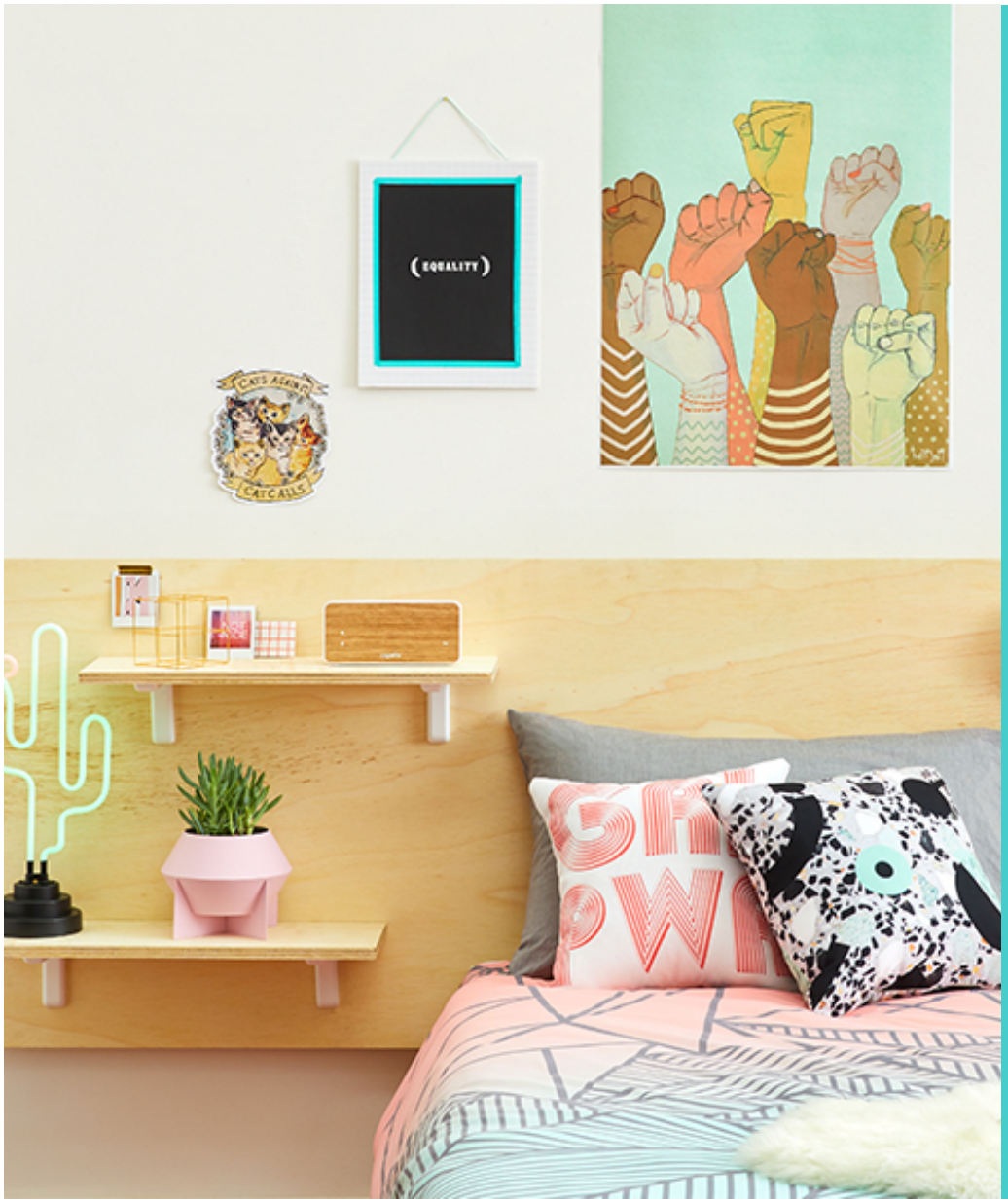
FY2018 Results Presentation

23 August 2018

REDBUBBLE

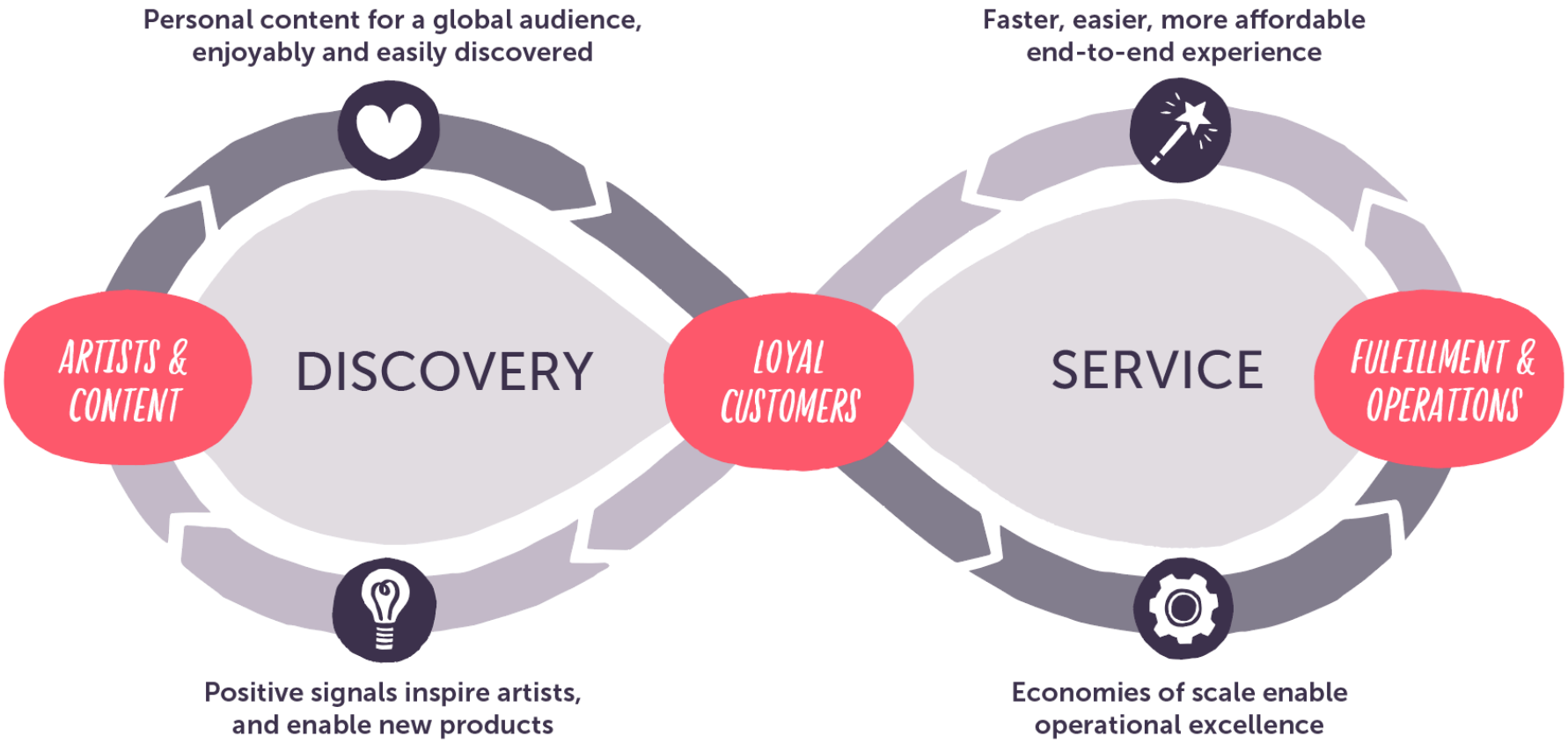
The world's largest online marketplace for independent artists, bringing more creativity into the world





