

# FY23 Results

22 August 2023



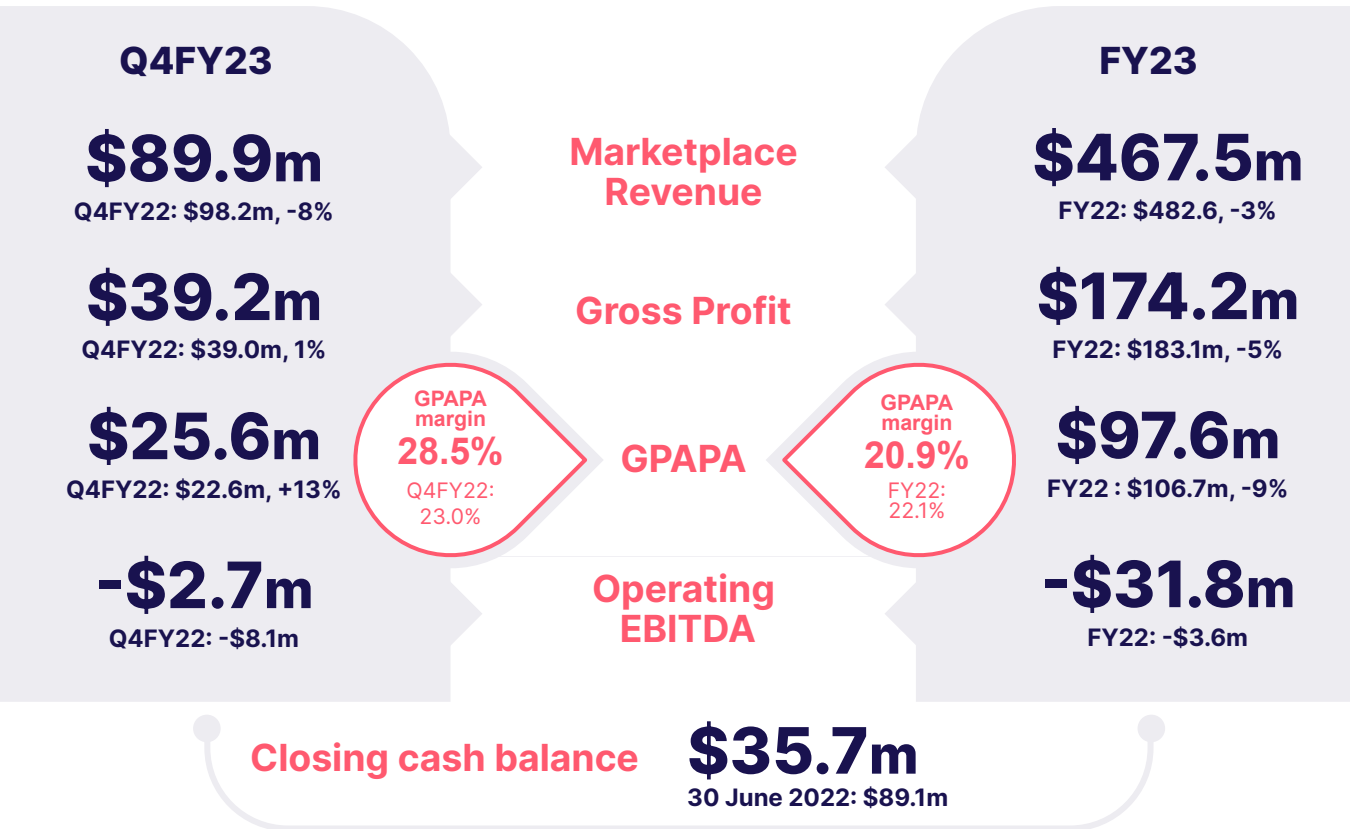
**Tao & Ellie from  
Heartstopper**

Designed and sold by: **Saevity**

*Redbubble, 2023*



# Financial highlights



**Drove significant GPAPA margin improvement in 4QFY23, 350 bps above historical average and 550 bps up YoY**

**Reduced operating expenditure by \$45 million on an annualised basis**

**Achieved neutral underlying cash flow<sup>1</sup> in July 2023**

# Group CEO review and actions taken to date

## Key findings

- 👁️ Group consists of two well-established marketplaces, with strong unit economics
- 👁️ Internal and external confusion around delineation between Redbubble Group and the Redbubble marketplace
- 👁️ Investment in brand and additional headcount misaligned with softening in consumer demand
- 👁️ Too many Redbubble marketplace initiatives attempted concurrently, leading to inefficiencies

## Our response

- Focused on **leveraging core strengths** and returning both marketplaces to profitable **growth**
- Restructured organisation** to clearly define the Group and two operating companies: Redbubble and TeePublic
- Renaming of the Group** to be proposed at 2023 AGM
- Reduced operating expenditure** by ~\$45 million on an annualised basis
- Reviewed initiatives** underway and **refocused team** on a narrow set of priorities, expected to deliver a commensurate financial benefit

