27 February 2025

Articore 1HFY25 results

Articore Group Limited (Articore or the Group) today releases its financial results for the six months ended 31 December 2024 (1HFY25).[1] This follows the release of unaudited preliminary financial metrics in the Trading Update on 30 January 2025, which have not changed. The Group's Profit and Loss statement is attached to this announcement.

Articore 1HFY25 overview

- Marketplace revenue (MPR)[2] of $230.4 million, down 12% on the prior corresponding period (pcp), due to a decline in Redbubble's MPR, which was partially offset by TeePublic's performance
- Gross profit of $100.9 million, down 7% on the pcp, due to the decline in MPR
- Gross profit margin of 43.8%, up 220 basis points on the pcp. Uplift primarily achieved by unlocking further synergies through combining the operations of the two marketplaces and a continual focus on driving sustainable improvements to unit economics
- Gross profit after paid acquisition (GPAPA) of $55.4 million, down 14% on the pcp, and GPAPA margin of 24.0%, 60 basis points lower than the pcp, as the Group focused on profitably scaling paid marketing
- Operating expenditure of $47.2 million, down 7% on the pcp, reflecting the Group's continued disciplined approach
- Operating EBITDA of $8.2 million, down $5.3 million on pcp
- Loss after tax of $1.9 million, down $4.1 million on pcp
- Positive underlying cash flow[3] of $3.0 million, down $6.2 million on the pcp
- Cash balance of $70.6 million at 31 December 2024 (31 December 2023: $87.1 million)

Looking forward

- Identified $12 million to $14 million of annualised opex savings, following the restructure of the Group. Benefit will be partially realised in 2HFY25, with full benefit expected to be realised in FY26
- Launched new product, Dashery, to enable creators to further monetise their work via their own store fronts with their own customised domains
- The Group continues to expect its FY25 GPAPA margin to be between 25% and 27%, its FY25 opex range to be between $89 million and $92 million and to deliver positive underlying cash flow in FY25, subject to any incremental investment in Dashery in the second half of FY25

Group CEO Martin Hosking said, "During the half, we undertook a major restructure, combining the operations of our two marketplaces to drive synergies and reduce cost. Vivek Kumar, a highly-experienced ecommerce executive, who was

[1] 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.

[2] Marketplace revenue is total revenue less artist revenue.

[3] 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).

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formerly the CEO of TeePublic, has been appointed CEO, Marketplaces. These changes have enabled the Group to deliver its highest first half gross profit margin to date.

"Despite a weak consumer environment, which impacted both marketplaces, TeePublic's MPR was inline with the prior year. Unfortunately, despite our efforts, Redbubble's MPR declined this half, primarily due to a deterioration in organic traffic. The varying performance between the two marketplaces provides reassurance that the issues at Redbubble are surmountable and further supports the rationale for the recent organisational restructure."

Redbubble

1HFY25 Redbubble financial performance

	1HFY24	1HFY25	% change	%cc change
MPR	$149.3m	$119.3m	-20%	-20%
Gross profit	$61.2m	$52.8m	-14%	-13%
Gross profit margin	41.0%	44.3%	3.3pp	3.4%pp
GPAPA	$40.5m	$32.0m	-21%	-21%
GPAPA margin	27.1%	26.8%	-0.3pp	-0.2pp
Operating EBITDA	$11.8m	$8.4m	-29%	-29%

Redbubble's MPR declined 20% during 1HFY25, due to a weak consumer environment, and a decline in the proportion of revenue from organic sources. To mitigate the impact of this, Redbubble has improved its approach to paid marketing by enhancing its data tracking and analytics to provide real time visibility at the unit level to enable it to spend more profitably. It also implemented a number of initiatives to enhance site experience, including introducing a new navigation bar, launching new cart and check out and optimising search and discovery.

Redbubble also focused on driving sustainable improvements to gross profit. As a result, the marketplace's gross profit margin for the half was 44.3%, the highest first half to date. This was primarily driven by optimising base pricing and promotions.

Redbubble's operating expenses decreased 18% during 1HFY25, compared to the pcp. This was largely achieved through merging the operations of the marketplaces.

Due to the decline in MPR, which was not fully offset by the improvement to the marketplace's gross profit margin and reduction in operating expenses, operating EBITDA was $3.4 million lower in 1HFY25 than in 1HFY24.

TeePublic

1HFY25 TeePublic financial performance

	1HFY24	1HFY25	% change	%cc change
MPR	$111.1m	$111.1m	-	-
Gross profit	$47.2m	$48.0m	2%	2%
Gross profit margin	42.5%	43.2%	0.8pp	0.8pp
GPAPA	$23.7m	$23.4m	-1%	-1%
GPAPA margin	21.3%	21.1%	-0.2pp	-0.2pp
Operating EBITDA	$7.0m	$5.6m[4]	-21%	-23%

TeePublic delivered a sound performance during 1HFY25, with MPR in line with the pcp, despite a weak consumer environment. To drive engagement, TeePublic improved the search and discovery algorithm for core search, 'people also search for' and similar design recommendations. It also released a new checkout with speed improvements and email capture for retargeting.