Year in review

Redbubble propelled by marketplace flywheel that accelerates growth



1. Content includes the combination of digital Art Works and the Products they are sold on

Marketplace has long tail[1] and is scaling – diversity of content, customer, artists, products and geographies



298,000+
Selling Artists
(up 28.2%)



4.0M
Unique Customers[2]
(up 38.1%)



32 Global Fulfiller Facilities
(up from 24)



17.6M
Art Works[3]
(up 25.7%)



66 Products
(up from 64)

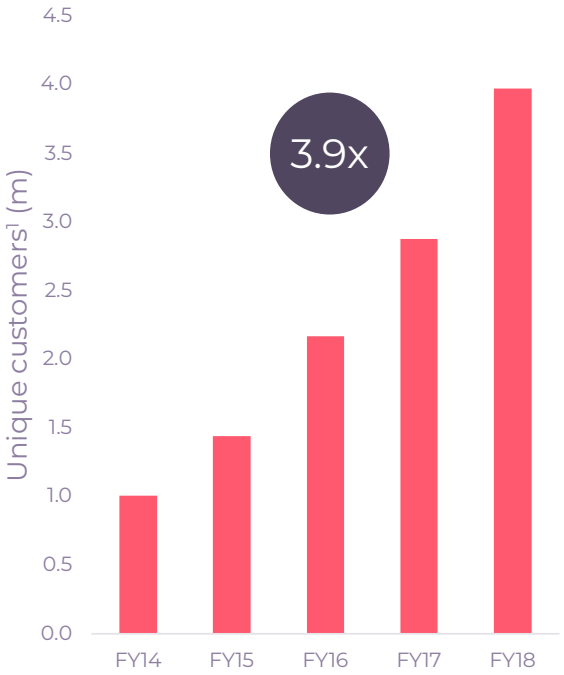


7 Core Countries
(c.200 in total)

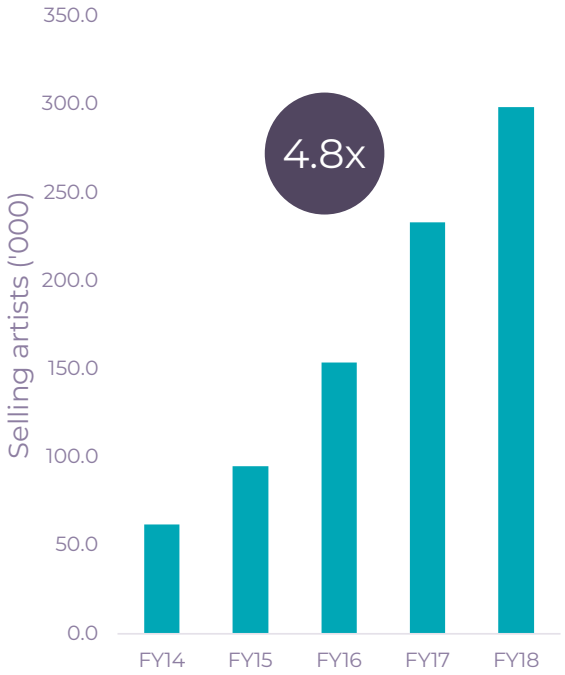
As for FY2018, or as at 30 June 2018. Growth rates based on comparison to FY2017 or as at 30 June 2017.
1. Long tail refers to the selling of a large number of (unique) items in small quantities
2. An unique customer is defined as an unique email address
3. Refers to a single image

Robust marketplace dynamics driven by strong and consistent growth on all sides

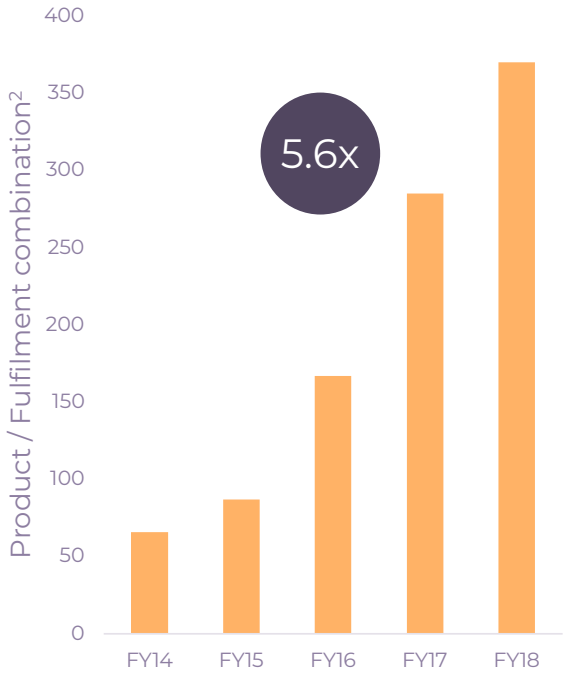
Unique customers



Selling artists



Product / Fulfilment capability



1. A unique customer is defined as a unique email address
2. Number of fulfilment locations multiplied by average number of products per location
Sources: Redbubble internal data

FY2018 marketplace metrics

	2H FY2017	2H FY2018	YoY Growth	FY2017	FY2018	YoY Growth
GTV[1]•	$76.8M	$101.5M	32.1%	$175.4M	$231.3M	31.9%
Mobile GTV	$26.9M	$41.9M	56.0%	$57.2M	$89.8M	57.1%
Repeat GTV[2]	$29.8M	$39.5M	32.6%	$66.6M	$87.6M	31.7%
Visits	96.8M	131.3M	35.6%	188.4M	258.8M	37.4%
Conversion rate	1.7%	1.7%	0%	1.96%	1.96%	0%
AOV[3]	$46.1	$45.4	(1.6%)	$47.5	$45.7	(3.9%)
Customers[4]	1.39M	1.88M	35.5%	2.9M	4.0M	38.1%
Repeat Customers[5]	0.46M	0.64M	39.0%	0.9M	1.2M	42.0%
Selling Artists	177,500	232,600	31.0%	233,000	298,700	28.2%

1. GTV (Gross Transaction Value) = Total receipts from customers less fraud, refunds and chargebacks. • GTV is a non-IFRS measure that is presented to provide a better understanding of Redbubble's financial performance. The non-IFRS measure is unaudited, however, it has been derived from the audited financial statements
2. Repeat GTV = GTV earned from customers who have previously purchased from Redbubble, regardless of the date of their initial purchase
3. AOV: Average Order Value (Order sales / number of orders)
4. Customers are unique customers counting only once however many times they have bought on Redbubble during the period
5. Repeat customers are customers who have purchased more than once on Redbubble, regardless of the date of their initial purchase

Commentary

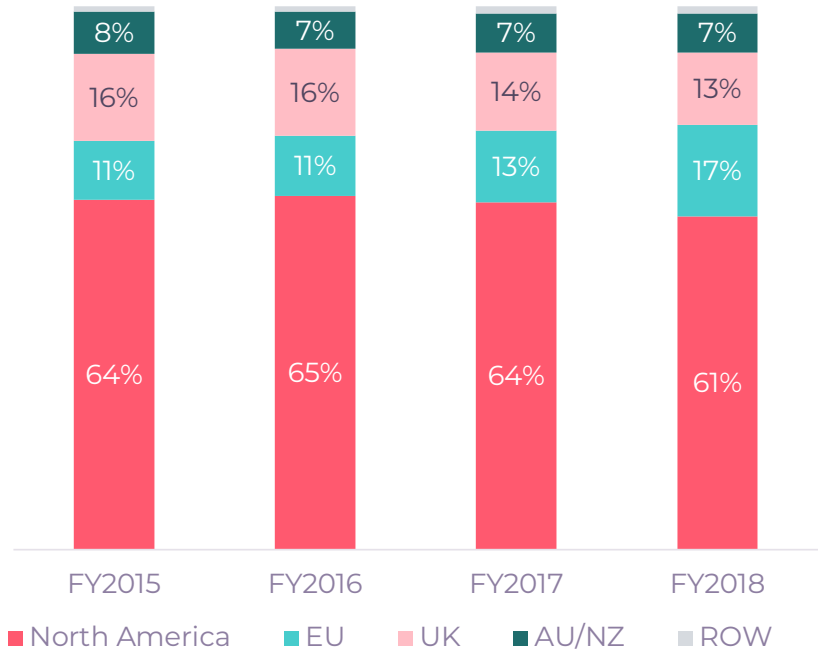
- Strong marketplace dynamics underpinning robust top-line growth in FY2018 particularly 2H. Slight but important growth in Repeat GTV and Repeat Customers
- Mobile GTV growth of 57.1% being assisted by iOS App performance (App now 4.3% of total GTV for 4Q, converting at ~x2 mobile web)
- Whilst conversion rates remain stable YoY, mobile conversion rate was up 12.3% YoY, aided by the App (see Slide 25)
- Full year AOV decline impacted by product mix changes and FX headwind overall. 2H decline less pronounced due to slight FX tailwind.

