



## CONFERENCE CALL TRANSCRIPT

### APPENDIX 4C REPORT AND HALF YEAR UPDATE

## REDBUBBLE ANNOUNCES STRONG HOLIDAY SEASON AND REAFFIRMS EBITDA GUIDANCE

25 January 2018

### Start of Transcript

Paul Gordon: Good morning all. This is Paul Gordon, Company Secretary for Redbubble. Welcome to this teleconference for our FY2018 second quarter results. With me I have Redbubble's CEO Martin Hosking, CFO Chris Nunn and COO Barry Newstead. We released our quarter two results Appendix 4C to the market in an ASX announcement earlier this morning. Martin, Chris and Barry will present before we open up the floor for questions. This presentation and Q&A session are being recorded.

Now before we start, I would like to call your attention to the safe harbour statement regarding forward-looking information in the ASX release accompanying our results. That safe harbour statement also applies to this call and Q&A.

Over to you, Martin.

Martin Hosking: Thank you, Paul. Good morning all, it's Martin Hosking here, Redbubble CEO. I'm delighted to be here with our CFO Chris Nunn, who will be speaking in more detail about our financial results and Redbubble's COO Barry Newstead will be commenting on the strategic focus and operational performance of the Company.

This morning we released Redbubble's Appendix 4C for the second quarter of financial year 2018, as well as our preliminary results for the first half of financial year. The Appendix 4D, auditor reviewed half year results, will be released towards the end of February.

During the first half, we continued to demonstrate strong growth momentum driven by healthy marketplace dynamics. The results show strong operating leverage and we're on track to achieve our previous top line and EBITDA guidance for FY2018. While celebrating our 11<sup>th</sup> birthday in February, Redbubble is just at the start of the journey as we endeavour to capitalise on the global opportunities before us and extend our position as the world's leading marketplace for independent artists.

As I have previously said, Redbubble is growing on the back of disruption driven by three key trends: a shifting consumer sentiment towards the more personally relevant; the advancement of technological capabilities within



print on demand and manufacturing on demand; and thirdly, widespread familiarity with an adoption of sharing of economies enabled by the internet. In combination, these trends are resulting in economically viable production of a single item created for a single customer at the time of their order.

The net result is that Redbubble is creating a highly disruptive retail model with long term growth potential based on low cuts from acquisition costs and a positive cash cycle with neither inventory or warehousing requirements. As we do so, we're developing global network of interconnected fulfillers.

Redbubble has enjoyed over a decade of strong growth and the momentum continues. The pleasing performance of the business is reflected in healthy metrics across all sides of the marketplace in the first half, with selling artists growing at 33.1%, unique customers at 40.2% and repeat customers growing at 43.6% on a year-on-year basis. Also during the quarter we reached a milestone we're all very proud of, with Redbubble artists recording over \$100 million in earnings since the inception of the business. This is a testament to Redbubble's efforts towards our mission of creating the world's largest marketplace for independent artists. The scale of opportunity for Redbubble is clear and significant and we are highly confident of our capacity to achieve it.

On the back of the healthy marketplace metrics, sales were strong over the second quarter, with GTV growth of 34.7% on both a floating and constant currency basis. For the first half, top line growth was 31.7% or 33.1% on a constant currency basis. Revenue grew by 32% and gross profit by 26.1%, also on a constant currency basis. Chris will provide more details. It's worth noting that the growth is entirely organic and follows from our sole focus on developing the marketplace throughout the calendar year of 2017. Barry will talk more about the initiatives we are pursuing.

The sustained momentum over the first half gives us even greater confidence that we're on track to achieve at least 30% GTV growth for FY2018. We're also demonstrating increasing operating leverage and remain on track to meet our previous guidance of moving into ongoing operating EBITDA profitability late in FY2018.

I'll now pass to Chris to provide more financial commentary on the quarter.

