FY 2017 Full Year Results Presentation

24 August 2017

Presented by:

Martin Hosking – CEO
Chris Nunn - CFO

REDBUBBLE

Disclaimer

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Year in review

Martin Hosking- CEO



Executive Summary

Redbubble is a growing and healthy global marketplace. It continues to scale on all three sides, acquires customers profitably and at low cost and is delivering improved operating leverage.

- The key metrics of marketplace health and scaling are evident in the number of selling artists, customers (particularly repeat customers), their visits and in 3rd party fulfilment locations.
- Top line financial measures all grew by more than 30% on a constant currency basis with gross profit up 36.8% on that basis as Redbubble harnesses economies of scale.
- Our paid marketing has become more efficient even though consumers shift to mobile has meant more paid clicks. 57.6% of customers still came from free sources.
- Operating expenses grew at just over half the rate of top-line financial measures.

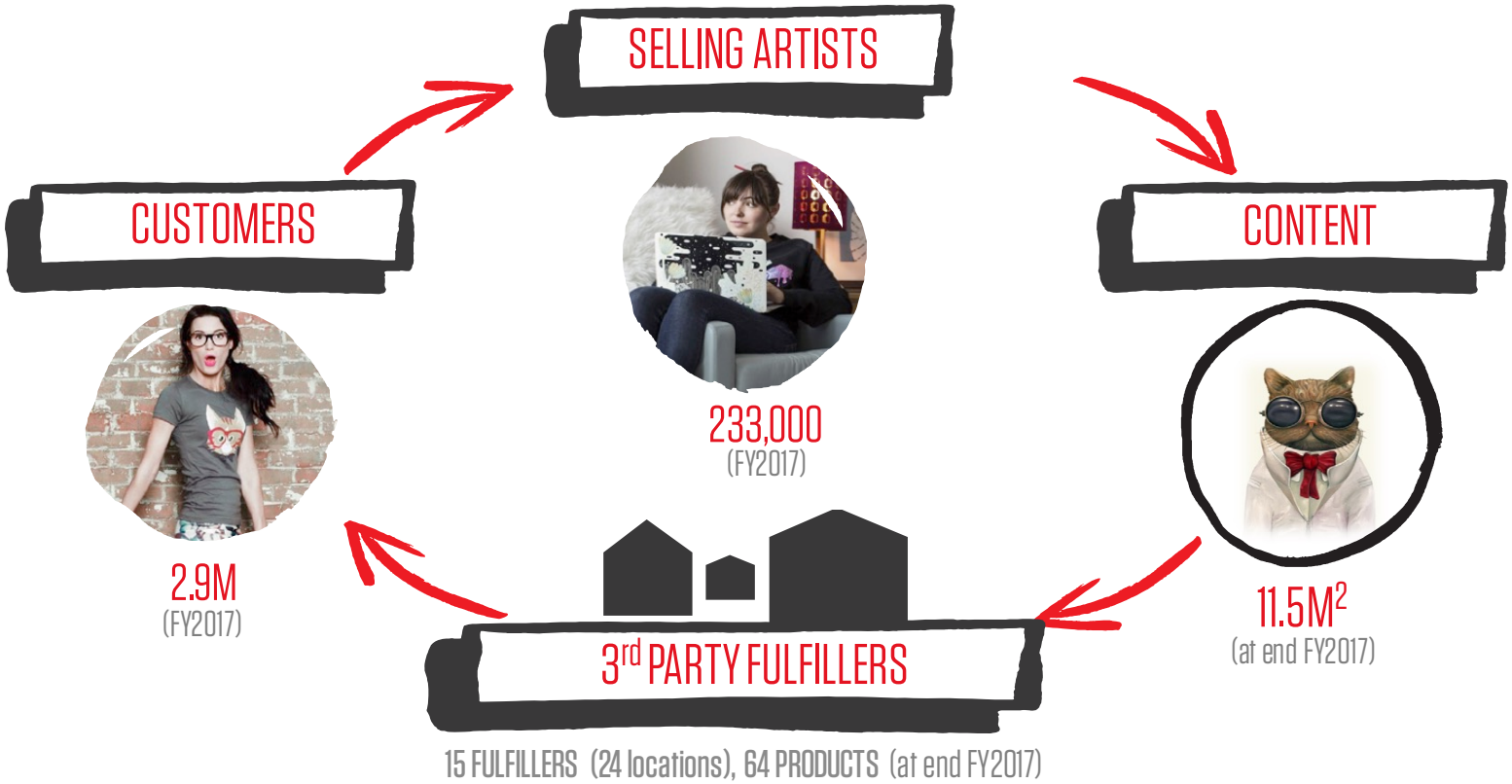
Redbubble reported a net loss after tax of $7.6 million – significantly improved on FY2016 loss of $19.8 million.

Redbubble has delivered consistently across its key strategic themes of Find Your Thing, Deeper Relationships, Global Acquisition and Scalability.

Looking ahead, Redbubble expects FY2018 revenues to increase at a rate consistent with that achieved in FY2017 on a constant currency basis and to move into operating EBITDA profitability late in FY2018

A RECAP ON THE RB STORY

A HEALTHY THREE-SIDED MARKETPLACE, GROWING ALL KEY METRICS



All $'s are AUD throughout presentation and all years are Financial Year End 30 June

FY2017 Key Marketplace Metrics

	FY2016	FY2017	YOY growth
GTV[1]	$142.9M	$175.4M	22.8%
Mobile GTV	$38.8M	$57.2M	47.2%
Repeat GTV[2]	$50.7M	$66.6M	31.2%
Visits	147.8M	188.4M	27.4%
Conversion[3]	1.87%	1.96%	4.6%
AOV[4]	$51.6	$47.5	-7.9%
Customers[5]	2.2M	2.9M	32.8%
Repeat Customers	0.6M	0.9M	44.1%
Selling Artists	154,300	233,000	51.0%

