1QFY23 Trading Update Conference Call Transcript

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The transcript of the 1QFY23 Trading Update conference call on 20 October 2022 is attached.

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This announcement was authorised for release to the ASX by the Redbubble Limited Board Chair.

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Start of Transcript

Operator: Thank you for standing by. Welcome to the Redbubble Ltd trading update. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question you will need to press the star key followed by the number one on your telephone keypad. I would now like to hand the conference over to Virginia Spring, VP of Investor Relations. Please go ahead.

Virginia Spring: Good morning everyone. Welcome here in Australia. Good afternoon and evening for our northern hemisphere investors. My name is Virginia Spring. I am responsible for investor relations at Redbubble. Welcome to this investor call for our first quarter trading update for financial year 2023. With me today I have Redbubble CEO, Michael Ilczynski and CFO, Emma Clark.

The key information for today's update is contained in the ASX announcement released to the market this morning. Please note that the first quarter financial results for FY23 and any strategic and operational metrics are from internal management reports. They have not been subject to audit review. Mike will speak shortly and then we will then open up the lines for questions at the conclusion of this presentation with Mike and Emma. This session is also being recorded.

Before we start I would like to call your attention to the safe harbour statement regarding forward-looking information in our ASX release. That safe harbour statement also applies to this investor call. I will now pass on to Mike.

Michael Ilczynski: Thank you Virginia. Welcome to Virginia, who joined Redbubble last week. Hello everyone. Thank you for joining us today for our trading update for the first quarter of FY23. Given our recent FY22 results update from last August today's trading update for the first quarter will be focused on the trading result and therefore will be relatively short.

However, before I start I do want to call out that during the quarter there has been a tremendous amount of work by our teams across both businesses. We are seeing the uplift in people capability start to impact with real improvements to our onsite experience and operations being delivered to set the Group up to deliver the best possible performance for artists and their customers over the peak holiday period.

At our FY22 results I referenced the significant underlying transition that has taken place within Redbubble. This period of transition has continued into FY23. We have been clear and we reiterate the commitment to our strategy of internal investment to develop the platforms and processes required to improve the artist and customer experience that will lead to sustained financial performance.

Our disciplined approach to investing in internal capacity and capability will return the Group to revenue growth and profitability and enable us to achieve our medium-term aspirations. As I said, we are starting to see the impact of this operationally, and over the near term we expect to see this investment also positively impact our financial performance.

In terms of performance, in summary for the first quarter of FY23 we saw encouraging growth in our biggest category, T-shirts, in our largest market of North America. This positive operating result from the T-shirt category was driven particularly by our TeePublic business given its focus in this area. However, this was not quite sufficient to offset the decline in homewares, artworks and mask sales across the Group that has continued in these areas since the peak of the COVID sales.

Our negative EBITDA result for the quarter largely reflects this strategy to invest to drive long term revenue and margin growth through investing in our people and the FY23 investment in the Redbubble brand. Given the seasonal operating cycle of our business and the impact of the investments we are making, we expect improved quarterly EBITDA and cash usage for the remaining three quarters relative to this quarter.

So now looking into the first quarter result in more detail. Marketplace revenue for this quarter was down $5.1 million versus the prior corresponding quarter and down 8% on a constant currency basis. This largely reflects the positive impact of continued year-on-year growth in the T-shirt category of 12%, or $7 million, which was not quite enough to offset the impact of cycling $4 million of mask sales within the accessories category and continued negative year-on-year performance in homewares and artwork categories.

Underlying revenue which adjusts for delivery date revenue adjustments and mask sales was down just 2% compared to PCP. Looking geographically the marketplace revenue result was impacted by slightly lower sales in Australia, Europe and the UK than expected, particularly in September. Importantly, the Group's largest market, North America, remained resilient in the first quarter of FY23.

You will recall our FY22 results that we shared details about some of the proactive measures taken to support Redbubble's unit economics and margins both in the short and long term. These measures included an average base price rise of approximately 6% in May and trialling free shipping over a threshold purchase amount in the UK and in the US. Our experience in both of these trials has been encouraging across both members and non-members with free shipping thresholds driving incremental marketplace revenue and gross profit versus the preceding period.