Expansion into new geographies and products is a major driver of growth and diversifies business

Emergence of Continental Europe supported by new languages

Geographic contribution

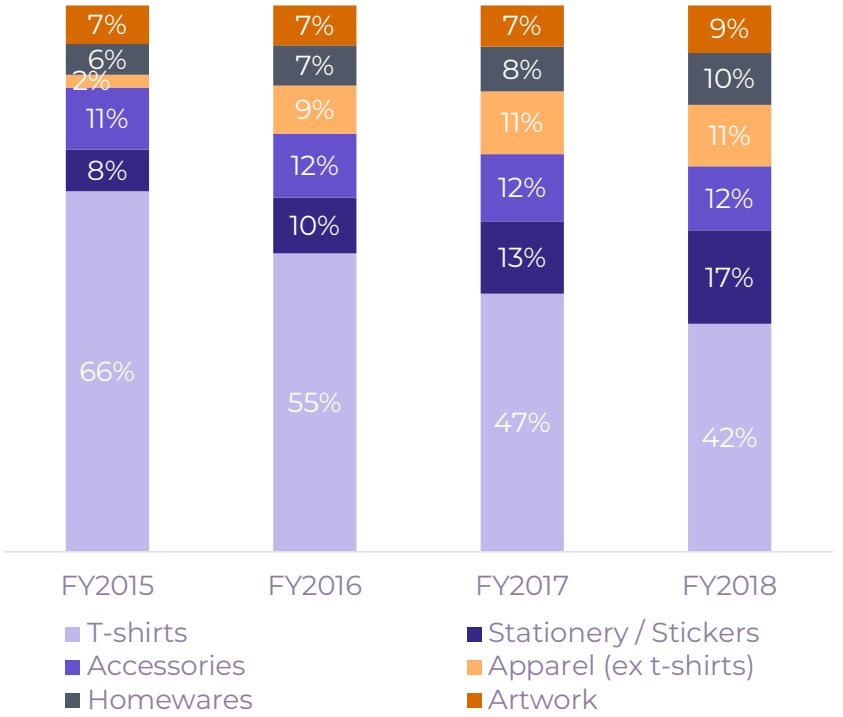
(% of GTV; FY15 – FY18)



Stationery and Homewares providing significant growth potential

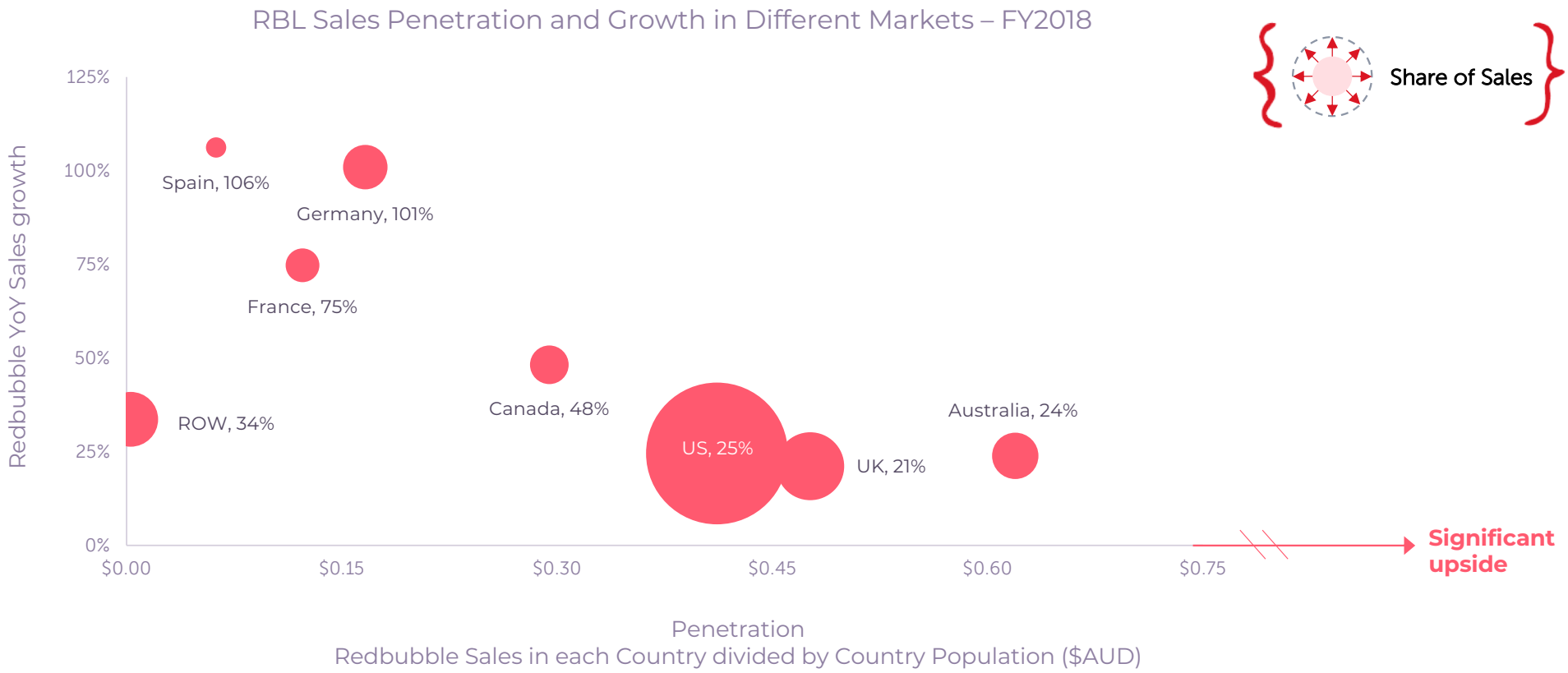
Product contribution

(% of GTV; FY15 – FY18)



Sources: Redbubble internal data

Increasing customer spend as our value proposition becomes increasingly relevant to more customers



Source: Redbubble internal sales data and publicly available population information.

