



12 October 2023

### **Redbubble Group returns to positive underlying cash flow**

Redbubble Limited (ASX:RBL) and its subsidiaries (the Group) today releases its first quarter of FY24 (1QFY24) trading update and announces a return to positive underlying cash flow.<sup>1</sup>

#### **1QFY24 overview**

- Positive underlying cash flow of \$0.7 million up \$16.9 million on prior corresponding period (pcp)<sup>2</sup> and up \$5.5 million on the fourth quarter of FY23
- Cash balance of \$39.9 million at 30 September 2023, up \$4.2 million from 30 June 2023
- Gross Profit After Paid Acquisition (GPAPA) of \$26.5 million, 14% higher than the pcp, and GPAPA margin of 28.0%, 490 basis points higher than the pcp as the Group continued to see the benefit from a number of recently-implemented initiatives, including the introduction of artist account tiers on the Redbubble and TeePublic marketplaces and a dynamic order routing system for the Redbubble marketplace in the US, as well as further optimisation of paid marketing spend
- Marketplace Revenue (MPR) 6% lower than the pcp, reflecting the Group's focus on maximising GPAPA and softer trading conditions in the US compared to the pcp
- FY24 guidance reaffirmed for FY24 GPAPA margin to be between 23% and 26%<sup>3</sup> and FY24 operating expenditure to be between \$92 million and \$100 million

Martin Hosking, Group CEO and Managing Director of the Redbubble Group, said, "The Group has had a good start to the financial year. Our ongoing focus on a narrow set of priorities continues to drive margin expansion and absolute GPAPA growth. These improvements, combined with our continued focus on cost discipline, has enabled the Group to achieve positive underlying cash flow this quarter, a particularly strong feat as the first quarter is a seasonally-low revenue period.

"Both marketplaces delivered GPAPA growth and positive underlying cash flow during the quarter, which were my initial objectives after being appointed Group CEO in March 2023 and necessary to stabilise the business. I am now shifting my focus to reinstating profitable revenue growth and am confident that we have the right team and resources in place to achieve this goal.

"We were delighted to welcome Adam Crouch to the Group in September as head of the Redbubble marketplace. Adam most recently was at Poshmark, a leading social marketplace for clothing and accessories, where he created a capital-efficient growth model around the world. Prior to this, he held US and global ecommerce leadership roles at Volvo Cars, Walgreens, and Claire's. We are confident that

<sup>1</sup> The financial results and operational metrics are unaudited and are on a delivered basis (unless otherwise noted). All references to dollar amounts or figures are in AUD unless stated otherwise. Underlying cash flow defined as operating EBITDA less payments for capitalised development costs, leases and property, plant and equipment (PPE).

<sup>2</sup> The prior corresponding period is the first quarter of FY23 (1QFY23)

<sup>3</sup> Our ability to achieve this guidance is dependent on consumer demand, foreign exchange rates, geographic and product mix.



Adam is the right person to help the Redbubble marketplace return to profitable growth. Adam is based out of the Redbubble office in San Francisco.”

### Financial performance

The following table details the Group’s 1QFY24 unaudited financial metrics.

	1Q (\$m)		%	% CC <sup>4</sup>
	FY23	FY24	change	change
MPR	100.8	94.6	(6%)	(11%)
Gross Profit	39.4	42.2	7%	2%
GPAPA	23.2	26.5	14%	8%
GPAPA margin	23.0%	28.0%	490 bps	480 bps
Operating EBITDA <sup>5</sup>	(10.8)	3.2	130%	124%
Underlying cash flow	(16.2)	0.7	104%	N/A
Closing cash balance	74.9	39.9	(47%)	N/A

In 1QFY24, the Group delivered GPAPA of \$26.5 million, up 14% on the pcp, with both Redbubble and TeePublic achieving GPAPA growth. The Group’s GPAPA margin increased to 28.0%, 490 basis points above 1QFY23, and broadly in line with the 4QFY23 result.

The recent delivery of initiatives drove a significant uptick in gross profit. This included the introduction of artist account tiers on both marketplaces, the implementation of a dynamic order routing system for the Redbubble marketplace in the US and a reduction in the Group’s product return rate. We also further optimised the Group’s paid marketing expense, which was down 3% on the pcp.

1QFY24 MPR was down 6% on the pcp, a decline that was anticipated, reflecting the Group’s recent focus on driving absolute GPAPA growth. Apparel continues to perform relatively strongly in 1QFY24, which was offset by a continued softer performance in more discretionary categories, such as artwork and accessories.

The Group saw the full benefit of the cost saving measures implemented in FY23 during the quarter. Operating expenses were \$23.3 million, 32% lower than the pcp.

<sup>4</sup> Reflects the growth before translation to Australian dollars for reporting purposes. Approximately 90% of Redbubble Marketplace Revenue is sourced in currencies other than Australian dollars. Approximately 91% of TeePublic Marketplace Revenue is sourced in US dollars.

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



As a result of the improvement in GPAPA, and continued cost discipline, underlying cash flow was \$0.7 million, up \$16.9 million on the pcp. The Group's cash balance at 30 September 2023 was \$39.9 million, up \$4.2 million or 12% on 30 June 2023.

## **Outlook**

The Group continues to expect trading conditions to remain soft in key markets, particularly the US, in the near term. In this environment, it will remain focused on optimising cost of goods sold (COGS), promotions and paid marketing activities to maximise GPAPA.