The increase in sales in product revenue has more than offset the cost of reduced shipping revenue. Reducing reliance on shipping margins is and remains a long-term objective of the Group. It is worth adding that as a Group we will continue to experiment with initiatives such as free shipping which we will adjust and refine as and when required.

Gross profit for the quarter was $39.4 million, down $3 million or 7% on a floating basis from the prior corresponding quarter. Our gross margin was 39.1%, down 90 basis points, largely reflecting the margin impact of the free shipping trials with Redbubble shipping margins in September reduced by more than 50% versus September last year. This is a deliberate strategically important step to reduce dependence on shipping margin.

The actions we have been taking such as these shipping trials are focused on building sustainable, absolute scale in product revenue and gross profit dollars. As we build towards our medium-term aspirations we expect these actions to not only drive increases in gross profit dollars, but in gross profit margin as well.

The EBITDA loss of $14.6 million, down $18.5 million versus PCP, largely reflects the impact of the $3.8 million investment in the Redbubble brand, the ongoing investment in people through salaries and wages, up $4.7 million for the quarter versus PCP and the increase in other expenses of $4 million versus PCP, with the year-on-year change in other expenses principally due to unrealised FX losses on foreign currency bank balances.

Salaries and wages in total were $19.3 million for the first quarter. This increase in salaries and wages reflects our strategy to invest in people to drive revenue and margin growth, with 76% of new FTE since July 2021 added to our growth focused areas of product and technology, marketing, commercial and supply chain and logistics.

In relation to the EBITDA result for the quarter, given our existing FY23 guidance for revenue growth over the financial year and supported by the Group's favourable GPAPA margin, we expect that this will result in improved quarterly EBITDA for the remaining three quarters of FY23 relative to the first quarter.

While we remain committed to our strategy to invest to drive growth, as we discussed in August we continue to monitor the current trading conditions across all geographies and adjust how we invest in market appropriately. Off the back of the current economic environment, given what we observed in September, particularly across Australia, the UK and Europe, we made the decision to slow hiring in September. As a result we expect FY23 forecast salaries and wages to be towards the lower end of our previous guidance, so the lower of an increase of between approximately $14 million to $18 million for the year.

In relation to the Redbubble brand program that we announced at our FY22 results, investment in the Redbubble brand for the first quarter was $3.8 million. Total FY23 guidance for the brand investment is unchanged at approximately $8 million to $12 million for the full year. We are pleased with the performance of the initial investments, in increasing awareness in key US cities we are testing in. We have seen higher view-through rates of our ads and lower cost than benchmarks across all platforms. We will continue to closely monitor the performance of this program and if appropriate, adjust the timing or quantum of the remaining investment.

Our cash balance as at 30 September was just under $75 million. This position continues to provide us with operational and investment flexibility to continue with our current strategy. Just to add some colour in relation to our cash position, consistent with our seasonal trading pattern the cash usage of the business peaks during the September quarter. This means that we do not expect the same level of cash usage in each quarter for the remaining quarters of FY23.

Now moving to our FY23 outlook, which we reiterate from August with a slight reduction to our FY23 OpEx guidance. The revenue growth is expected in FY23 with the benefit of one-off mask sales in FY21 of approximately $55 million now largely fully cycled. Redbubble unit economics as represented by the GPAPA margin, to remain compelling supported by the approximately 6% average base price rise from May 2022.

Our forecast FY23 OpEx reflects a slowing of new roles in FY23 down to 4% from 30% growth in FY22. FY23 forecast salaries and wages to be towards the lower end of the increase of between approximately $14 million to $18 million for the year and FY23 forecast Redbubble brand investment of approximately $8 million to $12 million at constant currency to build awareness that reinforces the path to our medium-term aspirations.

Thank you very much for listening. I would like to remind shareholders that our Annual General Meeting is on next Wednesday, 23 October (sic - 26 October) commencing at 11:30am AEDT. We will now open up the lines for questions for both myself and for Emma.

Operator: Thank you. If you wish to ask a question please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star then two. If you are on a speakerphone please pick up the handset to ask your question. We ask that questions be limited to two per person to allow everyone an opportunity to ask a question.

The first question today comes from Sophie Carran from Goldman Sachs. Please go ahead.