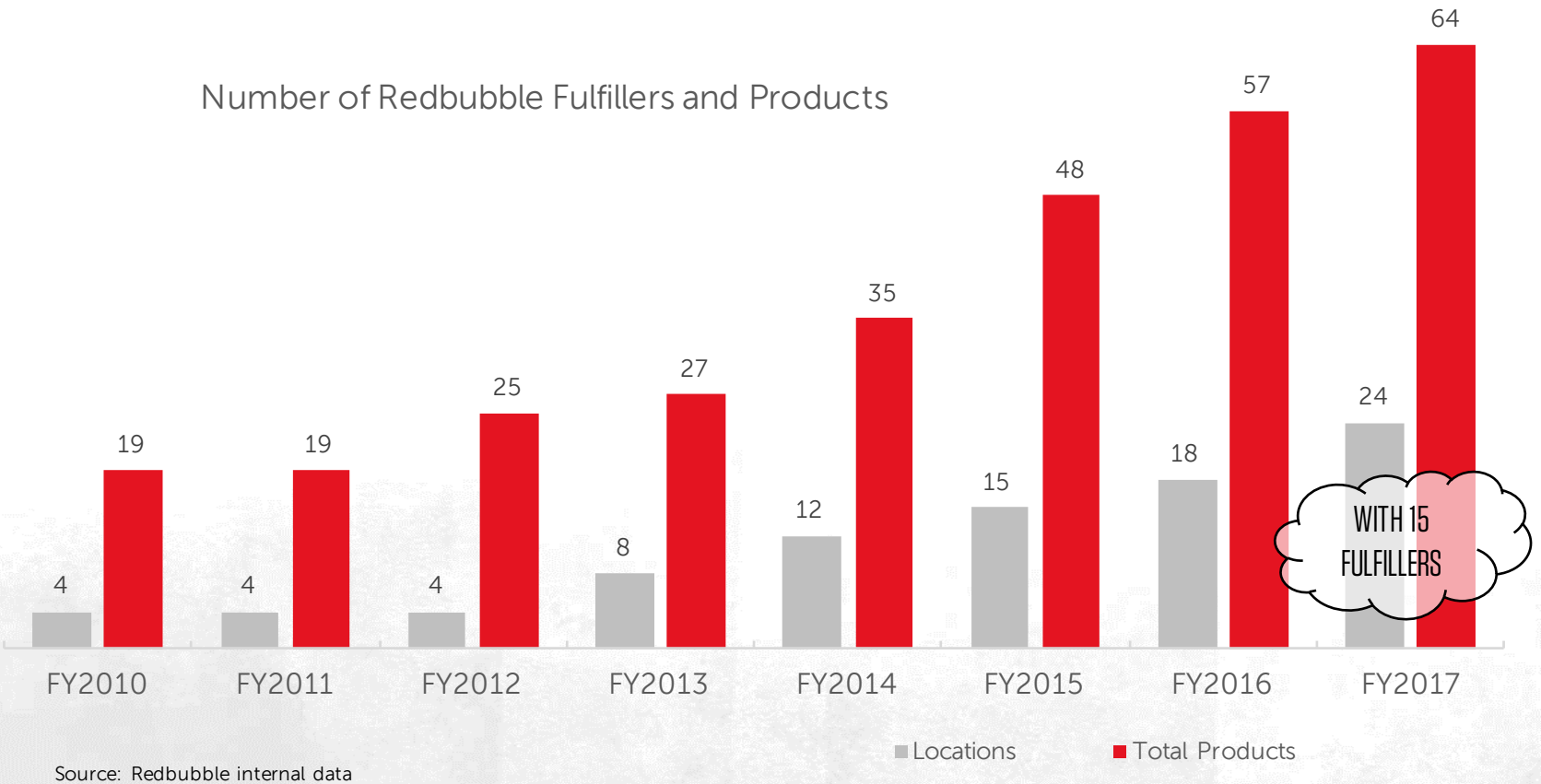
- GTV and Repeat GTV grew 30.3% and 39.0% respectively on a constant currency basis in FY2017
- Growth in Mobile GTV particularly strong
- Growing and healthy marketplace with growth in repeat GTV, visits, # of customers, repeat customers and selling artists
- Conversion rate impacted by accelerating transition to lower-converting mobile
- Lower AOV continues to be predominantly as a result of strong AUD

1. GTV (Gross Transaction Value) = Total receipts from customers less fraud, refunds and chargebacks
2. Repeat GTV = GTV earned from customers who have previously purchased from Redbubble
3. Conversion rate is the percentage of visits to the site that result in a purchase being made
4. AOV: Average Order Value (Order sales / Order count)
5. Customers are unique customers counting only once however many times they have bought on Redbubble site whilst repeat customers are those instances where customers purchase more than once

Source: Redbubble internal data

Adding more products and fulfilment locations

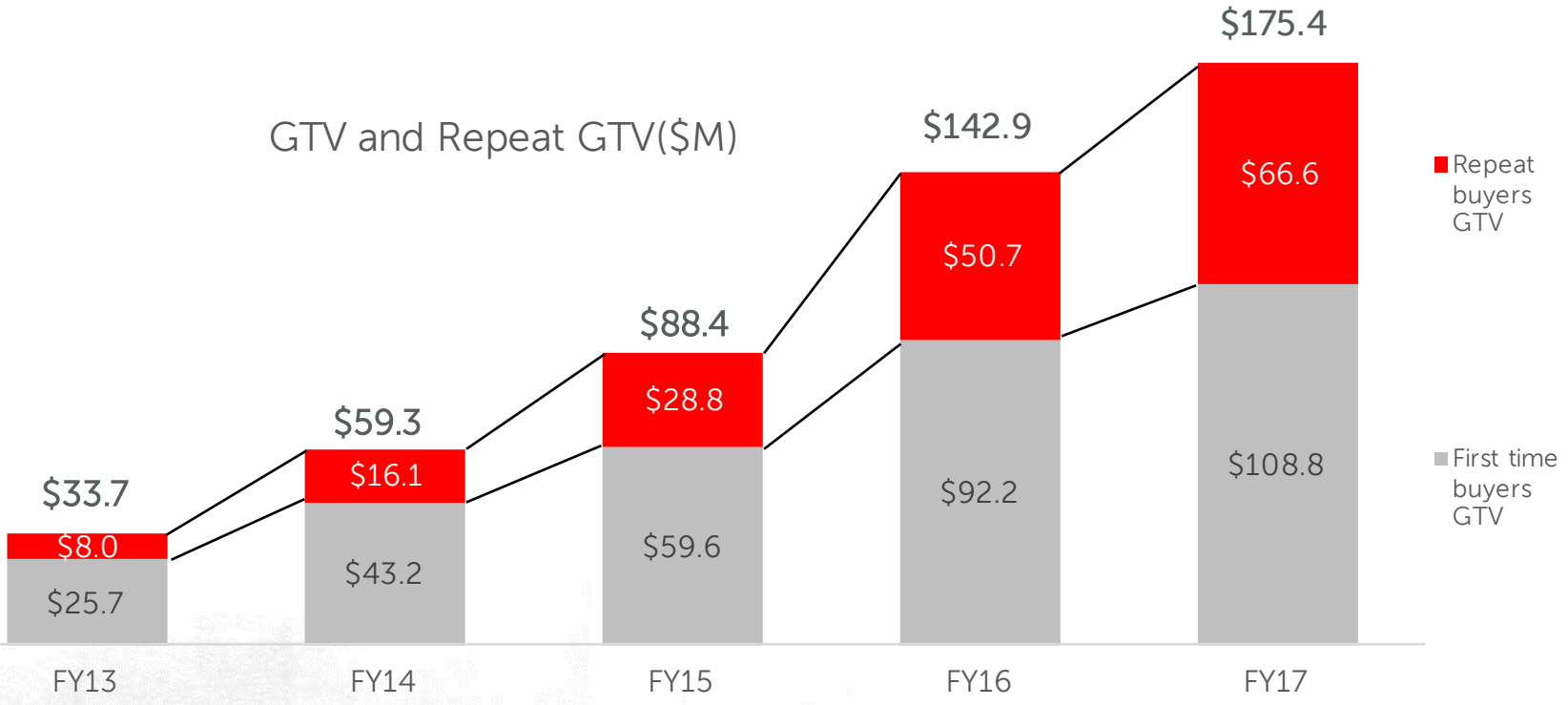
Enabling the business to scale, improve customer experience and reduce risk