Chris Nunn: Thanks Martin. As has been our practice, we have included in with our 4C release for the December quarter an income statement for the quarter and the first half as a whole, down to EBITDA level and some key metrics, comparing both with the corresponding periods last financial year. I do need to remind investors that whilst we do not expect there to be significant variances, all financial figures in the 4C and our presentation remain subject to half year audit review. Final first half results with further detailed metrics will, as Martin advised, be released with the Appendix D later in February.

Reiterating Martin's opening comments, we are pleased to report a strong quarter with increased top line growth rate. The efficiency of the paid marketing spend and our control of operating expenses enables us to remain



confident about our EBITDA expectations as the operating leverage shown by respective growth in revenue and expenses continues. Delving into the results of the first half and second quarter where relevant, gross transaction value for the first half was \$129.8 million, up \$31.7 million against the first half this year, 33% on a constant currency basis and up 34% for the second quarter, against the second quarter last year, the same percentage on a constant currency basis.

Redbubble demonstrated strong trading performance during each of the Thanksgiving, Christmas and northern hemisphere back-to-school periods. In the first half, in the US, now just under 59% of our sales, GTV grew 28% year on year and the European countries maintained the high growth rates evidenced since we launched our three new language sites in late FY15, early 2016. Germany's first half GTV was up 95%, France was up 50% and Spain was 110%, all expressed in the country of sale, i.e. euros. Whilst we were affected by a strong Australian dollar rise to our major trading currencies in the first quarter, over the second quarter as a whole, currency had a minimal effect.

Revenue for the first half of FY2018 was \$102.3 million, up 30% or 32% on a constant currency basis and up 34.6% for the second quarter. The lower year-on-year growth of revenue compared to GTV over the first half as a whole was largely due to increasing contribution to sales from Redbubble's European markets with their higher sales tax regimes. The higher year-on-year revenue growth for second quarter was largely due to a catch up on unshipped goods at the end of the previous quarter.

Redbubble's gross profit for the first half of FY18 was \$35.3 million, up 26.1% on a constant currency basis, with a margin of 34.5%. The margin is a little lower than the 35.6% achieved in FY17 as a whole and in the first quarter of FY18. This was a combination of a couple of factors: seasonal differences in product mix and pricing and promotional initiatives instigated throughout the first half of 2018. Discounts negotiated before the holiday season kick in, in January and the volume increase experienced over the season will support ongoing margin improvements through supply chain negotiations.

Beyond that, the quarter showed that Redbubble continued to maintain low customer acquisition costs, with the majority of Redbubble's traffic still coming from organic, unpaid sources and with both unpaid and paid sources demonstrating meaningful growth momentum. We were particularly pleased to see organic unpaid growth at around the baseline 30% year on year in December and greater than 25% for the first half as a whole. We will provide a more accurate split of unpaid and paid growth rates in our February release when final attribution is known.

All pay channels remain profitable, adding to the gross profit after paid acquisition, GPAPA line. Total paid acquisition costs for the second quarter of FY18 was 7% of GTV, taking the costs of the first half to 7.4% of GTV, up a little from the 7% for FY17 as a whole. As I mentioned, the strong underlying growth in unpaid GTV has enabled us to keep the average cost under control, despite the natural transition to more paid links via mobile devices.



We are actively managing operating expenses and demonstrating significant operating leverage. The growth rates in the top line measures I have mentioned have been achieved with first half FY18 operating expenses growing only 9.1% or 10.5% on a constant currency basis. Whilst paid marketing costs has been increasing, its growth has slowed significantly. Aggregating paid marketing costs and operating expenses, the respective comparable year-on-year growth rate for the first half is 20% to GTV's 33.1% and in the second quarter, is 21.2% compared to GTV's 34.7%.

Operating, that is cash EBITDA for the first half of FY18 was \$2.6 million, up \$2 million on previous corresponding period. Second quarter operating EBITDA was \$4 million, up from \$2.2 million last period. EBITDA after other non-cash income expenses, largely share-based employment expenses for the first half of 2018 was \$1.1 million, reversing a loss of the same value in the prior corresponding period. Second quarter EBITDA, after other income expenses, was \$3.2 million, up from \$1.3 million in the prior corresponding period.

