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1HFY26 results webcast transcript

Articore released its financial results for the six months ended 31 December 2025 (1HFY26) on 19 February. The 1HFY26 results webcast transcript is attached.

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About Articore Group

Articore Group Limited (Articore or the Group) owns and operates the leading global online marketplaces, Redbubble.com and TeePublic.com. The Group's community of passionate creatives sell uncommon designs on high-quality, everyday products such as apparel, stationery, housewares, bags and wall art. 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.

Founded in 2006, Articore Group (ASX: ATG) was previously known as Redbubble Limited (ASX:RBL).

This announcement was authorised for release by the Articore Group Limited Board Chair.

Company: Articore Group Limited (ATG)

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Time: 09:30 AM AEDT

[START OF TRANSCRIPT]

Virginia Spring: Good morning to our Australian participants and good afternoon and evening for those joining us from the Northern Hemisphere. My name is Virginia Spring, and I am responsible for Investor Relations at Articore. With me today I have the Articore Group CEO and Managing Director, Vivek Kumar, Group CFO, Derek Yung, and Deputy Group CFO, Curtis Davies.

Vivek and Derek will provide an overview of our first half FY26 results shortly and we will then open it up for questions. The key information for today's call is contained in the ASX Announcement and Investor Presentation released to the market this morning. I would like to call your attention to the safe harbour statement in our ASX release regarding forward-looking information.

That safe harbour statement also applies to this investor call. This session is being recorded, and a transcript will be released to the ASX. I will now hand you over to Vivek.

Vivek Kumar: Hello everyone and thank you for joining us today. Before we begin, I'd like to formally welcome Derek Yung. We are very pleased to have him join the Group at this important stage of our turnaround. Derek brings more than a decade of CFO experience across leading e-commerce and marketplace businesses with a strong track record of driving both growth and transformation. Great to have you here, Derek.

Turning to the half, the first half of FY26 represents a clear step forward in our turnaround. The Group delivered a material improvement in profitability while strengthening the foundations for sustainable growth. Margin expansion has been meaningful. Gross profit increased 6% and gross profit after paid acquisition, or GPAPA, rose 8.9%, driven by supply chain synergies and the artistry announcements designed to strengthen the marketplace dynamics.

The marketplace revenue trajectory is improving with the rate of decline moderating through the half. This reflects stronger marketing effectiveness, more disciplined pricing and promotion, and an increased contribution from repeat customers. The Group delivered its highest first half EBIT in 5 years, a \$14.3 million year on year turnaround. Reflecting confidence in the sustainability of these improvements, we have upgraded FY26 EBIT guidance to \$6 to \$10 million, and tightened underlying cash flow guidance, now \$8 to \$12 million.

This slide highlights the structural improvement in the business over time. This half, gross profit margin expanded to 48.8%, the highest first half ever, and GPAPA margin reached 27.6%. At the same time, we have reduced operating expenses each year since the first half of FY23. Since then, opex has decreased 35%, a significant reduction, especially given the impact of high inflationary environment and ongoing cost pressures.

Together, margin expansion and cost discipline have driven the \$14.3 million EBIT turnaround delivered at SAS. These results reflect deliberate execution. Over the past 15 months, we have refreshed the leadership team, sharpened our turnaround strategy, and transformed the way the business operates. We have combined the operations of our marketplaces to remove duplication, drive efficiencies, and improve execution.

The integration of our supply chain and marketing teams has been the key driver to the margin expansion and revenue stabilisation you have just seen. We have just begun the consolidation of our technology stacks. This is an important next phase. It will reduce complexity and costs over time and unlock future opportunities for the Group: shared capabilities, faster innovation and improved cross-platform learnings.

The flywheel remains central to the investment thesis. A quick overview of how the flywheel works, creators upload designs to the marketplaces, customers purchase products printed on demand by third-party fulfillers, and we take a service fee for each sale. Because creators only earn when they sell, the Group benefits from an asset-light, take-rate business model. As more creators join and upload designs, we attract more customers.

