

## Appendix 4D

### Redbubble Limited

ABN: 11 119 200 592

Half-year ended 31 December 2022

(Previous corresponding period: Half-year ended 31 December 2021)

### Results for announcement to the market

	Half-year ended 31 Dec 2022 \$'m	Half-year ended 31 Dec 2021 \$'m	Movement	Change \$'m	Change % <sup>(1)(2)</sup>
Marketplace revenue	289.3	288.1	Up	1.2	0.4%
Artist revenue	54.5	53.5	Up	1.0	1.9%
Total revenue from ordinary activities	343.8	341.6	Up	2.2	0.6%
Profit / (loss) from ordinary activities before tax attributable to members	(28.3)	2.1	Down	(30.4)	N/A
Profit / (loss) from ordinary activities after tax attributable to members	(29.8)	(1.0)	Down	(28.8)	(2880.0%)
Net profit / (loss) for the period attributable to members	(29.8)	(1.0)	Down	(28.8)	(2880.0%)

<sup>(1)</sup> Change % calculations are based on numbers to nearest thousand dollars (\$000).

<sup>(2)</sup> Meaningful growth rates cannot be provided for metrics that have moved from a positive to a negative amount.

### Dividends

Redbubble Limited has not paid and does not propose to pay dividends for the six months ended 31 December 2022 (2021: Nil). There are no dividend or distribution reinvestment plans in operation.

### Net tangible assets per security

	31 Dec 2022 cents	31 Dec 2021 cents
Net tangible assets per security	1.1	20.3

<sup>(1)</sup> Net tangible assets include right-of-use assets recognised under AASB 16 *Leases*.

### Other information

Detailed analysis of the results for the half-year ended 31 December 2022 follows. Further commentary is contained in the Redbubble ASX release announcing the half-year financial results, the review of operations in the Directors' Report accompanying the attached Interim Condensed Consolidated Financial Report (Interim Financial Report) and the attached presentation to investors. This information should be read in conjunction with Redbubble Limited's 2022 Annual Report.

Other information requiring disclosure to comply with Listing Rule 4.2A is contained in, and should be read in conjunction with, the Interim Financial Report for the half-year ended 31 December 2022.

This report is based on the Interim Financial Report for the half-year ended 31 December 2022 which has been reviewed by Ernst & Young with the Independent Auditor's Review Report included in the Interim Financial Report.



**REDBUBBLE**

# Redbubble Limited and Controlled Entities

ABN 11 119 200 592

Interim Condensed Consolidated Financial Report  
for the half-year ended 31 December 2022

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## Redbubble Limited

The Directors of Redbubble Limited (the Company) present their report for the Company and its controlled entities (together, the Group) for the half-year ended 31 December 2022 (the half-year).

## General information

### Directors

The names of the Directors of the Company and Company Secretaries in office at any time during the half-year and since the end of the half-year until the date of this report are:

Anne Ward	Chair, Non-executive Director
Martin Hosking	Non-executive Director
Jennifer (Jenny) Macdonald	Non-executive Director
Greg Lockwood	Non-executive Director
Ben Heap	Non-executive Director
Bob Sherwin	Non-executive Director (appointed effective 1 November 2022)

### Company Secretaries

Carlie Hodges	Appointed effective 31 October 2022
Peter Friend	Appointed effective 23 August 2022 and resigned effective 31 October 2022
Martin Bede	Resigned effective 23 August 2022

## Principal activities

The Redbubble Group (RB Group), through its websites at redbubble.com and teepublic.com, owns and operates the Redbubble and TeePublic online marketplaces. These marketplaces facilitate the sale and purchase of art and designs on a range of products sold by independent creatives to consumers. The products are produced and shipped by third party service providers (i.e. product manufacturers, printers and shipping companies) referred to as fulfillers.

There was no significant change in the nature of RB Group's activities during the half-year.

## Review of operations and business update

Redbubble Group's 1H FY23 financial metrics<sup>(1)</sup> (with year on year (YoY) growth rates, where applicable) are:

- Marketplace Revenue of \$289 million, in line with 1H FY22 (down 5% on a constant currency basis)
- Gross Profit of \$101 million, down 6% (11% on a constant currency basis)
- GPAPA of \$52 million, down 18% (20% on a constant currency basis)
- An EBITDA loss of \$23 million, compared to a profit of \$8 million in 1H FY22
- A net loss after tax (NPAT) of \$30 million, compared to a loss of \$1 million in 1H FY22
- An operating cash inflow of \$19 million, compared to an inflow of \$51 million in 1H FY22
- A closing cash balance as at 31 December 2022 of \$97 million (June FY22: \$89 million)

<sup>(1)</sup> Please see table 1 on page 3 for calculations of the non-IFRS metrics

## Review of operations and business update (continued)

A reconciliation of recorded results to non-IFRS numbers in this Director's report is provided below.