**We have established the foundation for a return to growth and achieving sustainably positive underlying cash flow.**

**FY23**  
operational  
highlights



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**Leather**

Designed and sold by: **IMPACTEES**

Throw Pillow

Redbubble, 2023



# The Group comprises two well-established creative marketplaces...

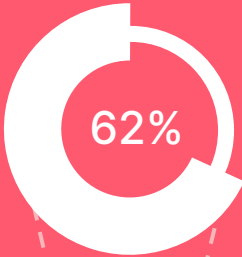
## REDBUBBLE

Artists<sup>1</sup>  
**650k**

Customers  
**5.0m**

Designs sold<sup>2</sup>  
**4.8m**

Core demographic  
**Gen Z** and their families



**Marketplace Revenue**  
(% of FY23 Group MPR)

**Apparel**  
(% of FY23 Marketplace MPR)

1. Number of artists who sold a product printed with their art during FY23.
2. Number of artists' designs that have sold on at least one product during FY23.

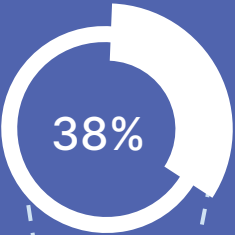
## TEEPUBLIC

Artists<sup>1</sup>  
**115k**

Customers  
**2.5m**

Designs sold<sup>2</sup>  
**1.4m**

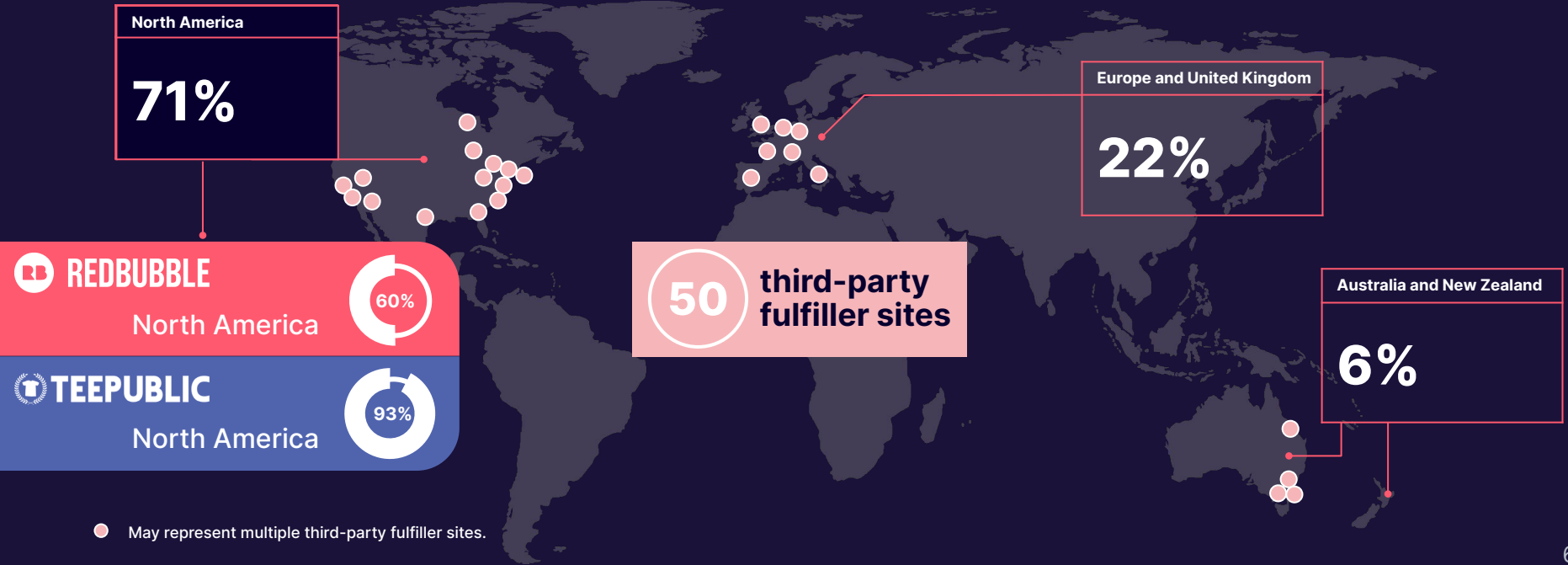
Core demographic  
**Gen Y**



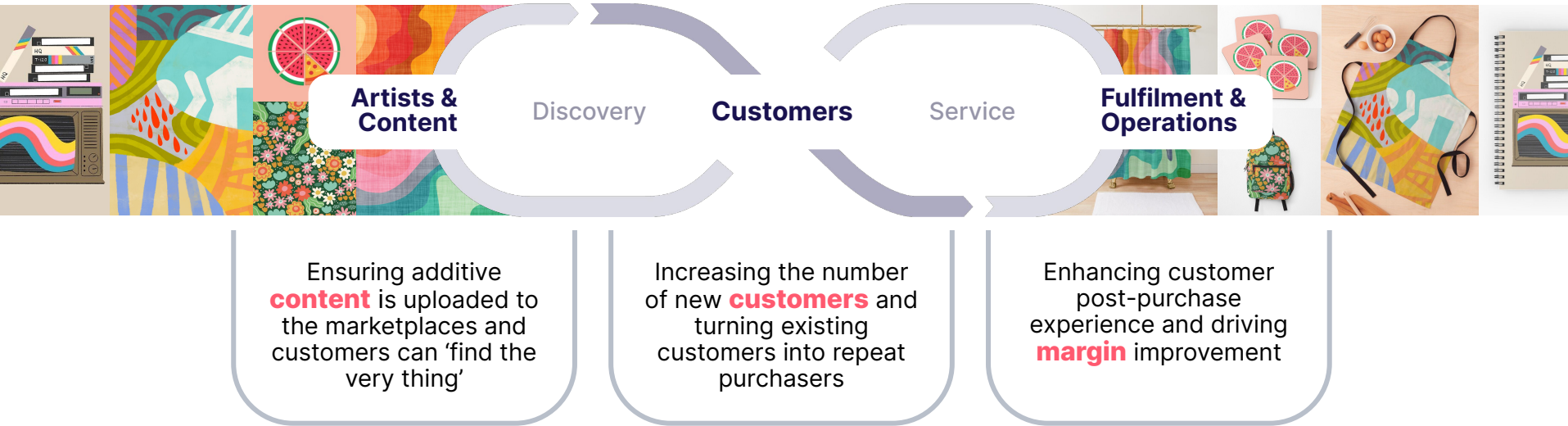
# ...operating at a unique scale across the globe

## Geographic Diversity

(% of Gross Transaction Value)