Briefly to cash flow, as usual second quarter was a very strong cash flow quarter for Redbubble. The cash balance increased by \$17.5 million during the second quarter, with \$19.6 million positive operating cash flow offset by \$2 million of capitalised development costs and \$250,000 of property, plant and equipment expenditure. Much of the fulfilment expenses, artists' margins and taxes associated with sales in November and December are not paid out until the March quarter.

You can expect to see a significantly negative third quarter cash flow as these commitments are settled. We also benefited from a continuation, if to a lesser degree, of the timing and efforts we experienced at the end of the first quarter with unshipped goods and delayed invoices, boosting the cash balance by approximately \$2.2 million at 31 December.

In conclusion, we continue to gain confidence in our top line growth for the year following the second quarter. We expect gross margin to rebound in the second half and with organic growth rates strengthening, we expect to be able to maintain the operating leverage direction evident from the first half. In summary, we can affirm our previously guided EBITDA expectation that will move to ongoing operating EBITDA profitability at the end of this year.

Thank you. I'll now hand over to Barry.

Barry Newstead: Thank you Chris. Redbubble continues to demonstrate our ability to execute effectively on our strategy. We are pleased the results reflect and reaffirm our strategic direction. Our priority in the first half of FY2018 was to focus on accelerating our marketplace flywheel. You can see a version of the flywheel which I have discussed previously on page 5 of the 4C supporting pack released today. We have been investing around



four themes, which I'll elaborate on through the rest of this discussion: Find your Thing, Global Acquisition, Scalability and Deeper Relationships.

Let's start with find your thing. Our flywheel begins with artists and content. Redbubble's built a large and growing artist community of over 600,000 artists and a collection of content that grows and evolves all the time. This remains healthy and robust. In October, we added a strong leader, Eric Morse to our content partnership team. He brings deep knowledge and relationships from the licensing sector in the United States.

Eric is now actively working with a number of rightsholders to further expand Redbubble's breadth of content available for sale. We have an initial set of deals signed and are in pre-launch stage for these deals. We have a lot of ongoing discussions in addition. We are also building site features that enable partnerships between rightsholders and artists. In parallel, we've continued to implement new tools for content management that support rights holder intellectual property needs, further strengthening our marketplace integrity area. We see positive trends in this area.

Redbubble's ever-growing collection of content leads into the second phase of the marketplace flywheel, the ability to discover content that is personally relevant to the individual user. This remains a core strength of the business as it drives customer conversion and remains a major priority as more content is generated by artists and new products are added.

To help customers navigate, our finder think team has delivered a number of initiatives aimed at improving the search and browsing experience. First they added more sophistication to the data models that support the search algorithms and are using machine learning as part of the optimisation process. We saw solid incremental gains to the first half from this work.

Second, they completed an important project to move our English language search pages, about 20% of all pages viewed on Redbubble, to a new, faster technology platform. This provides users, particularly mobile users, with a significantly faster experience. It is worth underscoring the impact of this work and frankly all of our product development work on mobile.

Speed of our mobile search query is more than two times faster today than it was a few months ago. This and other work has contributed to Redbubble's robust mobile GTV growth of 58% year on year in the first half. Mobile continues to power our growth.

The main highlight in the global acquisition team was in marketing. We continued to expand our profitable marketing on Google shopping and were approved by Google to expand our inventory from 25 million to 50 million SKUs. We are one of a couple of dozen companies globally with this level of capacity and sophistication.



The additional SKUs allowed us to expand Google shopping coverage to Germany and France without reducing our capacity in other markets.

We continued to improve the experience for users in our French, German and Spanish language sites through new payment options and increased trust signals. When combined with our work to build a strong third party fulfilment network in Europe, this contributed to the stellar European performance in the holiday season. We feel like we are only just getting started in European markets, with our market penetration at one-fourth of where we are today in the US and the UK which also has plenty of upside.