	31-Dec-22 \$'m <sup>(2)</sup>	31-Dec-21 \$'m <sup>(2)</sup>
<b>Table 1: Reconciliation of reported results to non-IFRS <sup>(1)</sup> numbers</b>		
<b>Total reported revenue from services</b>	<b>343.8</b>	<b>341.6</b>
Less Artists' revenue	(54.5)	(53.5)
<b>Marketplace revenue</b>	<b>289.3</b>	<b>288.1</b>
Fulfiller expenses	(188.0)	(180.1)
<b>Gross profit <sup>(1)</sup></b>	<b>101.3</b>	<b>108.1</b>
Gross profit margin on Marketplace revenue <sup>(1)</sup>	35.0%	37.5%
Paid acquisition costs	(49.5)	(44.6)
<b>Gross Profit After Paid Acquisition costs (GPAPA) <sup>(1)</sup></b>	<b>51.8</b>	<b>63.4</b>
<b>GPAPA% (on MP Revenue) <sup>(1)</sup></b>	<b>17.9%</b>	<b>22.0%</b>
Employee and contractor costs	(47.2)	(36.8)
Marketing expenses (excluding paid acquisition costs shown above)	(7.7)	(1.8)
Operations, administration and technology expenses	(19.6)	(17.8)
Other income/(expenses)	(0.4)	1.0
<b>Earnings before interest, tax, depreciation and amortisation (EBITDA) <sup>(1)</sup></b>	<b>(23.2)</b>	<b>8.0</b>
Depreciation and amortisation	(4.9)	(5.7)
<b>Earnings before interest and tax (EBIT) <sup>(1)</sup></b>	<b>(28.2)</b>	<b>2.3</b>
Interest expenses	(0.2)	(0.2)
Interest income	0.1	0.0
<b>Total profit/(loss) before income tax</b>	<b>(28.3)</b>	<b>2.1</b>
Income tax benefit/(expense)	(1.5)	(3.1)
<b>Reported total profit/(loss) for the year</b>	<b>(29.8)</b>	<b>(1.0)</b>

<sup>(1)</sup> Non-IFRS measures are presented to provide readers a better understanding of Redbubble's financial performance. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements.

<sup>(2)</sup> For presentation purposes, numbers have been rounded to millions of dollars (to one decimal place), however calculations and totals are based on unrounded numbers.

## Review of operations and business update (continued)

The Group delivered a solid Marketplace Revenue (MPR) result this half, driven by strong apparel sales across both marketplaces and TeePublic's double-digit growth. The Group is particularly pleased by TeePublic's performance as it reinforces the conviction that the marketplaces are well placed to benefit from macroeconomic tailwinds over the long term. TeePublic's performance also provides valuable insight into how the Redbubble marketplace can be improved, particularly in relation to content. 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 2Q FY23. This step-up in promotional activity, as well as offering free shipping above a certain threshold, drove a reduction to the Group's 1H FY23 GPAPA margin to 17.9% from 22.0% in 1H FY22.

The Group saw a significant increase in the proportion of revenue from repeat purchases in 1HFY23. This uptick is driven by a number of operational improvements across both marketplaces that were progressed during the half, including experimenting with new promotional activities, securing a fan-art licensing agreement with Netflix and improving the post-purchase experience for artists' customers.

## Looking forward

Looking forward, the Group expects market conditions to remain challenging in the short term. Accordingly, the business has narrowed its near-term priorities to focus on those which will assist in improving GPAPA margin and accelerate the return to cash flow positive. On 18 January 2023, the Group announced it is implementing a number of cost-saving initiatives, which is expected to reduce the Group's cost base by approximately \$20 million to \$25 million on an annualised basis. The Group believes it is taking the necessary steps now to position the business to capitalise on its tremendous potential and deliver long-term shareholder value. The cost-reduction initiatives include:

- 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.

Enhancing the Redbubble marketplace's content quality and search and discovery is a primary focus for the Group to ensure customers can find products among four billion listings which appeal to their specific interests and needs. The Group is uniquely positioned to benefit from recent improvements in AI, which could revolutionise search and discovery of artists' content and greatly enhance new and existing customers' experience. Early signs are positive and we expect to roll-out implementation of this technology at scale this calendar year.

### **Rounding of amounts**

The amounts contained in the Directors' Report and Interim Condensed Consolidated Financial Report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

### **Auditor's independence declaration**

A copy of Ernst & Young's Auditor's Independence Declaration, as required under sections 307C of the *Corporations Act 2001*, is set out on page 6.

The Directors' Report is made in accordance with a resolution of the Directors of the Company.



Anne Ward  
Chair  
15 February 2023



**Building a better  
working world**

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## **Auditor's independence declaration to the directors of Redbubble Limited**

As lead auditor for the review of the half-year financial report of Redbubble Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Redbubble Limited and the entities it controlled during the financial period.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Ashley Butler', written in a cursive style.

Ashley Butler  
Partner  
15 February 2023



Interim condensed consolidated statement of comprehensive income  
for the half-year ended 31 December 2022



