

27 February 2024

## Articore delivers significant profit turnaround in 1HFY24

Articore Group Limited (Articore or the Group) today releases its financial results for the half year ended 31 December 2023 (1HFY24) and updates its FY24 guidance.<sup>1</sup>

### Articore 1HFY24 highlights

- Positive underlying cash flow<sup>2</sup> of \$8.8 million, up \$36.4 million on the prior corresponding period (pcp)
- Cash balance of \$87.1 million at 31 December 2023
- Gross profit of \$108.4 million, up 7% on the pcp, and gross profit margin of 41.6%, 660 basis points higher than the pcp. This result was driven by each marketplace's continued focus on maximising their unit economics through the adjustment of base prices, introduction of artist account tiers and optimisation of their supply chains
- Gross profit after paid acquisition (GPAPA) of \$64.1 million, up 24% on the pcp, and GPAPA margin of 24.6%, 670 basis points higher than the pcp, reflecting the improvement in gross profit and more efficient paid marketing spend
- Marketplace revenue (MPR)<sup>3</sup> of \$260.4 million, down 10% on the pcp, reflecting the Group's focus on profitability, rather than volume, and softer trading conditions
- Operating expenditure of \$50.6 million, down 27% on the pcp as the Group realised the full benefit of cost-reduction initiatives implemented in FY23 and maintained strong cost discipline
- Operating EBITDA of \$13.5 million, up \$31.5 million on pcp
- Net profit after tax (NPAT) of \$2.2 million, up \$32.1 million on pcp
- The Group narrows its FY24 guidance range for FY24 GPAPA margin to between 24% and 26%<sup>4</sup> and FY24 operating expenditure to be between \$97 million and \$100 million. The Group remains focused on its aim to deliver positive underlying cash flow for FY24<sup>4</sup>

Martin Hosking, Group CEO and Managing Director of Articore, said, "The Group has delivered a marked turnaround this half. Gross profit, GPAPA and operating EBITDA were all significantly above pre-COVID results and underlying cash flow was \$8.8 million, \$36.4 million higher than the pcp. This result was achieved by our continued commitment to improve unit economics, combined with ongoing cost discipline.

<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 1HFY24 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 1HFY24 performance on a like-for-like basis. Gross profit, GPAPA, EBITDA, Operating EBITDA, EBIT and NPAT are \$2.7 million lower in this announcement than is shown in the statutory financial statements.

<sup>2</sup> Underlying cash flow defined as operating EBITDA less payments for capitalised development costs, leases and property, plant and equipment (PPE).

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

<sup>4</sup> Our ability to achieve this aim is highly dependent on consumer demand, foreign exchange rates, geographic and product mix.

“Both marketplaces delivered GPAPA growth during the half and positive underlying cash flow. Our new Group structure is providing greater transparency into the relative performance of our marketplaces and as a result, facilitating increased sharing of learnings across the two. Driving profitable revenue growth for each marketplace, utilising our existing resources, remains our primary objective going forward.”

## Redbubble

### 1HFY24 Redbubble financial performance

	1HFY23	1HFY24	% change	%cc change
MPR	\$181.1m	\$149.3m	(18%)	(21%)
Gross profit	\$60.4m	\$61.2m	1%	(3%)
Gross profit margin	33.3%	41.0%	7.6pp	7.6pp
GPAPA	\$33.8m	\$40.5m	20%	14%
GPAPA margin	18.7%	27.1%	8.4pp	8.1pp
Operating EBITDA	(\$13.2m)	\$11.8m	190%	n/a

In 1HFY24, Redbubble focused on increasing absolute GPAPA, rather than driving MPR growth, a notable shift in strategy from 1HFY23. This change contributed to MPR decreasing by 18% in 1HFY24 compared to the pcp.

Redbubble delivered gross profit of \$61.2 million in 1HFY24, up 1% on the pcp, despite the MPR decline. This uplift was driven primarily by the introduction of artist account categories, and associated fees for some accounts, ongoing benefits of the recently-implemented dynamic order routing system (DORS) and adjustment to base prices.

Redbubble’s GPAPA increased 20% in 1HFY24, compared to the pcp, and its GPAPA margin increased 840 basis points to 27.1%. This improvement was driven by the uplift in gross profit, as well as a reduction in paid marketing spend, as the marketplace adopted a more disciplined approach to paid marketing. While this approach drove margin expansion, it also contributed to the reduction in MPR.

Redbubble’s operating expenses decreased 39% during 1HFY24, compared to the pcp. Combined with the improvement to GPAPA, this led to its operating EBITDA increasing by \$24.9 million to \$11.8 million or 190%.

The Redbubble marketplace delivered positive underlying cash flow in 1HFY24.

## 1HFY24 TeePublic financial performance

	1HFY23	1HFY24	% change	%cc change
MPR	\$108.2m	\$111.1m	3%	1%
Gross profit	\$40.9m	\$47.2m	15%	13%
Gross profit margin	37.8%	42.5%	4.6pp	4.6pp
GPAPA	\$18.0m	\$23.7m	32%	29%
GPAPA margin	16.6%	21.3%	4.7pp	4.7pp
Operating EBITDA	\$1.0m	\$7.0m	630%	n/a

TeePublic also focused on driving absolute GPAPA during 1HFY24. It achieved this, while also delivering a 3% uplift to MPR (1% on a constant currency basis), compared to the pcp. TeePublic rolled out a number of initiatives during the half to improve the artists' customer experience. This included adding content categories to assist customers initiate and narrow search results, launching a gifting model and expanding its product range.

