



APPENDIX 4C REPORT, FULL YEAR UPDATE

REDBUBBLE CONTINUES TO DELIVER ROBUST GROWTH IN REVENUE, GPAPA AND MARKETPLACE METRICS

- Strong marketplace dynamics driving FY2018 Revenue growth above 30% on a constant currency basis^{1*}
- Unit economics gaining further momentum with 4Q2018 Gross Profit margin of 36.9% and 4Q2018 GPAPA growth of 36.1%
- Significantly improved FY2018 free cash flow outcome demonstrates increasing sustainability of the business model
- Redbubble is expecting to deliver FY2019 Revenue growth rates at or above 30% on a constant currency basis* and operating EBITDA in the range of \$2-4 million

Melbourne, Australia; 24 July 2018: Redbubble Limited (ASX: RBL), the leading global marketplace for independent artists, today lodged its Quarterly Cash Flow Report (Appendix 4C) for the quarter ended 30 June 2018.

In conjunction with the Appendix 4C lodgment, Redbubble is providing an update on its unaudited financial and operating performance for the fourth quarter (4Q) and the full year to 30 June 2018.

FY2018 Financial Performance

Redbubble continues to achieve high levels of top-line growth at rates above 30% on a constant currency basis*. Pleasingly, Redbubble's financial performance for the full year to 30 June 2018 delivered results in line with its April 2018 guidance across key levels of the income statement.

Key financial measures for FY2018 (with year on year ("YoY") growth rates, where applicable) are:

- GTV² of \$231.3 million, up 31.9% (up 32.2% on a constant currency basis*), in line with guidance
- Revenue of \$182.8 million, up 29.7% (up 30.4% on a constant currency basis*)
- Gross profit of \$63.9 million, up 27.5% (up 27.6% on a constant currency basis*)

^{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 Transaction Value) = Total receipts from customers less fraud, refunds and chargebacks

- Gross profit margin of 35.0%, in line with guidance
- Gross profit after paid acquisition “GPAPA” of \$47.1 million, up 24.4% (up 23.6% on a constant currency basis*)
- Operating (Cash) EBITDA loss of \$3.7 million, an improvement of 23.2% (8.7% on a constant currency basis*)
- Cash operating expenses of \$50.8 million, up 19.0% in line with guidance (up 19.9% on a constant currency basis*)

Over the fourth quarter, the business demonstrated its ability to achieve strong top-line growth rates; in particular, the continued acceleration of unpaid GTV growth. Sales from unpaid channels grew at 42.9%³ YoY, contributing towards a full year unpaid growth rate of 29.6%. Benefiting from this, customer acquisition costs were 9.4% of revenue in 4Q2018, compared to 9.9% in 4Q2017.

As previously announced, reduced fulfiller prices came into effect in January and February, and these contributed to Redbubble’s gross profit margins for FY2018 of 35.0%. In particular, 4Q2018 delivered robust gross profit margins of 36.9% as the business scales and benefits from improving unit economics. The higher margin in 4Q2018 underpins strengthened confidence in future margins.

Redbubble expects improving gross margins and continued low cost of customer acquisition to result in future GPAPA growth rates aligning more closely with growth in Revenue. The business is becoming increasingly sophisticated at balancing pricing and promotions, fulfilment and shipping margins as well as marketing spend to drive increases in GPAPA dollars.

FY2018 Cashflows

Total cash outflow for FY2018 was \$6.6 million compared to \$14.2 million for FY2017. The closing cash balance at 30 June 2018 is \$21.3 million.

Aggregate operating and investing cash outflow (negative free cash flow) was \$6.9 million in FY2018, reduced by 48% compared to \$13.3 million in FY2017, demonstrating Redbubble’s cash discipline and the increasing sustainability of the business. Redbubble’s ability to generate cash from its negative working capital cycle as it grows is a significant advantage reflected in the year’s positive operating cash flow.

Continuing to Build a Business of Enduring Value

Redbubble continues to build a robust, scalable and defensible business of enduring value, underpinned by its strong fundamentals: a healthy and vibrant marketplace, strong top-line growth, profitable customer acquisition and retention, and increasing operating leverage.