	Notes	31 Dec 2022 \$'000	31 Dec 2021 \$'000
<b>Revenue from contracts with customers</b>			
Marketplace revenue		289,268	288,137
Artists' revenue		54,532	53,500
<b>Total revenue from contracts with customers</b>	3	<b>343,800</b>	341,637
<b>Operating expenses</b>			
Artists' margin		(54,532)	(53,500)
Fulfiller expenses <sup>(1)</sup>		(187,954)	(180,079)
Employee and contractor costs	4	(47,244)	(36,848)
Marketing expenses	5	(57,247)	(46,395)
Operations, administration and technology expenses	6	(19,608)	(17,774)
Depreciation and amortisation		(4,949)	(5,721)
<b>Total operating expenses</b>		<b>(371,534)</b>	(340,317)
Other income <sup>(2)</sup>		58	18
Other expenses <sup>(3)</sup>		(612)	750
<b>Profit / (loss) before income tax</b>		<b>(28,288)</b>	2,088
Income tax benefit / (expense) <sup>(4)</sup>	7	(1,488)	(3,104)
<b>Total profit / (loss) for the half-year attributable to owners</b>		<b>(29,776)</b>	(1,016)
<b>Other comprehensive income / (loss)</b>			
<b>Items that will be reclassified subsequently to profit or loss</b>			
Gain / (loss) on foreign currency translation		521	1,211
<b>Total other comprehensive income / (loss) attributable to owners</b>		<b>521</b>	1,211
<b>Total comprehensive income / (loss) for the half-year attributable to owners</b>		<b>(29,255)</b>	195
<b>Profit per share attributable to the ordinary equity holders of the company</b>			
		<b>Cents</b>	Cents
Basic profit / (loss) per share		(10.77)	(0.37)
Diluted profit / (loss) per share		(10.77)	(0.37)

<sup>(1)</sup> Fulfiller expenses comprise product and printing, shipping and transaction costs.

<sup>(2)</sup> Other income includes finance income.

<sup>(3)</sup> Other expenses include interest expenses on lease liabilities, losses recognised on disposal of assets and net foreign exchange gains/losses.

<sup>(4)</sup> A portion of the income tax benefit applicable to the Group is recorded directly in equity. Please see note 7(b) for further details.

The above Interim Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with accompanying notes.

Interim condensed consolidated statement of financial position  
as at 31 December 2022



	Notes	31 Dec 2022 \$'000	30 June 2022 \$'000
<b>Current assets</b>			
Cash and cash equivalents		97,044	89,133
Other receivables	8	5,995	5,314
Prepayments	15(a)	10,893	4,581
Current tax assets		496	2,226
Other assets	9	6,540	4,770
<b>Total current assets</b>		<b>120,968</b>	<b>106,024</b>
<b>Non-current assets</b>			
Property, plant and equipment		2,851	3,069
Intangible assets	10	76,039	70,746
Right-of-use assets	12	7,207	8,085
Prepayments		237	618
Deferred tax assets		156	1,401
Other assets	9	808	677
<b>Total non-current assets</b>		<b>87,298</b>	<b>84,596</b>
<b>Total assets</b>		<b>208,266</b>	<b>190,620</b>
<b>Current liabilities</b>			
Trade and other payables	11	100,110	59,619
Unearned revenue <sup>(1)</sup>		15,699	13,023
Employee benefit liabilities		2,443	2,443
Provisions		1,941	1,749
Lease liabilities	12	3,311	3,117
<b>Total current liabilities</b>		<b>123,504</b>	<b>79,951</b>
<b>Non-current liabilities</b>			
Lease liabilities	12	5,281	6,508
Employee benefit liabilities		149	149
Provisions		56	55
<b>Total non-current liabilities</b>		<b>5,486</b>	<b>6,712</b>
<b>Total liabilities</b>		<b>128,990</b>	<b>86,663</b>
<b>Net assets</b>		<b>79,276</b>	<b>103,957</b>
<b>Equity</b>			
Contributed equity	13 (a)	164,117	162,526
Treasury reserve	13 (b)	(2,389)	(4,005)
Share based payment reserve		14,065	13,347
Foreign exchange translation reserve		567	46
Accumulated losses		(97,084)	(67,957)
<b>Total equity</b>		<b>79,276</b>	<b>103,957</b>

<sup>(1)</sup> Unearned revenue represents the value of goods paid for by customers that are not yet delivered.

The above Interim Condensed Consolidated Statement of Financial Position should be read in conjunction with accompanying notes.

## Interim condensed consolidated statement of changes in equity for the half-year ended 31 December 2022



2022	Notes	Share capital \$'000	Treasury reserve <sup>(1)</sup> \$'000	Share based payments reserve \$'000	Foreign exchange translation reserve \$'000	Accumulated losses \$'000	Total \$'000
<b>Balance as at 1 July 2022</b>		<b>162,526</b>	<b>(4,005)</b>	<b>13,347</b>	<b>46</b>	<b>(67,957)</b>	<b>103,957</b>
Profit / (loss) for the half-year		-	-	-	-	(29,776)	(29,776)
Other comprehensive income / (loss)		-	-	-	521	-	521
<b>Total comprehensive profit / (loss) for the half-year</b>		-	-	-	<b>521</b>	<b>(29,776)</b>	<b>(29,255)</b>
Exercise of share options	13 (b)	5	-	-	-	-	5
Transfer to issued capital <sup>(2)</sup>	13 (b)	4,093	-	(4,093)	-	-	-
Share based payments expense	4	-	-	4,811	-	-	4,811
Shares issued to Employee Share Trust	13 (b)	1,170	(1,170)	-	-	-	-
Shares issued / allocated to participants <sup>(3)</sup>	13 (b)	(3,435)	3,435	-	-	-	-
Payment of withholding taxes <sup>(4)</sup>	13 (b)	(242)	-	-	-	-	(242)
Income tax benefit recognised directly in equity for Employee Share Trust deductions <sup>(5)</sup>	13 (b)	-	-	-	-	-	-
Transfer to accumulated losses <sup>(6)</sup>	13 (b)	-	(649)	-	-	649	-
<b>Balance as at 31 December 2022</b>		<b>164,117</b>	<b>(2,389)</b>	<b>14,065</b>	<b>567</b>	<b>(97,084)</b>	<b>79,276</b>

<sup>(1)</sup> The Group operates an Employee Share Trust (the Trust) for the purpose of issuance of shares to participants on exercise of options / settlement of restricted stock units. The balance in the Treasury Reserve represents the book value of shares held by the Trust for future issue to participants on exercise of options / restricted stock units. The Treasury Reserve also includes shares used as security for the limited recourse loan provided to the CEO in FY21.