Marketplace is driven by three global trends that are starting to be disruptive to mainstream retail commerce

1. **Rise of the sharing economy** enabling artists to share their creativity with a global customer base at low risk

2. Increase in **consumer demand for personalisation** and self-expression enabled by the search and social media revolution

3. Improving capability of **print-on-demand** and **manufacturing-on-demand** technology making long tail content economically competitive



Results analysis

FY2018 P&L analysis

P&L (A$M)	2H		YoY		Full Year		YoY	
	FY17	FY18	Growth	CC Growth*	FY17	FY18	Growth	CC Growth*
GTV[2]•	76.8	101.5	32.1%	31.0%	175.4	231.3	31.9%	32.2%
Revenue	62.2	80.5	29.3%	28.5%	141.0	182.8	29.7%	30.4%
Gross Profit•	21.8	28.6	31.1%	29.5%	50.1	63.9	27.5%	27.6%
GP Margin•	35.0%	35.5%	1.4%	0.7%	35.6%	35.0%	(1.7%)	(2.2%)
Paid Acquisition	(5.7)	(7.1)	25.2%	27.5%	(12.2)	(16.8)	36.9%	40.0%
Gross Profit (after Paid Acquisition) (GPAPA)•	16.1	21.5	33.2%	30.1%	37.9	47.1	24.4%	23.6%
GPAPA Margin•	25.9%	26.7%	3.0%	1.2%	26.9%	25.8%	(4.0%)	(5.3%)
Operating Expenses	(21.6)	(27.9)	29.2%	29.5%	(42.7)	(51.0)	19.3%	20.2%
Operating EBITDA•	(5.5)	(6.5)	(17.3%)	(27.5%)	(4.8)	(3.8)	20.6%	6.0%
Other Income/Expenses[3]	(1.5)	(1.9)	23.3%	6.5%	(3.2)	(3.5)	9.9%	9.7%
EBITDA• (Loss)/Profit	(7.0)	(8.3)	(18.6%)	(23.3%)	(8.1)	(7.4)	8.4%	0.5%
Depreciation & Amortisation	(3.5)	(3.9)	11.9%	12.0%	(6.5)	(7.8)	19.6%	19.9%
Net Finance Income	0.1	0.2	nm	nm	0.4	0.5	nm	nm
Income Tax Benefit	5.7	4.3	nm	nm	6.7	4.7	nm	nm
Net Loss after Tax	(4.7)	(7.7)	(63.5%)	nm	(7.6)	(10.1)	(33.1%)	nm

1. *"Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 94% of its GTV in currencies other than Australian dollars
2. • GTV, Gross Profit, GPAPA, and EBITDA are a non-IFRS measures that are presented to provide a better understanding of Redbubble's financial performance. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements
3. Other Income/Expenses includes $2.7m of (non-cash) share-based payments

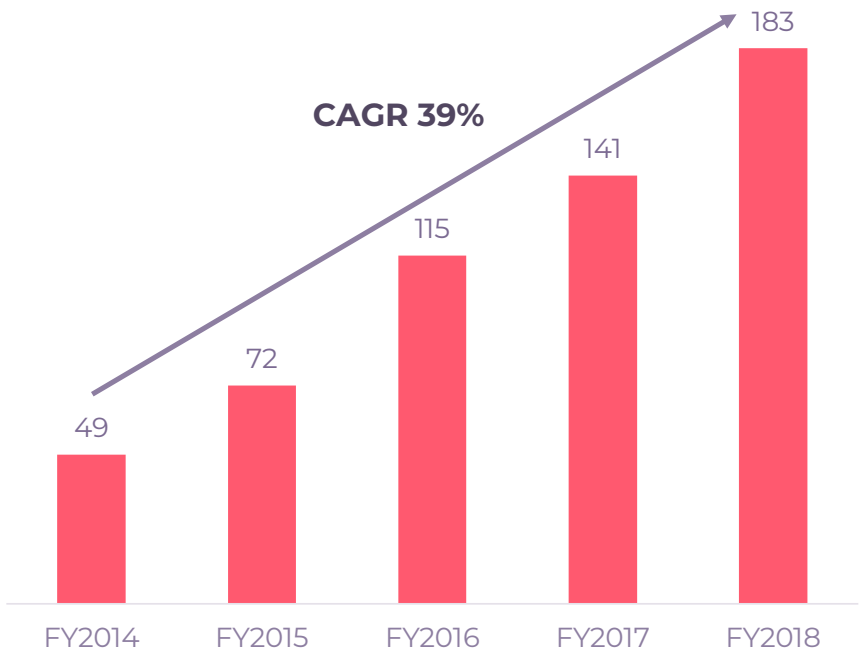
- FY GTV growth of 32.2% (CC basis[1*)] in line with guidance
- FY Revenue growth of 30.4% (CC basis), lower than GTV due to increasing sales taxes and approximately $400k of YoY shipping timing difference
- 2H GP margin of 35.5% reflecting scale and improving unit economics at that level
- 2H GPAPA growth of 30.1% (CC basis*) due to sustained unpaid growth and continued low cost & profitable customer acquisition
- FY18 Opex growth of 19.3% supporting business scaling objectives.
- FY18 Income Tax Benefit lower than FY17 mainly due to the lower income tax benefit arising from deductibility of shares issued to the Employee Share Trust (ESS)

Scaling business demonstrating sustained and strong Revenue and Gross Profit growth

Revenue[1] has grown at CAGR of 39% over five years

Revenue

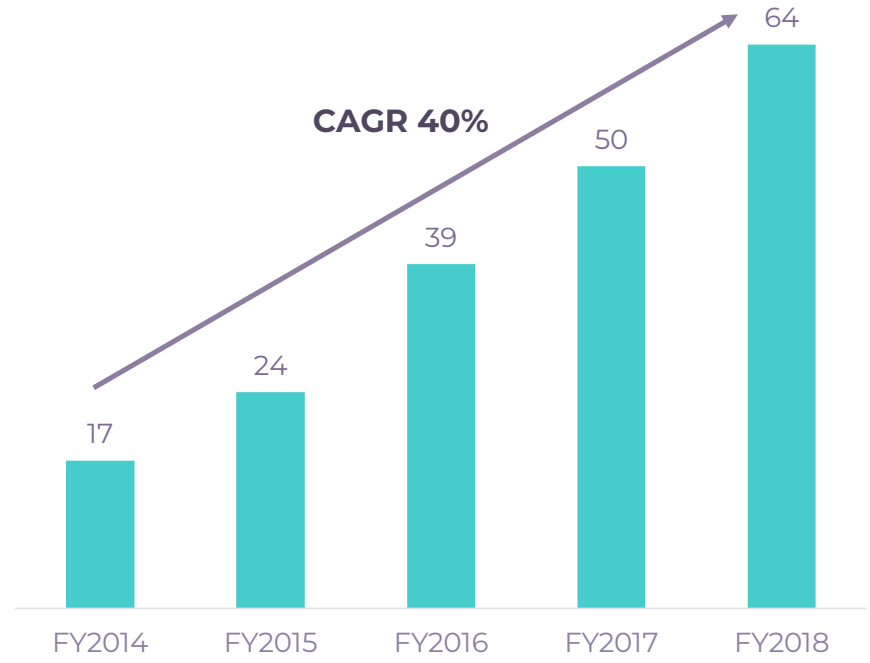
(A$m; FY14 – FY18)



Gross Profit growing at similar rates

Gross Profit

(A$m; FY14 – FY18)



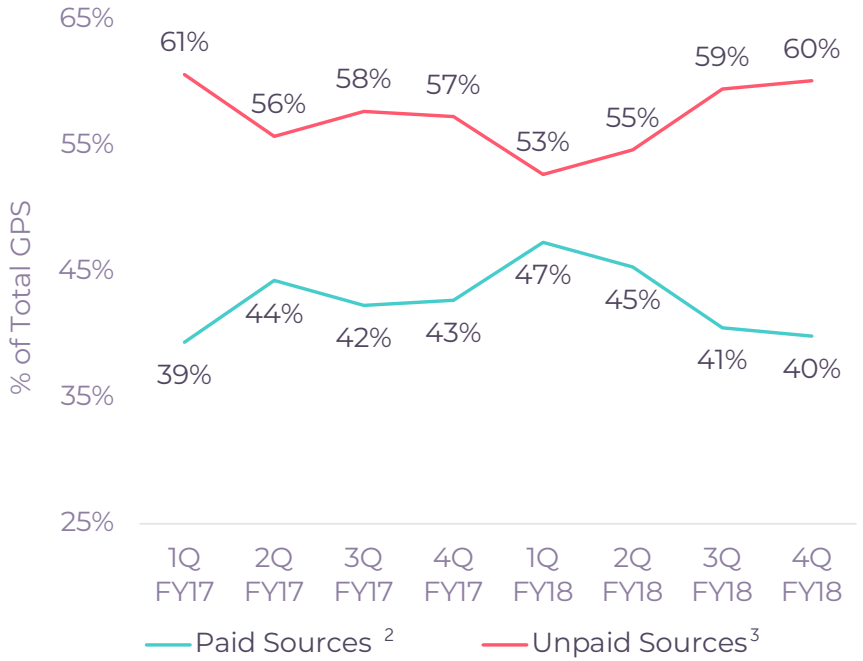
1. Revenue is Redbubble's Gross Transaction Value (GTV) after Taxes and Artists Margins. GTV has grown at a 5-year CAGR of 40% from FY14 – FY18
Sources: Redbubble internal data

Majority of sales from unpaid (free) channels enables low cost of marketing and supports improving GPAPA growth

Unpaid channels returned to 60% of sales...

