



**Trading Update  
Conference Call Transcript**

**Melbourne, Australia; 22 April 2022:** Redbubble Limited (ASX: RBL)

The transcript of the Trading Update conference call on 21 April 2022 is attached.

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**This announcement was authorised for release to the ASX by the Redbubble Limited Board Chair.**

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**Redbubble Limited**

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Operator: Thank you for standing by, and welcome to the Redbubble Limited 3Q Trading Update. All participants are in a listen-only mode. There will be a presentation, followed by a question-and-answer session. If you wish to ask a question, you will need to press the star key, followed by the number one on your telephone keypad.

I would now like to hand the conference over to Ms Louise Lambeth, Head of Investor Relations. Please go ahead.

Louise Lambeth: Thank you, Operator.

Good morning, everyone here in Australia, and good afternoon, evening, to our European investors. This is Louise Lambeth, Head of Investor Relations for Redbubble Group. Welcome to this investor call following the release of our FY22 third quarter trading update provided earlier today.

With me on the line I have Redbubble CEO, Michael Ilczynski, and CFO, Emma Clark. The information for today's update is contained in the ASX announcement and the Company slides that were released to the market.

The financial and operational metrics are from internal management reports and have not been subject to audit. Michael and Emma will speak shortly, and we will then open up the lines for questions. This session is also being recorded.

Before we start, I would like to draw your attention to the Safe Harbour statement regarded forward-looking information in our ASX rules. That Safe Harbour statement also applies to this investor call.

I will now pass on to Mike.

Michael Ilczynski: Thank you, Louise. Hello, everyone. Thank you for joining us today. We will go through the Redbubble Group third quarter and year-to-date trading update. I will be speaking briefly, before passing to Emma to walk through the financials.

At a high level, the Redbubble Group delivered third quarter marketplace revenue of A\$96 million, which was largely in line with our expectations for the quarter. Gross margins for the quarter were consistent with year-to-date, at 37.5%, and we continue to see elevating customer acquisition costs impacting our GPAPA margin.

OpEx was slightly below budget, driven by slightly lower staffing expenses. These factors resulted in operating EBITDA loss for the quarter of A\$6 million.

Given the year-to-date results, we are reiterating our FY22 outlook statements provided in February. We have a significant cash balance on hand, having ended the quarter with a cash balance of A\$94 million, which continues to give us the ability and the confidence to invest for our future growth.

As I said at the start of the year, the team and I have our sights firmly focused on driving sustainable growth for the medium and long term. During the quarter, we continued with the investments we are making across the business to build our capabilities

and expand our capacities, which has included by hiring more than 100 new staff into the Redbubble business since July 2021. This has really boosted our capacity, particularly within the product and engineering teams in the Redbubble.com business.

As we have stated, these teams are focused on improving our technical foundations, but we are also starting to see staff improvements in the off site experience. To give you a few examples, we recently launched our first add to cart recommendations on the Redbubble site. So, when a customer adds a product to their cart, a carousel of recommendations, based on that product, now appears. We've added list functionality to both of our Redbubble mobile apps, so we see a lot of user behaviour, particularly amongst our target audience around creating and sharing lists of products and designs. Adding this feature to our apps has been our number one feature request, so it was great to have that added this quarter.

We've been experimenting in our search results to boost newly onboarded artists to improve their ability to get discovered, while not degrading overall conversion results. This experiment has shown good promise.

We also remain on track to launch our pets category in the Redbubble business later this year.

Additionally, we remain really focused on driving retention and repeat across both businesses. Through Q3, a record high 47% of our marketplace revenue for the Group is generated from repeat customers.

We also shared in this release some initial cohort data. This was looking at new customers, who first purchased on Redbubble in the second half of calendar year 2020, so this was the real COVID-impacted cohort. We compared that with new customers from the same time a year earlier, in 2019, pre-COVID.