<sup>(2)</sup> Transfer to issued capital on issuance of shares for exercised options / restricted stock units.

<sup>(3)</sup> Shares issued/allocated to participants from the Employee Share Trust.

<sup>(4)</sup> Payment of withholding taxes to US tax authorities on issuance of restricted stock units funded by shares withheld.

<sup>(5)</sup> A tax benefit is recognised directly in equity for income tax benefits relating to contributions to the Employee Share Trust in excess of the associated cumulative remuneration expense. There were no benefits in excess of the cumulative remuneration expense in the current period.

<sup>(6)</sup> The balance transferred to accumulated losses represents the income tax benefit recorded in the reserve for equity rights that were converted into shares in the current period.

The above Interim Condensed Consolidated Statement of Changes in Equity should be read in conjunction with accompanying notes.

## Interim condensed consolidated statement of changes in equity for the half-year ended 31 December 2022



		Share capital	Treasury reserve <sup>(1)</sup>	Share based payments reserve	Foreign exchange translation reserve	Accumulated losses	Total
	Notes	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2021</b>							
<b>Balance as at 1 July 2021</b>		<b>162,552</b>	<b>(7,351)</b>	<b>11,414</b>	<b>(3,408)</b>	<b>(47,339)</b>	<b>115,868</b>
Profit / (loss) for the half-year		-	-	-	-	(1,016)	(1,016)
Other comprehensive income / (loss)		-	-	-	1,211	-	1,211
<b>Total comprehensive profit / (loss) for the half-year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>1,211</b>	<b>(1,016)</b>	<b>195</b>
Exercise of share options	13 (b)	1,299	-	-	-	-	1,299
Transfer to issued capital <sup>(2)</sup>	13 (b)	3,234	-	(3,234)	-	-	-
Share based payments expense	4	-	-	3,494	-	-	3,494
Shares issued to Employee Share Trust	13 (b)	10,120	(10,120)	-	-	-	-
Shares issued / allocated to participants <sup>(3)</sup>	13 (b)	(12,027)	12,027	-	-	-	-
Payment of withholding taxes <sup>(4)</sup>	13 (b)	(1,101)	-	-	-	-	(1,101)
Income tax benefit recognised directly in equity for Employee Share Trust deductions <sup>(5)</sup>	13 (b)	-	2,657	-	-	-	2,657
Transfer to accumulated losses <sup>(6)</sup>	13 (b)	-	(3,614)	-	-	3,614	-
<b>Balance as at 31 December 2021</b>		<b>164,077</b>	<b>(6,401)</b>	<b>11,674</b>	<b>(2,197)</b>	<b>(44,741)</b>	<b>122,412</b>

<sup>(1)</sup> The Group operates an Employee Share Trust (the Trust) for the purpose of issuance of shares to participants on exercise of options / settlement of restricted stock units. The balance in the Treasury Reserve represents the book value of shares held by the Trust for future issue to participants on exercise of options / restricted stock units. The Treasury Reserve also includes shares used as security for the limited recourse loan provided to the CEO in FY21.

<sup>(2)</sup> Transfer to issued capital on issuance of shares for exercised options / restricted stock units.

<sup>(3)</sup> Shares issued/allocated to participants from the Employee Share Trust.

<sup>(4)</sup> Payment of withholding taxes to US tax authorities on issuance of restricted stock units funded by shares withheld.

<sup>(5)</sup> A tax benefit of \$2.7m was recognised directly in equity for income tax benefits relating to contributions to the Employee Share Trust in excess of the associated cumulative remuneration expense.

<sup>(6)</sup> The balance transferred to accumulated losses represents the income tax benefit recorded in the reserve for equity rights that were converted into shares in the current period.

The above Interim Condensed Consolidated Statement of Changes in Equity should be read in conjunction with accompanying notes.

# Interim condensed consolidated statement of cash flows

for the half-year ended 31 December 2022



	Notes	31 Dec 2022 \$'000	31 Dec 2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		383,986	386,942
Payments to artists		(52,634)	(52,083)
Payments to fulfillers		(188,894)	(180,304)
Payments to other suppliers and employees		(124,907)	(103,909)
Payment of interest		(181)	(208)
Receipt of interest		52	12
Income taxes received / (paid)		1,596	525
<b>Net cash provided by / (used in) operating activities</b>		<b>19,018</b>	50,975
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(350)	(1,674)
Payment for development of intangible assets		(8,134)	(2,980)
Payments for reimbursable amounts from lessor		-	(2,255)
<b>Net cash provided by / (used in) investing activities</b>		<b>(8,484)</b>	(6,909)
<b>Cash flows from financing activities</b>			
Proceeds from exercise of share options	13 (b)	5	1,299
Payment of withholding taxes to US tax authorities on settlement of restricted stock units and share appreciation rights funded by shares withheld	13 (b)	(242)	(1,101)
Payment for lease liabilities		(1,743)	(1,848)
<b>Net cash provided by / (used in) financing activities</b>		<b>(1,980)</b>	(1,650)
Net increase / (decrease) in cash and cash equivalents held		8,554	42,416
Cash and cash equivalents at beginning of year		89,133	98,686
Effect of exchange rate changes on cash and cash equivalents		(643)	1,663
<b>Cash and cash equivalents at the end of the half-year</b>		<b>97,044</b>	142,765

The above Interim Condensed Consolidated Statement of Cash Flows should be read in conjunction with accompanying notes.