GPS[1] by Channel

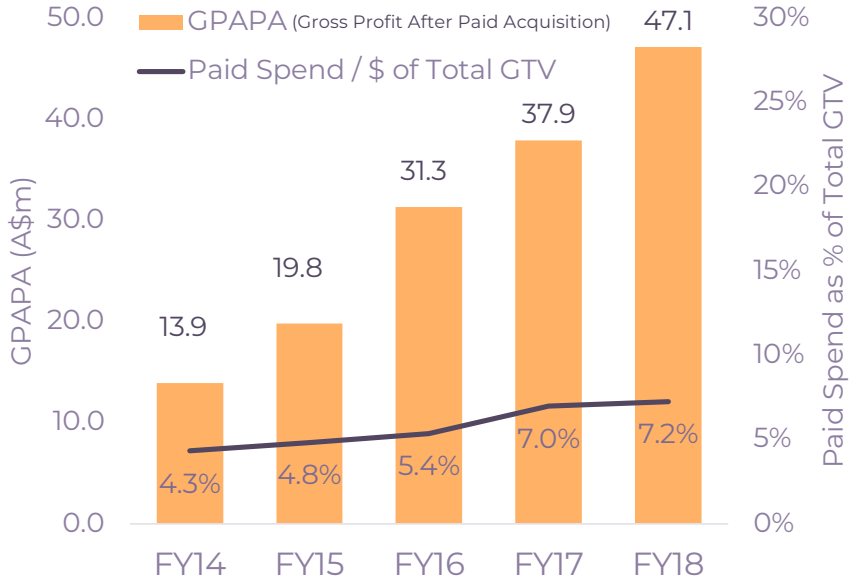
($Am; FY17 – FY18)



...Enabling strong GPAPA growth and sustained low customer acquisition cost

GPAPA and Paid Spend as % of Total GTV

(A$m, %; FY14 – FY18)

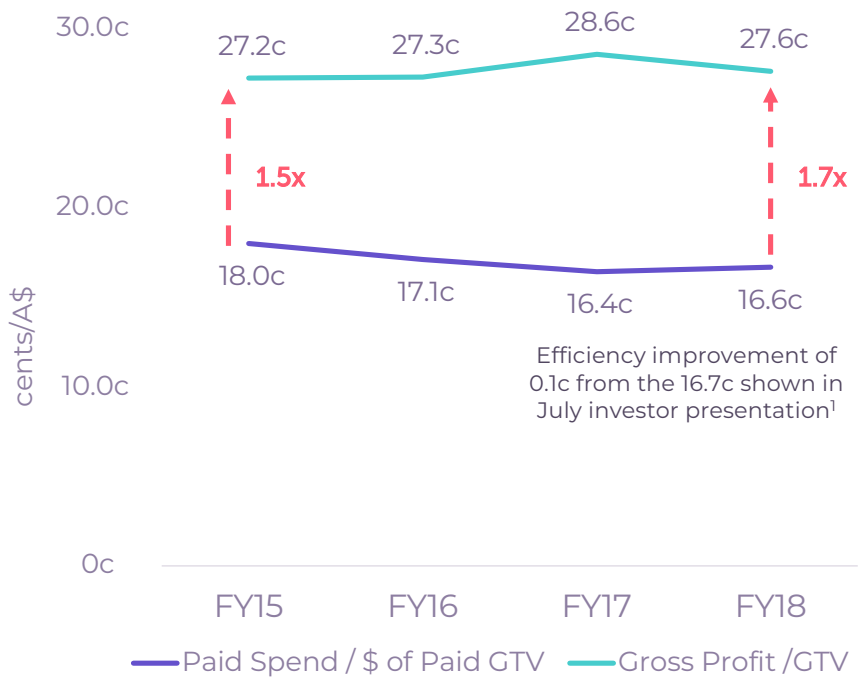


1 GPS refers to Gross Processed Sales. It differs to GTV by refunds, fraud, and chargebacks.
2 Paid comprises Shopping, Branded and Non-Branded Text Ads, Affiliates, Paid Social, and Display. No change to % of Paid shown in the July investor presentation after last click attribution confirmed for the month of June.
3. Unpaid comprises Email, Organic Search, Organic Social, Direct (including the Mobile App), Referrals.
Sources: Redbubble internal data

Paid marketing is profitable and remains efficient with growth and addition of social

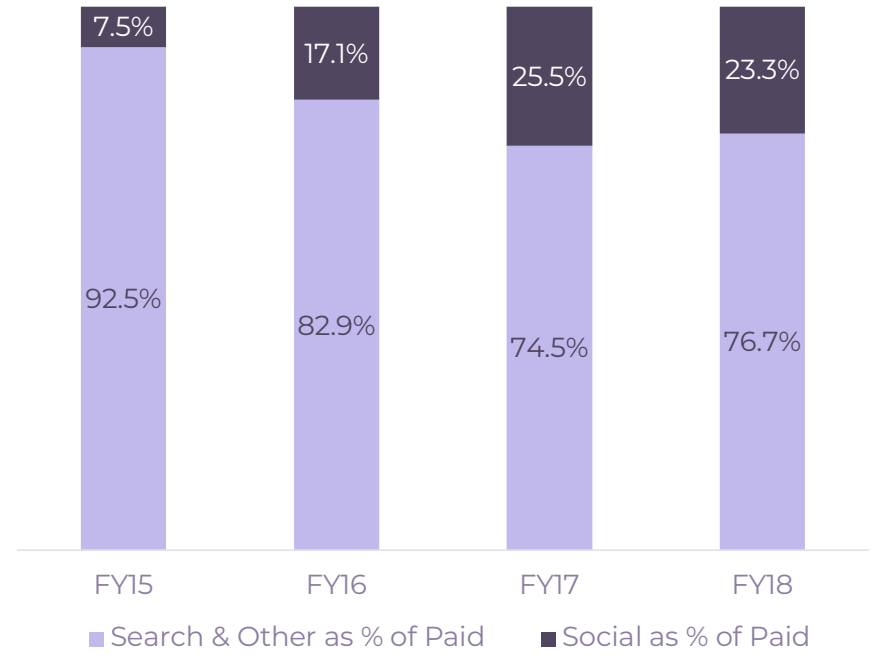
Paid channels remain highly profitable for each purchase, with average returns of 1.7x Gross Profit

Gross Profit / $ GTV v. Paid Spend / $ GTV sourced from Paid Channels (c/$; FY15-FY18)



Social is an emerging source of growth for the Paid business

Split of Paid sources (%; FY15-FY18)