What the analysis demonstrated was that the H2 2020 new customer cohort was some 64% larger than the 2019 cohort. Despite being so much larger, the 2020 cohort's 12-month repeat rate is very similar to the 2019's rate, 20.3% versus 21.7% over 12 months. This is really encouraging for us, as it demonstrated an ability to retain those COVID-impacted customers at virtually the same rate, even though the 2020 cohort had the reopening phase during 2021, in their following 12 months, in the US, in particular, which should have had a negative impact on repeat online behaviour, as offline stores reopened.

We also believe it demonstrates that the Redbubble value proposition does appeal to a broad mass consumer segment. That we can build loyalty at scale, and it's why our focus is equally on improving retention and building our brand, so that we can drive increasing numbers of new customers over time. As such, both businesses are continuing with a number of experiments this year to drive retention, and those experiments are across all aspects of the customer journey, from different marketing channels to shipping experiments to physical product experience changes, as well as looking at how we start to build our brand over the periods ahead.

We don't normally provide this level of operational detail in our quarterly trading updates; however, given the investments that are happening across the business, I thought it was important to take the opportunity to demonstrate some of the tangible examples of the work that we're able to undertake with additional talent and resourcing coming into the business.

We're also making progress with our platform work that we need to undertake in order to unlock future value. So, during the remainder of calendar year '22, we will continue to build up this foundational work required for the next phase, as well as working on some of these opportunities to deliver earnings growth in the shorter term.

We're all immensely excited about the incredible opportunity that lies ahead of us. Within the business, there are multiple, high-potential growth leaders that can enable us to achieve a meaningful step-up in scale. I remain highly confident that Redbubble, the Redbubble Group, is a compelling investment opportunity that can deliver long-term value to all stakeholders.

That being the case, we do not believe that our current share price reflects the fundamentals and prospects of Redbubble and our strategy. As such, the Board and management has and continue to actively investigate value-enhancing options on behalf of all stakeholders. These include organic and inorganic opportunities that could assist in the acceleration of shareholder value, as part of our usual considerations for the Board and the company

Before I wrap up, I want to spend a moment to discuss our Redbubble Group, as well as to support people of Ukraine. Over the past few weeks, our team has been coordinating to offer Redbubble support of humanitarian relief efforts for Ukraine. This is including looking at ways we can support the Redbubble Ukrainian art, and amplify the efforts of artists on Redbubble, from across the world, who have been moved to create artwork in support of the Ukrainian people.

Already, we have facilitated sales of several hundreds of thousands of dollars of art supplies, and we are donating - as we are donating our profits from these sales, this means the Redbubble Group will be donating over A\$70,000 to GlobalGiving and International Rescue Committee, two charitable organisations who are working to mobilise resources, to save lives in Ukraine and assist refugees. I'm very proud of the meaningful way that our team has worked together to show support with the people of Ukraine, and I'm truly grateful for the wonderful response that we have seen from both the artist and customer communities, to drive that caring initiative.

I'll now pass over to Emma.

Emma Clark: Thanks, Mike. I would like to echo your comments and thank all of our communities for their ongoing support of Ukraine.

Let's now turn to the year-to-date and third quarter financial performance, and our outlook. Please be aware that unless otherwise stated, the financial results discussed are on a delivered basis and have not been subject to audit.

On a year-to-date basis, marketplace revenue was A\$384 million, down 16% year-on-year on a floating basis, and down 17% on a constant currency basis. However this is up 56% on a two-year view. Of this, A\$96 million was delivered in the third quarter, down 7% on a floating basis and 12% of a constant currency basis. This is largely in line with our expectations.

On an underlying basis, for the year-to-date, which is effectively on a paid basis excluding masks, marketplace revenue was A\$376 million, down 4% year-on-year on a floating basis, and 5% on a constant currency basis.

Year-to-date, Redbubble has generated gross profit of A\$144 million, down 22% on both a floating basis and constant currency basis. Gross margins were 37.5% in the third quarter, once again in line with our expectations, noting that gross margins carry

small seasonal headwinds in the third quarter, as customer returns and refunds from the holiday season in the prior quarter are processed. On a year-to-date basis, gross margins were also 37.5%.