Sophie Carran: (Goldman Sachs, Analyst) Hi Mike and Emma. Thanks for taking my questions. Just a couple from me please. So first of all, just interested in the revenue growth for the quarter - sorry the revenue for the quarter. Can you give a little bit more context just around the composition of that? I mean how much reflects repeat customer purchases versus new customers, and any incremental step-up in repeat customer behaviour that you could call out?

Michael Ilczynski: Yes sure. Thanks Sophie for the question. Yes, we didn't reference it directly. But repeat customer rates for the quarter was actually a record high for the Group at just over 49% for the quarter. It sort of reflects a couple of things, (1) both businesses are really focused on driving repeat rates for the business. There's a big focus on retention and retaining customers. Secondly and surprisingly new customer acquisition is the area that is challenging at the moment. We're not shying away from that but we are really pleased with the performance of both businesses in driving that repeat rate.

Sophie Carran: (Goldman Sachs, Analyst) Great. Just on the brand investment. I would be interested if you could give a little bit more colour on some of the metrics you're looking at, just to give you confidence in that brand investment. Then maybe just to clarify as well the comment that that $8 million to $12 million guidance is in constant currency, just where the FX is now versus when that guidance is set. Is it fair to assume that that could potentially come in a bit higher than that range if the FX stays where it is?

Michael Ilczynski: Yes, thanks. Look that's something we'll monitor. Obviously when we set the program the Aussie dollar was a bit stronger. Given that the investment - the reason we called it out is because the investment is totally focused on the US, all of that money in US dollars we did think it was important to call that out.

However obviously that's something that we're managing and we'll monitor. Our goal obviously is to keep it within that guidance. But it is important to call out when we were doing that program that the Aussie dollar does impact us a bit directly. Most other areas we have some natural hedges. But when it's a pure expense in US dollars there is that exposure.

In terms of the metrics, number one for us is measuring changes in awareness in our key demographics that we're targeting in the cities that we're targeting. With the initial investments that we saw - we did a little bit of trialling in June. That was positive. We've seen similar patterns with obviously the step-up. At the moment we're still collecting all of the data and all of the surveys.

So I'm sorry that we don't have very explicit data to share at this point. But we are really pleased with what we're seeing from our initial survey results, an increase in brand awareness. Because it's digital we can measure very quickly the amount of completed views, the amount of click-throughs, the amount of interactions that the audience has with the different forms of ads that we're putting out. They're the things that we can see quickly.

They're the things that we've been really pleased with in terms of how many completed views did we expect. How many interactions did we expect to get from that? Just frankly how much reach are we getting for the dollars we're spending? So far the program is hitting all of those benchmarks.

Sophie Carran: (Goldman Sachs, Analyst) That's great. Thanks very much.

Operator: Thank you. The next question comes from Aryan Norozi from Barrenjoey. Please go ahead.

Aryan Norozi: (Barrenjoey, Analyst) Hey guys, hope you're well. A few questions please. Just on the revenue guidance that you're giving - or expectation for growth in FY23 - is that on a floating basis or is that constant currency?

Emma Clark: Good question. Thank you for that. I know obviously currency complicates our results because of all the different geographies in which we operate. When we're assessing performance it's always on a reported basis. Reported is floating. So in terms of guidance it's always set on a floating basis. Obviously it is up to us as the management team to manage all of our different FX currency exposures.

Aryan Norozi: (Barrenjoey, Analyst) Perfect. Then by the same token to the $14 million to $18 million of headcount - additional headcount - is the majority of that headcount in Australian dollars or US dollars so that the $14 million could be higher in Aussie dollar terms given it's a constant currency basis please?

Emma Clark: Another good question. So it's actually split across the different geographies in which we have offices or locations where we have quite a few people. As we've discussed, and we actually mentioned just previously, quite a lot of that increase in roles has gone into growth areas of the business. So engineering and product is largely based in Melbourne, supply chain and marketing largely based in the US. So it's across both.

Aryan Norozi: (Barrenjoey, Analyst) Okay. Then in terms of the quarterly EBITDA performance, when you say you expect improved performance, are you saying that the dollar - EBITDA for each of the next three quarters will be better than the first quarter that you've just reported? Is that what you mean?

Michael Ilczynski: Yes, that's correct. What we're saying is we expect each quarter, each of the subsequent quarters of the financial year, to be an improved result relative to the result for this quarter.