## 1. Basis of preparation

The Interim Condensed Consolidated Financial Statements of Redbubble Limited for the half-year ended 31 December 2022 (Interim Financial Report) were authorised for issue by resolution of the Directors on 15 February 2023.

Redbubble Limited (the Company or the parent), the owner of global online marketplaces for independent artists, is a for-profit company incorporated and domiciled in Australia and whose shares are publicly traded on the Australian Stock Exchange.

The Group, through its websites at redbubble.com, teepublic.com and three foreign language redbubble.com websites, owns and operates the Redbubble and TeePublic online marketplaces. These marketplaces facilitate the sale and purchase of art and designs on a range of products between independent creatives and consumers. The products are produced and shipped by third party service providers (i.e. product manufacturers, printers and shipping companies) referred to as fulfillers.

The Interim Financial Report:

- covers Redbubble Limited and its controlled entities as the consolidated group (the Group). Redbubble Limited is the ultimate parent entity of the Group;
- has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*; and
- does not include all the information and disclosures required in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2022.

The accounting policies adopted in the preparation of the Interim Financial Report are consistent with those followed in the preparation of the Annual Report of the Group for the year ended 30 June 2022, except for the adoption of new and amended standards and interpretations as of 1 July 2022 described below.

At 31 December 2022, the Group had a net current asset deficiency of \$2.5 million. Included in this are \$6.4 million of goods in transit, and \$15.7 million of unearned revenue that is not a cash liability of the Group but will be recognised as revenue in the Statement of Comprehensive Income subsequent to year end. Excluding these items the Group is in a positive net current asset position. The seasonality of operations, particularly in the December quarter impacts the Group's working capital. The higher sales volumes in the December quarter results in an increase in cash and cash equivalents and trade and other payables (refer to the seasonality of operations note on page 13). As at 31 December 2022, cash and cash equivalents balance was \$97.0 million (31 December 2021: \$142.8 million) and trade and other payables was \$100.1 million (31 December 2021: \$91.4 million). The Directors have satisfied themselves that the continued application of going concern basis is appropriate as it is expected that the Group will be able to fully repay its debts as and when they become due.

## New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments and interpretations apply for the first time during the period, but do not have a material impact on the interim condensed consolidated financial statements of the Group.

## Seasonality of operations

The Group's revenue is affected by the Thanksgiving and Christmas holiday seasons which result in higher sales particularly in the December quarter. Consequently, the current assets and liabilities as at 31 December 2022 are not strictly comparable with the balances as at 30 June 2022.

## 2. Segment information

The Group is a global online marketplace and accordingly, has identified that as its only reportable segment.

AASB 8 *Operating Segments* allows for the aggregation of operating segments where they exhibit similar economic characteristics. The Group considers the Redbubble and TeePublic marketplaces to have similar economic characteristics and therefore have been aggregated to form a single reportable operating segment.

## 3. Revenue from contracts with customers

	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Australia	<b>20,955</b>	23,968
United States	<b>247,557</b>	235,166
Europe	<b>43,721</b>	45,535
United Kingdom	<b>29,861</b>	34,899
Rest of the world	<b>1,706</b>	2,069
<b>Total revenue</b>	<b>343,800</b>	341,637

#### 4. Employee and contractor costs

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Salary costs	31,161	23,794
Contractor costs	9,080	8,026
Share-based payments expense	4,811	3,494
Superannuation and other pension related costs <sup>(1)</sup>	2,192	1,534
<b>Total employee and contractor costs</b>	<b>47,244</b>	<b>36,848</b>

<sup>(1)</sup> Includes contribution to 401K funds, which is the superannuation equivalent for the US subsidiaries, and contributions to pension funds in Germany.

#### 5. Marketing expenses

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Paid marketing <sup>(1)</sup>	49,542	44,618
Other marketing expenses	7,705	1,777
<b>Total marketing expenses</b>	<b>57,247</b>	<b>46,395</b>

<sup>(1)</sup> Paid marketing represents search and social paid marketing costs, paid on a per click basis.

