



APPENDIX 4C REPORT, QUARTERLY UPDATE AND REAFFIRMED GUIDANCE FOR FY2017

Melbourne, Australia; 26 April 2017: Redbubble Limited (ASX: RBL), a leading global marketplace for independent artists, today lodged its Quarterly Cash Flow Report (Appendix 4C) for the third quarter of FY2017.

In conjunction with the Appendix 4C lodgement, Redbubble is providing an update on its unaudited operating performance for the first three quarters of FY2017 and reaffirming the previous guidance provided on 23 January 2017.

FY2017 YTD Operating Performance

Redbubble continues to build a robust and defensible business. Through the third quarter, Redbubble scaled well on the back of strong fundamentals: a healthy and vibrant marketplace, strong top-line growth, profitable customer acquisition, and emerging operating leverage.

Marketplace Health

Redbubble's marketplace remains healthy and vibrant:

- 3Q customers increased by 36.4% year-on-year ("YOY") to 860,000 and by 35% year-to-date to 2,887,000;
- 3Q selling artists increased by 46.1% YOY to 132,000 and by 53.8% year-to-date to 200,600;
- 3Q visits to the site increased by 33.2% YOY and by 25.6% year-to-date;
- year-to-date conversion rate has increased by 7.5% despite the continued transition to the lower converting mobile. Mobile represented 51.3% of 3Q2017 visits (3Q2016: 45.8%).

Top-line Growth

During the quarter to 31 March 2017, through the growth in visit numbers and conversion rates, Redbubble maintained strong GTV growth, in-line with the January forecast, despite continuing currency headwinds. "Constant currency" growth reported below reflects the underlying volume growth before translation to Australian dollars for reporting purposes.

- Growth in year-to-date Gross Transaction Value (GTV) of 23.7% (32.4% on a constant currency basis) relative to last year.
- Against the same quarter last year:
 - GTV grew by 26.1% (35.3% on a constant currency basis).



- Increasingly strong growth from Redbubble's European language websites: Germany +83.6%; Spain +96.8% and France +48.8% (despite 5.8% average deterioration in the Euro relative to the same 9-month period last year).
- Redbubble sources over 93% of its GTV in currencies other than Australian dollars.

Profitable Customer Acquisition

Redbubble continues to see the majority of traffic coming from organic (unpaid) sources with the trend to paid seen in the December quarter beginning to reverse this quarter. During the third quarter, 58.3% of GTV was sourced from unpaid channels versus 55.7% in the second quarter.

Total paid acquisition costs for the quarter were 8.3% of total revenue slightly below the trend for 1H2017; remaining well below industry benchmarks.

As a consequence Redbubble is continuing to see strong growth in Gross Profit after Paid Acquisition – up 25.8% YOY year-to-date (36.1% on a constant currency basis) – and outstripping growth in GTV.

Operating Leverage

Redbubble continued to demonstrate emerging operating leverage, whilst maintaining a significant investment in growth, with year to date Gross Profit after Paid Acquisition growing considerably faster than operating expenses.

- Year to date Gross Profit margins remain strong at 35.3% and, after paid acquisition, 27.0%. This is despite the seasonally impacted Q3 margins of 33.8% and 25.4% respectively.
- Operating expenditure grew at 15.7% YOY (19.2% on a constant currency basis), well below Gross Profit YOY growth.

Net Cashflow

The closing cash balance at 31 March 2017 is \$31.9 million. Net operating cash flow for the year to date is a negative \$2.4 million, with the strong seasonally positive cash flows from the second quarter reversed in the third quarter as fulfillers and taxes are paid for holiday sales in the December quarter.

Reaffirmed FY2017 Guidance

With a slight improvement in our expected level of operating expenses, Redbubble reaffirms the guidance given in its half yearly update as follows:

- GTV in the range of \$175 million to \$185 million;
- Revenue in the range of \$140 million to \$148 million;
- Gross Profit margin of around 35.0%;
- Paid marketing expenditure of approximately \$13.0 million;
- Operating expenses now expected to be at or below the lower end of the range of \$44.5



million to \$45.5 million; and

- EBITDA loss of \$5 million to \$8 million before Other, largely non-cash, expenses of \$3 million.