Source: Redbubble internal data

Redbubble continues to drive growth through repeat buyers

31% growth in Repeat[1] GTV YOY for FY2017



YOY GTV Growth		FY13	FY14	FY15	FY16	FY17
	Total GTV	114.2%	76.1%	49.0%	61.7%	22.8%
	Repeat buyers GTV	117.3%	100.9%	79.3%	76.2%	31.2%

1. Repeat GTV is GTV earned from customers who have previously purchased. First time buyer GTV is GTV earned from customers who have not previously purchased.

Source: Redbubble internal data

Results analysis

Chris Nunn - CFO



Non-IFRS measures

GTV (Gross Transaction Value), Gross profit, Gross profit margin, Gross profit (after paid acquisition), GPAPA margin and EBITDA (earnings before interest, tax, depreciation and amortisation) are non-IFRS measures that are presented to provide readers a better understanding of Redbubble's financial performance. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements.

FY2017 Income Statement summary

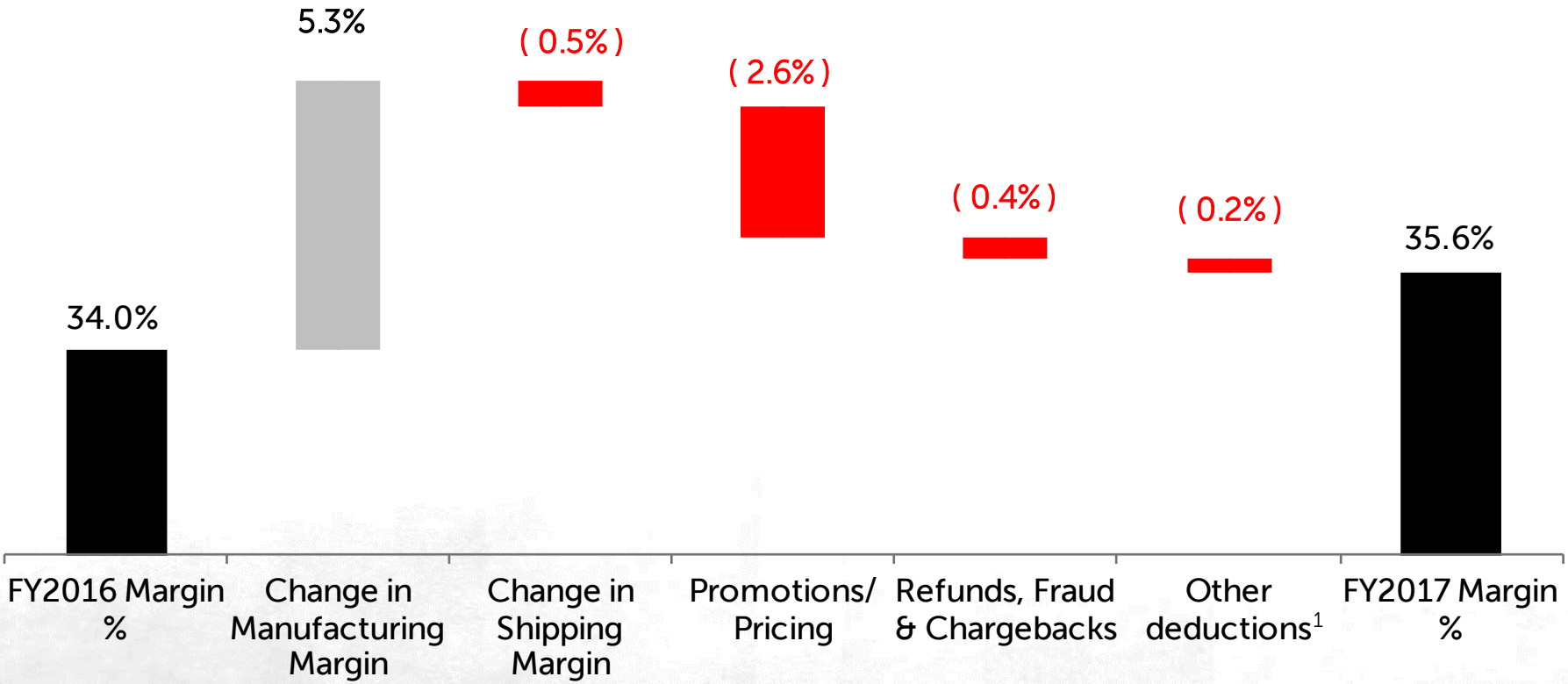
P&L (A$M)	Full year			
	FY16	FY17	Growth	CC Growth[1]
GTV	142.9	175.4	22.8%	30.3%
Revenue	**114.6**	**141.0**	**23.0%**	**30.1%**
Gross Profit	39.0	50.1	28.5%	36.8%
GP Margin	34.0%	35.6%	-	-
Gross Profit after Paid Acquisition (GPAPA)	31.3	37.9	20.8%	30.2%
GPAPA Margin	27.4%	26.9%	-	-
Operating Expenses[2]	(37.4)	(42.8)	14.6%	17.3%
Other Income/Expenses[3]	(4.7)	(3.1)	(34.1%)	(41.0%)
EBITDA Loss	(10.7)	(8.1)	24.8%	45.4%
Depreciation & amortisation	(4.0)	(6.5)	62.5%	63.5%
Net Finance costs	(1.6)	0.4	nm	nm
Income tax	(3.4)	6.7	nm	nm
Net loss after tax	**$(19.8)**	**$(7.6)**	**61.9%**	nm

- Key financial measures growing at or above 30% on a constant currency basis
- Strong GP Margin resulting from:
  - Improved pricing strategies;
  - Continuing economies of scale at fulfilment level;
  - Ongoing localisation of fulfilment reducing shipping costs
- Underlying GP margin at year end around 35.8%
- Small decline in GPAPA margin as paid acquisition costs increase with shift to mobile.
- Minimal FX impact at EBITDA and NPAT level
- EBITDA Loss for FY16 includes $2M IPO costs
- Tax losses and R&D offsets generated post IPO have been recognised. Pre-IPO losses were de-recognised in FY16

1. Constant currency growth numbers are derived by taking the original currency value and converting it at the same exchange rate used for the comparison period
2. FY17 Operating expenses have reduced by $0.2M from the 4C release due to year end adjustment.
3. FY16 includes IPO costs of $2.0M

Strong & increasing GP margin demonstrating network effect.....