#### 6. Operations, administration and technology expenses

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Technology infrastructure and software costs	14,250	11,452
Other operations and administration expenses	5,358	6,322
<b>Total operations and administration</b>	<b>19,608</b>	<b>17,774</b>

#### 7. Income tax expense / (benefit)

##### (a) Income tax expense / (benefit) recorded in the Statement of Comprehensive Income

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
<b>Current tax</b>		
Current tax expense / (benefit)	218	2,659
Under/(over) provision in prior years	-	130
<b>Deferred tax</b>		
Deferred tax expense / (benefit)	1,270	313
Under/(over) provision in prior years	-	2
<b>Total income tax expense / (benefit) recorded in the Statement of Comprehensive Income</b>	<b>1,488</b>	<b>3,104</b>



## 7. Income tax expense / (benefit) (continued)

The Group has in aggregate \$152.7 million (June 2022: \$123.4 million) of unrecognised losses and \$11.2 million (June 2022: \$10.6 million) of unrecognised R&D tax offsets. An unrecognised deferred tax asset of \$57.0 million exists as at 31 December 2022 (June 2022: \$47.7 million), in relation to these items. These losses will be recognised at a future point in time when sustainable taxable income can be reliably estimated.

### (b) Current tax assets / (liabilities)

	31 Dec 2022	30 June 2022
	\$'000	\$'000
<b>The current tax asset is comprised of the following</b>		
Current tax expense recorded in the Statement of Comprehensive Income	(218)	(605)
Current tax benefit recorded in equity <sup>(1)</sup>	-	2,153
Tax instalments made and net refunds due for prior years	714	678
<b>Total current tax asset</b>	<b>496</b>	<b>2,226</b>

<sup>(1)</sup>The tax effect of share based payment awards granted is recognised in current income tax expense, except to the extent that the total tax deductions are expected to exceed the cumulative remuneration expense. In this situation, the excess of the associated current or deferred tax is recognised in equity and forms part of the treasury shares reserve.

### (c) Numerical reconciliation of income tax expense / (benefit) to prima facie tax payable

	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Profit / (loss) from ordinary activities before income tax expense / (benefit)	(28,288)	2,088
Income tax calculated @ 30%	(8,486)	626
<b>Tax effect of amounts that are not deductible / (taxable) in calculating income tax:</b>		
Tax effect of foreign jurisdictions' different tax rates	(285)	(220)
Net US income tax benefit due to exercise / disposition of employee stock options	429	(404)
Net Australian income tax expense / (benefit) from funding the employee share trust	353	(2,524)
Tax effect of share based payment deduction recognised in equity	-	2,657
Other non-deductible / non-assessable items	100	(490)
Effect of movements in foreign exchange	14	60
Under/(Over) provision in prior year	-	132
Unrecognised tax losses and R&D tax offsets	9,363	3,267
<b>Income tax expense / (benefit) attributable to loss from ordinary activities</b>	<b>1,488</b>	<b>3,104</b>

## 8. Other receivables

	31 Dec 2022	30 June 2022
	\$'000	\$'000
Receivables from payment service providers	2,816	1,824
Other receivables	3,179	3,490
<b>Total other receivables</b>	<b>5,995</b>	<b>5,314</b>

## 9. Other assets

	Current		Non-current	
	31 Dec 2022	30 June 2022	31 Dec 2022	30 June 2022
Consolidated	\$'000	\$'000	\$'000	\$'000
Security bonds	101	350	808	677
Goods in transit <sup>(1)</sup>	6,439	4,420	-	-
<b>Total other assets</b>	<b>6,540</b>	<b>4,770</b>	<b>808</b>	<b>677</b>

<sup>(1)</sup> Goods in transit represents the cost of goods that have been manufactured but are in transit to customers.

## 10. Intangible assets

	Brand name	Capitalised development costs	Goodwill	Total
	\$'000	\$'000	\$'000	\$'000
<b>At 30 June 2022</b>				
Cost	6,903	63,417	51,677	121,997
Accumulated amortisation	-	(51,251)	-	(51,251)
<b>Net book value</b>	<b>6,903</b>	<b>12,166</b>	<b>51,677</b>	<b>70,746</b>
<b>Half-year ended 31 December 2022</b>				
<b>Cost</b>				
Balance at 1 July 2022	6,903	63,417	51,677	121,997
Additions	-	7,534	-	7,534
Disposals	-	(113)	-	(113)
Exchange differences	67	-	497	564
<b>Accumulated Amortisation</b>				
Balance at 1 July 2022	-	(51,251)	-	(51,251)
Amortisation charge	-	(2,756)	-	(2,692)
Disposals	-	64	-	-
Exchange differences	-	-	-	-
<b>Closing net book value</b>	<b>6,970</b>	<b>16,895</b>	<b>52,174</b>	<b>76,039</b>
<b>At 31 December 2022</b>				
Cost	6,970	70,838	52,174	129,982
Accumulated amortisation	-	(53,943)	-	(53,943)
<b>Net book value</b>	<b>6,970</b>	<b>16,895</b>	<b>52,174</b>	<b>76,039</b>

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably.

Capitalised development costs have a finite useful life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project, typically between 2 and 3 years.

## 10. Intangible assets (continued)

### Impairment Testing

The Group performed an impairment test in the half year as a result of the decline in performance during the period. For the purpose of undertaking impairment testing, the Group has identified two Cash Generating Units (CGUs), the Redbubble and the TeePublic marketplaces. All of the goodwill held by the Group and the brand name asset are attributable to the TeePublic CGU and have indefinite useful lives. The CGUs assets subject to impairment assessment included capitalised development costs. The Group has used the following assumptions in determining the recoverable amount of the CGUs.

