



APPENDIX 4C REPORT, FULL YEAR UPDATE - REDBUBBLE DELIVERS CONTINUED STRONG GROWTH IN REVENUE, GROSS PROFIT AND MARKETPLACE METRICS

Melbourne, Australia; 24 July 2017: 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 2017.

In conjunction with the Appendix 4C lodgement, Redbubble is providing an update on its unaudited financial performance and operating performance for the full year.

FY2017 Financial Performance

Redbubble's important financial measures all grew at greater than 30% on a constant currency basis* while costs remain firmly under control. Those measures (with year on year growth rates, where applicable) are:

- Revenue of \$141.0 million, up 23.0% (up 30.1% on a constant currency basis*)
- Gross profit of \$50.1 million, up 28.5% (up 36.8% on a constant currency basis*)
- Gross profit margin up 1.6% pts to 35.6%
- Gross profit after paid acquisition of \$37.9 million, up 20.8% (up 30.2% on a constant currency basis*)
- Cash operating expenses of \$43.1 million, up 15.3% (18.0% on a constant currency basis*)

As forecast, there was an operating EBITDA loss. At \$5.2 million it was at the better end of the range of \$5-8 million guided in April 2017. Across all levels of the income statement Redbubble's financial performance for the year to 30 June 2017 is **in line with or better than** its April 2017 guidance at all levels of the income statement.

The fourth quarter top line was within expectations delivering full year Gross Transaction Value "GTV" of \$175.4 million. The business is delivering operating leverage as it scales with paid acquisition costs below forecast, margins continuing to improve and operating expenses significantly better than guidance.

Redbubble's Preliminary Final Report will be released with its Appendix 4E on 24 August 2017.

** "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.*

4Q 2017 Operating Performance

Redbubble continues to build a robust, scalable and defensible business and remains focused on the strong fundamentals previously emphasised: 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:

- 4Q customers increased by 27.7% year-on-year ("YOY") to 700,000 and by 32.8% to 2,877,000 for the full year;
- 4Q selling artists increased by 37.8% to 134,800 YOY and by 51.0% to 233,000 for the full year;
- 4Q visits to the site increased by 33.0% to 48.8 million YOY and by 27.4% to 188.4 million for the full year;
- Mobile represented 53.1% of 4Q2017 visits (4Q2016: 46.9%) and importantly 4Q mobile sales grew at 40.0% YOY with mobile devices delivering 35.7% of GTV (4Q2016: 30.6%).

Top-line Growth

During the quarter to 30 June 2017, predominantly through the growth in visit numbers, Redbubble maintained strong GTV growth, despite ongoing currency headwinds and the emergence of competition.

- Growth in full year (GTV) of 22.8% (30.3% on a constant currency basis) relative to last year.
- Against the same quarter last year:
 - GTV grew by 19.6% (23.3% on a constant currency basis). We saw increasing competition in the US market, particularly in the T-shirts category to which we are responding, but other categories such as homewares and stickers are performing well.
 - Redbubble's European language websites continue to yield strong growth: Germany +64.0%; Spain +110.3% and France +35.4% on a YOY basis.

Overall growth for the quarter both at GTV and Gross Profit after Paid Acquisition ("GPAPA") was slower than in previous quarters. During the last six months, our main focus has been on longer-term initiatives with expected impact over the next six months and beyond. With this in mind, Redbubble believes top-line constant currency growth rates consistent with those achieved in FY2017 as a whole can be maintained into FY18.

Profitable Customer Acquisition

Redbubble continues to see the majority of traffic coming from organic (unpaid) sources with the trend to paid stabilizing in the second half of the year. During the fourth quarter, 57.5% of GTV was sourced from unpaid channels slightly below the 57.6% for the full year.

Strong and profitable growth is being generated from paid channels. Google is driving more customers toward paid channels from which Redbubble is benefiting. Total paid acquisition costs

for the quarter were 9.9% of total revenue (8.7% for the full year), above trend of the first 9 months of FY2017, but adding significantly to the GPAPA line.

Operating Leverage

While maintaining a significant investment in growth, Redbubble is demonstrating operating leverage over the full year. GPAPA is growing considerably faster than operating expenses.

- Gross Profit margin has significantly improved at 35.6% (FY2016: 34.0%) and, after paid acquisition, is at 26.9%, growing by 20.8% YOY (30.2% on a constant currency basis), in line with GTV.
- Operating expenditure grew at 15.3% YOY (18.0% on a constant currency basis).