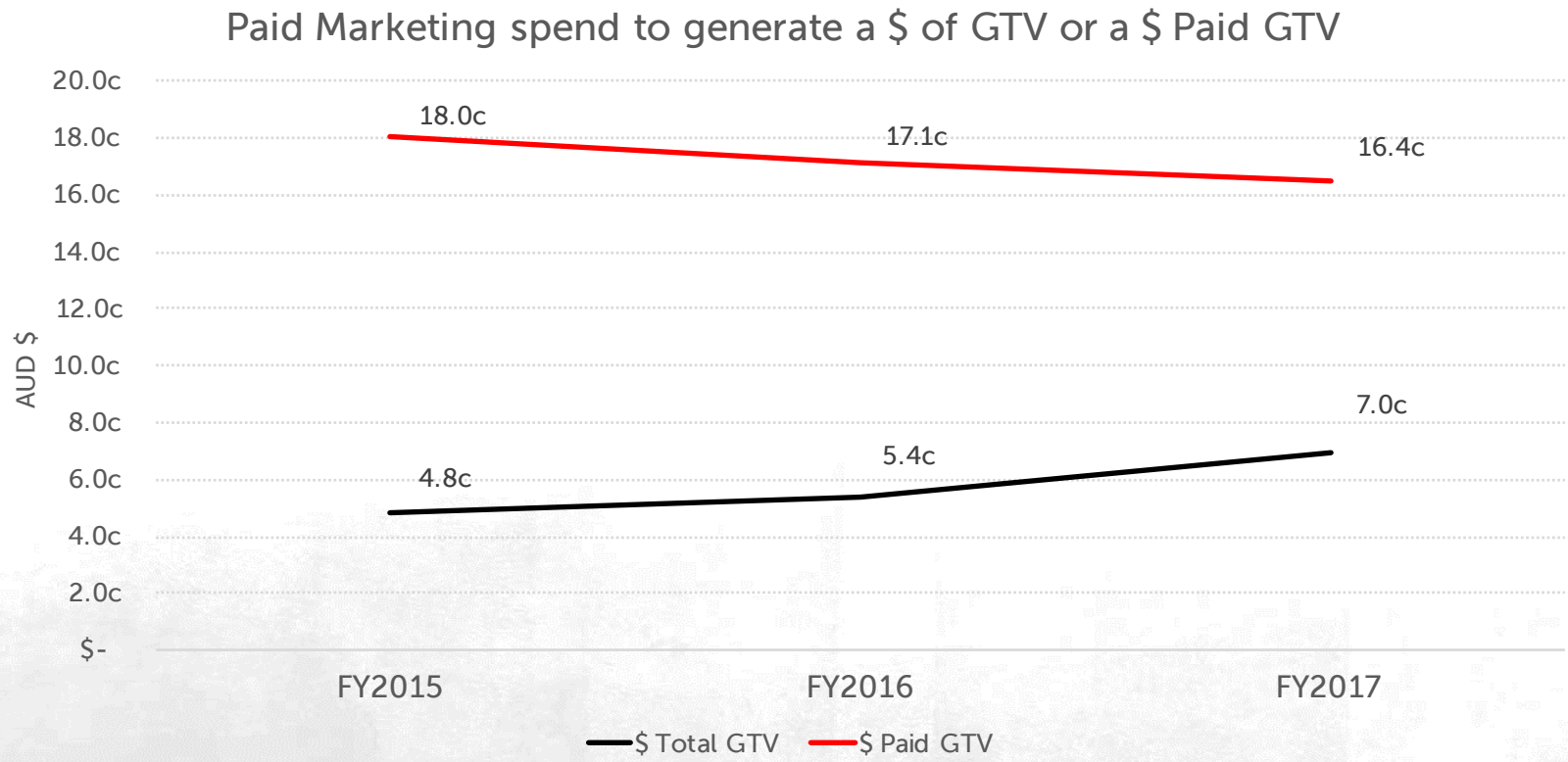
....with demand driven economies of scale contributing to operating leverage



1. Other deductions = includes freight, duties, taxes, government and brokerage charges

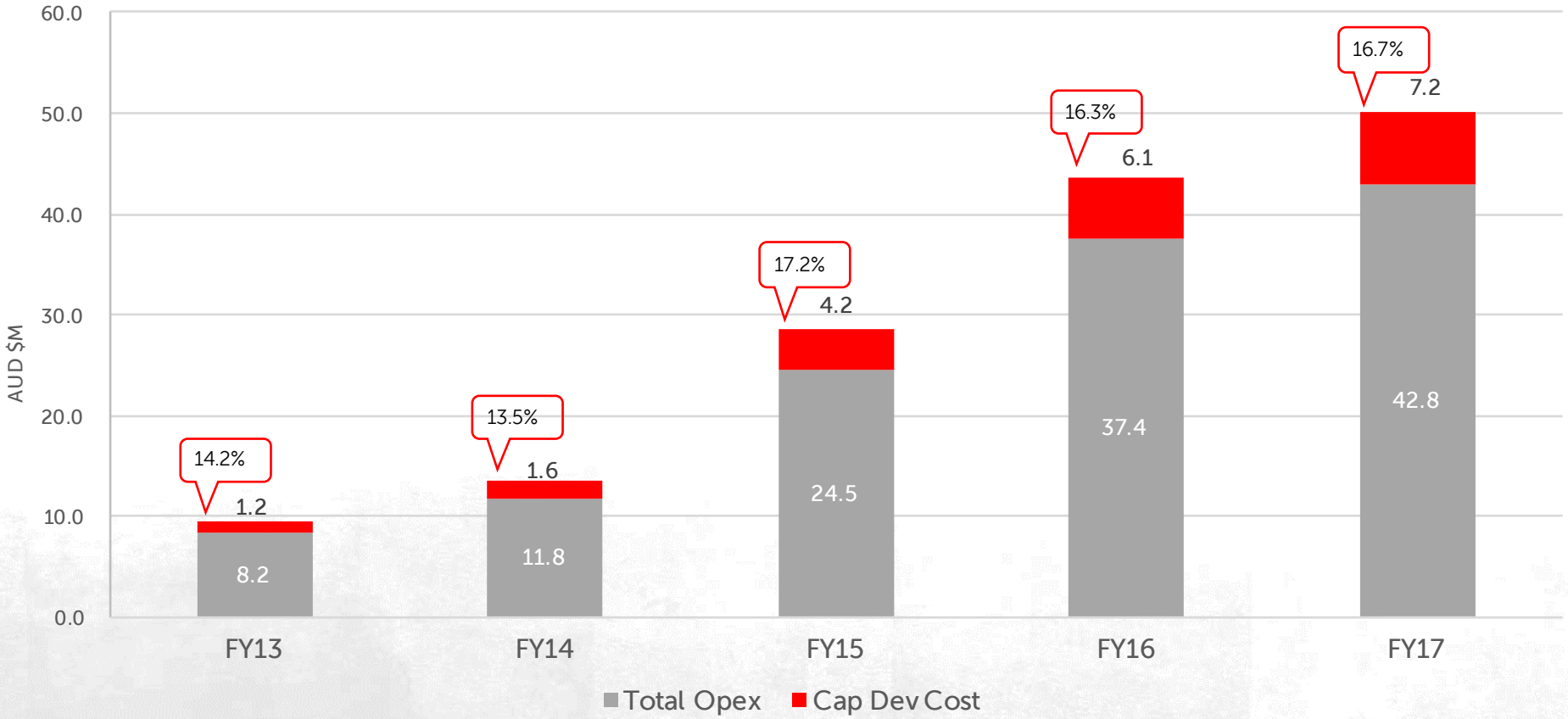
Paid marketing dollars being spent more efficiently .....