³ Subject to final channel attribution for June 2018

Marketplace Health

Redbubble's marketplace remains healthy and vibrant:

- 4Q customers increased by 39.2% year-on-year ("YoY") to 0.98 million and by 38.1% to 3.97 million for the full year;
- 4Q selling artists increased by 35.4% to 182,400 YoY and by 28.2% to 298,700 for the full year;
- 4Q visits to the site increased by 35.3% to 66.0 million YoY and by 37.4% to 258.8 million for the full year;
- 4Q mobile visits represented 54.7% of total visits and 54.2% for the full year, with 4Q mobile sales growing at 61.9% YoY delivering 42.4% of GTV.

Mobile GTV includes sales from the Mobile iOS App which are now at 4.3% of total in 4Q and 4.5% in June 2018. Launched in May 2017, Redbubble expects the App to be a growing contributor to overall GTV in future periods.

Top-line Growth

Redbubble's strong GTV and revenue growth momentum continued through the fourth quarter, contributing to top-line growth rates in line with guidance.

Growth in visit numbers drove GTV growth across all markets and most product categories. European markets continued to make strong contributions, with sales in Germany growing at 80%, Spain at 71%, and France at 91% during the fourth quarter on a YoY basis. The sustained and strong 4Q2018 performance across these regions contributed to FY2018 growth rates of 88% in Germany, 93% in Spain, and 63% in France.

Revenue growth rates consistent with those achieved in FY2018 as a whole, can be sustained for the long term by Redbubble's commitment to delivering on strategic initiatives to accelerate the marketplace flywheel.

Profitable Customer Acquisition

Redbubble has seen an increased proportion of traffic coming from unpaid sources with the previous trend to paid reversing in the second half of the year. During the fourth quarter, 60.1%⁴ of GTV was sourced from unpaid channels, contributing towards the 56.5% achieved for the full year.

Redbubble continues to drive unpaid traffic to generate sales via initiatives to improve search results algorithms and site optimisation, and translation of artwork titles into the three European languages.

In parallel, low-cost and profitable growth is being generated from paid channels, with total paid acquisition costs at 9.2% of revenue for FY2018.

Operating Leverage

As the business continues to scale and grow, Redbubble remains focused on delivering operating leverage.

⁴ Subject to final channel attribution for June 2018

FY2018 operating expenses grew at 19.0%, at the higher end of the guided range. In 4Q2018 Redbubble experienced a lower rate of capitalised development, took up a provision for insurance deductibles for the first time; and made a small investment in future opex savings (i.e. in Customer Service efficiencies).

Redbubble continued to invest in the Content Partnership business, with strong revenues expected to be delivered in two to three years. Related operating expenses of \$0.4 million were recorded in 4Q2018, totaling \$1.3 million for FY2018.

The business's ability to prudently manage operating leverage while investing for growth remains a key focus.

Detailed 4Q2018 analyses of the financial result and key marketplace metrics are provided in the attached presentation.

Looking Forward

A significant market opportunity lies ahead of Redbubble. The business is continuing to scale, driven by strong fundamentals, improving unit economics and propelled by good momentum. Redbubble expects to maintain Revenue growth rates at or above 30% on a constant currency basis*. Furthermore, with improving unit economics, GPAPA growth rates are expected to align more closely with Revenue growth. FY2019 operating expenses are forecast to grow at a rate similar to that reported in FY2018. Ongoing momentum has Redbubble on track to deliver FY2019 operating EBITDA in the range of \$2-4 million and to consume less than \$2 million in cash.

A detailed strategic overview of how Redbubble will continue to take advantage of the market opportunity will be provided with the release of the Appendix 4E (Preliminary Final Report) and audited FY2018 financial results on 23 August 2018.

For further information please contact:

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About Redbubble

Founded in 2006, Redbubble is a global online marketplace (redbubble.com) powered by over 700,000 independent artists. Redbubble'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 marketplace independent artists are able to profit from their creativity and reach a new universe of adoring fans. For 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.

Forward-looking Statements

This announcement 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.