TeePublic's gross profit increased 15% in 1HFY24 to \$47.2 million and its gross profit margin increased 460 basis points to 42.5%. This improvement was driven by optimising its service fees, a reduction in the artist earnings for apprentice accounts and increased allocation of volume to more cost-effective third-party fulfilers.

TeePublic's GPAPA was \$23.7 million in 1HFY24, up 32% on the pcp and its GPAPA margin was 21.3%, up 470 basis points. This increase was driven by the uplift in gross profit, as TeePublic's paid marketing spend as a proportion of MPR was broadly inline.

The TeePublic marketplace delivered operating EBITDA of \$7.0 million and positive underlying cash flow in 1HFY24.

## FY24 guidance and outlook

In 1HFY24, the Group demonstrated its ability to drive absolute GPAPA growth by focusing on unit economics and optimising its paid marketing activities. While the Group expects trading conditions to remain soft in the near term, it is confident in the execution of its strategy and as a result, it has narrowed its FY24 GPAPA margin range to between 24% and 26%, the higher end of its previously given guidance, 23% to 26%.<sup>5</sup>

The Group expects the decline in Group MPR to be more moderate in the second half of the financial year, as the Group revised its strategy to focus on profitability in the comparable period in FY23.

The Group realised the full benefit of cost-saving measures implemented in FY23 in 1HFY24. It will continue to focus on strong cost discipline in the second half of the financial year. Largely due to foreign exchange rate movements and a decision to change the executive team's short-term incentive to an at-risk cash award, the Group now expects its FY24 operating expenditure to be between \$97 million and \$100 million, previously \$92 to \$100 million.

After delivering positive underlying cash flow for the Group and both marketplaces in 1HFY24, the Group is continuing to focus on its aim to deliver positive underlying cash flow for FY24.

Martin Hosking said, "We expect the consumer landscape to remain challenging in the second half of FY24. In this environment, we will continue to focus on maximising GPAPA, maintaining our cost discipline and ultimately, delivering

<sup>5</sup> Our ability to achieve this aim is highly dependent on consumer demand, foreign exchange rates, geographic and product mix.

positive underlying cash flow for FY24. This is the necessary first step as we work towards a return to profitable revenue growth.”

## Market briefing

Martin Hosking (Group CEO and Managing Director) and Rob Doyle (Group CFO) will host a market briefing at 9.30am (AEDT) Tuesday, 27 February 2024 | 2.30pm (PST) and 5.30pm (EST) on Monday, 26 February 2024. Please register for the webcast via the following link: <https://webcast.openbriefing.com/atg-hyr-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 Board.

## Appendix 1: 2QFY24 and 1HFY24 Articore profit and loss statement

This table should be read in conjunction with the Group's financial statements for the six months ending 31 December 2023.<sup>6</sup>

	2QFY23	2QFY24	%change	%cc change <sup>7</sup>	1HFY23	1HFY24	%change	%cc change
Total revenue	222.6	191.3	(14%)	(16%)	343.8	302.7	(12%)	(15%)
Less: artist revenue	(34.2)	(25.6)	(25%)	(27%)	(54.5)	(42.4)	(22%)	(25%)
<b>MPR</b>	188.5	165.8	(12%)	(14%)	289.3	260.4	(10%)	(13%)
<b>Gross profit</b>	61.9	66.2	7%	5%	101.3	108.4	7%	4%
Gross profit margin	32.9%	39.9%	7.1pp	7.1pp	35.0%	41.6%	6.6pp	6.6pp
Paid acquisition	(33.4)	(28.5)	(15%)	(15%)	(49.5)	(44.2)	(11%)	(13%)
<b>GPAPA</b>	28.6	37.7	32%	29%	51.8	64.1	24%	19%
GPAPA margin	15.2%	22.7%	7.6pp	7.4pp	17.9%	24.6%	6.7pp	6.5pp
Operating expenses	(35.8)	(27.4)	(23%)	(24%)	(69.7)	(50.6)	(27%)	(29%)
Operating EBITDA	(7.2)	10.3	243%	236%	(18.0)	13.5	175%	168%
Other income/expenses	(1.4)	(1.2)	(13%)	(27%)	(5.2)	(3.5)	(34%)	(24%)
<b>EBITDA</b>	(8.6)	9.1	206%	178%	(23.2)	10.0	143%	137%
Depreciation and amortisation	(2.5)	(3.5)	39%	38%	(4.9)	(6.8)	37%	36%
<b>EBIT</b>	(11.1)	5.6	150%	134%	(28.2)	3.3	112%	106%
Interest expense	(0.0)	0.0	(162%)	(153%)	(0.1)	(0.0)	(97%)	(95%)
Tax expense	(1.5)	(1.0)	(32%)	(32%)	(1.5)	(1.0)	(32%)	(32%)
<b>Net profit/loss</b>	(12.7)	4.6	137%	123%	(29.8)	2.2	107%	103%

<sup>6</sup> The numbers shown in this announcement are underlying numbers and may differ from those reported in the statutory financial statements. The 1HFY24 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 1HFY24 performance on a like-for-like basis. Gross profit, GPAPA, EBITDA, operating EBITDA, EBIT and NPAT are \$2.7 million lower in this announcement than is shown in the statutory financial statements.

<sup>7</sup> Constant currency. Reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 88% of its marketplace revenue in currencies other than Australian dollars. TeePublic sources about 90% of its marketplace revenue in US dollars.