# We remain focused on optimising each marketplaces' flywheel



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

# The quality of the content uploaded to the Redbubble marketplace is improving



## Key initiatives

- Increased friction to our signup and upload processes to inhibit upload of **non-additive content**
- Increased **amplification of high-value content** on-site and off-site
- Introduced **artist account tiers to reward positive behaviors**, such as uploading high-quality designs

### Artist account tiers implemented May 2023

#### Standard

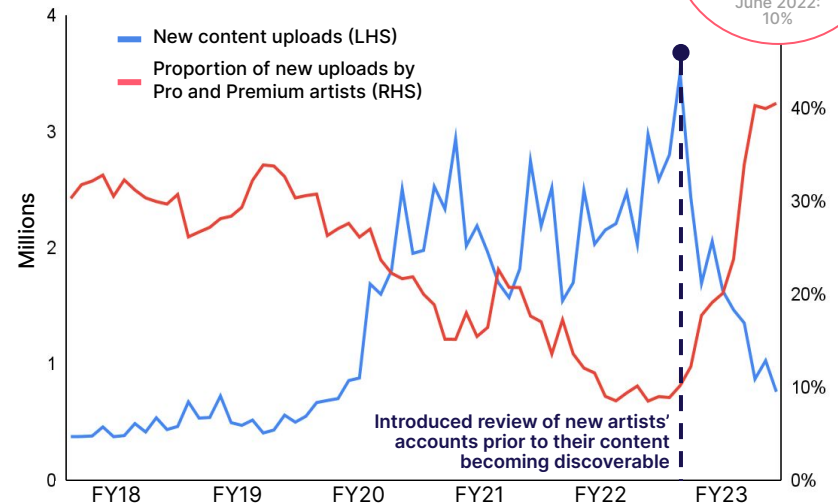
Flat fee based on monthly earnings

#### Premium and Pro

No fees

> 12,000 accounts upgraded from Standard to Premium since launch

## New content uploads (FY18 - FY23)





# Higher-quality content and recent site improvements driving increased engagement on the marketplace



## Increasing use of AI to improve customer experience

### Current uses

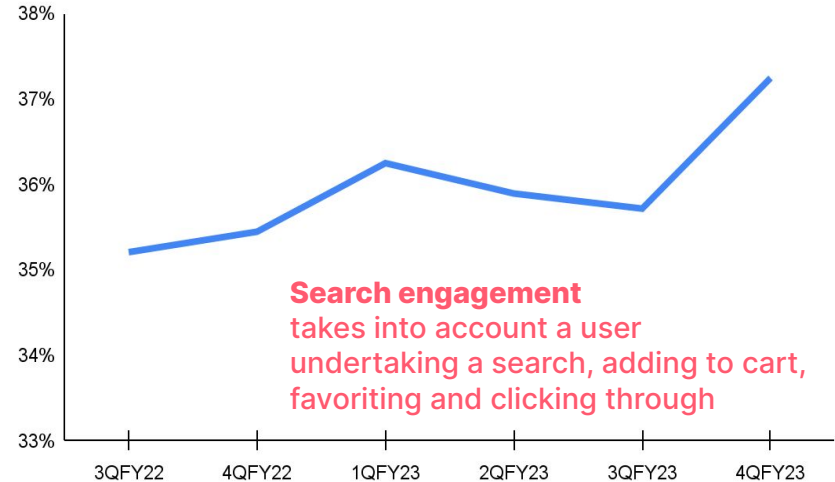
- Removing duplicate content
- Pre-empting search terms
- Surfacing undiscovered content