Aryan Norozi: (Barrenjoey, Analyst) Sorry, last one. The marketing costs as a percentage of sales and performance, that's 16% now. Is that structurally higher now versus that 10% to 11% you were doing pre-COVID? Any colour around that please?

Michael Ilczynski: It's a great question. I think it's two things. Number one, absolutely and we've been open about this, that digital cost of acquisition has definitely increased - really started to pop about October last year. It has remained elevated since that point. So there definitely has been a step-up there, particularly through the search channels which as a lot of you know is related to some of the ATT changes that has made attribution and effectiveness of non-search, particularly the social channels, harder. That has caused a step-up. We have seen it somewhat stabilise but it definitely hasn't decreased.

Secondly though, it's also what's our approach as a business. We've been really - a lot of you would know we're very focused on our first transaction profitable threshold for all of our different paid acquisition channels. That's an important [call] for us. Within that though, we are focused on acquiring customers that are profitable. But as long as they're profitable, given that we're starting to see our repeat rates and our retention rates improve, that gives us confidence. That gives us confidence to go a little bit harder on our paid marketing.

As long as we're acquiring those customers and we're acquiring them profitably, then that's what we're aiming to do. So that focus on absolute gross profit dollars as opposed to necessarily maximising that GPAPA margin, that is a little bit of a shift as a business. It is important for us and we feel that's the right shift. So I think you're seeing the combination of those two factors.

Aryan Norozi: (Barrenjoey, Analyst) Perfect. Thank you.

Operator: Thank you. The next question comes from Wilson Wong from Jarden. Please go ahead.

Wilson Wong: (Jarden, Analyst) Hi Michael and Emma. I just wanted to get a bit more colour just around what the composition of the brand investment was in the first half and what will be invested in over the second half.

Michael Ilczynski: In terms of the brand investment for this quarter, we're not going to break it down by its components in terms of dollars. But for a new program like this there's a combination of a few things. One, obviously there's the production which is a bit more of a one-off. The bulk of the spend is obviously on media. Then there's also agency fees if we work with our external agency. So there is a definite a bit - in this quarter - that is a bit upfront. So there is a bit of upfront costs that are a bit more one-off in nature, particularly around production.

That said, was a deliberate decision this quarter to front-load some of the media spend. That was for two reasons. One, is to make sure that we're at a scale where we can really measure the effectiveness and maximise our learnings. But number two, we do know that customers in August, September, (1) it's our back-to-school period and we have a natural uplift during that period, particularly in the US, that we wanted to maximise.

Secondly we also know historically from our normal paid acquisition and unpaid marketing channels, the customers who either purchase or become aware of Redbubble during August and September are then more likely to come and purchase in the peak holiday period. So it was those two factors that we felt it was important for us to go a little bit heavier than obviously the average during the first quarter of that investment.

Wilson Wong: (Jarden, Analyst) Sure, thanks for that. My next question is just around the relative performance across the regions. What drove the difference between the US's relatively better performance compared to Australia and Europe?

Michael Ilczynski: We expected Australia to be a bit lower - remembering that Australia is only 7% of our revenue. Within the Group, 92%, 93% of our revenue is generated outside of Australia. But that said, within Australia, we expected Australia to be a really tough comp because this time last year Australia was in its last lockdown, particularly Melbourne. We actually saw quite a spike from that.

That said, even within those expectations it was a little softer as was the UK and Europe. We can speculate. We can speculate on what that was. Obviously Europe and the UK both have significant cost of living pressures. The Australian economy tends to be more interest rate sensitive given a lot higher percentage on variable relative to the US. So we can speculate on those things.

But what we're really trying to do is follow the data. What we're really trying to do is make sure that we continue with our strategy of investing through our people and investing in our brand to drive both near term and the long-term growth of the business. But at the same time as we said, we just saw enough in September just to make us want to be a little prudent heading into the very important holiday season. That's why we made the decision to slow down our hiring which will pull back our OpEx a bit through the quarter ahead and also just give us a bit more optionality depending on how the quarter ahead plays out.