TeePublic drove a 2% increase in gross profit and a 80 basis point uplift to its gross profit margin during the half. This was primarily driven by securing more favourable pricing arrangements with third-party fulfillers and reducing shipping costs by increasing volumes directed to a lower-cost provider.

TeePublic's operating expenses were 7% higher than the pcp, which led to the 21% decline in operating EBITDA, compared to the pcp. The increase in operating expenses was primarily due to costs associated with the development of Dashery and a one-off sales tax adjustment. Excluding these two items, TeePublic's operating EBITDA was approximately 4% down on the pcp.

FY25 guidance and outlook

The Group expects its competitive environment to remain challenging. It will remain focused on optimising unit economics, maintaining cost discipline and maximising synergies across the Group.

The Group continues to expect its FY25 GPAPA margin to be between 25% and 27% (previously 24% and 26%), due to the improvement in its gross profit margin in the second quarter, and opex to be between $89 million and $92 million (previously $96 million and $100 million).

The Group continues to expect to deliver positive underlying cash flow in FY25, subject to any incremental investment in Dashery in the second half of FY25, which will be decided based on the performance of the initial launch. If approved, the Group expects to absorb the additional cost within its existing opex guidance range.

Mr Hosking said, "At the beginning of the second half, we identified a further $12 million to $14 million in annualised cost savings. We will realise a partial benefit in the remainder of this financial year, with the full benefit expected to be realised in FY26. The reduction in our cost base, alongside the sustainable improvement to gross profit, provides a foundation for us to increase profits, and returns to shareholders in FY26.

"We have maintained sufficient resources to continue to make investments in both marketplaces and new opportunities to drive revenue growth. We recently launched Dashery, a platform that enables creators to establish their own store fronts, with their own custom domain, which they can market to their fans. We are well placed to succeed in this space, as Dashery leverages our existing print on demand network, sales team and technology. We are pleased with the initial traction, with hundreds of creators already launching their own store fronts."

[4] TeePublic's operating expenditure includes $0.6 million of costs incurred in the creation of Dashery.

Market briefing
Martin Hosking (Group CEO),Rob Doyle (Group CFO) and Vivek Kumar (CEO, Marketplaces) will host a market briefing at 9.30am (AEDT) Thursday, 27 February 2025 | 2.30pm (PST) and 5.30pm (EST) on Wednesday, 26 February 2025.

Please register for the webcast via the following link: https://webcast.openbriefing.com/atg-hyr-2025/.

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 Disclosure Committee.

Appendix 1: 2QFY25 and 1HFY25 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 2024.[5]

	2QFY24	2QFY25	%change	%cc change[6]	1HFY24	1HFY25	%change	%cc change
Total revenue	191.3	163.9	(14%)	(15%)	302.7	266.6	(12%)	(12%)
Less: artist revenue	(25.6)	(21.1)	(17%)	(18%)	(42.4)	(36.2)	(15%)	(14%)
MPR	165.8	142.7	(14%)	(15%)	260.4	230.4	(12%)	(12%)
Gross profit	66.2	61.8	(7%)	(8%)	108.4	100.9	(7%)	(7%)
Gross profit margin	39.9%	43.3%	3.3pp	3.5pp	41.6%	43.8%	2.2pp	2.2pp
Paid acquisition	(28.5)	(28.4)	(0%)	(2%)	(44.2)	(45.5)	3%	3%
GPAPA	37.7	33.4	(11%)	(12%)	64.1	55.4	(14%)	(13%)
GPAPA margin	22.7%	23.4%	0.6pp	0.8pp	24.6%	24.0%	(0.6)pp	(0.5)pp
Operating expenses	(27.4)	(23.7)	(13%)	(14%)	(50.6)	(47.2)	(7%)	(6%)
Operating EBITDA	10.3	9.7	(6%)	(8%)	13.5	8.2	(39%)	(41%)
Other income/expenses	(1.2)	(3.3)	173%	(9%)	(3.5)	(4.5)	29%	(7%)
EBITDA	9.1	6.4	(30%)	(7%)	10.0	3.8	(62%)	(53%)
Depreciation and amortisation	(3.5)	(2.9)	(17%)	(17%)	(6.8)	(6.1)	(10%)	(10%)
EBIT	5.6	3.5	(38%)	0%	3.3	(2.3)	(171%)	(147%)
Interest income/ expense	0.0	(0.0)	(241%)	(244%)	(0.0)	0.0	292%	383%
Tax benefit/expense	(1.0)	0.4	142%	140%	(1.0)	0.4	142%	140%
Net profit/loss	4.6	3.9	(16%)	37%	2.2	(1.9)	(184%)	(150%)

[5] 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 and 1HFY25 performance on a like-for-like basis. 1HFY24 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.
[6] Constant currency. Reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 87% of its marketplace revenue in currencies other than Australian dollars. TeePublic sources about 90% of its marketplace revenue in US dollars.