Gross profit after paid acquisitions for the year-to-date was A\$84.1 million, of which the third quarter contributed A\$20.6 million. Paid acquisition as a percentage of marketplace revenue was 15.6% for the year-to-date and 16.1% for the third quarter

As Mike shared earlier, repeat customer spend remains strong; however, new customer acquisition costs remained elevated in the quarter, due to a combination of high levels of competition in the digital channel, with what appears to be some general weakness in consumer demand.

Operating expenses during the third quarter were A\$26.7 million, which was down 10% on the second quarter's results of A\$29.6 million. As discussed in previous quarters, the second quarter expenses always contain seasonal uptick to support the peak sales period in November and December. Third quarter operating expenses, however, were up 27% on the prior year. Mike talked earlier about the investment in people capacity, with over a hundred new Bubblers joining the Group this financial year, and this is the main driver of the year-on-year increase in expenses. Even so, we are still running below our internal headcount expectations, and therefore this expense line was lower than we had anticipated, offsetting much of the paid acquisition cost increase.

The variance between operating EBITDA and EBITDA for the quarter was impacted by unrealised net foreign exchange losses, being a A\$2.7 million loss in the quarter, as the AUD strengthened from A\$0.70 to A\$0.75 during this period.

The other item in other expenses are share-based compensation payments.

The year-to-date EBITDA loss is A\$2.3 million. Redbubble's closing cash balance as at 31 March 2022 was A\$94 million. For those of you who are familiar with the business, you will remember that seasonality in the business always results in a net cash outflow in the third quarter, after payments for holiday sales are made to all our market-based participants. The business operates through a retail cycle, and therefore is seasonal in nature.

The first half of the financial year is always larger than the second half, and this is reflected all the way down the P&L, as well as through the cash flow and across the balance sheet. As such, our financial metrics should be viewed over a full financial year period.

At the half year results, Redbubble reiterated its outlook statement, and our year-to-date performance gives us confidence that these will be met. Redbubble still expects financial year 2022 marketplace revenue to be slightly below financial year 2021 underlying marketplace's revenue of A\$497 million.

We remain a much larger business than pre-COVID, and our cash balance will continue to allow us to invest to achieve our medium-term aspirations. We are confident and excited about making some longer-term opportunities to grow strongly and extend Redbubble's global market leadership. As such, we will be continuing to invest into the business and funding these investments out of our existing cash reserves.

Financial year 2022 EBITDA margin as a percentage of marketplace revenue is expected to be negative low single digits.

Thank you very much for listening in. I will now open up the line for questions.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you're on speakerphone, please pick up the handset to ask your question.

Your first question comes from Anna Guan from Goldman Sachs. Please go ahead.

Anna Guan: (Goldman Sachs, Analyst) Morning, team. Thanks for taking my questions. A couple of questions from me if I can. The first one is around guidance and the new information that came out of today. Emma, correct me if I'm wrong, if I'm understanding your comments earlier correctly, you guys are reiterating guidance, but obviously, OpEx was lower than expectation, but also, at the same time, paid acquisition costs were higher, as well, compared to your previous expectations. Would that be a fair read?

Emma Clark: Yes. As you know - thanks for the question, Anna - we have guidance out on both marketplace revenue and EBITDA, not every line in between in the P&L, so, yes, and we've disclosed today paid acquisition remains elevated through the quarter, and OpEx came in lower than our expectations. Obviously, our full-year guidance reflects swings and roundabouts within the lines in the P&L itself, and we do reiterate our guidance statements on both marketplace revenue and EBITDA.

Anna Guan: (Goldman Sachs, Analyst) Yes, understood. On that OpEx piece, to what degree is that related to the timing of hiring?