I'm sure a lot of you know that obviously the holiday quarter is our peak. In revenue terms we make roughly - do roughly as much revenue in November and December as we do in the first four months of the year. So what we do during July and October we do that basically again in just November and December. So we just thought the right thing to do given the little bit of weakness we saw in those markets, was to be prudent with our OpEx and that gives us some optionality heading into next year depending on how the quarter ahead of us plays out.

Wilson Wong: (Jarden, Analyst) Thanks Michael.

Operator: Thank you. The next question comes from Tim Piper from UBS. Please go ahead.

Tim Piper: (UBS, Analyst) Morning Mike and Emma. First question just on balance sheet. Recognise that September quarter is the lower point in terms of your cash then it builds up into December. There was sort of a $35 million uplift from September into December last year. Do we anticipate a similar kind of profile in the cash balance with the seasonality to come through this year as well?

Emma Clark: Thanks Tim for the question. We expect a similar level - well actually let me come back a little bit. In the last three years we've had three completely different holiday patterns in terms of across that period of that quarter and how much the uplift has been versus say for example the September result. So that's why we mentioned that there was a little bit of uncertainty going into this as to which one of those patterns, if any of them at all, it follows.

That being said broadly speaking yes we would expect a large seasonal uplift in Q2. Obviously we're not giving quarterly guidance at the moment so I can't give you the answer on the exact nature and number of the uplift in cash across that period. But we do expect it to uplift in terms of revenue and sales on the platforms quite a lot over the next quarter.

Michael Ilczynski: Yes, I think it's worth emphasising that Q1 tends to be the seasonal low point. The end of Q2 tends to be the seasonal high point. You would all know that we generate a lot of sales and a lot of cash during that November, December. We then pay out some of that cash into January for those of you who follow the pattern. Those patterns are important with the business. The business is definitely not consistent every quarter. So just taking any number in Q1 and timesing it by four is not the right way to approach this business, which I know a lot of you are aware of.

Emma Clark: It also means that simply taking the percentage uplift Q2 on Q1 last year and applying it to this year might not be accurate either. You'd have to look back over the last few years and look at what the range of percentage uplifts are and we would expect it to land somewhere within that range.

Tim Piper: (UBS, Analyst) Okay, so just a follow-on from my first of two questions. As we then look into June, say you burn, I don't know, [$25 million, $30 million] operating EBITDA, something like that assuming cash comes down to, I don't know, $60 million, something like that in June, just using that as a hypothetical number - at what point or at what cash balance do you sit there and you go, it might be time to - you talked about some of this spend being discretionary. At what point of the cash balance do you sit there and go we need to pull back a bit on that brand investment or the employee expense increases?

Michael Ilczynski: Thanks for the question Tim. We're not going to talk about those sorts of levels. What I would say is as a management team, we're very focused on our cash position. We're very aware of the fact that we are in a cash usage position. We've said a few times that, (1) we're committed to the strategy to invest in our people and invest in our brands. But hopefully you'll also recall in August - and we'll reiterate it again - that we're not going to be pigheaded about the exact amount of spend.

The spend that we're putting in is investment. That investment needs to generate a return over the medium term. But it also does need to generate a return over the nearer term. If the market isn't there, if the market - if something happens in the market that we can't generate that nearer term return, then of course the right thing for us to do as a management team is to look at what element of that investment is discretionary and pull it back so that we are managing our total cash position and our cash usage effectively. So we're highly aware of that. You can probably see from what we said today in terms of just slowing down on our hiring that they're already things that we're looking at.

Because we do know that we need to strike the right balance between the right amount of investment to drive that growth in the business, but also being cognisant of what the market conditions are, both demand and competition to make sure that we're generating the right level of return on that investment so that we're managing our cash position very carefully.

Emma Clark: Can I just add one point to that? Sorry Tim, just one extra point would be - I think it would be important for everyone to note that whilst we are in a cash usage phase at the moment we haven't given any specific guidance on cash. We are as Mike said, very conscious about making sure that we maintain adequate working capital buffer. Internally we are very focused on returning this business both to EBITDA profitability and to actually turn that cash back into cash growth. So internally we're focused on that. To Mike's point as we look through all the different levers at our disposal we do keep those internal goals firmly in mind.