As Redbubble has scaled it has taken successful steps to improve price realization, lower fulfilment costs and automate customer support activities.

Net Cashflow

The closing cash balance at 30 June 2017 is \$27.8 million. Net operating cash flow for the year was negative \$11.6 million after allowing for capitalised development investment expenditure.

Looking forward

Redbubble's core business remains strong and stable with improving economics, despite challenges at the top line including FX, emerging competition and the shift to mobile and paid channels. Plans are in place to tackle competitive actions and deliver new products, features and services for customers and artists leading into the holiday season. A large market opportunity continues to be available to Redbubble as retail shifts online and on-demand becomes mainstream. A more detailed analysis of how Redbubble intends to take advantage of this opportunity will be provided with the release of the audited FY17 financial results in August.

For further information please contact:

Chris Nunn – Chief Financial Officer

chris.nunn@redbubble.com

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

4Q2017 and FY2017 results* and company metrics

24 July 2017

* Results remain subject to audit



REDBUBBLE

4Q2017 and FY2017 P&L summary

P&L (A\$M)	4Q				Full year			
	FY16	FY17	Growth	CC Growth ¹	FY16	FY17	Growth	CC Growth ¹
GTV	\$32.3	\$38.7	19.6%	23.3%	\$142.9	\$175.4	22.8%	30.3%
Revenue *	\$26.1	\$30.9	18.6%	22.3%	\$114.6	\$141.0	23.0%	30.1%
Cost of Goods Sold *	\$(16.6)	\$(19.7)	19.0%	21.6%	\$(75.6)	\$(90.8)	20.2%	26.7%
Gross Profit	\$9.5	\$11.2	18.0%	23.4%	\$39.0	\$50.1	28.5%	36.8%
GP Margin	36.5%	36.3%			34.0%	35.6%		
Paid Acquisition	\$(1.8)	\$(3.1)	71.4%	72.0%	\$(7.7)	\$(12.2)	59.9%	63.8%
Gross Profit (after Paid Acquisition) (GPAPA)	\$7.7	\$8.1	5.6%	12.1%	\$31.3	\$37.9	20.8%	30.2%
GPAPA Margin	29.6%	26.4%			27.4%	26.9%		
Operating Expenses	\$(9.8)	\$(11.2)	13.9%	14.6%	\$(37.4)	\$(43.1)	15.3%	18.0%
Operating EBITDA	\$(2.1)	\$(3.0)	(44.7%)	(23.6%)	\$(6.0)	\$(5.2)	13.6%	44.2%
Other Income/Expenses	\$(1.1)	\$(0.7)	(39.2%)		\$(2.7)	\$(3.1)	15.5%	
EBITDA (Loss)/Profit	\$(3.2)	\$(3.7)	(16.2%)	(12.3%)	\$(8.7)	\$(8.3)	4.7%	29.0%

- Key financial measures in line with or better than guidance
- Strong 4Q GP Margin bolstered by some one-offs as in FY2016. **Underlying GP at year end around 35.8%**
- Paid acquisition costs continuing to increase with shift to mobile but profitability per \$ spend maintained
- Whilst not evident in 4Q in isolation due to prior period paid acquisition being low, operating leverage emerging with slowing operating expense growth
- Overall impact of FX on Operating EBITDA < \$50,000

4Q2017 and FY2017 Key Metrics

	4Q FY2016	4Q FY2017	YOY growth	YTD FY2016	YTD FY2017	YOY growth
GTV¹	\$32.3M	\$38.7M	19.6%	\$142.9M	\$175.4M	22.8%
Repeat GTV²	\$12.4M	\$15.4M	23.8%	\$50.7M	\$66.6M	31.2%
Visits	36.7M	48.8M	33.0%	147.8M	188.4M	27.4%
Conversion³	1.72%	1.65%	-4.2%	1.87%	1.96%	4.6%
AOV⁴	\$51.3	\$48.1	-6.2%	\$51.6	\$47.54	-7.9%
Customers⁵	0.55M	0.70M	27.7%	2.2M	2.9M	32.8%
Selling Artists	97,800	134,800	37.8%	154,300	233,000	51.0%

- Healthy market place maintained in growth of repeat GTV, and # of customers, selling artists and visits
- 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. The numbers disclosed in the April 2017 4C release for 3QFY17 for Customers were actually orders and not unique customers. The correct numbers of unique customers for 3QFY17 were 750,000 (up 36.9%) and for YTD FY17 were 2,130,000 (up 34.4%).

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.