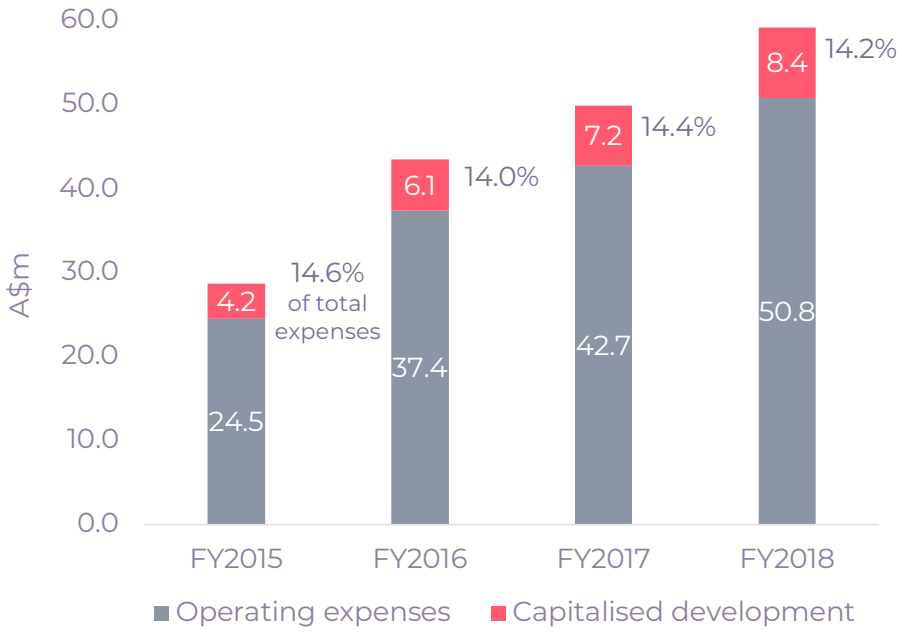
1. After last click attribution confirmed for the month of June

Sources: Redbubble internal data

Track record of prudently managing operating expenses whilst investing for growth

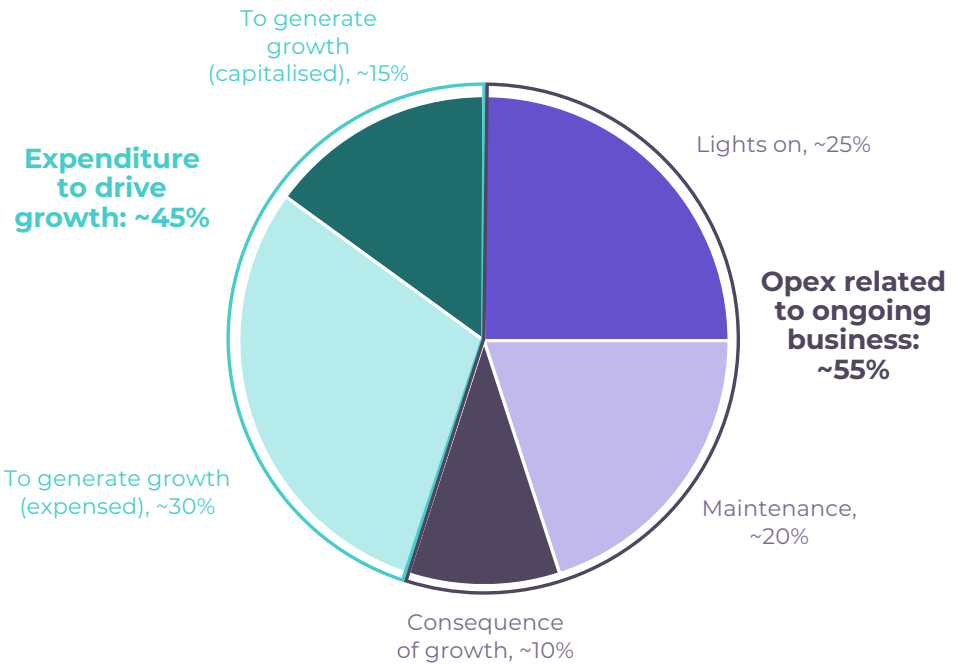
Consistent capitalisation of development costs

Total expenses (operating expenses[1] + capitalised development)
(A$m, %; FY15 – FY18)



~45% of total expenses spent on driving growth initiatives

Split of total expenses (operating expenses + capitalised development)
(%; $59.2m in FY18)



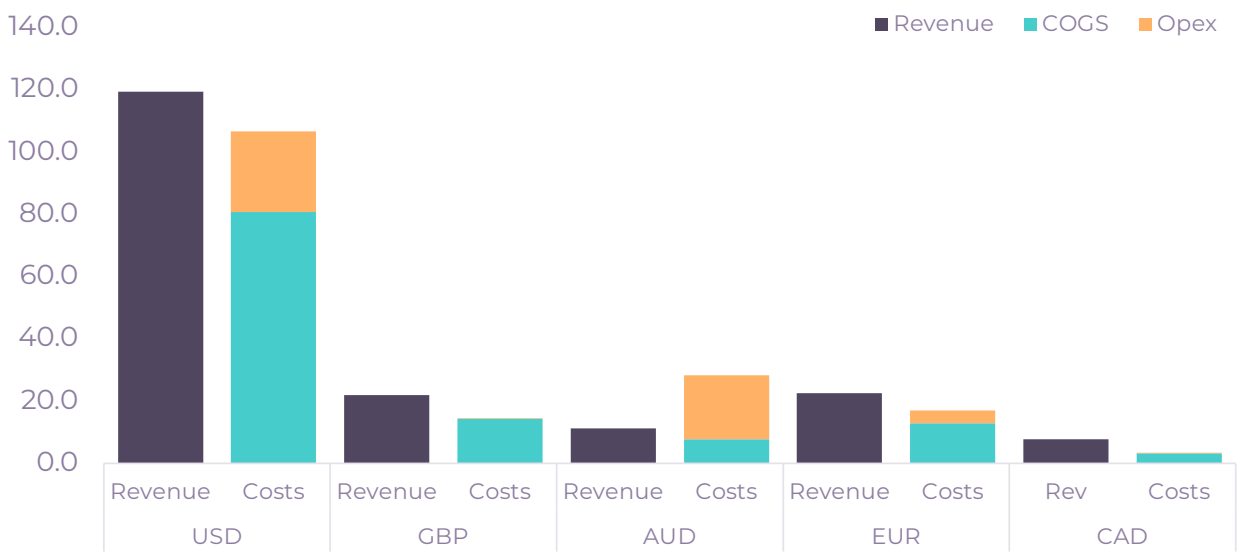
1. Operating expenses includes employee benefits, and operating and admin costs. It excludes paid marketing costs, and stock based compensation.

Receipts from sales and payment of costs in the same currencies creates a partial natural hedge in core countries

Partial natural currency hedge in majority of core countries

FY2018 distribution of Revenue and Costs by currency

(A$m; FY18)



Commentary

- Revenue volatility risk associated with USD offset by hedged costs (COGS + Opex) incurred in USD
- Revenue and cost imbalance still evident in GBP, EUR and CAD however natural hedge improving as more localisation occurs in those regions
- Operating expenses in US and EUR provide further hedge at EBITDA level

