

21 August 2024

## Articore achieves significant turnaround in FY24

Articore Group Limited (Articore or the Group) today releases its financial results for the year ended 30 June 2024 (FY24) and provides FY25 guidance.<sup>1</sup>

### Articore FY24 highlights

- Positive underlying cash flow<sup>2</sup> of \$0.9 million, a \$47.8m turnaround on FY23 and in line with FY24 guidance
- Cash balance of \$36.9m at 30 June 2024 (30 June 2023: \$35.7m)
- Gross profit of \$181.7m, up 4% on the prior corresponding period (pcp) and gross profit margin of 42.9%, 570 basis points higher than pcp which was driven by the continued focus by each marketplace on maximising their unit economics
- Gross profit after paid acquisition (GPAPA) of \$108.3m, up 11% on pcp, and GPAPA margin of 25.6%, 470 basis points higher than pcp and at the higher end of guidance (24-26%) due to the improvement in gross profit and reduction in paid marketing spend
- Marketplace revenue (MPR)<sup>3</sup> of \$423.1m, down 9.5% on pcp, reflecting the Group's focus on profitable revenue over volume, with the rate of decline moderating in the 2HFY24 in line with guidance
- Operating expenditure of \$98.3m, down 24% on pcp due to benefits from the FY23 cost reduction program and ongoing cost discipline (FY23: \$129.4m). This result was in line with FY24 guidance for opex of \$97m-100m.
- Operating EBITDA of \$10.0m, a turnaround of \$41.8m on pcp
- Statutory Net Loss after tax of \$8.8m, a \$45.3m improvement on pcp (FY23: Net Loss after tax of \$54.2m)
- In FY25, Articore expects to deliver GPAPA margin of 24-26%, operating expenditure of \$96m-100m and positive underlying cash flow

Martin Hosking, Group CEO and Managing Director of Articore, said, "In FY24, Articore has delivered a significant improvement in the business, achieving the important first step of returning the Group to positive underlying cash flow. This was done by focusing on fundamentals, ensuring that customers are acquired in an economically viable manner, margins are strong and operating costs contained. At the same time, the Group has been careful to maintain adequate resources to allow for continued investment in areas that are expected to drive growth moving forward.

"During FY24, both marketplaces delivered GPAPA growth, substantial margin expansion and positive underlying cash flow. This was due to our focus on a clear set of initiatives to drive better unit economics and ensuring that our marketing

<sup>1</sup> All references to dollar amounts or figures are in AUD unless stated otherwise. The numbers shown in this announcement are underlying numbers and may differ from those reported in the statutory financial statements. The FY24 statutory results include a one-off release of an accrual that has been excluded in this announcement for the purpose of assessing the Group's FY24 performance on a like-for-like basis. Gross profit, GPAPA, EBITDA, operating EBITDA, and EBIT are \$2.7m lower in this announcement than is shown in the statutory financial statements.

<sup>2</sup> Underlying cash flow defined as operating EBITDA plus net interest earned, less lease related expenses, payments for capitalised development costs and property, plant and equipment (PPE).

<sup>3</sup> Marketplace revenue is total revenue less artist revenue.

spend was profitable on first order. The improvement in FY24 also reflects the strengths of our new organisational structure which has provided greater insights into the performance of each marketplace and significant leadership renewal across the Group which has brought new capabilities and experience.”

## Redbubble

### FY24 Redbubble financial performance

	FY23	FY24	% change	%cc change
MPR	\$290.7m	\$241.3m	(17%)	(20%)
Gross profit	\$104.9m	\$103.3m	(2%)	(5%)
Gross profit margin	36.1%	42.8%	6.7pp	6.7pp
GPAPA	\$65.9m	\$69.0m	5%	1%
GPAPA margin	22.7%	28.6%	5.9pp	5.7pp
Operating EBITDA	(\$17.6m)	\$14.8m	+\$32.4m	n/a

In FY24, the Redbubble marketplace reported \$14.8m in operating EBITDA, a \$32.4m turnaround on the prior year and delivered positive underlying cash flow. This was achieved by focusing on growth in absolute GPAPA which was up 5% on FY23 to \$69.0m and a \$29.3m (35%) reduction in operating expenses.