.....but having to pay for more customers as shift to mobile continues



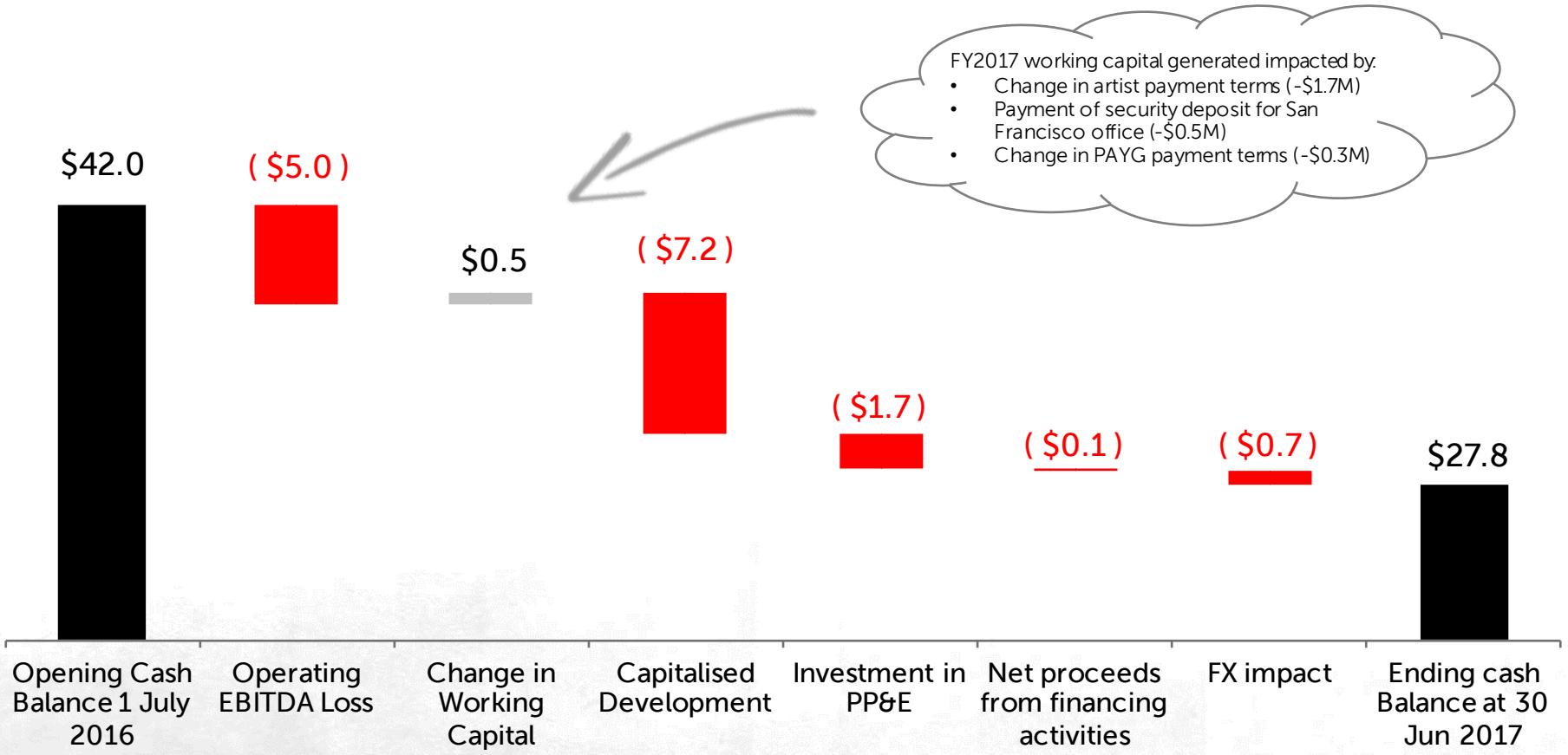
Conservative and consistent capitalisation of development costs

Capitalised development cost v Operating expenses [1] (FY17, $M)



1. Employee Benefits + Ops & Admin costs. Excludes Paid marketing, and stock-based compensation

Redbubble FY2017 Cashflow waterfall ($M)

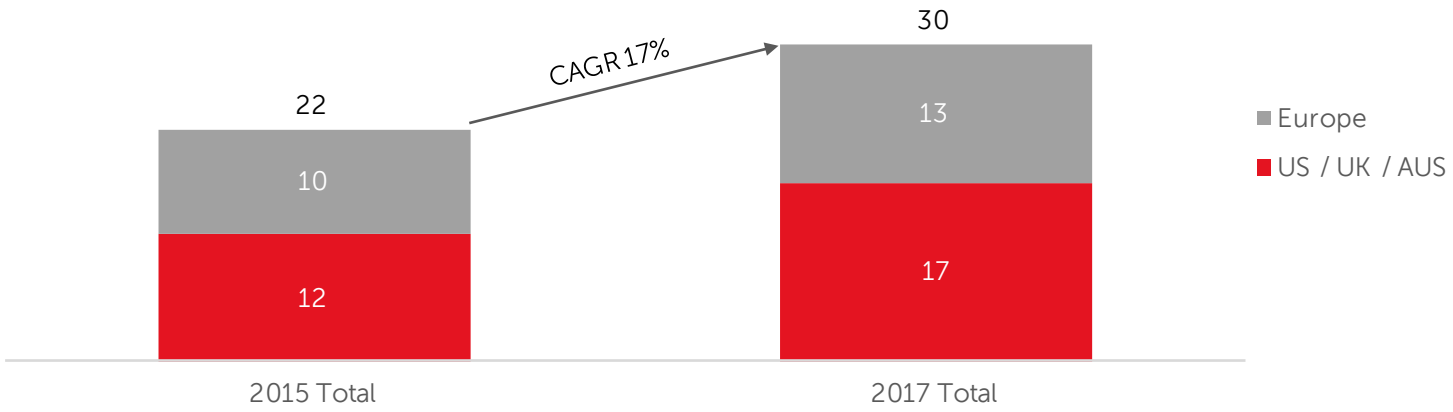


Strategy and Operations update

Barry Newstead

Redbubble' addressable market is LARGE and GROWING

Estimated Addressable Market Size[1]
(US$ billion)