	Redbubble	TeePublic
Discount rate	10.5%	10.2%
Terminal value growth rate	3.4%	3.3%

Discount rate represents the pre-tax discount rate applied to the cash flow projections (30 June 2022: RB CGU 10.5%, TP CGU 10%).

Terminal value growth rate represents the growth rate applied to extrapolate our cash flows beyond the five year forecast period (30 June 2022: RB CGU 3.4%, TP CGU 3.3%). These growth rates are based on the Group's expectation of the sustainable growth at maturity.

Using the above assumptions, it was concluded that the carrying value of the Group's CGUs does not exceed its value in use and therefore, no impairment charge has been recognised. Sensitivity analysis has been completed which considered a range of possible scenarios. There is no reasonably possible change in key assumptions used to determine the recoverable amount that would result in impairment.

## 11. Trade and other payables

	31 Dec 2022 \$'000	30 June 2022 \$'000
Fulfiller payables	44,703	24,203
Artist payables	18,119	15,928
Staff payables	4,376	4,238
Sales tax payables	8,938	3,752
Other payables <sup>(1)</sup>	23,974	11,498
<b>Total trade and other payables</b>	<b>100,110</b>	<b>59,619</b>

<sup>(1)</sup> Other payables consist of operations, administration and marketing payables.

## 12. Leases

### Additions

During the half year ended 31 December 2022, the Group signed a one year extension for the New York office premises. As a result of the lease modification, the Group remeasured the lease liability by discounting the revised lease payments using a revised discount rate. This resulted in an increase of \$0.7 million to the lease liability, with a corresponding increase recognised to the right of use asset.

## 13. Contributed equity

### (a) Share capital

	Consolidated and parent entity			
	31 Dec 2022	30 June 2022	31 Dec 2022	30 June 2022
	Shares	Shares	\$'000	\$'000
<b>Ordinary shares<sup>(1)</sup></b>				
Issued and fully paid	<b>277,720,223</b>	275,920,223	<b>164,117</b>	162,526
<b>Total share capital</b>	<b>277,720,223</b>	275,920,223	<b>164,117</b>	162,526

<sup>(1)</sup> The holders of ordinary shares are entitled to participate in dividends and the proceeds on winding up of the Company. On a show of hands at meetings of the Company, each holder of ordinary shares has one vote in person or by proxy, and upon a poll each share is entitled to one vote. The Company does not have authorised capital or par value in respect of its shares.

### 13. Contributed equity (continued)

#### (b) Movements in ordinary share capital and treasury reserve

Share Capital	Number of shares	\$'000
Balance at 1 July 2021	273,620,223	162,552
Exercise of options / share appreciation rights (SARs)	-	1,299
Transferred from share based payments reserve	-	3,234
Shares issued to Employee Share Trust	2,300,000	10,120
Shares allocated to participants from the Employee Share Trust	-	(12,027)
Payment of withholding taxes to US tax authorities <sup>(1)</sup>	-	(1,101)
Balance at 31 December 2021	275,920,223	164,077
<b>Balance at 1 July 2022</b>	<b>275,920,223</b>	<b>162,526</b>
Exercise of options	-	5
Transferred from share based payments reserve	-	4,093
Shares issued to Employee Share Trust	1,800,000	1,170
Shares allocated to participants from the Employee Share Trust	-	(3,435)
Payment of withholding taxes to US tax authorities <sup>(1)</sup>	-	(242)
<b>Balance at 31 December 2022</b>	<b>277,720,223</b>	<b>164,117</b>

<sup>(1)</sup> Represents payment of withholding taxes accounted for as a deduction from equity in accordance with AASB 2 *Share-based Payments*.

  

Treasury Reserve	Number of shares	\$'000
Balance at 1 July 2021	(1,471,319)	(7,351)
Shares issued to Employee Share Trust and held in Treasury Reserve	(2,300,000)	(10,120)
Shares allocated to participants from the Employee Share Trust and released from treasury reserve	2,048,385	12,027
Income tax benefit for contributions to the Employee Share Trust in excess of the associated cumulative remuneration expense	-	2,657
Transfer of the income tax benefit to accumulated losses for equity rights that were converted to shares in the current period	-	(3,614)
Balance at 31 December 2021	(1,722,934)	(6,401)
<b>Balance at 1 July 2022</b>	<b>(983,080)</b>	<b>(4,005)</b>
Shares issued to Employee Share Trust and held in Treasury Reserve	(1,800,000)	(1,170)
Shares allocated to participants from the Employee Share Trust and released from treasury reserve	1,280,770	3,435
Income tax benefit for contributions to the Employee Share Trust in excess of the associated cumulative remuneration expense	-	-
Transfer of the income tax benefit to accumulated losses for equity rights that were converted to shares in the current period	-	(649)
<b>Balance at 31 December 2022</b>	<b>(1,502,310)</b>	<b>(2,389)</b>

## 14. Share-based payments

During the half year, the Group granted 7,640,892 Options, 8,208,154 Restricted Stock Units (RSUs) and 7,230,612 Share Appreciation Rights (SARs) to its employees under the Redbubble Equity Incentive Plan (including senior executives under the RB Group Executive Compensation Model (RECM)). The fair value of options at grant date is estimated using a Black-Scholes pricing model and the Monte Carlo simulation model is used for SARs. The contractual life of each option, RSU and SAR granted is six years.