### Future use

- Improving search relevancy and recommendations
- Marketing feeds

Also increased website speed and upgraded most frequently visited pages

## Search engagement (3QFY22 - 4QFY23)



Search engagement takes into account a user undertaking a search, adding to cart, favoriting and clicking through

# Implemented a dynamic order routing system to optimise the Redbubble marketplace's supply chain

## Static process Highly-dynamic process

### Rules-based routing system

- Fulfillers assigned volume from certain states based on location
- Lower-cost fulfiller in each location given higher volume; shipping cost and time to delivery not considered for individual orders
- Difficult to make changes to order routing

### Dynamic order routing system (DORS)

For each line item, DORS selects the cheapest fulfiller and ship option, after evaluating:

- The fulfillers' historical production time performance
- All carriers and ship methods that fulfiller supports and the time each one would take to get to the customer
- **Which combinations of the fulfiller production time and carrier ship time can deliver the order to the customer by the promised delivery date**

Launched  
in the US  
March  
2023



Increased transparency encouraging competition among fulfillers improving margins and customer experience

# TeePublic continues to deliver MPR growth, alongside margin improvements

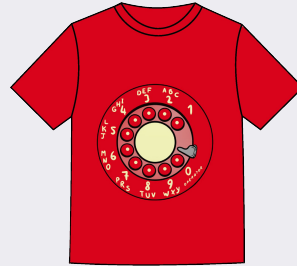


## Key FY23 initiatives

- Focused on search engine optimisation (SEO)
- Drove growth in customer retention through use of email and SMS marketing campaigns
- Optimised service fees
- Reduced COGS by increasing allocation to more cost-effective fulfillers
- Introduced artist account categories and reduced earnings for 'apprentice' accounts

## Introduction of account categories

### Artisan



Artists who design unique products most likely to interest their customers.

### Apprentice



Artists who are less discerning about the products they design.

### Artist earnings full price and sale price<sup>1</sup>

\$4 \$2

\$3 \$1

1. Artist earnings on apparel products. In May 2023, artist earnings for apparel changed to increase consistency; \$4 for full priced products and \$2 for products on sale. Apprentice price differential introduced in June 2023.

# Continued progress against our ESG goals to contribute to the generation of long-term shareholder value

## Prosperity

### 2025 ESG Goals

We aim to empower and protect people who design, sell, make and use products from our marketplaces. This is fundamental to our business as we are committed to providing a platform that artists and their customers trust and that aligns with their values.

## People

### 2025 ESG Goals

We aim to enable our people to positively impact our culture and community. Employees want to work for companies they trust and have purpose, so they feel proud about the work they are doing knowing they are contributing to environmental and social good.

## Planet

### 2025 ESG Goals

We aim to protect planet Earth and address environmental impacts both within our direct and indirect control. We will work with third-party carriers, for example, to offset and reduce emissions from product shipping on the marketplaces.

## FY23 key achievements

### Prosperity 2023



Artists earnings  
**\$85.9 million**



**94% of fulfiller sites audited; more than half received Intertek's Workplace Conditions Assessment award for a score above 85%**



WORKPLACE  
CONDITIONS  
ASSESSMENT

### People 2023



Maintained  
zero gender-base  
salary discrepancy

Increased  
representation  
of women in  
senior  
leadership  
to 44%

Became a signatory  
of the **UN WEPs**



### Planet 2023



CLIMATE  
NEUTRAL

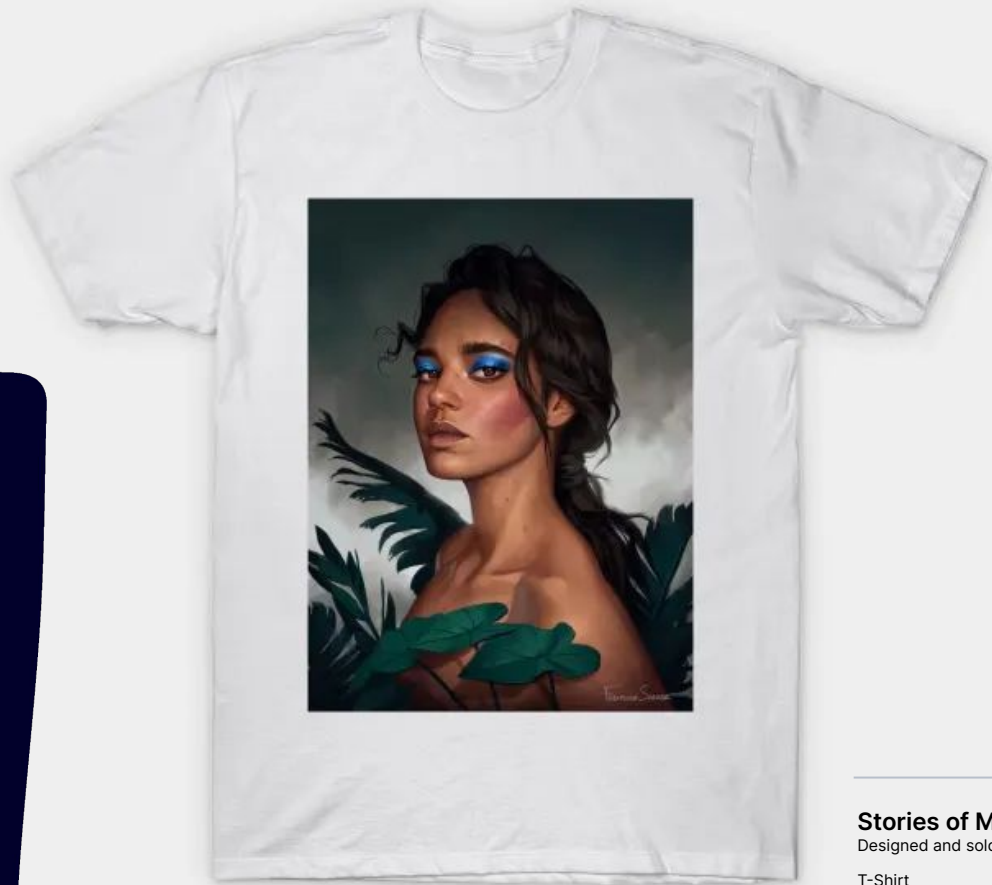
Started measuring emissions  
using **Climate Neutral's Brand  
Emissions Estimate tool**