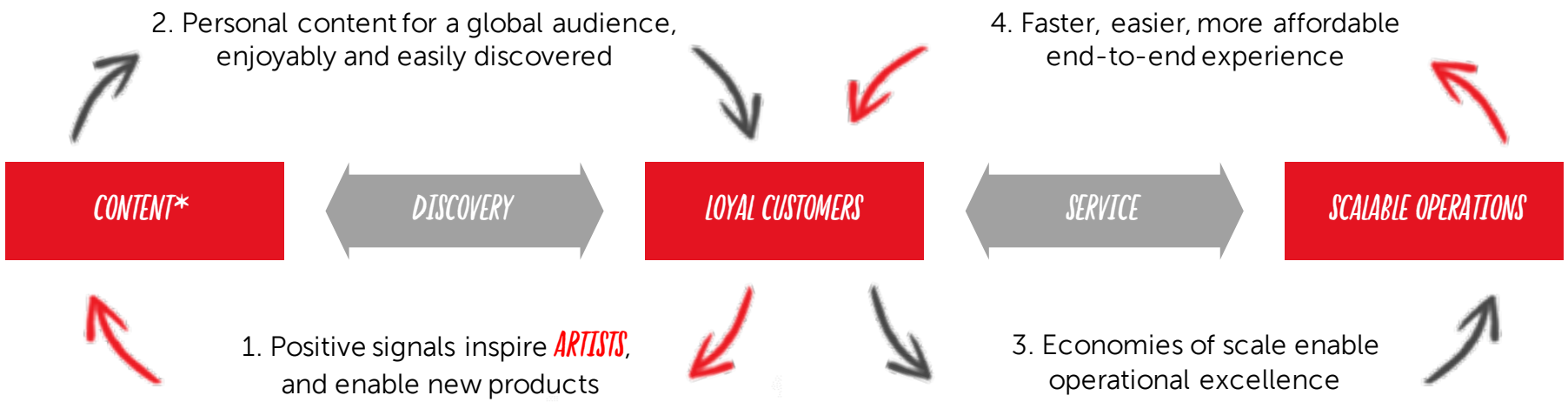


Total global online market for Apparel and Homewares is ~US $280B[2] : Both of these large online markets expected to grow at between 10- 14% per annum through to 2020

1. Redbubble analysis of the total market of customers seeking creative expression on lifestyle products (apparel, electronic accessories, homewares and stationery)
2. Apparel = US$111B, Homewares = US$172B, Homewares = furniture and household goods such as kitchen and bathroom accessories, textile furnishings, office supplies and stationery

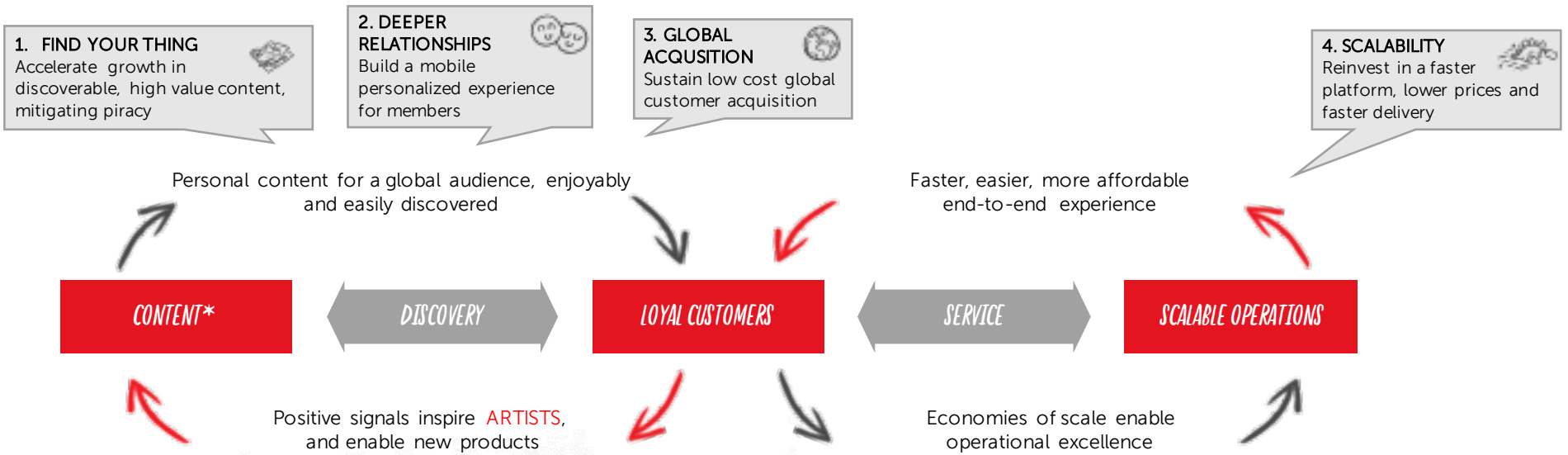
Sources: eMarketer, McKinsey and Company, ATKearney, Redbubble analysis with 2016 and 2017 category growth rates applied

Our strategic focus is on accelerating the marketplace dynamics we have established over the last 10 years



* Content is the marriage of Digital Art and the Products they are sold on

We are delivering on this through four strategic themes



* Content is the marriage of Digital Art and the Products they are sold on

Our track-record in FY17 has been strong

	FIND YOUR THING	DEEPER RELATIONSHIPS	GLOBAL ACQUISITION	SCALABILITY
Goals	Accelerate growth in high value, discoverable content, mitigating piracy	Build a personalised mobile experience for our members	Sustainable, low-cost, global new customer acquisition	Reinvest in a faster platform, lower prices and faster delivery
Allocation of Growth Capital	25%	30%	15%	30%
Public Facing Releases[1]	44	40	19	70
Highlights	✓ Search algorithm update (Query Dependent ranking) ✓ Able to support sales of licensed works ✓ Content policing tools	✓ Mobile app launched globally ✓ Personalised emails ✓ Infrastructure to better support buyer accounts ✓ Improved artist profile & bio pages and new Redbubble blog	✓ Increased products available to external marketing channels inc. Facebook ✓ New marketing bidding software ✓ Google shopping enabled in Germany, Spanish language site launched	✓ Re-architecting the RB platform for speed gains - first experiments launched ✓ 7 new product launches ✓ 6 new fulfiller locations onboarded inc. apparel in Canada
Success Indicators	• Search ATC[2] up 2.4% due to search algorithm change	• iOS App 4.5 star rating • Personalised emails showing 47% RPM[3] increase • 15% lift in Member sign-ups	• Google Shopping for Germany delivered $240K GP in Q4	• 14% ATC[2] lift in new platform experiments • Potential to deliver up to $5M in EBITDA value in FY18