Emma Clark: It is largely related to exactly that, Anna. We're recruiting. Lots of people talk to us about the new roles on the Redbubble page and we continue to recruit, but obviously, it's just taking us a little bit longer to recruit people in than we had initially forecast in our internal models, and that's the gap. So, we're continuing to recruit those roles, and obviously, as they come on board, that gap closes.

Anna Guan: (Goldman Sachs, Analyst) Understood. My second question is around the top line performance in this quarter. Backing out the masks component, and also looking at what some of your competitors or comps are saying, out of the US, I thought, from my point of view, I thought the quarterly top line performance last year quite encouraging, just given the stimulus impact in the US in the PCP being very difficult to cycle over. Any colour you guys can give around the exit run rate towards the back end of the quarter would be helpful. Any colour there, by any chance?

Emma Clark: I'm going to put that in the nice throw bucket, Anna. We're not going to give live commentary on where we're at, at the moment. I will note that for the quarter, on an underlying basis, I'm quoting we were 2% down year-on-year, so, yes, we're quite close to neutral, in terms of top line. As we said earlier, our revenue was largely in line with our internal expectations.

Anna Guan: (Goldman Sachs, Analyst) Got you. Okay, that's helpful. Last question from me, on the comments around organic and inorganic opportunities, is there any colour you guys can give around any direction what you guys are looking at? How we should be thinking about it? That would be quite helpful.

Michael Ilczynski: Thanks, Anna. No, we think that - we just wanted to be clear that it's something that we've talked about, really for a year now, we wanted to reinforce that, yes, we have a very clear, organic plan that we believe that can take us through to our medium-term aspirations - to all aspects of our medium-term aspirations. At the same time, though, of course, part of my job, part of the Board's job, is to look for those other opportunities, so other inorganic opportunities, that might accelerate the time for those aspirations or accelerate our shareholder value, and that's what we continue to do.

Anna Guan: (Goldman Sachs, Analyst) Fabulous. Thanks, team.

Operator: Thank you. Your next question comes from Tim Piper, from UBS. Please go ahead.

Tim Piper: (UBS, Analyst) On the fulfiller network, particularly in the US. As cost inflation, obviously is a big topic, but has there been a significant increase in the available capacity across the fulfiller network in the US, after a lot of investors through COVID, and then demand's come off a bit more recently? Just thinking about in terms of absorption of cost inflation across that network.

Emma Clark: Thanks, Tim. That's a good question. In terms of inflation, we're continuing to see some small requests for cost increases come through in some of our fulfiller network, but nothing that's material and changes our traditional gross profit margin. We do continue, obviously, to manage tightly both our costing and pricing levers to make sure that that margin ends up where it needs to be.

In terms of capacity of the network, that is perfectly fine at the moment. As we've discussed in prior quarters, when we - with our network - being a seasonal business, as we are, the network naturally has capacity to flex, because it has to flex over holidays, anyway. So, obviously, we're running in a non-holiday period, so capacity, there's been no capacity concerns in our - in the network during the quarter.

Tim Piper: (UBS, Analyst) Got it. Secondly, that Etsy, I think it's a week ago or so, the sellers boycotting the platform. Did you see any change in the activity on Redbubble or TeePublic sites as that occurred, either positive or negative?

Michael Ilczynski: Tim, it's Michael here. I think two things, this one. We do operate a slightly different business model to Etsy, where the way that we set up our services that we offer our artists is a much more aligned model, where the artists set the price, the artist sets their margin. We charge - we, effectively, our network, our platform charges all artists the same fee, to help facilitate and then fulfil the transactions and fulfilling their price. So, we have a slightly different model that we believe is highly aligned to artists, and we don't - so you don't hear us talk about things like pay rates, because that's not how our model works.

In terms of seeing a change, we continue to see good new content and good new art acquisition. No real change, but those areas have been reasonably strong for us over the past 12 months, and we have a different - a somewhat different artist space,

relative to the broader Etsy base, which are much more makers than creators, whereas ours are more focused on digital design designs and digital artists.