Tim Piper: (UBS, Analyst) Thanks. Just a second question on the, just the quarter in terms of revenue. Can you maybe talk a bit to what your conversion rates look like in the quarter? I just want to understand - I mean August is seasonally a strong month with back to school. I mean the step-up from the fourth quarter into the first quarter probably wasn't as big as you've seen historically. Was the back to school not as strong? You obviously referenced Australia and Europe being the weaker regions. But I just want to understand that.

Then also I guess on top of that you talked about the peak customers being strong. Are you seeing poor conversion in the customers that are coming through paid channels? What explains that?

Michael Ilczynski: Thanks for the question Tim. I think - as we tried to be clear that the first half through July, August was pretty much aligned with our expectations on a top line. We were clear that September just was a little bit softer than we would have preferred. Hence the action in terms of just slowing down our hiring and pulling back slightly on our OpEx.

In terms of the make-up - back to school was okay. All of those things were normal. What we have said though and what we're consistent on is repeat rates are actually going really well. Both businesses are focused on that. We are pleased with that performance. It's definitely new customer acquisitions. That's the challenge. That's both in paid channels but in unpaid channels as well. So it's across all channels.

Again we could speculate on what that is. But we're following the data. So it's really - it's the new customer acquisition that is the area that's a bit more challenging at the moment.

Tim Piper: (UBS, Analyst) Okay. Thanks for taking the questions.

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

Wei-Weng Chen: (RBC Capital Markets, Analyst) Hi guys. Just a couple of questions from me. The first one FX again. Can you maybe just remind us, your COGS, are they - do you have natural hedges, so like in Australia you earn A dollars and your COGS are in A dollars, or are your COGS US dollars denominated?

Emma Clark: Yes, great question. We do have a natural hedge. Obviously been a while since we've spoken about it because we haven't had the need to. But yes. As you would know in prior quarters when we report operational metrics we quite often talk about how much of our production is localised close to our customers. So that does generally mean that the fulfilment locations are located in the geography where the sales are generated. So there is a natural hedge down into the COGS lines as a result of that.

When we're talking FX gains or losses, certainly in the last - let's call it year and a half - most of those are unrealised and most of those are actually on the cash balance that we're holding as we take all the various components of that cash balance and translate them back into AUD at balance date. It's not so much the P&L impact of FX because to my earlier point - I mean obviously with COGS being such a large percentage of the gross transaction value and with natural hedges largely operating in place, the P&L FX variances are usually quite small when you net them out.

Wei-Weng Chen: (RBC Capital Markets, Analyst) Yes, okay thanks. Then just on the guidance for FY23 growth, just on the face of it, first quarter you had the US which is your core business resilient and then the rest seem to be below your expectations. So I guess the FX is kind of in your favour at the moment. But I guess my question is how do you get confidence that you can return to growth for the year? Is it largely going to be FX driven?

Michael Ilczynski: No. We wouldn't rely on FX for growth, absolutely not. What gives us confidence is a few things. Number one, you will recall when we spoke in August that we did signal that we thought Q1 was a reasonably tough comp for us. We talked about that pretty clearly.

Secondly, we have a - and as I alluded right at the start of the call - the people that we've brought into the business are just starting now to really ramp up. A lot of the FTEs that we've brought in have started this calendar year, a lot in the last six months. What that means - they need to on-board, get up to speed on our systems, our processes, take the initiatives that will drive growth and implement them. We're just getting through the first wave of that now given how many people joined us in the March to June period. So they've really still only had that post the on-boarding, that three months to get some of those initiatives happening.

So we - I can see all the work that these teams are doing. All of that work is focused on either driving revenue or margin improvements. We do see some of them coming through hopefully for the holiday quarter but then into Q3 and Q4. They're very focused on driving that revenue and margin growth.

Secondly we do see - we expect to see the decline in homewares and artwork start to level out. Once we take out mask sales, which again post Q1, there's a bit in Q2, but then it really levels out in Q3 and Q4. So if we think about the areas that are dragging on our business - masks, homewares, artworks - we expect them to level out in the second half of the year.

So between the efforts that the teams are putting in to drive revenue, to drive margin improvements plus what we expect to see as stabilisation in those categories that have been drags on the business, those things give us real confidence that as we look ahead for the full year, that over the full year we expect the full year of FY23 to be above the full year of FY22.

