



20 April 2023

Trading Update

Redbubble Limited (ASX:RBL) and its subsidiaries (the Group) today releases its third quarter of FY23 (3QFY23) and nine months to 31 March 2023 (YTD) trading update.¹

Overview

- 3QFY23 Gross Profit After Paid Acquisition (GPAPA) margin of 22.9%, 770 basis points higher than 2QFY23 and 140 basis points higher than the prior corresponding period (pcp)² as the Group successfully adjusted its price, promotional and paid marketing activities
- 3QFY23 Marketplace Revenue (MPR) 8% lower than the pcp, reflecting the Group's focus on maximizing GPAPA and softer trading conditions in the US. YTD MPR down 2% compared to the same period in FY22
- Announced the introduction of account tiers on the Redbubble marketplace, and an associated fee for some accounts, which is expected to be rolled out from 1 May 2023
- FY23 MPR guidance reaffirmed for MPR to be slightly below FY22 MPR. FY23 GPAPA margin guidance narrowed to be between 18% and 20%³
- FY23 operating expenditure guidance narrowed to \$128 million to \$133 million⁴, as cost-reduction measures announced in January 2023 are now implemented and ongoing focus on returning to profitability

Martin Hosking, CEO and Managing Director of the Redbubble Group said, "The Group drove significant GPAPA margin improvement this quarter as a result of optimizing its price, promotional and paid marketing activities across both the Redbubble and TeePublic marketplaces. The 3QFY23 GPAPA margin is 140 basis points above the Group's 3QFY22 GPAPA margin and highlights that the Group's unit economics remain compelling.

"Today, we announce a significant change to the Redbubble marketplace, the introduction of artists tiers and associated fees for some artists' accounts. We believe the Redbubble marketplace is now at a scale where it makes sense to take this step, which is designed to encourage the uploading of additive content to the marketplace and recognize and reward artists who invest time creating unique products that their customers love. We are confident that this initiative, combined with the improvements we are making to search and discovery, will greatly enhance customers' experience.

¹ 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.

² The prior corresponding period is third quarter of FY22 (3QFY22)

³ The guidance assumes that there is not a significant change to current levels of consumer demand, foreign exchange rates or geographic and product mix.

⁴ This does not include one-off restructure costs of approximately \$2.1 million in 3QFY23.

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“Consumer demand has weakened since the beginning of the year and we expect market conditions to remain challenging in the short term. As a result, and to achieve our aim of returning to cash-flow positive by the end of the calendar year, we are looking for further opportunities for cost savings, while making targeted investments in initiatives, which have or will deliver a financial benefit in the near term.”

Financial performance

The following table details the Group’s 3QFY23 and YTD unaudited preliminary financial metrics.

	3Q (\$m)		%	% CC ⁵	YTD (\$m)		%	% CC ⁵
	FY22	FY23	Change	Change	FY22	FY23	Change	Change
MPR	96.3	88.4	(8%)	(12%)	384.4	377.6	(2%)	(7%)
GPAPA	20.6	20.2	(2%)	(6%)	84.1	72.0	(14%)	(17%)
GPAPA margin	21.4%	22.9%	1.4pp	1.5pp	21.9%	19.1%	(2.8)pp	(2.4)pp
Operating EBITDA ⁶	(6.1)	(11.1)	nm	nm	4.5	(29.1)	nm	nm
Cash (at 31st March)					93.6	40.7	(57%)	NA

Trading conditions remained challenging during the quarter, particularly in our largest market, the US. In this environment, we remained focused on maximizing GPAPA. Our increased visibility on individual product unit economics enabled us to effectively adjust our base price, promotional and paid marketing activities. For example, our paid marketing expense decreased by 13% in 3QFY23, compared to the pcp, as we focused on the promotion of more profitable products.

As a result, the Group’s 3QFY23 GPAPA was broadly in line with the pcp, despite MPR decreasing by 8%. The Group’s 3QFY23 GPAPA margin increased to 22.9%, 140 basis points higher than the pcp.

The Group announced on 18 January 2023 a number of cost-reduction measures, expected to reduce the Group’s cost base by approximately \$20 million to \$25 million on an annualized basis. These initiatives have now been implemented and the Group will begin to see the benefit from 4QFY23.

Consistent with seasonal payments to marketplace participants, the Group’s cash declined to \$44 million at 31 January 2023. As at 31 March 2023, it was \$41 million.

Introduction of account tiers on the Redbubble marketplace

The Group will be introducing new account tiers to the Redbubble marketplace, expected from 1 May 2023. Each artist account will be classified as either Redbubble Standard, Redbubble Premium, or

⁵ Reflects the growth before translation to Australian dollars for reporting purposes. Redbubble sources approximately 91% of its Marketplace Revenue in currencies other than Australian dollars. TeePublic sources approximately 92% of its Marketplace Revenue in US dollars.

⁶ Operating EBITDA is calculated as EBITDA excluding share based payment expenses and foreign exchange gains and losses.

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Redbubble Pro, based on various criteria, including account activity, success as a seller, and whether an artist follows the community and content guidelines. Redbubble Standard accounts will be subject to a flat fee based on monthly earnings.

The Group does not expect this initiative to have a material impact on its FY23 financial results.

Outlook

The Group expects market conditions to remain challenging in the near term. Accordingly, the Group continues to focus on a narrow set of priorities to drive GPAPA margin improvement to achieve its aim of being cash-flow positive by the end of the calendar year.