Tim Piper: (UBS Analyst) Yes, sure. I just thought that with what was going on there, maybe the Redbubble platform would have seen maybe a bit of an uptick in either organic or paid traffic coming your way, as that occurred, but that's not the case?

Michael Ilczynski: As I said, the Etsy platform is quite a broader platform than us in terms of their product base and their artist base. All of our artists and our content metrics during the quarter remained where we'd expect, so, definitely pretty strong, all the way through the past 12 months.

Tim Piper: (UBS, Analyst) Got it. One last one, on the marketing side, and I take your point around increased competition in a more subdued demand environment. Everyone, we all focus on Google or what, maybe, can you just quickly talk to some of the emerging or newer social channels out there, and how you're approaching your marketing budget with respect to social?

Michael Ilczynski: Yes, thanks, Tim. We'll talk to it just at a high level. We've been pretty clear that there's a variety of channels that we use for acquisitions. Yes, the Google channels are important for us, but so too are a variety of other paid acquisition for a variety of our other marketing channels, and the team works really hard at constantly optimising across those channels.

We did talk about, in February, as a lot of platforms saw with the ATT changes, that attribution, particularly within those paid social channels, does - has become more challenging, in terms of the ability to look back and understand what is driving conversion. That just means that our team needs to work harder, in terms of understanding what is the future applicable to those channels, and make sure that we're still hitting all of our - what we refer to as our ROAS targets, our return on ad spend.

We still very much have our first transaction profitable goal that we have across all of our paid acquisition channels, including paid social. So, clearly, those channels have been challenged, over the past seven, eight, nine months, particularly with the ATT changes, but as I said, they're important channels for us. We continue to look for new, the new platforms and channels, and to gravitate to those, as well.

Tim Piper: (UBS, Analyst) Got it. That's great. Thanks for taking the questions.

Operator: Thank you. Your next question comes from Aryan Norozi, from Barrenjoey. Please ask go ahead.

Aryan Norozi: (Barrenjoey, Analyst) Hi, guys. Hope you're well. First one for me, around cotton prices. I know this is short term, but there's a lot of moving parts, so, they're up about 70%, 80% this year on last year. To what extent has that been reflected in your numbers? Because you don't really run stock term, so it should come through pretty quickly. How do we think about that, in terms of impact over the next few quarters, please?

Emma Clark: Yes, it's a great question. As you rightly point out, Redbubble has third party fulfilment networks, the third parties are effectively the ones who effectively carry the blank stocks, so, there's obviously quite a long supply chain that comes off the back of that.

There has been, obviously, some talking about that the impact of those cotton prices on things like tee shirt blanks. As I said earlier, we've only seen a couple of small requests for price increases come through to date. We do expect more to come through, though I will note I've been saying that now for six months, and there's been nothing material yet. Most of the fulfillers do carry quite a few months' stock on hand, and replenish relatively infrequently, because of supply chain disruptions, so those changes do come through slowly.

At the moment we would not expect them to be having a material impact on our business, and as I said earlier, we still have pricing levers in our control, as well, should those cotton prices manifest into larger - sorry - higher tee shirt blank prices, over time.

Aryan Norozi: (Barrenjoey, Analyst) Seasonally, the fourth quarter gross margin has been sort of...

Michael Ilczynski: Sorry...

Operator: Pardon me. It seems that we have lost Aryan. Your next question comes from Owen Humphries from Canaccord. Please go ahead.

Owen Humphries: (Canaccord, Analyst) Thanks. Hey, team. A quick question, can you just provide a bit more colour when you talk about organic and inorganic? I obviously, understand what inorganic means, so the question about inorganic is, what do you perceive is the available cash that you guys could deploy?

Michael Ilczynski: I think, Owen - look, I don't think we're going to answer that specific question to that degree. When we're looking at opportunities, clearly understanding the ways, the different types of opportunities, the different funding arrangements that might come with that are a clear consideration, but I don't think we're going to specify that they're X amount of dollars in that degree of specificity.