More customers drive more sales, which attracts more creators, reinforcing the cycle. At the same time, greater volume drives fulfillment scale efficiencies, lowering unit cost and expanding margins. Stronger margins allow us to reinvest in customer acquisition and further accelerate the flywheel. When the flywheel gains momentum, it generates compounding benefits for all participants, more earning opportunities for creators, better value and selection for customers, and importantly, increasing cash flow for shareholders.

Our focus is on building that momentum and sustaining it. Supporting that flywheel are 4 structural competitive advantages. First, scale of content. Over 75 million designs with more than 10,000 designs added daily, creating one of the largest and most dynamic catalogues of unique user-generated content globally. Second, fulfillment scale. A diversified global network of 42 third-party sites, allowing us to flex volume, optimise costs, and maintain efficient delivery.

Third, network effects. We now have more than 3 million creators on the platform. As more creators and customers participate, the platform becomes increasingly attractive to both sides. Fourth, operational leverage. A global team of 200 people generating approximately \$1.8 million in revenue per employee. Together, these advantages make the model defensible, scalable, and increasingly efficient as volume grows.

Our role is to actively manage and maintain the balance of the marketplace, driving stronger economics. That's why in the first half we took decisive action to strengthen the marketplace by enhancing our artist account fee to reward value-adding behaviour and support sustainable margins. Since the introduction, account fee revenue has increased by more than 35%. A key strength of our marketplaces is the quality and resilience of our customer base.

In the first half, repeat customers accounted for more than half of marketplace revenue across both platforms, 51% at TeePublic and 53% at Redbubble. At TeePublic, growth over recent years has been underpinned by increasing revenue from repeat purchasers. This reflects targeted investment in life-cycle marketing, improved personalisation, and enhancements to the site experience that make it easier for returning customers to discover relevant content.

We are now applying the same learnings to Redbubble and further investing in TeePublic and Redbubble as growing our repeat customer base is central to achieving sustainable long-term growth. Consolidating our technology stacks is an important lever to unlock further opex efficiencies and to accelerate future growth. Technology costs represent roughly a third of group's overall operating expense base.

At present, we operate 2 technology stacks, which create duplication and complexity. That presents a significant opportunity. During the half, we consolidated the engineering and product teams to operate as 1 [group] function. We are exploring an offshore capability to augment our US and Australia-based engineering teams with additional engineering capacity at an efficient cost base.

We have begun to consolidate the technology stacks starting with MarTech, our marketing technology infrastructure. This is strategic. It basically supports our ambition to grow repeat customers as highlighted in the previous slide through improved targeting, lifecycle marketing, and personalisation. This slide shows how we are leveraging AI across the entire Artcore flywheel.

Today, 100% of artists approval workflows are powered by AI, enabling us to detect fraud patterns, use manual reviews, and improve speed and consistency. On the customer side, 100% of search is now touched by AI, combining vector search and machine-learned ranking to improve relevance, discovery, and conversion. AI-powered chat is also supporting customer service with approximately 80% of customer contacts via chat handled through AI.

Across marketing and product discovery, AI supports more personalised and targeted engagement. Within engineering and product, AI is increasingly embedded in internal workflows and development processes, helping teams move faster and scale more efficiently. AI is becoming a core capability for the Group, helping us operate smarter, scale more efficiently, and support a broader objective of sustainable, profitable growth.

We are really encouraged by the momentum we are seeing in Dashery in its first year. Dashery is a measured but exciting strategic investment for the Group, leveraging our sales capability, tech platform, and global fulfillment network to build a high-margin growth platform. It enables creators like YouTubers and Instagrammers to easily set up their own branded storefronts without the operational complexity of managing the backend.