This approach has seen the Group's GPAPA margin significantly increase this quarter. The Group has narrowed its FY23 GPAPA margin guidance range to be between 18% and 20%.⁷

The Group continues to expect FY23 MPR to be slightly below FY22 MPR.⁷

The Group has implemented the cost-reduction measures announced in January 2023 and is continuing to focus on aligning its cost base with revenue. It has narrowed its FY23 operating expenditure to be between \$128 million and \$133 million. This does not include one-off restructure costs of approximately \$2.1 million in 3QFY23.

This announcement was authorized for lodgment by the Redbubble Limited Board Chair.

For further information, please contact:

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⁷ The guidance assumes that there is not a significant change to current levels of consumer demand, foreign exchange rates or geographic and product mix.

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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

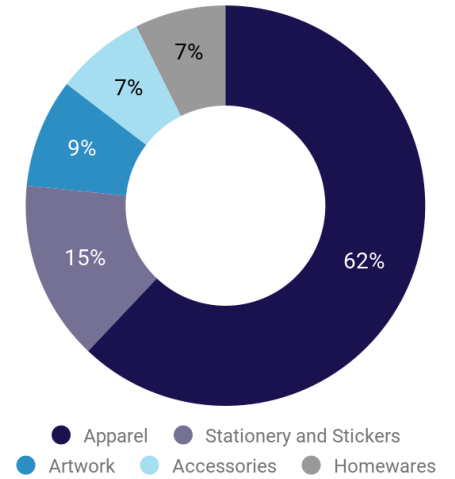
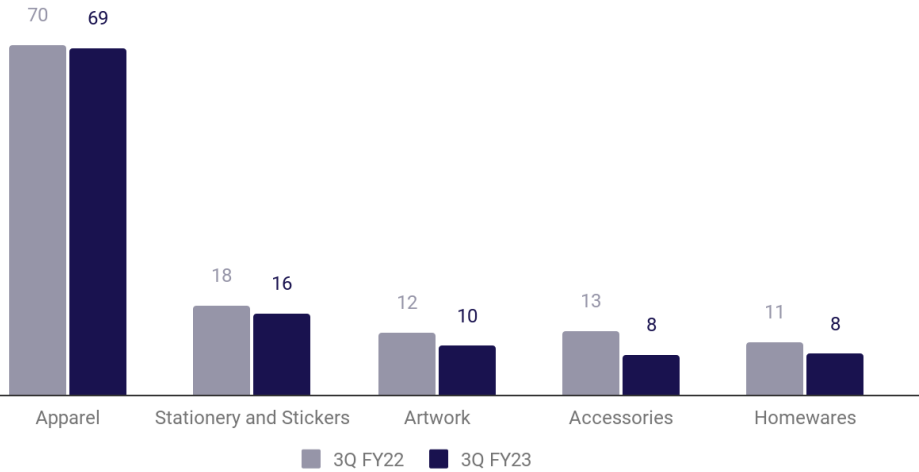
This announcement includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Redbubble Group. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement. Redbubble Group disclaims any responsibility for the accuracy or completeness of any forward-looking statement. Redbubble Group disclaims any responsibility to update or revise any forward-looking statements to reflect any change in Redbubble Group's financial condition, status or affairs or any change in the events, conditions, or circumstances on which a statement is based, except as required by law. The projections or forecasts included in this announcement have not been audited, examined, or otherwise reviewed by the independent auditors of Redbubble Group. You must not place undue reliance on these forward-looking statements.

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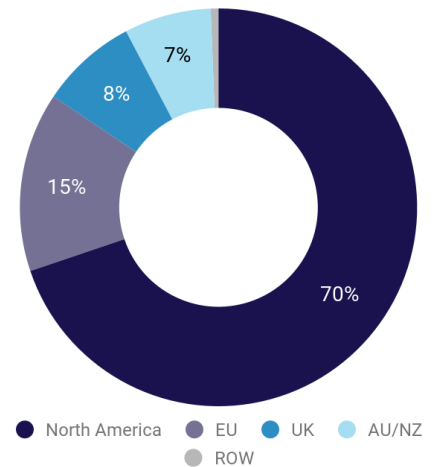
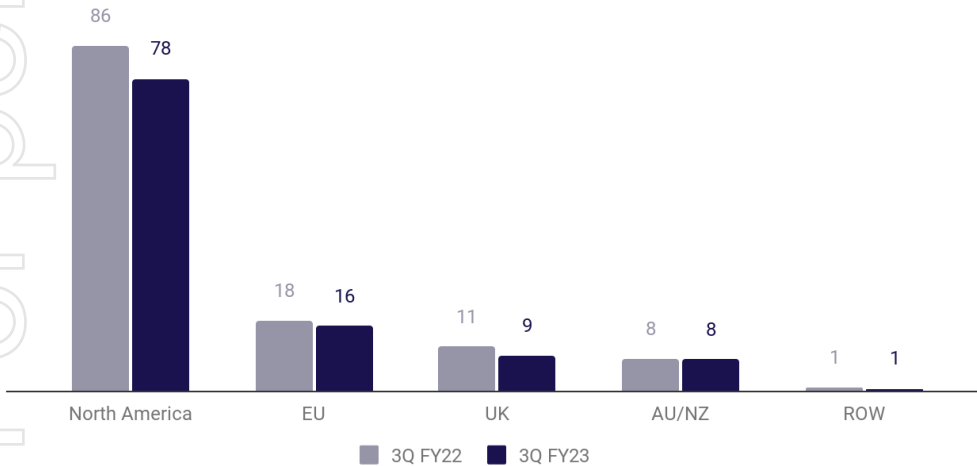


Appendix A - Product Categories and Geographic Mix

Gross Transaction Value by Product Categories 3QFY23 vs 3QFY22 (\$ millions)



Gross Transaction Value by Geography 3QFY23 vs 3QFY22 (\$ million)



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