Owen Humphries: (Canaccord, Analyst) You must have a minimum amount of cash you've got on your balance sheet at any given time. I imagine that's about \$30 million to \$50 million. Is that - how do you guys think about that?

Emma Clark: Yes, I mean, once again, we don't want to get drawn into specifics, Owen. As most people on the call are aware, Redbubble is a pretty working capital light business. Obviously, with the way that our economics work with customers, purchasers, flowing directly to us on the day, and then disbursing money to marketplace participants. When we combine that model with the amount of cash that we've got on the balance sheet, it's not hard to come up with a range of what the available cash could actually be, but we're very comfortable with having that cash on the balance sheet at the moment, most of that all for organic purposes.

Owen Humphries: (Canaccord, Analyst) When you say organic, is that excluding capital management initiatives?

Emma Clark: Such as?

Owen Humphries: (Canaccord, Analyst) Well, we're talking about inorganic, so the gross profit of your multiple in your business is 1 time. I don't think you'll find that elsewhere, I'd imagine. I'm just wondering why you wouldn't engage, given the balance

sheet, and engage in buyback, and be - when you say organic, is that - are you just talking about your current OpEx base being what it is or further investment in your OpEx base for new product lines?

Emma Clark: Oh, thanks for the extra colour. When we're talking organic, we're talking all the things that we wish to do, to be able to achieve our mid-term aspirations. So, you will have heard Mike speak quite consistently over the last six months about brand spend, and how that might be coming in FY23. That still remains an option. Obviously, there's no brand spend in our financials at the moment, so that would represent an organic investment.

Obviously, what we're going to continue to do is be very prudent and monitor the macro environment. As we said, there is signs of general consumer weakness that we see that across the board in ecommerce at the moment, and it's quite a volatile environment, generally, that's from a macro perspective, so, we're going to continue to monitor that.

Then also proven reasons to hold the cash in terms of headwinds in the macro environment, but then also, as we go through the next period, from an economics perspective, I agree with what you're saying now, in terms of relative valuation, but that can also change very quickly.

Owen Humphries: (Canaccord, Analyst) Yes. Michael, in the past, we talked about building more of a Redbubble brand, although the unprompted brand awareness of Redbubble is extremely low. I'm just wondering, you guys were thinking about putting forward an initiative during this year. Has that changed in terms of the quantum, or is that something that you are thinking about in FY23?

Michael Ilczynski: Yes, thanks, Owen. Yes, exactly as Emma just said, absolutely, we've talked about we believe the importance of building both our brands. Both businesses continue to work on their planning around that. Obviously, we haven't pushed the button on that part of that. That will be part of our FY23 planning process, but when we talk about our variety of organic opportunities, clearly you can see the investment going into our people capacity at the moment. Part of the investment that we feel are really - we think that is really important is building our brands, and that investment will come at the appropriate time, but our current plan is that will be during FY23, but we've yet to go through our FY23 budget cycle, which would confirm that.

Owen Humphries: (Canaccord, Analyst) Okay, great. Then the last question, around the medium-term aspirations which the market obviously doesn't believe at the moment. I notice you guys didn't talk about your expected margin profile. Has that changed? Or is that just - you've just kept the top line growth expectations there?

Michael Ilczynski: Oh, no, absolutely. Thanks for asking the question. No, absolutely, no change. Maybe - apologies, we just, remember, last time we didn't mention it at all, and we were asked does that mean we were moving away from it. No, haven't moved away from it at all. But our top line, and right through the P&L we believe that if we can achieve that scale, our previous EBITDA margins of 13% to 18% are absolutely achievable at that level of scale. At A\$1.5 billion GTV, at A\$1.25 billion of marketplace revenue, those - we are very confident those margins are achievable, at that level of scale.

Our challenge, our opportunity is to get to that level of scale. That's what we need to do. That's why the investments going into our platforms, into our people. That's why our investment will be going into our brand. Yes, just to be really clear, we just didn't

want the whole release going through every line of P&L. Then I could be really clear, no change in any aspect of our medium-term aspirations. So thank you for asking the question.

