



27 March 2023

CEO Appointment Conference Call Transcript

The transcript of the Redbubble Limited (ASX:RBL) CEO Appointment Conference Call on 27 March 2023 is attached.

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

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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.

Company: Redbubble Limited
Title: Redbubble Conference Call
Date: 27 March 2023
Time: 10:00AM AEDT

Start of Transcript

Operator: Thank you for standing by and welcome to the Redbubble Group Conference Call. All participants are in a listen only mode. There'll be a presentation followed by a question-and-answer session. If you'd like to ask a question, you'll need to press the star key followed by the number one on your telephone keypad.

I'd now like to hand the conference over to Ms Anne Ward, Chair, please go ahead.

Anne Ward: Thank you, operator. Good morning or good afternoon to everyone, and thank you all for joining us on such short notice. We released an announcement to the market earlier today advising that Michael Ilczynski has resigned as CEO to pursue an opportunity in a non-competitive space and to manage a personal matter. Due to the nature of this personal matter, Mike's resignation is effective immediately.

Martin Hosking has been appointed as CEO, effective today, and Mike will be available to provide assistance to Martin until 30 June 2023 to ensure a smooth handover of executive responsibilities. The Board is disappointed that Mike has resigned, but understands his reasoning and is supportive of his decision. Michael joined the Group during the COVID-19 pandemic and has navigated the ensuing turbulent period as we adjusted to a post-pandemic operating environment.

Michael can be proud of his achievements during this period. In particular, under Michael's leadership we have significantly improved our technical foundations. While the depth of this improvement may not yet be evident externally, without it we would not have been able to implement a number of the improvements to the Redbubble marketplace over the last two years or to pursue the exciting opportunities currently underway.

These improvements have enhanced the user experience and in part have led to the continuous uptick in revenue from repeat purchasers during Mike's tenure. Michael has also overseen a substantial step up in content moderation on the Redbubble marketplace, which has significantly improved the site for all parties, especially [right Saugus]. This investment is paying off, enabling new business opportunities like our recently announced partnership with Netflix.

Michael has also been a champion of ESG. In 2021 the Group formalised its ESG strategy and last year we launched our inaugural ESG report which detailed the Group's ESG targets. I know Michael, like the Board, is particularly proud of the Group's response to the Ukraine crisis and our support of Ukrainian artists and individuals impacted by the conflict.

Michael has also put in place highly capable executive teams across both marketplaces. He leaves the team in a strong position with a clear focus on delivering the Group's strategic objectives. On behalf of the Board, thank you Michael, we wish you success for your future endeavours.

We are in the fortunate position that Martin Hosking has agreed to take on the role of CEO and Managing Director from today on a permanent basis. Many of you will know Martin, he is a co-founder of Redbubble, he remains the Group's largest shareholder and he is a current Non-Executive Director. Martin was Managing Director and CEO of Redbubble from 2010 to 2018. He led the Group through its startup phase to become a truly global business.

In the last five years of Martin's tenure, the Group's revenue and gross profit grew at compound annual growth rates of 39% and 40% respectively. Martin also took on the position of interim CEO in 2020 while we recruited Michael, and Martin successfully led the Group during the height of the COVID-19 pandemic in 2020.

At that time, Martin was not in a position to return to the role of CEO on a permanent basis due to his personal circumstances then. This situation has now changed. Martin is energised and committed to the CEO role for the foreseeable future, and this commitment will be reflected in his remuneration package which will be heavily weighted towards long-term incentives, tied to share price over a minimum three-year time period. This is the same remuneration structure as every other Executive of the Group.

I will now hand over to Martin to make some remarks and we will then open up the lines for questions.

Martin Hosking: Thank you, Anne. I want to keep my points brief. Firstly, I also want to thank Mike for all he's contributed to the Redbubble Group. He came in at a very difficult time as the COVID crisis was unfolding, he's recruited a great team and he's driven a high-performance ethic within the marketplace. I'm grateful that he has agreed to help me through this transition period. I wish him well for the future.

I want to address the issue of my intentions and in particular to be crystal clear, this is a permanent open-ended commitment. I'm here for the long-term, I'm personally in a very different position than I was in 2018 when I resigned as CEO, and in 2020 when I took on the interim position. I could not be more excited about the opportunity before the Group or to be in the role of Group CEO. I've just gotten my feet under the table so will not be providing a full update now. As usual, the Group will release an update in a few weeks which will provide detail on our third quarter performance.

However, I do want to highlight, as Anne stated, the Board remains supportive of Michael's strategy and the plan he has put in place in order to deliver it. I will be implementing against this plan; this is not a time when discontinuity is required. My immediate priorities for the Group are clear, in the very first instance we need to accelerate our return to cashflow positive. We're aiming to achieve this by the end of the calendar year. To do this we need to remain focused on a narrow set of priorities to increase near-term gross profit and ensure our cost base is aligned with our revenue.