**Offset 100%** of shipping  
emissions by investing  
in **Pacajai REDD+**  
**Rainforest project**

**REDD+**

**Reduced Redbubble marketplace's  
product defect rate by 15 bps to 0.62%**

# FY23 financial overview



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## Stories of Mine

Designed and sold by [fdasuares](#)

T-Shirt

*Teepublic, 2023*



# 4QFY23 and FY23 Profit and Loss Statements

P&L (A\$M)	4Q FY22	4Q FY23	% change	FY22	FY23	% change
Total Revenue	116.9	106.0	(9%)	573.4	555.1	(3%)
MPR	98.2	89.9	(8%)	482.6	467.5	(3%)
Gross Profit	39.0	39.2	1%	183.1	174.2	(5%)
Gross Profit Margin	39.7%	43.7%	4.0pp	37.9%	37.3%	(0.7)pp
Paid Acquisition	(16.3)	(13.6)	(17%)	(76.4)	(76.6)	0%
GPAPA	22.6	25.6	13%	106.7	97.6	(9%)
GPAPA Margin	23.0%	28.5%	5.5pp	22.1%	20.9%	(1.2)pp
Brand Awareness Project	(1.1)	0.0	(101%)	(1.1)	(6.8)	530%
Operating Expenses	(29.7)	(28.4)	(4%)	(109.3)	(122.6)	12%
Operating EBITDA	(8.1)	(2.7)	66%	(3.6)	(31.8)	(773%)
Other Income/Expenses	(0.8)	(2.2)	189%	(7.6)	(8.9)	17%
EBITDA	(8.9)	(4.9)	45%	(11.2)	(40.7)	(263%)
Depreciation & Amortisation	(2.5)	(3.1)	27%	(10.7)	(10.7)	1%
EBIT	(11.4)	(8.0)	29%	(21.9)	(51.4)	(135%)

Decline in MPR reflects the Group's focus on maximising GPAPA and weaker trading conditions.

Includes \$1.7 million reduction in artist expense following the introduction of artist account fees in May 2023. Total Artist Earnings, after fees, of \$85.9 million.

Gross profit margin uplift in 4QFY23 driven by optimisation of product base prices, DORS and introduction of artist account fees.

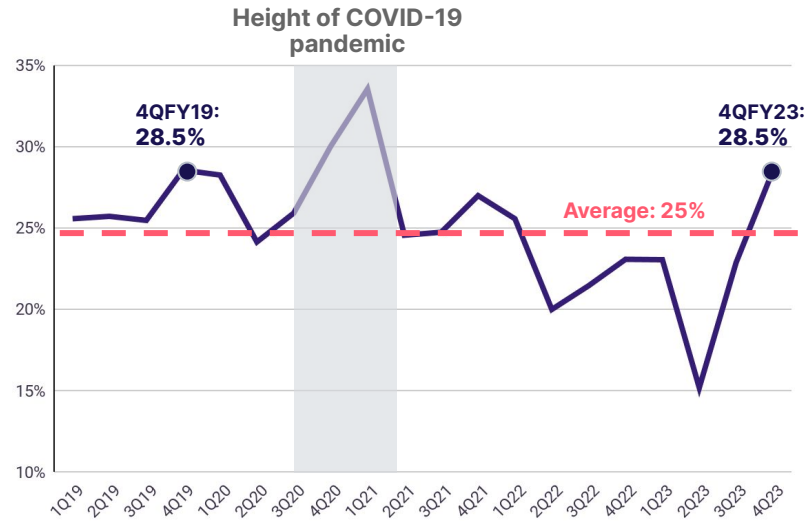
Increased visibility on individual product unit economics enabled us to effectively adjust our paid marketing activities.

Benefit of cost reduction initiatives announced in January and May 2023 starting to be realised. Full benefit expected to be realised in FY24.

