY23, as well as initial January trading. In this environment, we have remained focused on optimizing our price, promotional activity and paid marketing to maximize GPAPA and our GPAPA margin improved significantly in January.

Going forward, we will continue to focus on maximizing GPAPA. Due to this approach, in addition to continued softness in demand, particularly in our largest markets, the US and UK, we now expect the Group's FY23 MPR to be slightly below FY22.<sup>1</sup>

Our FY23 GPAPA guidance is unchanged and we continue to expect the Group's FY23 GPAPA margin to be higher than 1HFY23 (17.9%) but below FY22 GPAPA margin (22.1%).<sup>1</sup>

In August 2022, we forecasted the Group's FY23 operating expenditure to be between \$135 million and \$145 million. Due to the cost-reduction initiatives announced in January 2023, which are now largely implemented, we expect FY23 operating expenditure to be between \$125 million and \$135 million. This does not include one-off restructure costs of approximately \$2.1 million in 3QFY23, related to these initiatives.



**'Cowboy Panda' pet bandana**  
Designed and sold by **AnimalCrew**



<sup>1</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.



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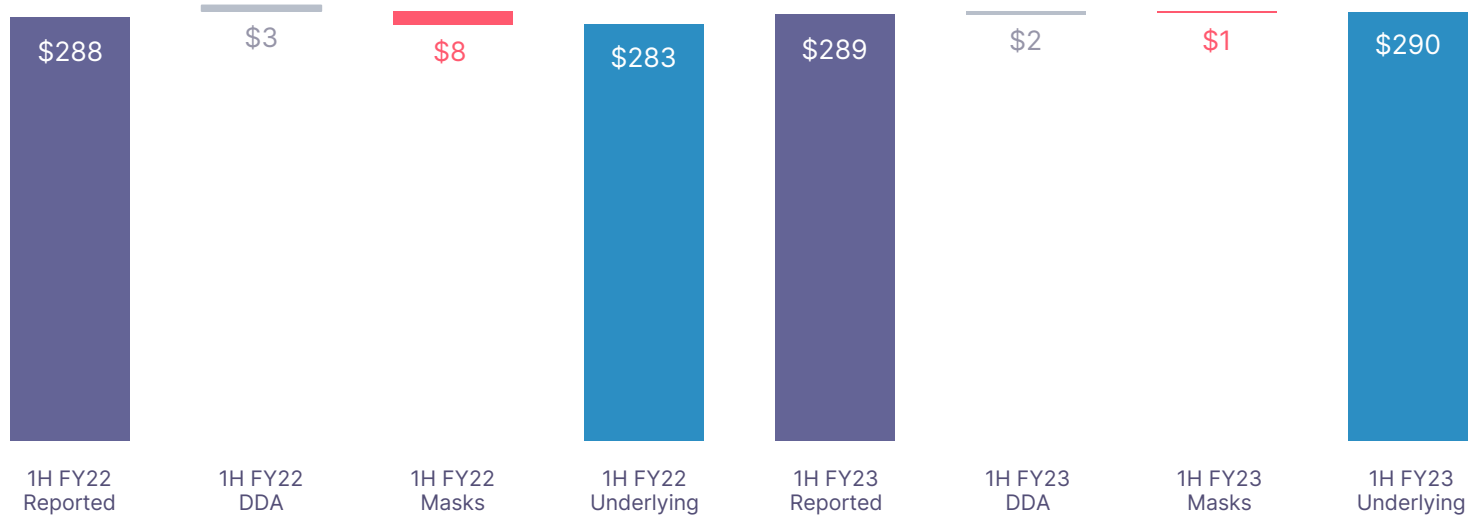
# Supplementary Information



**'Memphis Party' backpack**  
Designed and sold by **nomadunicorn**

# Bridge between Reported and Underlying Marketplace Revenue

Marketplace Revenue  
(millions, 1HFY22 to 1HFY23)



Underlying Marketplace Revenue is on a paid basis and excludes Masks contribution and the Delivery Date Adjustment (DDA). Underlying Marketplace Revenue is a non-IFRS measure. Non-IFRS measures are not subject to audit review.



# Glossary

Term	Definition
\$	All references to dollar amounts or figures are in AUD unless stated otherwise.
1H	First half of the financial year
AI	Artificial intelligence
AOV	Average order value
b	Billion
CAGR	Compound annual growth rate
CY	Calendar year
COGS	Cost of goods sold
Constant currency (cc)	Reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 92% of its Marketplace Revenue in currencies other than Australian dollars. TeePublic sources about 92% of its Marketplace Revenue in US dollars
DDA	Delivery date adjustment
EBITDA	Earnings before interest, tax, depreciation and amortization. This is a non-IFRS measure and is unaudited
Excl	Excluding
Existing customers	Customers that have purchased in the 12 months prior. Does not account for overlaps between Redbubble and TeePublic.
Floating	Reflects the underlying growth after translation to Australian dollars for reporting purposes
FY	Financial year
GP	Gross profit. This is non-IFRS measure and is unaudited
GPAPA	Gross profit after paid acquisition. This is a non-IFRS measure and is unaudited
GTV	Gross Transaction Value less Taxes and Artist Revenue is equal to Marketplace Revenue. This is a non-IFRS measure and is unaudited
MPR	Marketplace revenue. Total Revenue less Artist Revenue
m	Million
Selling artists	Active artists (i.e. not suspended or deleted) who sold a currently published work during the period. Does not account for overlaps between Redbubble and TeePublic
Re-activated customers	Customers that have purchased before, but not in the previous 12 months. Does not account for overlaps between Redbubble and TeePublic
Unique customers	Customers with a unique email address. Does not account for overlaps between Redbubble and TeePublic.
YoY	Year on year

## **Disclaimer and basis of preparation**

The financial results have been reviewed by our external auditors and are on a delivered basis (unless otherwise noted). Strategic and operational metrics are from internal management reports and have not been subject to audit. All references to dollar amounts or figures are in AUD unless stated otherwise.

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**Love**  
Designed and sold by **Frank Moth**