Emma Clark: I think I'd just add the point, completely for the avoidance of doubt, obviously, this is a quarterly update, focused on quarterly and year-to-date financials, which is why we didn't go line-by-line through that

If we are going to move away from our mid-term aspirations, any of them, we will say so at the time. If we have not said anything, it is that they're still intact. They're intact until we say - or if we ever say otherwise. So, we should trade off that basis.

Michael Ilczynski: Yes. Appreciate you asking, thank you, yes, but that's important for avoiding any confusion, so thank you, yes.

Owen Humphries: (Canaccord, Analyst) One last, very quick question. Historically, the fourth quarter's seen a little bit of seasonality to the upside, versus the third quarter excluding that - obviously, the big pick-up in the second quarter. Is there any change in expectations that the seasonality will be experienced in the fourth quarter?

Emma Clark: Yes, we're not going to give any guidance specifically on the quarter, but obviously, we've given third quarter, year-to-date, and we're reiterating the full year, which only has one quarter left. We can mathematically break out what the fourth quarter should be, in order to be able achieve those guidance numbers.

Owen Humphries: (Canaccord, Analyst) Because consensus, I'm just thinking, when you say, slight - slightly below - what does the quantum of slightly mean? Are we talking about 2% or 10%?

Emma Clark: Well, slightly - we're not going to give anything more than slightly below. That's slightly below \$497 million. There's only a range that you come in that's slightly below that. So, I'm going to leave that to you, but it's slightly below. Once again, given we've got third quarter in at \$384 million, you can look at historically what fourth quarter does, and what we're trying to do through the businesses, and you'll come down to a relatively narrow range.

Owen Humphries: (Canaccord, Analyst) Yes. So, I'll leave it at that, guys.

Operator: Thank you. Your next question comes from Mike Younger from Prime Value. Please go ahead.

Mike Younger: (Prime Value, Analyst) Oh, thank you. I just wanted to clarify, when you're talking at looking at closing the valuation gap that you perceive, is that on the inorganic side only looking at outward opportunities, or are you also looking the potential to realise value from inward opportunities?

Michael Ilczynski: Thanks, Mike. I think, as you would expect from all - from any board or management, we have to look at all opportunities, and we will absolutely, practically investigate a range of opportunities that might provide value for all stakeholders across the business.

Mike Younger: (Prime Value, Analyst) Great. Thank you.

**Operator:** Thank you. Once again, if you wish to ask a question, please press star one on your telephone, and wait for your name to be announced. Your next question is a follow-up from Aryan Norozi of Barrenjoey. Please go ahead.

**Aryan Norozi: (Barrenjoey, Analyst)** Hi guys, sorry, apologies, I got cut out. Two more from me, please. Around the customer acquisition cost backdrop, you obviously mentioned that you saw some levels of improvement, I think last half, early into this quarter, but that still remains elevated. Can you give us an idea around how you're thinking about that, particularly with respect to Google's cookie changes in 2023? How should we expect - will that be another step-up in CACs over the next 12, 24 months, please?

**Michael Ilczynski:** I'll talk to the second part, and Emma can talk specifically about the quarter. In terms of the cookie deprecation, that's obviously something that the industry is aware of, and coming. You can imagine that there's a lot of work, both internally, for us, here at Redbubble, but also right across the industry, to work through that. I think that that is, given it has been flagged well in advance, there's plenty of opportunities for the industry to work through what that means, and adjust. Whether that causes another step-up, I'm not sure, to be honest. As I said, there is a lot of work and a lot of new tech coming through, to adjust for those changes, and both ourselves and the whole industry does have a fair bit of time to adjust to those changes.

In terms of during the quarter, I might let Emma talk to that a little bit.