Wei-Weng Chen: (RBC Capital Markets, Analyst) Okay, thanks for that. Maybe just a quick one on CFO search. I'm just wondering if there are any updates there.

Michael Ilczynski: Thanks for the question. Obviously we're in process. We'll update the market as we should. I'm sure you know that's about as much as we can say at this point in time.

Wei-Weng Chen: (RBC Capital Markets, Analyst) Okay, thanks.

Operator: Thank you. The next question comes from Owen Humphries from Canaccord. Please go ahead.

Owen Humphries: (Canaccord, Analyst) Quick one. Just to talk about - you had headwinds in masks, artworks and homewares. Can you just maybe talk about the growth rates along those categories relative to apparel for the quarter?

Michael Ilczynski: Yes, thanks Owen. I'm trying to just scramble to grab my notes so that I can be a little more specific. You can see it in the numbers on the last page in the appendix of the Group. So apparel and clothing was up I think 12% across the Group. Those other areas were down, I think all of them double digits, sort of 15% to 16%+ in those areas. Sorry I'm doing maths off the top of my head. So yes they're the areas. I'll point you to the table on the back of the release to break those down.

Owen Humphries: (Canaccord, Analyst) Sure, okay. Maybe a question more strategically - your revenue is expected to be at all-time highs this year. Your margins are broadly in line. The gross profit margin is broadly in line with where they've been historically. The share price is approaching all-time lows. Maybe a question for you Michael around maybe the more strategic initiatives that you guys are putting in place to extrapolate the true value of the business.

Michael Ilczynski: Yes, thanks Owen. I'll just correct you there. Our guidance for revenue for this year is for growth on FY22. That is not necessarily consistent with all-time highs. I just want to call that out. We haven't said the amount. We've said growth on FY22. Sorry to be technical, but just want to make sure.

Yes, absolutely we are - we are absolutely disappointed with where the share price is. I can assure you that management, Board and the whole team is working as hard as possible to turn that around. We believe the best way to turn that around is to improve the financial performance of the business. There's no way around that. That's what we're focused on doing. The teams are working hard as I said.

I can see the operational improvements that are occurring in the business. We need that. We expect that to flow through to the financial performance of the business. That will help drive growth this year. So growing our top line, growing our margin, returning the business to cash flow positive and EBITDA positive are the key goals for management team that we believe is the best way to turn the share price around from an operational perspective.

Then obviously as we've talked about I think on every call, above that the Board and the management team, we're always looking at what are the other options we have to create shareholder value. That is a natural part of Board and management's job and that's what we'll continue to do.

Owen Humphries: (Canaccord, Analyst) I guess with an EV close to $60-odd million I guess the real question here is there's a perceived balance sheet issue with Redbubble. Can you maybe highlight where you perceive the cash low point for this business to be in the future periods?

Michael Ilczynski: I don't agree that there's a balance sheet issue. We're in an incredibly fortunate position that we have zero debt. We have a positive cash balance. We haven't talked about exactly what a low point is or will be. That would be dependent on the financial performance of the business. But what I will reiterate, and hopefully what you can see both from the release but also from the actions that we're taking in terms of slowing hiring, in terms of managing our OpEx, that we are very focused.

We're very focused on our strategy to invest to grow. But we're also very focused on returning this business to cash flow positive, returning the business to EBITDA positive. We know that these are important things for the business. That implies obviously that we are focused on making sure that we manage that cash balance very, very carefully.

Operator: Thank you. That does conclude the question-and-answer session. I will hand the conference back to Michael for any closing remarks.

Michael Ilczynski: Look thank you everyone for attending the call today. Really appreciate the questions. I know that Emma will be in touch with a number of you later today. Just finally before we finish up I do want to call out that this is Emma's last call with Redbubble. We're really sad to lose her. She's going on to something great in her next opportunity. I want to publicly thank Emma for her work with Redbubble over the past three years. She will be missed. When appropriate, we'll have an announcement on our CFO in the future. But thank you Emma for your time here.

Emma Clark: Thank you Mike. Thank you everyone. It's been a pleasure dealing with all of you.

Michael Ilczynski: Thanks all. We'll talk to you all soon. Appreciate the attendance.

Operator: Thank you. That does conclude our conference for today. Thank you for participating. You may now disconnect.

End of Transcript