1. Web product development releases that change the way customers interact with Redbubble
2. ATC - The percentage of users who add a product to their shopping cart
3. RPM - Revenue per thousand emails sent

We will continue to deliver against our road map over the next year

	FIND YOUR THING	DEEPER RELATIONSHIPS	GLOBAL ACQUISITION	SCALABILITY
Goals	Accelerate growth in high value, discoverable content, mitigating piracy	Build a personalised mobile experience for our members	Sustainable, low-cost, global new customer acquisition	Reinvest in a faster platform, lower prices and faster delivery
Focus Areas	• Migrate search to the new faster platform • New search algorithms • Personalised recommendations	• Mobile habit creation - push, content, favourites • Migrate all members to new accounts service • Deliver more personalised content experiences	• Build scale in Germany through marketing, payment options and trust signals • Continuing to scale the reach of our paid channels • Improved channel attribution	• Go live with the new faster platform for specific products • Acceleration of product launches • Fulfiller expansion
Success Indicators	• New user conversion • Orders per user	• Improved revenue per user • Enhanced member information	• German market growth • Paid channel growth and ROI	• Page speed improvements • Increased GTV from new products



A recent highlight, the launch of the premium t-shirt

Premium product: These t-shirts are high thread count, AS Colour tees

Premium previews: New previews including dynamic lifestyle and packaging previews

Premium print: A larger printable area than our standard t-shirt range which means more art. The higher thread count means that the quality of the print is better too. Win Win!

Premium care: Our loyal customers will receive a complimentary wash bag to ensure their t-shirt stays pristine

Sources of growth

Gains in Visits and Conversion rate in Mobile and Desktop...

...but strong AUD impacting AOV

		FY2016	FY2017	YOY growth
Desktop	Visits	70.3M	80.5M	14.5%
	% of Total visit	47.6%	42.7%	-4.8% pts
	Conversion rate[1]	2.53%	2.77%	9.5%
	AOV[2]	$51.6	$47.4	-8.2%
Mobile	Visits	65.9M	95.8M	45.5%
	% of Total visit	44.6%	50.9%	6.3% pts
	Conversion rate[1]	1.18%	1.28%	8.4%
	AOV[2]	$49.8	$46.5	-6.6%

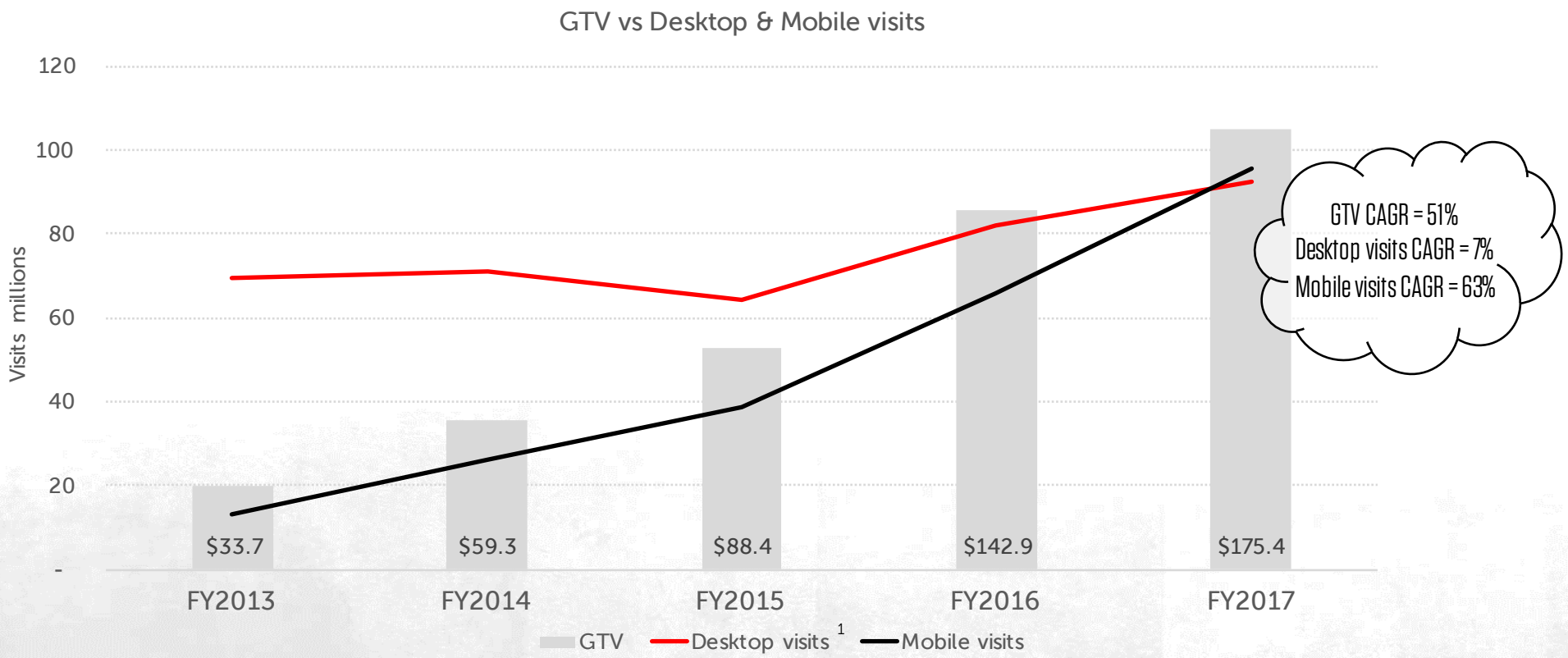
Mobile visits up to 52.2% in 2H FY17

1. Conversion rate is the percentage of visits to the site that result in a purchase being made
2. AOV: Average Order Value (Order sales / Order count)

Source: Redbubble internal data

Mobile visits exceed desktop for first time in FY2017.....