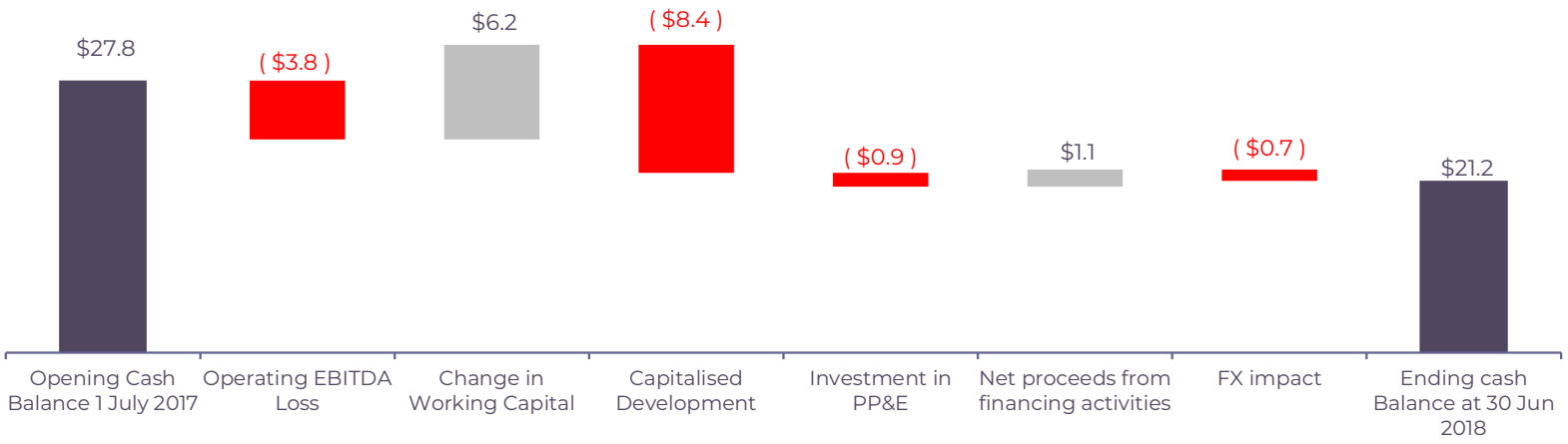
1. [notes]
Sources: [sources]

Negative working capital cycle funds significant amount of growth investment

Maintained a strong cash position of $21.2m as at 30 June 2018

Cash flow waterfall

(A$m; FY17 – FY18)

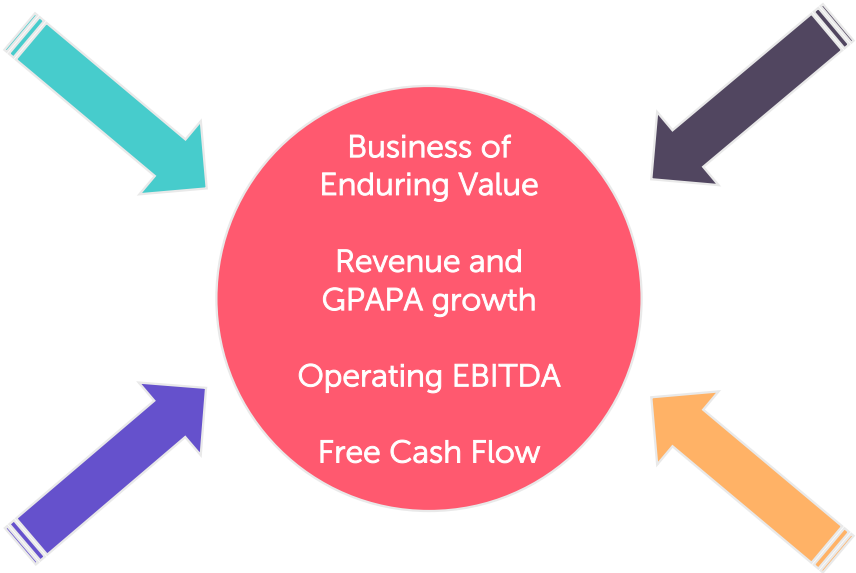




Strategic and operations update

Focused execution across the following strategic priorities

Deeper **customer engagement** via a **personalised member** experience driving loyalty and increasing customer lifetime value



Scaling fulfilment to bring on **new fulfillers and products** faster and more easily, improving customer value proposition and enabling more geographical growth

Strengthen **artist relationships** and create **content partnerships** to increase sales potential for commercially-oriented segments

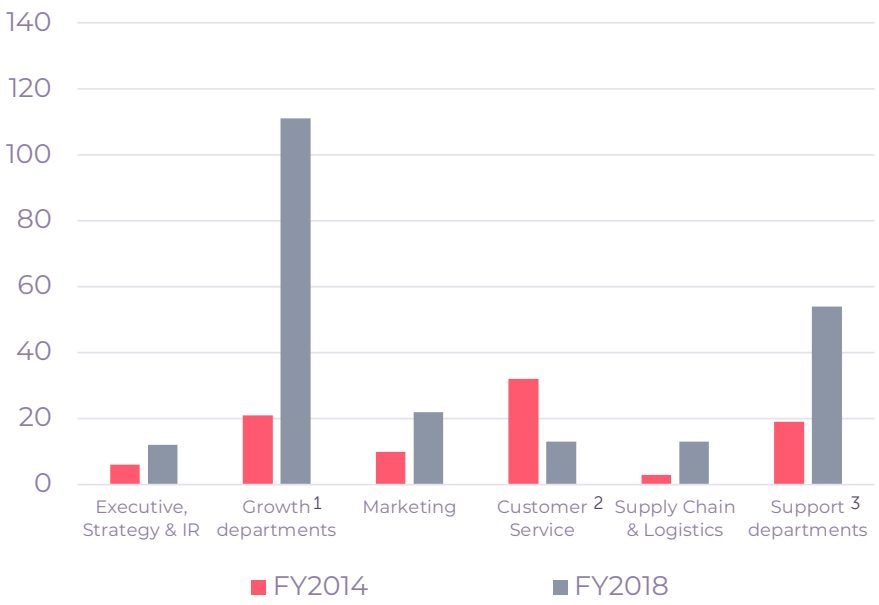
Continued **platform investments in data science, mobile, marketing and operations** and to enable flexible and scalable development

Committed team of 225 people across three regions (91 at end of FY2014)

Significant investments have been made to build a number of key functions

Employees by function

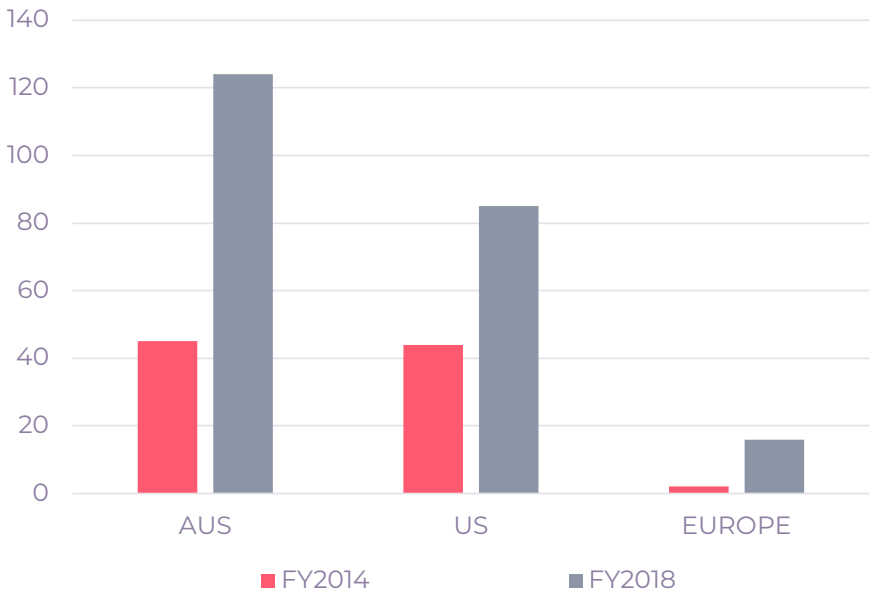
(headcount #; as at 30 June)



As the business gains global relevance, Redbubble is building a team to service core countries

Employees by location

(headcount #; as at 30 June)



1. Growth departments: Web Development, Commercial, Content Partnerships & New Markets
2. Customer Service has been outsourced since FY2014
3. Support departments: Finance, Legal, Marketplace Integrity, P&C and IT Support