INVESTOR UPDATE

Q4 FY2018 results* and key company metrics

24 July 2018

* Results are from internal management reports and have not been subject to audit



REDBUBBLE

4Q2018 and FY2018 P&L Analysis

| P&L (A\$M) | 4Q | | YoY | | Full Year | | YoY | |
|---|--------|--------|---------|------------------------|--------------------|--------|--------|------------------------|
| | FY17 | FY18 | Growth | CC Growth ¹ | FY17 | FY18 | Growth | CC Growth ¹ |
| GTV | 38.7 | 52.6 | 36.1% | 34.1% | 175.4 | 231.3 | 31.9% | 32.2% |
| Revenue | 30.9 | 41.6 | 34.5% | 32.9% | 141.0 | 182.8 | 29.7% | 30.4% |
| Gross Profit | 11.2 | 15.4 | 36.8% | 33.8% | 50.1 | 63.9 | 27.5% | 27.6% |
| GP Margin | 36.3% | 36.9% | 1.7% | 0.7% | 35.6% | 35.0% | (1.7%) | (2.2%) |
| Paid Acquisition | (3.1) | (3.9) | 26.5% | 27.5% | (12.2) | (16.8) | 36.9% | 40.0% |
| Gross Profit (after Paid Acquisition) (GPAPA) | 8.1 | 11.5 | 40.7% | 36.1% | 37.9 | 47.1 | 24.4% | 23.6% |
| GPAPA Margin | 26.4% | 27.6% | 4.6% | 2.4% | 26.9% | 25.8% | (4.0%) | (5.3%) |
| Operating Expenses | (10.9) | (14.7) | 34.7% | 34.3% | (42.7) | (50.8) | 19.0% | 19.9% |
| Operating EBITDA | (2.8) | (3.2) | (16.9%) | (28.9%) | (4.8) ² | (3.7) | 23.2% | 8.7% |
| Other Income/Expenses | (0.7) | (0.9) | 27.7% | 1.2% | (3.2) | (3.6) | 10.4% | 10.3% |
| EBITDA (Loss)/Profit | (3.4) | (4.1) | (19.0%) | (23.2%) | (8.1) | (7.3) | 9.8% | 2.1% |

- Strong 4Q GTV growth of 34.1% (CC basis^{1*}) boosting FY GTV growth to 32.2% (CC basis*), 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
- Robust 4Q GP margin of 36.9% reflecting scale and improving unit economics at that level
- 4Q GPAPA growth of 36.1% (CC basis*) due to sustained unpaid growth and continued low cost & profitable customer acquisition
- FY18 Opex growth of 19.0% with 4Q absorbing: lower capitalised development than forecast; take up of provision for insurance deductibles; and investment in future opex savings (i.e. Customer Service efficiencies), all totaling >\$500k.

Source: Redbubble internal unaudited management accounts

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. FY2017 Operating EBITDA has reduced by \$0.2M from previous releases due to reclassification of operating expenses

4Q FY2018 and FY2018 Key Marketplace Metrics

| | 4Q FY2017 | 4Q FY2018 | YoY growth | FY2017 | FY2018 | YoY growth |
|-------------------------------------|----------------|----------------|---------------|-----------------|-----------------|---------------|
| GTV¹ | \$38.7M | \$52.6M | 36.1% | \$175.4M | \$231.3M | 31.9% |
| Mobile GTV | \$13.8M | \$22.3M | 61.9% | \$57.2M | \$89.8M | 57.1% |
| Repeat GTV² | \$15.4M | \$20.9M | 36.3% | \$66.6M | \$87.6M | 31.7% |
| Visits | 48.8M | 66.0M | 35.3% | 188.4M | 258.8M | 37.4% |
| Conversion rate | 1.65% | 1.69% | 2.4% | 1.96% | 1.96% | 0.0% |
| AOV³ | \$48.2 | \$47.3 | -1.7% | \$47.5 | \$45.7 | -3.9% |
| Customers⁴ | 0.70M | 0.98M | 39.2% | 2.88M | 3.97M | 38.1% |
| Repeat Customers⁵ | 0.25M | 0.35M | 41.7% | 0.87M | 1.24M | 42.0% |
| Selling Artists | 134,800 | 182,400 | 35.4% | 233,000 | 298,700 | 28.2% |

- Strong marketplace dynamics continuing to drive robust top-line growth in FY2018
- 4Q key metrics boosting FY18 growth rates on nearly all measures
- 4Q Mobile GTV was 42.4% of total with mobile visits increasing to 54.7% of total (54.2% FY18). Increasing contribution from the Mobile App representing 4.3% of total GTV in 4Q (4.5% in June)
- Whilst conversion rates remain stable YoY, 4Q mobile conversion rate was up 18.5% YoY, aided by the App; supporting Redbubble's investment in mobile overall

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, 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

Disclaimer

The information in this Investor Update is given 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.