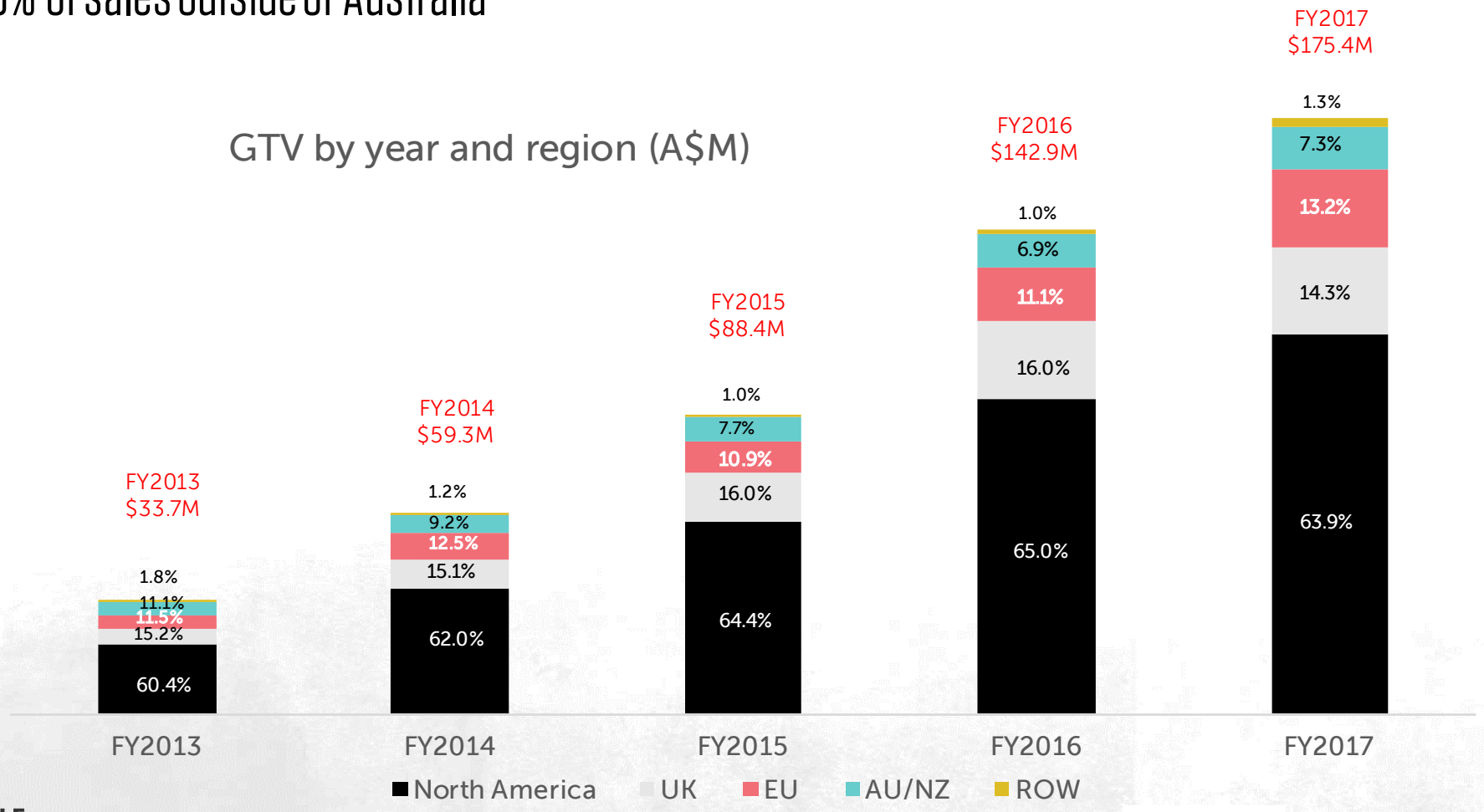
.....and will continue to be major driver of Redbubble's growth



1. Desktop visits includes Tablet
Source: Redbubble internal data

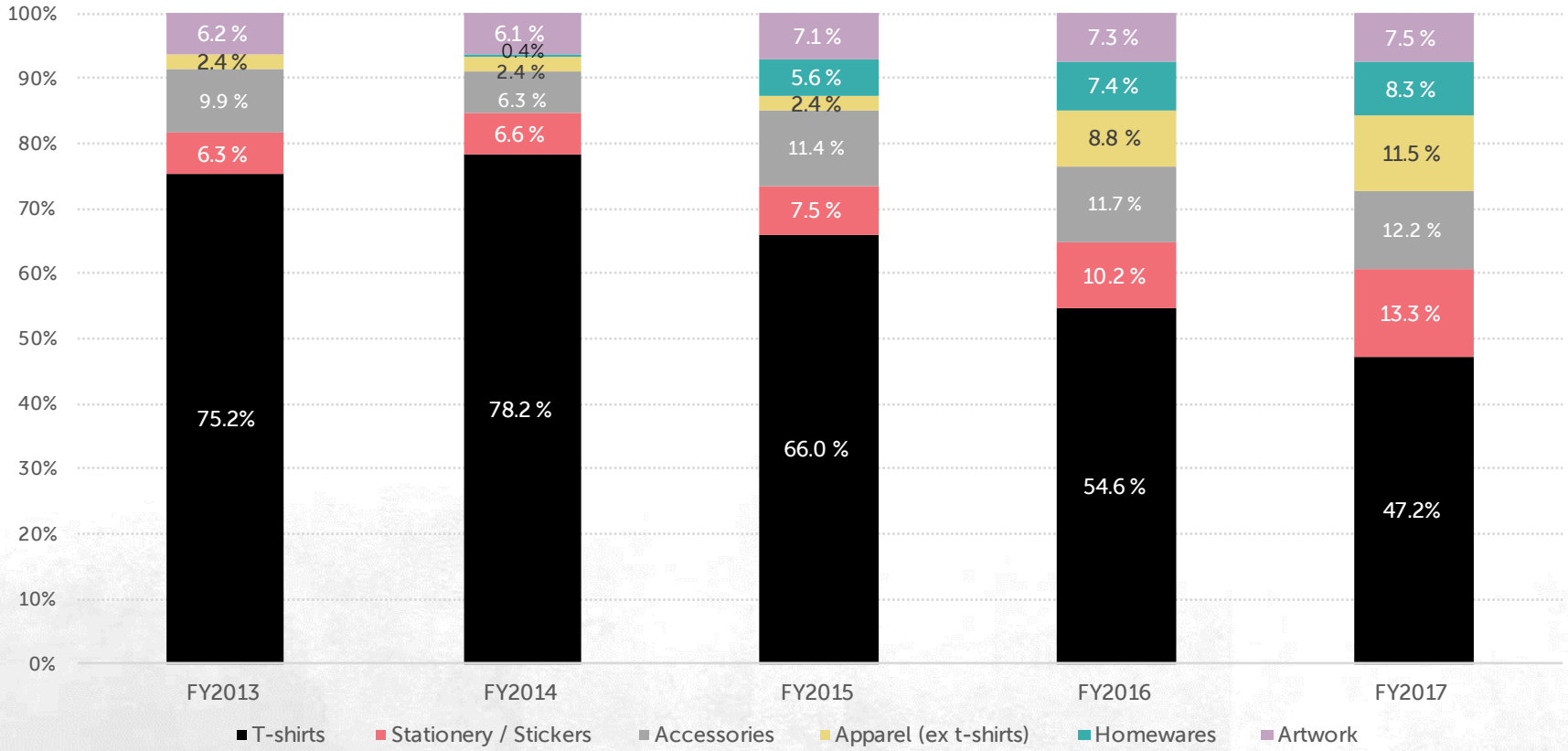
Redbubble is a global opportunity shown in the geographic scope....

... 93% of sales outside of Australia



Source: Redbubble internal data

Increasing range of product offering with rapid growth in new categories....



Source: Redbubble internal data


THANK YOU