The Group reaffirms its FY24 guidance. It expects its FY24 GPAPA margin to be between 23% and 26%<sup>6</sup> and its FY24 operating expenditure to be between \$92 million and \$100 million.

After achieving positive underlying cash flow in 1QFY24, the Group is on track to deliver positive underlying cash flow for FY24.

## **Annual General Meeting**

The Annual General Meeting (AGM) of Redbubble Limited will be held at 11:30am AEDT on Tuesday, 24 October 2023. The AGM will be held at Melbourne Convention Centre, Meeting Room 218, Level 2, 1 Convention Centre Place, South Wharf, Victoria. Shareholders can also participate online at: <https://meetings.linkgroup.com/RBL23>.

The Notice of Annual General Meeting and Explanatory Statement can be accessed on the Group's website at: <https://shareholders.redbubble.com/site/investor-information/annual-general-meetings>.

This announcement was authorised for lodgment by the Redbubble Limited Board.

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

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<sup>6</sup>Our ability to achieve this guidance is dependent on consumer demand, foreign exchange rates, geographic and product mix.



### **About Redbubble Group**

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

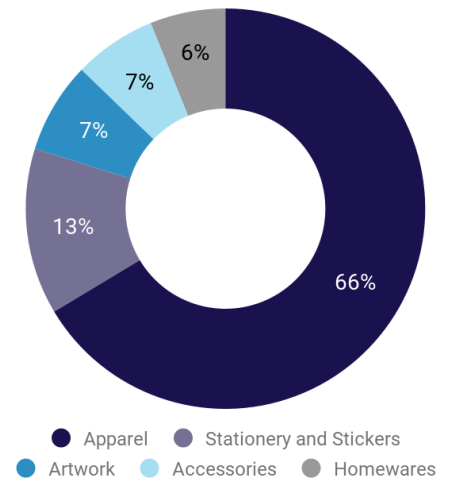
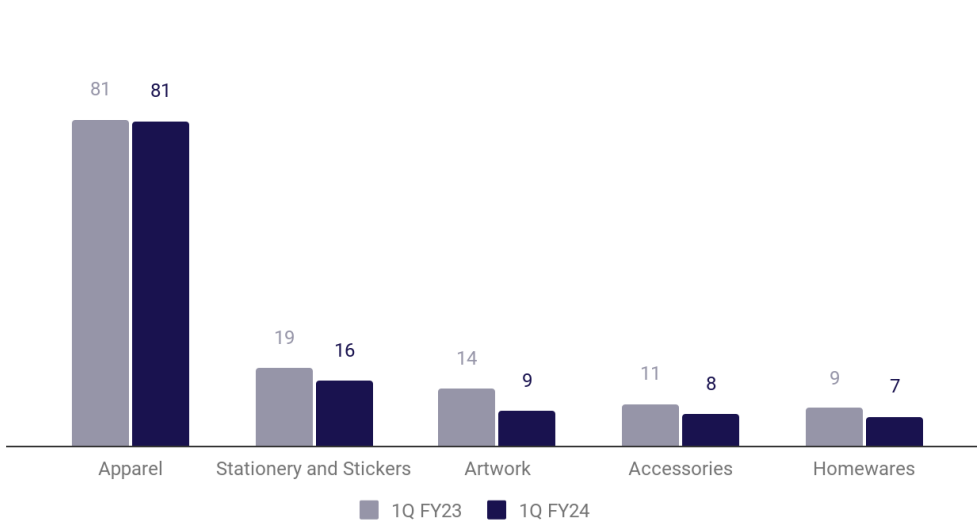
### **Forward-looking Statements**

This release contains forward-looking statements in relation to the Redbubble Group, including statements regarding the Group's intent, belief, goals, objectives, initiatives, commitments or current expectations with respect to the Group's business and operations, market conditions, results of operations and financial conditions, products in research, and risk management practices. Forward-looking statements can generally be identified by the use of words such as forecast", "estimate", "plan", "will", "anticipate", "may", "believe", "should", "expect", "project," "intend", "outlook", "target", "assume" and "guidance" and other similar expressions. The forward-looking statements are based on the Group's good faith assumptions as to the financial, market, risk, regulatory and other relevant environments that will exist and affect the Group's business and operations in the future. The Group does not give any assurance that the assumptions will prove to be correct. The forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors, many of which are beyond the control of the Group, that could cause the actual results, performances or achievements of the Group to be materially different to future results, performances or achievements expressed or implied by the statements. Factors that could cause actual results to differ materially include: changes in government and policy; actions of regulatory bodies and other governmental authorities such as changes in taxation or regulation (or approvals under regulation); the effect of economic conditions; technological developments; and geopolitical developments. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as at the date of the presentation. The release disclaims any responsibility for the accuracy or completeness of any forward-looking statement. Except as required by applicable laws or regulations, the Group does not undertake any obligation to publicly update or revise any of the forward-looking statements or to advise of any change in assumptions on which any such statement is based. Any projections or forecasts included in this release have not been audited, examined, or otherwise reviewed by the independent auditors of the Group



**Appendix A - Product categories and geographic mix**

**Gross transaction value by product categories 1QFY24 vs 1QFY23 (\$ million)**



**Gross transaction value by geography 1QFY24 vs 1QFY23 (\$ million)**