Onboarding is simple. Stores can be launched in minutes and feedback from creators continues to be very positive. In the half, Dashery generated \$1.3 million in MPR and GPAPA margin of 35.5%, highlighting its attractive unit economics. Since launch, there are more than 1,200 active selling accounts with the majority of creators new to the Group's ecosystem. We invested \$1.8 million in the first half and expect a similar level of investment in the second half as we continue scaling the platform.

I will now hand over to Derek to provide a more detailed overview of the Group's financial performance.

Derek Yung: Thanks, Vivek. Good morning, good afternoon, and good evening to everyone joining us. It's great to be joining you on my first Artcore [earnings] call as Group CFO. I've been impressed by the turnaround already underway and the clear strategy the team is executing against. The first half results show meaningful progress and at the same time, there's significant opportunity ahead to grow the business, deepen our relationships with creators and customers and further strengthen our financial profile.

I'm excited to bring my transformation and turnaround experience to the Group and to work with the leadership team to unlock long-term value for shareholders. Joining me today is our Deputy CFO, Curtis Davies, and I will now take you through the numbers in more detail. Marketplace

revenue was \$220.3 million for the half. We're seeing a moderation in the rate of decline with second quarter down 3.2% [comparative/compared to] down 6.6% in the first quarter.

Gross profit increased 6.0%, and gross margin expanded 480 basis points to 48.8%, the highest first half to date. GPAPA increased 8.9% and GPAPA margin improved to 27.6%, up 340 basis points year on year. This reflects stronger unit economics driven by supply chain efficiencies, pricing optimisation, and the new artist's fee structure. Operating expenses declined 4.3% year on year to \$45.5 million, demonstrating disciplined cost management despite ongoing inflationary pressures.

Depreciation and amortisation declined significantly, down 60% year on year, following changes to our capitalisation policy and a more streamlined approach to capitalised [unclear] development costs. This change better aligns reported EBIT with underlying cash flow and improves transparency in our earnings profile. In total, EBIT improved to \$12.1 million compared to a loss of \$2.2 million in the prior corresponding period, a \$14.3 million year on year turnaround, and the highest first half EBIT in 5 years.

Looking at the performance across the 2 marketplaces, starting with TeePublic, it had a resilient first half. Marketplace revenue increased 0.3% for the half. The first quarter was flat and the second was up 0.4%. Gross profit grew 10% and gross margin expanded 420 basis points to 47.3%, driven by pricing and promotional optimization and ongoing supply chain efficiency. GPAPA increased 9.3% with margin improving to 22.9%.

Importantly, this performance has been underpinned by strong repeat customer growth and ongoing improvements in marketing effectiveness and site experience as Vivek highlighted. Turning to Redbubble, revenue declined 10.1% year on year in the half. However, the rate of decline moderated during the period with second quarter performance improving relative to the first. Profitability improved materially.

Gross margin expanded 580 basis points for 50.5% and GPAPA increased 7.2% with margin reaching 32.5%. This reflects the impact of pricing optimisation, supply chain efficiencies, and the introduction of the new artist account fee structure. A few comments on cash. Our cash position has materially improved, reflecting the improvement in underlying profitability and tighter cost discipline.

At the end of January 2026, closing cash balance was \$47.8 million, a \$12.1 million improvement on the January balance last year. We're now guiding to underlying cash flow of \$8 to \$12 million for FY26, tying in toward the top end of the previous range. This metric is a proxy for the Group's free cash generation, adjusted for timing, and is calculated as operating EBITDA plus net interest earnings less payments for capitalised development costs, leases, and [PP&E].

The improvement in cash generation strengthens our balance sheet and provides optionality, allowing us to invest in growth initiatives. I will now hand it back to Vivek.

Vivek Kumar: Thank you, Derek. As highlighted throughout our remarks, we have delivered solid progress against our FY26 priorities in the first half. We have stabilised the revenue trajectory, expanded margins, and reduced operating costs, and strengthened the balance sheet. Importantly, the foundations for sustainable improvement are now in place. In the second half, we are focused on building on this momentum and accelerating our return and to marketplace revenue growth.