Sources: Redbubble internal data

What we have delivered during FY2018

	FIND YOUR THING	DEEPER RELATIONSHIPS	GLOBAL ACQUISITION	SCALABILITY
Goals	Accelerate content growth, aid discovery, mitigate piracy	Build a personalised and rewarding experience for our returning users	Sustainable, low-cost, global, customer acquisition	Invest in faster platforms, fulfiller integrations and product launches
Allocation of Engineering Resources	30%	30%	10%	30%
Highlights	✓ Commenced beta testing of a new dashboard for artists to receive information and insights ✓ Search algorithm improvements to aid discovery ✓ Searches in all languages moved to a new and faster platform ✓ Site features enabling partnerships between rights holders and artists	✓ Continued scaling of the iOS app, personalised content and push notifications ✓ New personalised homepage for returning users to aid content discovery ✓ New & enhanced engagement marketing campaigns to improve retention	✓ Optimised user generated content for non-English users to aid organic search ✓ Scaled influencer marketing, Instagram stories and launched YouTube Shopping ✓ Google Shopping inventory expanded by 4x SKU's	✓ Migrated to a new hosting provider for operating and cost efficiencies ✓ 8 new fulfiller locations on-boarded ✓ Launch of new fulfilment API designed to improve fulfiller onboarding efficiency ✓ Empower engineers to deliver high quality updates and innovate at scale
Success Indicators	• 130,000 monthly active artists in June 2018	• 240,000 Monthly Active Users (MAUs) on mobile app, which contributed 4.5% of sales in June 2018 • 31% growth in active members	• 3.2 million new customers during FY2018	• Added first new fulfiller to the new fulfilment API

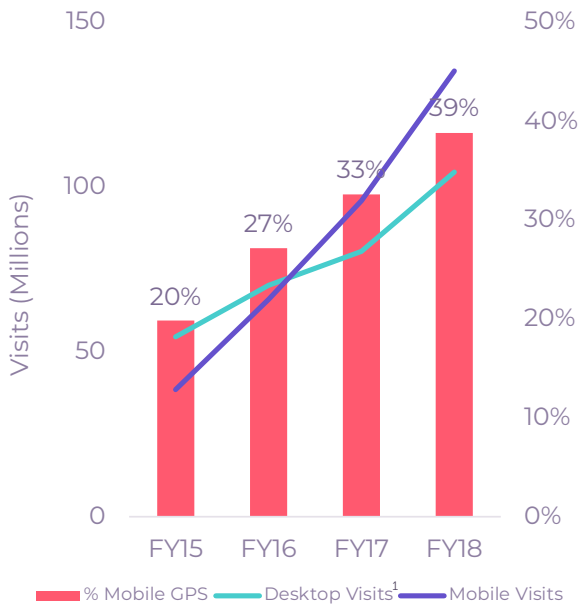
We will continue to deliver on strategic initiatives across our key themes

	FIND YOUR THING	DEEPER RELATIONSHIPS	GLOBAL ACQUISITION	SCALABILITY
Goals	Accelerate content growth, aid discovery, mitigate piracy	Build a personalised and rewarding experience for our returning users	Sustainable, low-cost, global, customer acquisition	Invest in faster platforms, fulfiller integrations and product launches
Focus Areas	• Strengthen artist value and retention to promote engagement and loyalty • Focus on improving relevance of content to customers across Redbubble • Support Content Partnerships into a growth phase with rights holders	• Turn foundational work on loyalty into a transformed branded personalised experience for users • Scale app users and engagement through acquisition and retention activity • Enable native purchasing in app	• Sustain growth and profitability of new user acquisition through organic channels • Establish presence in new paid channels. launch new countries in Google Shopping and optimise Facebook profitability through Data Science work	• Drive profitability through operational scale and pricing/promotion optimisation • Migrate remainder of the user experience to new, faster platform • Easily onboard new fulfillers and launch new physical products through new API integrations
Success Indicators	• Artist activity • New user conversion • Orders per user	• Improved revenue per user • Increasing number of members • Enhanced members experience	• European market growth • Paid channel growth and ROI	• Page speed improvements • Improve efficiency of onboarding new fulfillers • Increased GTV from new products

Mobile powering growth for both web and native iOS app users

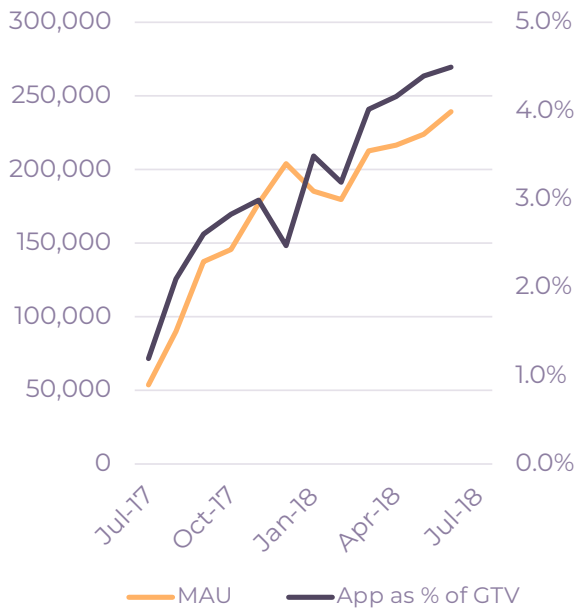
Visits have shifted to mobile but more checkouts still on desktop

Visits and GTV contribution from Mobile
(Mobile as % of Total GTV; FY15-FY18)



Mobile iOS app has scaled rapidly since global launch in May 2017

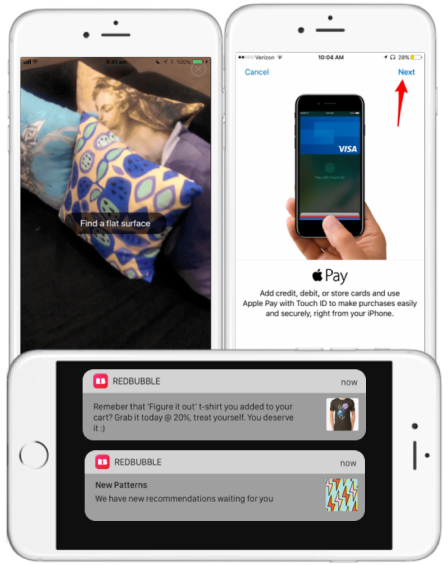
Monthly active users (MAU) and % of GTV
(FY2018 by month)



We are making large investments in the future of our mobile platform

Augmented Reality

Apple Pay



Push Notifications

1. Desktop includes tablet traffic
Sources: Redbubble internal data

As transition to mobile devices continues, the focus is on improving users' mobile experience

		FY2017	FY2018	YOY Growth
Desktop[1]	Visits	92.5M	118.6M	28.2%
	% of total visits	49.1%	45.8%	(3.3%)pts
	Conversion rate[2]	2.66%	2.56%	(3.5%)
	AOV[3]	$48.1	$46.5	(3.3%)
Mobile	Visits[4]	95.8M	140.2M	46.3%
	% of total visits	50.9%	54.2%	3.3%pts
	Conversion rate[2]	1.28%	1.44%	12.3%
	AOV[3]	$46.5	$44.5	(4.3%)

1. Desktop includes Tablet
2. Conversion rate is the percentage of visits to the site (or Daily Active Users in the case of the App) that result in a purchase being made
3. AOV: Average Order Value (Order sales / number of orders)
4. Mobile visits include visits + Daily Active Users to the App

Source: Redbubble internal data


THANK YOU

DISCLAIMER

The material herein is a presentation of information in summary form and does not purport to be complete. Investors or potential investors should seek their own independent advice. This material is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of a particular investor. These should be considered when deciding if a particular investment is appropriate.

Forward-looking Statements

This presentation 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. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.