	Six months ended 31 Dec 2022	Year ended 30 Jun 2022
Weighted average fair value of	\$	\$
Share options granted	0.70	3.83
Share appreciation rights granted	0.39	2.21
Restricted stock units granted	0.68	3.54

## 15. Commitments and Contingencies

### (a) Commitments

Redbubble entered a contractual commitment with a key technology infrastructure and software provider ending in November 2026 that requires total minimum cost expenditure of \$46.1 million (30 June 2022: \$53.5 million), over annual contract years of \$11.7 million per annum. The services to be provided under the long-term contract are recognised on an annual basis as the services are received by the Company. The supply contract requires any shortfall in minimum usage on a per annum basis to be paid for in accordance with the contract. Any shortfall payment can be carried forward and used as a prepayment against future usage over minimum spend levels in any contract year before expiry of the contract. The requirement for a shortfall payment of \$3.45 million in relation to the contract period to 31 December 2022 has been recognised as a current prepayment. In assessing recoverability of any shortfall payment, the Company estimates its future usage of the services across the remaining contract years in comparison to the minimum spend requirements. Should any shortfall exist at the end of the contract term, it is non-refundable to the Company. At reporting date, the Company does not expect any shortfall to exist at the end of the current contract term.

### (b) Contingent liabilities

#### Legal claim contingencies

Although the Group is strictly a service provider that does not sell or manufacture the products sold on the Redbubble and TeePublic marketplaces, it periodically receives notices alleging infringement of third party copyright, trade marks, other intellectual property rights or publicity rights via the marketplaces or for breach of consumer protection laws. This is not uncommon for marketplaces that host user generated content. As at the date of these financial statements there are current lawsuits filed against the Company that relate to alleged intellectual property infringement and / or breach of consumer laws. There is no certainty around the amount or timing of any outflow (or inflow from insurance recoveries) should any of the actions ultimately be successful (at first instance or on appeal, as applicable). The

**(b) Contingent liabilities (continued)**

**Legal claim contingencies (continued)**

Company does not consider that any of the current actions are likely to have a material adverse effect on the business or financial position of the Company.

**16. Related party transactions**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

There were no related party transactions in the current and prior period.

**17. Events occurring after the reporting date**

On 18 January 2023, the Group announced that it will be implementing cost reduction measures within the Redbubble marketplace aimed at returning the Group to cash flow positive by the end of calendar year 2023. The cost reduction initiatives are expected to reduce the Group's cost base by approximately \$20 million to \$25 million on an annualised basis. A portion of this reduction will be realised during the second half of this financial year, with the full benefit anticipated to be realised from the beginning of financial year 2024.

The Interim Condensed Consolidated Financial Report was authorised for issue on 15 February 2023 by the Board of Directors. There have been no other significant events after the reporting date that require disclosure.

## Directors' Declaration

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In accordance with a resolution of the Directors of Redbubble Limited, we state that in the Directors' opinion:

- (a) the financial statements and notes, as set out on pages 7 to 21, are in accordance with the *Corporations Act 2001* including:
  - (i) giving true and fair view of the financial position as at 31 December 2022 and of the performance for the half-year ended on that date of the consolidated Group; and
  - (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  
- (b) there are reasonable grounds to believe that Redbubble Limited will be able to pay its debts as and when they become due and payable.



Anne Ward  
Board Chair  
Melbourne  
15 February 2023



Jennifer Macdonald  
Audit and Risk Committee Chair  
Melbourne  
15 February 2023





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working world**

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## **Independent auditor's review report to the members of Redbubble Limited**

### **Conclusion**

We have reviewed the accompanying half-year financial report of Redbubble Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed statement of financial position as at 31 December 2022, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### **Basis for conclusion**

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### **Directors' responsibilities for the half-year financial report**

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



## Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The Ernst &amp; Young logo is a stylized, handwritten-style signature of the words 'Ernst &amp; Young' in black ink.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Ashley Butler', written over a horizontal line.

Ashley Butler  
Partner  
Melbourne  
15 February 2023

## Corporate Information

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<b>Directors</b>	Anne Ward (Chair, Non-Executive Director) Martin Hosking (Non-Executive Director) Jennifer (Jenny) Macdonald (Non-Executive Director) Greg Lockwood (Non-Executive Director) Ben Heap (Non-Executive Director) Bob Sherwin (Non-Executive Director, appointed effective 1 November 2022)
<b>Chief Executive Officer</b>	Michael Ilczynski
<b>Company Secretary</b>	Carlie Hodges (appointed effective 31 October 2022)
<b>Registered Office</b>	Level 12, 697 Collins Street Docklands VIC 3008 Australia
<b>Share Register</b>	Link Market Services Tower 4, 727 Collins Street Melbourne VIC 3008 Australia
<b>Auditors</b>	Ernst & Young 8 Exhibition Street Melbourne VIC 3000 Australia
<b>Bankers</b>	Citibank, N.A.
<b>Stock Exchange Listing</b>	Redbubble shares are listed in the Australian Securities Exchange (ASX listing code: RBL)  Redbubble has a Level 1 American Depositary Receipt (ADR) facility trading in the Over-The-Counter (OTC) market in the United States and is managed by The Bank of New York Mellon (ADR Code: RDBBY)
<b>Website</b>	Redbubble.com
<b>Investor Centre</b>	Shareholders.redbubble.com