**Emma Clark:** Yes. One of the challenges in talking into the quarter, because obviously, we came out and did the half year results, and talked to those briefly in January and February again. Everyone kept asking at that time, what's happening with CAC this week, today, tomorrow. I keep saying that they're a bit volatile, and I know everyone hates hearing that, but that is actually true. So, even over the quarter's result that we are reporting, there was volatility in that line. So, at various points during the quarter, CACs were actually low, competition was decreased] and organic demand was strong, and then at other points in the quarter, that wasn't the case.

Certainly, it wouldn't come as a surprise to anyone on the call to know that as you know, fuel prices have gone up, we've got the war announced in March. Consumer demand during that March period was a little bit more subdued, but it does change quite frequently, from day-to-day, and from week-to-week.

**Aryan Norozi: (Barrenjoey, Analyst)** Perfect. Just some clarification. You quote - you mentioned 2% for the fourth quarter in an earlier question. Could you please clarify what you're talking to? Are you saying that the fourth quarter to date is up 2%? Sorry, I missed that bit.

**Emma Clark:** No, no, no. Thank you for the opportunity to clarify. No, no comment on current quarter to date. That was in response to Anna's question about the revenue performance, and was it in line with our expectations and from an underlying perspective, what was it doing? So, the answer I was giving was that for the third quarter, on an underlying basis, which excludes masks on a paid basis, it was a negative 2% growth rate year-on-year from a floating, on a floating basis.

Aryan Norozi: (Barrenjoey, Analyst) Perfect. Last one, around the hiring piece, how far through that hiring process are you? You expect to be full by the end of this quarter, can you give us an idea on how many full-time heads you expect to employ over the next three, six, nine, 12 months, please? So we can get an idea on that pipeline.

Michael Ilczynski: Yes, thanks, Aryan, appreciate it. There's a couple of things we're wanting to do. We still do have a number of vacancies particularly in the Redbubble business. We have filled a number of those vacancies with some of the contractor staff on medium term contracts. That's been a real help to us this calendar year, in terms of giving us some of that capacity to get moving on some of these opportunities.

What that does come at, though, is a bit more of a run rate that they're obviously more expensive resources than the permanent FTEs. So, part of our challenge is both to increase our total number of staff, but also, over the next three to six months, to be rolling off some of those contractors into FTEs, which is a challenge for our Company to be doing both, but also, actually, brings down the run rate that we're experiencing.

So, we still have a bit of work to do on the talent side. We're not putting out exact targets because of these two issues. You can imagine, it depends on who's the exact person that's being recruited. Are they filling one of our vacancies, or are they rolling in for a role currently filled with a contractor? Our FTE number would therefore be the same, but obviously, the cost goes down in that scenario versus if it's a vacancy, the cost goes up.

I'm sorry I'm not giving you an exact answer, but there's quite a few moving parts at the moment in the talent space.

Emma Clark: Yes, I think I would just add to that that, because we've been asked this question consistently before, particularly around the operating expense investment. We are not at the moment, planning to do another big step-up in operating expenses in the next financial period. That being said, as we've progressively built up our operating expense base during this financial year period, we go through the gate at 30 June, at a certain run rate, and so obviously, it's that run rate that matters. So, next year will be higher than this year, just based totally off the run rate, but we're closer to the end of the hiring than we are at the start, I think it would be safe to say.

Aryan Norozi: (Barrenjoey, Analyst) Perfect. Thanks, guys.

Operator: Thank you. There are no further questions at this time. I'll now hand back to Mr Ilczynski for closing remarks.

Michael Ilczynski: I just want to say, thank you all, for joining us today. We very much appreciate your questions.

I also want to take this moment to acknowledge Louise Lambeth, who's been our Head of IR and with Redbubble for almost five years. Louise is unfortunately leaving us soon to go on to a wonderful new opportunity, and so I just want to add, this is her last investor relations call with us. I just want to take this moment to acknowledge and thank Louise for all the work she's done for all of our business.

Thank you, all for talking to us. We look forward to talking to a number of you over the coming days.

**Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.**

**End of Transcript**