Key priorities include growing our revenue through both acquiring new customers and increasing our repeat customer base through improved lifecycle marketing, personalisation, and site experience. Continuing to drive margin improvement by further leveraging AI across the Group and supply chain optimisations. Advancing our outsourced engineering capability and continuing technology consolidation to improve scalability, speed, and cost efficiency.

Following the strong first-half performance, we now expect to deliver EBIT in the range of \$6 to \$10 million compared to our previous guidance of \$2 to \$8 million. We have also tightened our underlying cash flow guidance towards the top end of the prior range, now expecting it to be between \$8 and \$12 million compared to \$5 to \$12 million previously. We continue to expect to deliver a GPAPA margin between 27% and 29% for FY26.

Overall, this updated guidance reflects confidence in the sustainability of [our] margin expansion and continued operational discipline through the second half. With the right team in place and a strong growth mindset, we are excited about the opportunities ahead. Thank you for joining us today. I'll now open the line up to questions.

Operator: Thank you. If you wish to ask a question, please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you are on a speakerphone, please pick up the handset to ask your question. Your first question comes from Owen Humphries with Canaccord. Please proceed.

Owen Humphries: (Canaccord, Analyst) G'day guys and well done on the results. Strong turnaround over the last couple of years. I guess, looking at the opex line here, it's come down a lot over the last couple of years. Just talk us through the potential for this – I guess, question number 1 here is, is that now a stabilised level of opex or do you see further improvements as you integrate the tech stacks together?

Derek Yung: Thanks for the question, Owen. Yeah, so as you know, the Group has undergone significant cost structure re-engineering the last 9 to 12 months and we're very, very happy with those results and clearly those results are shown in our bottom line. One thing to call out to get to the heart of your question is the first half operating expenses did have some comparables that is important to call out relative to what we expect going forward.

Part of that is the investment in Dashery, and you note that in our presentation we noted that it's \$1.8 million in the first half. That was not an investment that was in the opex the previous year. So, that's one. The second part is we've also changed the capitalisation policy as referenced in the prepared remarks. That was also about almost a \$2 million change relative to a year over year comparison difference.

Then lastly, we also made some compensation changes where equity rewards are now tied to performance, but as a cash reward. So, that's actually showing up in operating expenses, whereas previous years that would be [being booked] at other expenses. So, in total, if you add that up, it's a little bit over \$4 million, and I think if you were to take that out of the first half of operating expenses, that would be more at the normalised level and what you'd expect in the back half.

Owen Humphries: (Canaccord, Analyst) Gotcha, okay. So, basically, so \$2 mil on Dashery, \$2 mil on the change in capitalisation policy and it sounds like \$1 or \$2 mil from the share price payments, is that right, moving towards cash rewards?

Derek Yung: Yeah, in total about \$4 million.

Owen Humphries: (Canaccord, Analyst) Good one. Just to understand, obviously, digital marketing business here, just to understand like how you're seeing [CAC] as you look to re-accelerate growth. I'm guessing more work to marketing, I know you got it to a GPAPA margin of 27% to 29%, but just understanding what you're seeing around the customer acquisition costs in your marketplaces?

Derek Yung: Yeah. So, as you can see, the first half results are in line with our guidance for a full year, so we continue to feel confident in our ability to deliver within the guidance. We continue to make improvements on our overall pay market efficiency, in particular, a lot of the best practices that continue to be what we exercise in TeePublic that we're deploying in Redbubble. In particular, on the tech consolidation discussion, you heard that there is a work that's underway already in terms of deploying our marketing technology across both of those companies, and we'll [represent it so that, and] surely that will help us be able to deliver within the guidance GPAPA Margin.

Vivek Kumar: Yeah. Just to build on that, when we look at our paid marketing or cost of customer acquisition, there are 3 components to it. There is clearly paid marketing efficiencies that continue to increase, and we are very happy with where the overall return on our spend levels are. Second part is our SEO traffic, or the organic traffic, and the third part is our life cycle marketing, how efficient we are in bringing the repeat customers back.