Redbubble’s FY24 GPAPA margin increased by 590 basis points to 28.6% driven primarily by the introduction of artist account categories and associated fees for some accounts, ongoing benefits from the implementation of a dynamic order routing system (DORS) in 2HFY23 and adjustments to base prices. It also reflected a reduction in paid marketing spend as the marketplace adopted a more disciplined approach of being profitable on first order.

In the third quarter of FY24, the Redbubble marketplace made significant changes to its paid marketing strategy to enable it to scale its paid marketing spend, which contributed to MPR decreasing by 17% on pcp in FY24. While the implementation of this strategy was initially disruptive, the intended benefits of these changes have started to take effect with the rate of decline in MPR moderating to 14% in the fourth quarter of FY24.

The Redbubble marketplace delivered positive underlying cash flow in FY24.

## TeePublic

### FY24 TeePublic financial performance

	FY23	FY24	% change	%cc change
MPR	\$176.8m	\$181.8m	3%	1%
Gross profit	\$69.2m	\$78.4m	13%	11%
Gross profit margin	39.1%	43.1%	4.0pp	4.0pp
GPAPA	\$31.7m	\$39.3m	24%	21%
GPAPA margin	18.0%	21.6%	3.7pp	3.7pp
Operating EBITDA	(\$3.1m)	\$5.6m	+8.7m	n/a

In FY24, TeePublic drove margin expansion while also delivering marketplace revenue growth. TeePublic's MPR increased by 3% to \$181.8m, representing 43% of Group MPR compared to 38% in the prior year. Gross profit increased by 13% to \$78.4m and its gross profit margin was 400 basis points higher at 43.1%. This improvement was driven by the optimisation of its service fees, the introduction of artist fees for apprentice accounts and increased allocation of volume to more cost-effective third party fulfillers.

TeePublic's GPAPA was \$39.3m in FY24, up 24% on FY23 and its GPAPA margin of 21.6% was up 370 basis points. The TeePublic marketplace delivered operating EBITDA of \$5.6m, an \$8.7m turnaround on pcp and was underlying cash flow positive in FY24.

TeePublic also rolled out a number of initiatives during the year to improve customer experience including adding content categories to assist customers initiate and narrow search results, launching a gifting model and expanding its product range.

## **FY25 guidance and outlook**

In FY25, Articore will build on the solid foundations established in FY24 to deliver the next phase of growth. The Group expects trading conditions to remain mixed in our key markets, especially in the US. In this environment, we will remain focused on optimising COGS and paid marketing activities to extract maximum value from both marketplaces.

At the same time, we will maintain cost discipline and maximise synergies across the Group.

We will also invest in organic opportunities serving new and existing creators beyond our current marketplaces while remaining underlying cash flow positive.

In FY25, we expect to deliver a GPAPA margin of 24-26%, operating expenditure of \$96m-\$100m and positive underlying cash flow.

Martin Hosking said, "Articore exited FY24 in a strong financial position and our immediate priority is to leverage the Group's assets to drive sustainable and profitable revenue growth. In FY25, we will remain cash flow positive while extracting maximum value from both marketplaces, maintaining cost discipline and maximising synergies across the Group. This will enable us to invest in organic opportunities that leverage our distinctive assets including our well established and growing base of global creators and their content, growing fulfillment network and superior unit economics. By the end of FY25, we aim to have gone beyond the existing marketplaces in pursuit of our vision of being the global leader for connecting digital creators with their customers."

## **Market briefing**

Martin Hosking (Group CEO and Managing Director) and Rob Doyle (Group CFO) will host a market briefing at 9.30am (AEST) Wednesday, 21 August 2024 | 4.30pm (PDT) and 7.30pm (EDT) on Tuesday, 20 August 2024.

Please register for the webcast via the following link: <https://webcast.openbriefing.com/atg-fyr-2024/>

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

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## About Articore Group

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

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

### Forward-looking statements

This announcement contains forward-looking statements in relation to the Articore 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 announcement. The Group 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 announcement have not been audited, examined, or otherwise reviewed by the independent auditors of the Group.

This announcement was authorised for release by the Articore Group Limited Disclosure Committee.