On social media marketing continues to develop. Over the past six months we have started to focus more on acquiring new customers via social media, in addition to user retention. This has been on Facebook, Instagram and we recently increased our activities on Pinterest. We are using low-cost, short-form video ads that are brand building, in addition to our targeted product listings. It is still early days and a lot is changing in social media. But we are encouraged by the results so far and expect we will continue to optimise this channel for profitability going forward.

As briefly mentioned earlier, we've had a focus on the scalability and speed of our core platform. We deployed the first phase of a new platform in October that is driving our search pages and most of our apparel product pages in English. This is a major release for a key technology priority area, that provides users with a faster experience and provides us with a cutting-edge platform for future development.

Through the year we invested in our cloud-based infrastructure that allowed our team to scale up capacity rapidly over the holidays to meet customer demand. We were able to increase site capacity during the day on Black Friday. Once we saw the strengths, we were able to add even more capacity in a few hours over the weekend to support the heavy loads on Cyber Monday. Our prior infrastructure would have been harder to change and also more expensive.

A highlight of the holiday season was the strong performance of our whole fulfiller network in delivering to customers on time for Christmas. The network proved to be robust in handling the volume growth we saw. The network delivered just over, actually 4000 packages, over one million packages in December alone. Similarly, our customer support team managed increased loads of customer enquiries with customer satisfaction scores of 95%, while reducing cost-per-contact by 26% year-on-year. I mentioned in the last 4C release that we've been able to negotiate improved terms with a number of third-party fulfillers. While much of the benefit has not accrued in the first-half results, we secured reductions that will go into full effect starting this month, and will contribute to future margins as Chris mentioned.

Finally, our work focused on creating customer value through deeper relationships continues to build up a foundation for personalisation, a major priority. The mobile app is an important part of this and we are pleased to see the adoption further increased through the holiday season. Monthly active users have grown to 200,000 at



the end of the first half. We undertook further work to enable customer accounts to capture usage data as part of our personalisation work.

This is evident in the app's content feed which now incorporates content from prior searches, and in the initial work to integrate the mobile app with the web experience for members. Users can now manage favourites, a key feature across all our platforms. Our promotions strategy was effective through the holiday season, a period where most retailers were aggressively discounting.

Our approach was measured with the goal of maximising absolute gross profit, but not necessarily the gross profit margin percentage. We're happy with how we went, but our learnings from this season indicate that we will benefit from more refined forecasting models next year and we are prioritising work on this. In addition, we continue to work on pricing optimisation that generated significant benefit in the first half, including during the holiday season.

In December, our team set priorities for the new calendar year, with a sustained and focused effort on accelerating the Redbubble marketplace flywheel. Our priorities for the year are, transforming the user experience and data platform for Redbubble members to enable deeper relationships and strengthen customer loyalty.

Second, continuing to strengthen the value proposition for artists and rights holders, make it easier for high-quality content to be created and found, while reducing and rapidly removing low-quality IP-infringing content. Third, continuing to drive speed in our platforms with a priority focus on the systems that enable faster addition of new products and fulfillers, and the continuation of the work to migrate the key site pages, as mentioned earlier, to the new faster, more scalable platforms we are developing. Fourth, we want to continue to sustain our growth and the profitability of our new user acquisition through both organic and paid channels. Finally, we want to continue to drive profitability through operational scale and pricing promotion optimisation.

I would like to advise investors of the recently launched series of videos under the banner, RBTv. These videos provide shareholders and others with further insights into our Company, and introduce the wider team that makes things happen at Redbubble. They are available on our investor website under the Media tab. In summary, we are confident in our strategic direction and are staying focused on building a flywheel business that will grow in scale to generate further impacts for artists, customers, staff, partners and shareholders for many years to come. With that, I'll now hand back to Martin.

Martin Hosking: Thank you, Chris and Barry. Redbubble is an unusual Australian company as you've just heard; a true global technology leader in a disruptive consumer sector. Redbubble has shown strong performance across all aspects of the business during the first half. We are reaffirming our previous EBITDA guidance. Achieving profitability will be an important milestone, but it's just a part of the journey.