In addition, we need to ensure that while we focus on being cashflow positive, that we also retain the capabilities and expertise to not just survive but to thrive. I'm most excited about the potential around use of AI to dramatically improve search and discovery, the better monetisation of the artist side of the marketplace and expanding our agreements with rights holders. All of these things have the ability to not only improve short-term profitability but to underpin the future success of the marketplaces.

Over the longer-term I'm as convinced as ever that being the world's largest marketplace for independent artists is of incredible value for all shareholders, most importantly investors. It is great to be back and I look forward to working with the team and reengaging with the Group's investors on a regular basis. Thank you for joining us today and I would be happy to answer any questions that you may have.

Operator: Thank you, if you would like to ask a question, you'll need to press the star key on your telephone and wait for your name to be announced. If you'd like to cancel your request, please press star two. If you're on a speaker phone, please pick up the handset to ask your question. Your first question comes from Sophie Carran from Goldman Sachs, please go ahead.

Sophie Carran: (Goldman Sachs, Analyst) Hi, Anne and Martin, thanks for taking my questions. Just Martin, one for you, with the focus on cashflow positive position, can you just touch on your thoughts around the cost base and that guidance that was given at the results, is that still your target? Then the key areas of focus around incremental investment into the business please?

Martin Hosking: Thank you for that. We're not updating guidance at this stage, any updates would be in the course of regular conference calls. We obviously have levers under our control to ensure that we achieve that aim of cashflow positive by the end of the year. The second question was in relation to?

Sophie Carran: (Goldman Sachs, Analyst) As you focus on the targeted investment, what are the key focus areas there?

Martin Hosking: We've got a set of initiatives which are actually overwhelmingly tactical and they're around driving short-term increase in GPAPA or reducing costs in the business, and those are the issues which we're implementing against now.

Sophie Carran: (Goldman Sachs, Analyst) Great, thanks Martin.

Operator: Thank you, once again if you'd like to ask a question, please press star one on your telephone and wait for your name to be announced. Your next question comes from Wilson Wong from Jarden, please go ahead.

Wilson Wong: (Jarden, Analyst) Hi Martin, I just wanted to get your personal thoughts on the strategy and what the business could have done better over the past couple of years in hindsight?

Martin Hosking: Hindsight is a wonderful thing. Mike has been implementing against the strategy which the Board had agreed. Like many tech companies, we're facing a different set of situations, or a different situation now than we really anticipated. Mike had adjusted the strategy to deal with that situation, hence the cost reduction in January, February, and we're now dealing with the reality which we have, and the strategy has been adjusted for that reality. It's as I said, overwhelmingly about technically improving GPAPA and ensuring our cost base is aligned with revenue.

Wilson Wong: (Jarden, Analyst) Sure, thanks for that. My last question is just around remuneration structure. Can you just provide a bit more clarity around the LTIs and whatever you can disclose at this stage obviously, particularly the performance metrics you'll be holding yourself to outside of the share price performance?

Anne Ward: I'll jump in there, Wilson, thanks for that question. Given the speed of this change, we haven't finalised the remuneration arrangements with Martin. As I said, we have agreed that Martin will be on the same structure as all of the other Redbubble Executives, which will have a heavy weighting towards long-term incentives, and we will make an announcement just as soon as we finalise the details of that.

Wilson Wong: (Jarden, Analyst) Sure, no problem, thanks Martin, thanks Anne.

Anne Ward: Thank you.

Operator: Thank you. Your next question comes from Wei-Weng Chen from RBC Capital Markets, please go ahead.

Wei-Weng Chen: (RBC Capital Markets, Analyst) Hi, just a question about the loan arrangements that Redbubble had with Michael to acquire shares when he joined. Just wondering if there was an update on what will happen there? Will he be made to repay the \$1.7 million including interest? Or did this get forgiven?

Anne Ward: The loan was \$1.6 million, Wei-Weng, and we will deal with that under the terms of the loan agreement that was put in place, which essentially will result in Mike handing back the shares that were purchased with the loan.

Wei-Weng Chen: (RBC Capital Markets, Analyst) Okay, so it'll be shares rather than a cash amount?

Anne Ward: Yes.

Wei-Weng Chen: (RBC Capital Markets, Analyst) Okay, thanks, that's all from me.

Anne Ward: Thank you.

Operator: Thank you, once again if you would like to ask a question, please press star one on your telephone and wait for your name to be announced. As there are no further questions at this time, I'll now hand back to Ms Ward for any closing remarks.

Anne Ward: Thank you, operator, and thank you all, as I said at the beginning for dialling in at such short notice and thank you for your ongoing support for Redbubble. That concludes the call.

Operator: That does conclude our conference for today, thank you for participating, you may now disconnect.

End of Transcript