# Initiatives across Group leading to 550 bps improvement in GPAPA margin in 4QFY23

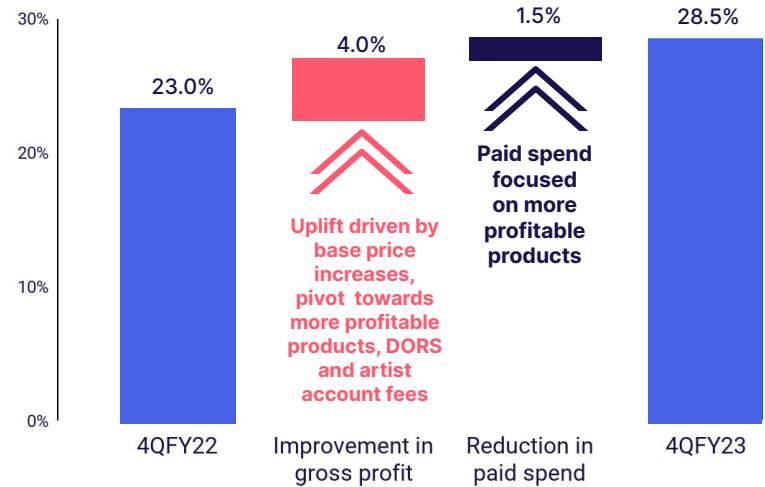
## Group GPAPA margin

(1QFY19 to 4QFY23)



## Key drivers of Group GPAPA margin improvement

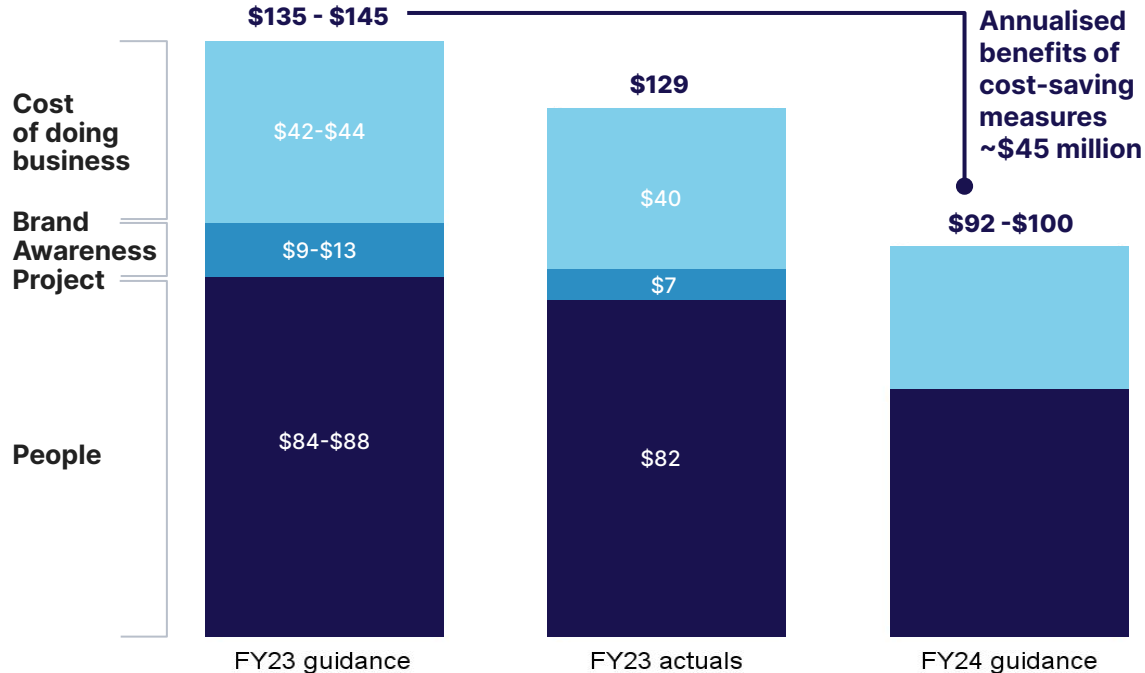
(4QFY22 to 4QFY23)



# Implemented significant cost savings in FY23 with full benefit to be realised in FY24

## Group operating expenditure

(millions)



### Cost of doing business

Detailed review of business operations identified areas for savings.

Key reductions included website hosting and software.

### Brand Awareness Project

Brand awareness project suspended in January 2023 as no longer expected to deliver commensurate financial benefit.

### People

Headcount reduced by 141 roles, or 37% of Group workforce.