We continue to focus on improving our paid marketing efficiencies, as well as bringing more of the repeat customers back. SEO has been a headwind for several years now, industry wide. We continue to see declines in the organic traffic, but our focus is on continuing to build the other 2 parts of the marketing engine through the investment that we have outlined earlier. So, really confident in terms of executing on our overall plan, which gives us confidence to upgrade the guidance, as Derek mentioned.

Derek Yung: Owen, just going back to your first question, I just realised I didn't [truly] answer [unclear]. The \$4 million is a year over year comparison differences. So, just to be clear, we do expect that \$4 million to also apply the second year, second half I would say, operating expenses.

Owen Humphries: (Canaccord, Analyst) Yeah. Just talking about your asset here, you've got 3 million creators, 75 million designs on the platform. You've implemented artist fees recently with a multi-tiered structure. Just talk us through what you're seeing in the marketplace in terms of how you're curating the marketplace now through these initiatives and the benefits you're seeing.

Vivek Kumar: Yeah, definitely. So, I'll start by saying that TeePublic has always been a [curated] marketplace. We have had a very much of a strategy to only allow the high-quality artists and high-quality content on the marketplace which has benefited the marketplace a lot in terms of improved search and discovery and a higher conversion rate. We are applying the same principles to the Redbubble marketplace now.

Clearly, Redbubble marketplace had been a more open marketplace, but the first step was starting to really control the content that was getting uploaded that is already done. Second part is how do we incentivise the right behaviours? How do we really bring the right level of creators on the platform? The artist fee changes are geared towards driving the right incentives as well as

providing the right tools to the artists, including how we activate the good quality content on both on-site as well as off-site channels.

We'll continue to do the experiments that are underway on Redbubble. As you can probably appreciate, it's a very complex and vast catalogue of designs, and where we are focused on is how do we surface the right design to the right customer at the right time through our search and discovery as well as optimisations of the overall site experience. We are seeing some encouraging results which is being reflected in some of the moderation and revenue declines that we have seen as well as margin expansion by focusing on the content side of the flywheel.

It's one of the key pillars of our growth plans ahead, how we continue to really optimise the content part of the flywheel.

Owen Humphries: (Canaccord, Analyst) Good one. Thanks, guys. Well done.

Vivek Kumar: Thank you.

Derek Yung: Thank you.

Operator: Thank you. Your next question comes from Wei-Weng Chen with RBC Capital Markets. Please go ahead.

Wei-Weng Chen: (RBC Capital Markets, Analyst) Hey, guys. Sorry, a bit going on today. So, apologies if this has been commented on in the presentation part. But within your updated EBITDA guidance what's your expectations there for marketplace revenue?

Derek Yung: Yeah. So, if you were to look at our updated guidance and look at what is the implied EBIT, you would see that we still expect year over year improvement in the second half EBIT compared to prior year, and much of that improvement will come from the same areas of improvement, we saw in the first half. So, our focus and goal is to getting the business back to revenue growth and we'll get there as soon as we can. It's certainly our focus.

We want to do that in a profitable way, and I think we've done a good job of resetting our [unclear] economics and our cost structure to the point that we are positioned well to do that. We're not providing a [unclear] guidance within what we're talking about for the rest of the year. But certainly, we feel good about, obviously, the performance of the Company, and therefore, revising the EBIT guidance upwards for the second half.

Wei-Weng Chen: (RBC Capital Markets, Analyst) Cool, cool. All right, that's all for me. Thanks.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Vivek for closing remarks.

Vivek Kumar: Thank you for your time and engagement today. If you have any follow-up questions as you review the materials, please don't hesitate to reach out to Virginia Spring. We appreciate your continued interest and look forward to updating you on our progress in the months ahead. Thank you.

[END OF TRANSCRIPT]