Looking forward

Although significant risks remain – geopolitical, currency and economic – many of the headwinds recently faced by Redbubble are subsiding.

Since 31 March, we have seen the two major currencies in which our sales are denominated (USD & GBP) strengthen against the Australian dollar relative to a year ago. If sustained, this will eliminate the headwind that has worked against Redbubble top-line growth for the past 12 months.

Margins are being maintained whilst growth in paid marketing and operating expenses should continue to moderate to a level that will highlight Redbubble's emerging operating leverage.

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 400,000 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.

INVESTOR UPDATE

Q3 FY2017 results* and company metrics

26 April 2017

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



REDBUBBLE

3QFY2017 and 2017YTD P&L analysis

P&L (A\$M)	3Q FY16	3Q FY17	YoY Growth	YTD FY16	YTD FY17	YoY Growth
GTV	30.3	38.2	26.1%	110.5	136.7	23.7%
Revenue *	24.2	31.3	29.5%	88.5	110.0	24.3%
Cost of Goods Sold *	(16.0)	(20.7)	29.9%	(59.0)	(71.1)	20.5%
Gross Profit	8.2	10.6	28.7%	29.5	38.9	31.9%
GP Margin	34.0%	33.8%		33.3%	35.3%	
Paid Acquisition	(1.6)	(2.6)	59.9%	(5.9)	(9.2)	56.4%
Gross Profit (after Paid Acquisition) (GPAPA)	6.6	8.0	21.0%	23.6	29.7	25.8%
GPAPA Margin	27.2%	25.4%		26.7%	27.0%	
Operating Expenses	(8.2)	(10.8)	30.8%	(27.6)	(31.9)	15.7%
Other Income/Expenses	(0.5)	(0.9)		(1.7)	(2.6)	
EBITDA (Loss)/Profit	(2.1)	(3.6)		(5.5)	(4.6)	

- Constant currency YOY GTV growth rates are 35.3% (3Q) and 32.4% (YTD)

- YTD FY17 GP Margin strengthening significantly despite expected seasonally subdued 3Q

- Paid acquisition costs increasing with shift to mobile

- Whilst not evident in 3Q in isolation, evidence of operating leverage emerging

* To enable fair calculation of 3Q YOY growth, 3QFY16 Revenue & COGS have been adjusted for items sold in December 2015 but not shipped until January 2016 due to significant supplier failure at that time (refer Half Year 4D announcement). A pricing rebate was received from supplier subsequently.

** Source: Redbubble internal unaudited management accounts

Key Metrics – 3QFY2017 and 2017YTD

	3Q FY2016	3Q FY2017	YOY growth	YTD FY2016	YTD FY2017	YOY growth
GTV¹	\$30.3M	\$38.2M	26.1%	\$110.5M	\$136.7M	23.7%
Repeat GTV²	\$11.1M	\$14.4M	30.2%	\$38.3M	\$51.2M	33.5%
Visits	36.0M	48.0M	33.2%	111.2M	139.6M	25.6%
Conversion⁴	1.76%	1.80%	2.4%	1.92%	2.07%	7.5%
AOV³	\$47.86	\$44.25	-7.5%	\$51.71	\$47.38	-8.4%
Customers	0.63M	0.86M	36.4%	2.1M	2.9M	35.0%
Selling Artists	90,300	132,000	46.1%	130,500	200,600	53.8%

- 3Q GTV increased 35.3% on constant currency basis
- 3Q Repeat GTV represents 37.7% of total GTV up from 36.5% in Q3 FY2016
- Strong organic visit growth in 3Q
- Conversion rate on desktop and mobile improved 12%
- AOV decline almost entirely due to weakness in Revenue currencies vs AUD
- Both sides of marketplace healthy

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. AOV: Average Order Value (Order sales / Order count)
 4. Conversion rate is the percentage of visits to the site that result in a purchase being made
 Source: Redbubble internal data

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.