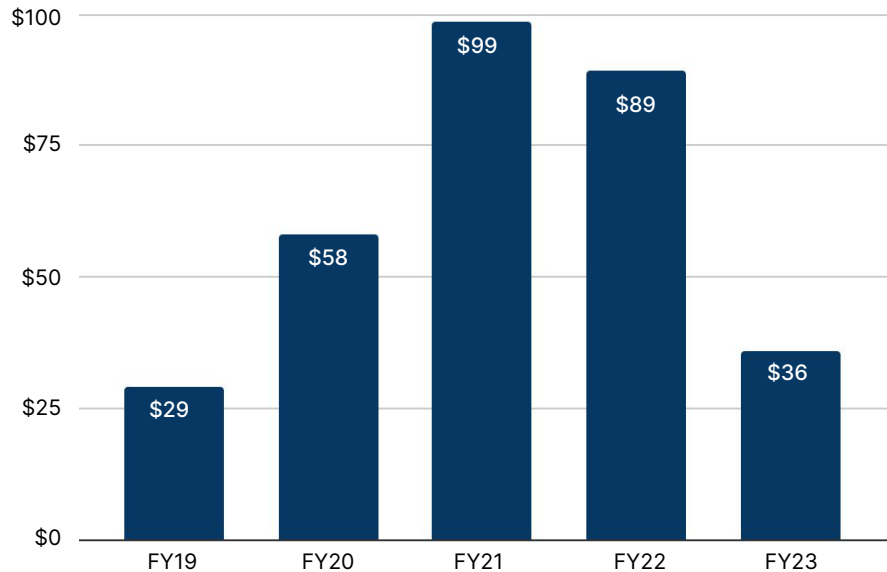
Focused on retaining sufficient capability to deliver priority initiatives, achieve a return to growth and position the Group for long-term success.



# Necessary steps taken for business to deliver positive underlying cash flow in FY24

## Closing cash balance

(millions, FY19 - FY23)



- Continued focus on cash reserves and delivering sustainably positive underlying cash flow
- Cost base rightsized in FY23
- Achieved neutral underlying cash flow in July 2023
- Aiming to deliver positive underlying cash flow in FY24

# Summary and guidance



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## Hermit

Designed and sold by **MovePencilMove**

Tote Bag

Redbubble, 2023



# Foundation established for a return to growth and achieving sustainably positive underlying cash flow



## **Operational review completed**

and immediate actions taken to address key findings, including rightsizing cost base



## **Unit economics remain strong**

with ongoing focus on improvement through optimising COGS, promotions and paid marketing activities



## **Neutral underlying cash flow achieved**

in July 2023 and aiming to deliver positive underlying cash flow in FY24

# FY24 guidance<sup>1</sup>

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The Group expects trading conditions to remain soft in its key markets, particularly the US, in the near term. In this environment, it will remain focused on optimising COGS, promotions and paid marketing activities to maximise GPAPA. The Group expects its FY24 GPAPA margin to be between 23% and 26%.

The Group expects to see the full benefit of cost-saving measures implemented in FY23 in FY24. As a result, combined with a continued focus on strong cost discipline, it expects its FY24 operating expenditure to be between \$92 million and \$100 million.

After achieving neutral underlying cash flow in July 2023, the Group is aiming to deliver positive underlying cash flow for FY24.

1. Our ability to achieve this aim is highly dependent on consumer demand, foreign exchange rates, geographic and product mix.



**Astronaut Riding Unicorn**  
Designed and sold by **art-master1**.

Apron

Redbubble, 2023



# Supplementary information



**Taco Journey**  
Designed and sold by: [Kg07\\_shirts](#)

Classic tee

*Teepublic, 2023*



# Constant currency change

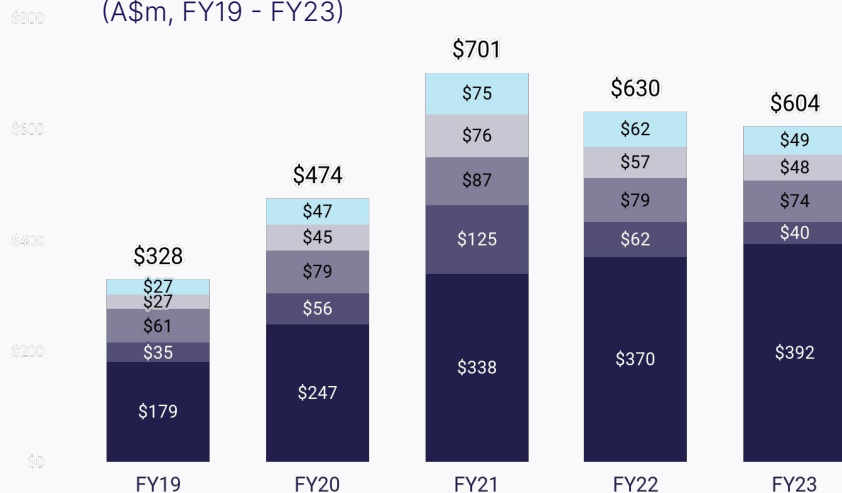
P&L (A\$M)	4Q FY22	4Q FY23	% change	% cc change	FY22	FY23	% change	% cc change
Total Revenue	116.9	106.0	(9%)	(15%)	573.4	555.1	(3%)	(8%)
Less: Artist Revenue	(18.8)	(16.2)	(14%)	(19%)	(90.8)	(87.6)	(4%)	(8%)
<b>MPR</b>	<b>98.2</b>	<b>89.9</b>	<b>(8%)</b>	<b>(14%)</b>	<b>482.6</b>	<b>467.5</b>	<b>(3%)</b>	<b>(8%)</b>
<b>Gross Profit</b>	<b>39.0</b>	<b>39.2</b>	<b>1%</b>	<b>(6%)</b>	<b>183.1</b>	<b>174.2</b>	<b>(5%)</b>	<b>(10%)</b>
Gross Profit Margin	39.7%	43.7%	4.0pp	4.0pp	37.9%	37.3%	(0.7)pp	(0.7)pp
Paid Acquisition	(16.3)	(13.6)	(17%)	(22%)	(76.4)	(76.6)	0%	(7%)
<b>GPAPA</b>	<b>22.6</b>	<b>25.6</b>	<b>13%</b>	<b>6%</b>	<b>106.7</b>	<b>97.6</b>	<b>(9%)</b>	<b>(12%)</b>
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Operating EBITDA	(8.1)	(2.7)	66%	64%	(3.6)	(31.8)	(773%)	(699%)
Other Income/Expenses	(0.8)	(2.2)	189%	(8%)	(7.6)	(8.9)	17%	22%
<b>EBITDA</b>	<b>(8.9)</b>	<b>(4.9)</b>	<b>45%</b>	<b>53%</b>	<b>(11.2)</b>	<b>(40.7)</b>	<b>(263%)</b>	<b>(253%)</b>
Depreciation & Amortisation	(2.5)	(3.1)	27%	25%	(10.7)	(10.7)	1%	(1%)
<b>EBIT</b>	<b>(11.4)</b>	<b>(8.0)</b>	<b>29%</b>	<b>38%</b>	<b>(21.9)</b>	<b>(51.4)</b>	<b>(135%)</b>	<b>(126%)</b>

Gross Profit, Gross Profit Margin, GPAPA, GPAPA Margin, Operating EBITDA, EBITDA and EBIT are non-IFRS measures. Non-IFRS measures are unaudited.

# Product category

## Gross transaction value by product category

(A\$m, FY19 - FY23)

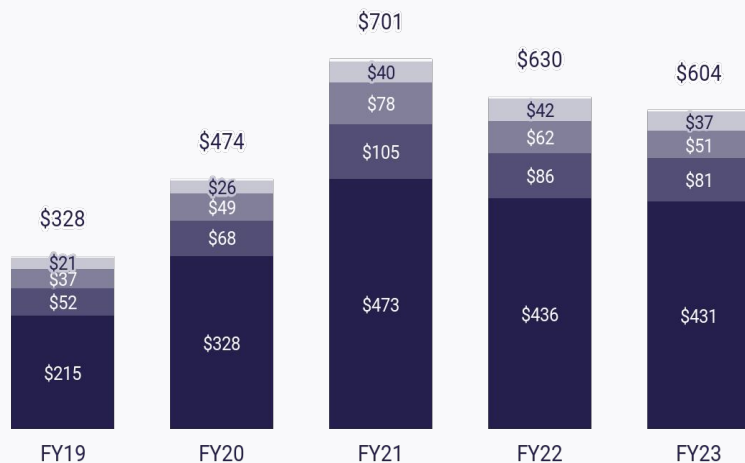


Category	Total business	FY22-FY23 change
Artwork	8%	(20%)
Homewares	8%	(15%)
Stationery and Stickers	12%	(6%)
Accessories	7%	(35%)
<b>Total Apparel</b>	<b>65%</b>	<b>6%</b>

# Geographical diversity

## Gross transaction value by region

(A\$m, FY19 - FY23)



Region	Total business	FY23- FY22 change
ROW	1%	(20%)
AU/NZ	6%	(11%)
UK	9%	(16%)
EU	13%	(6%)
North America	71%	(1%)



# Glossary

<b>Term</b>	<b>Definition</b>
\$	All references to dollar amounts or figures are in AUD unless stated otherwise.
1H/2H	First or second half of the financial year
1Q/2Q/3Q/4Q	First, second, third or fourth quarter of the financial year
AGM	Annual General Meeting
AI	Artificial intelligence
AOV	Average order value
b	Billion
bps	Basis points
CAGR	Compound annual growth rate
COGS	Cost of goods sold
Constant currency (cc)	Reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 91% of its Marketplace Revenue in currencies other than Australian dollars. TeePublic sources about 91% of its Marketplace Revenue in US dollars
DORS	Dynamic order routing system
EBITDA	Earnings before interest, tax, depreciation and amortisation. This is a non-IFRS measure and is unaudited
Floating	Reflects the underlying growth after translation to Australian dollars for reporting purposes
FY	Financial year
GP	Gross profit. This is non-IFRS measure and is unaudited
GPAPA	Gross profit after paid acquisition. This is a non-IFRS measure and is unaudited
GTV	Gross Transaction Value less Taxes and Artist Revenue is equal to Marketplace Revenue. This is a non-IFRS measure and is unaudited
MPR	Marketplace revenue. Total Revenue less Artist Revenue
m	Million
Underlying cash flow	Operating EBITDA less payments for capitalised development costs, leases and property, plant and equipment (PPE).
US	United States of America
WEPs	Women's Empowerment Principles
YoY	Year on year

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**Rainbow Cats**  
PlanetCatArt

Baseball Cap

Redbubble, 2023