Redbubble is scaling rapidly on the back of strong fundamentals underpinned by three major trends; the shift of consumer preferences, evolution of on-demand technology, and the rise of sharing economies. We are just at the start of the journey and remain focused on the sustained and strong growth through executing and delivering on key strategic initiatives, as Barry went into. As we head into calendar year 2018, we're exploring a number of new projects across other themes to generate further momentum in the marketplace.

The marketplace will continue to add more artists, more content and more fulfillment capabilities across more products and locations, enhancing the overall consumer experience. Redbubble will become an ever more meaningful and distinctive shopping destination for a global set of consumers. In tandem with the three major trends of disruption, we will continue to build on our strong position and progress our mission of being the world's leading marketplace for independent artists. Thank you and we'll now be pleased to take questions.

Operator: Ladies and gentlemen, if you wish to ask a question please press star one on your telephone and wait for your name to be announced. If you do wish to cancel your request you can press the pound or hash key. Our first question comes from the line of Owen Humphries from Canaccord, please ask your question.

Owen Humphries: (Canaccord Genuity, Analyst) Good work, guys, scaling nicely. It sounds like a good first-half result. Just a couple of questions. Just around the gross profit margins and just around the reversal that we saw in the second quarter as you got - I think you alluded to it last quarter; maybe it was at the half-year - full-year result. Was that you got reduced prices for t-shirts, got the volume increased, then you're going back to suppliers to look to get I suppose a cost benefit. Can you maybe talk about is it specific to certain items? Is it just t-shirts and garments or is it across all product lines, and where do you see that GP margin stabilising if we look forward 12 months?

Barry Newstead: I'll take the first part, and the second part depends the extent of which you want us to answer the where do we see it stabilising. I think, Owen, in terms of the effect of the pricing and the fulfillment costs around different products, how that plays out in different individual product areas, the short answer is clearly the apparel area is the largest single area, so changes in prices and fulfillment in apparel are obviously the most - are reasonably significant given the scale in the business.

So I think it is related to that. But I will say that the ability to get fulfillment cost reductions in other product areas is also significant and is part of the work that our fulfillment team is taking action on. So we are looking across the whole product range in terms of fulfillment cost reduction. I'll also say that the pricing strategy has also stepped beyond apparel as well, in some cases upwards as I think I've mentioned in the prior discussions. So we are looking at the major product areas and what we can do to improve margins on that front.

I do think, just underscoring one thing that Chris said, is that between the first and second quarter a couple of things are important. One is there's a slight difference in margins in general between the first and second quarter. So the holidays had more promotion activities, so that's one thing worth noting. The other that Chris noted is the





product-mix changes. So some of the products have higher growth at Christmas and that also has the ability to skew the gross profit margins for a period of time. I think that kind of probably shifts back in non-holiday period times. Does that get to the gist of the question?

Owen Humphries: (Canaccord Genuity, Analyst) Yes, I'm guessing going forward it - I know we all look at things here on a quarter-by-quarter basis. But maybe looking forward on an annualised basis, FY19 and FY20, do you expect that 35% to hold going forward?

Chris Nunn: Yes, I don't want to put my neck out a year ahead, Owen, but you did ask about expectations. I mean I use the word rebounded, I think we would expect certainly in the second half to get back to the kind of numbers we were experiencing in the first quarter because it's not affected by the seasonal factors that Barry talked about.

Owen Humphries: (Canaccord Genuity, Analyst) Okay, and congratulations on the success in France and Germany and Spain, that's growing quite nicely. Have you thought about new geographies? That seems to be a good growth angle for your business. Also, how is the evolution of the products? I think you alluded to 68, in the past, products on the platform. Is that expanding, is there expectations to grow that beyond the current level of products?

Barry Newstead: Yes, so both of those. So I think the answer on the geography is we do continue to look at geographies. I would say that our current focus is that we think there's lots of potential for growth within the markets that we're focused on, and I alluded to it very briefly in my remarks. Our market penetration in, say, Germany is one-fourth of our penetration in the US and the UK. So we really have a lot of upside to - obviously we have a lot of upside in the US and UK, so there's a lot more we can do there. But we think that continuing to invest in places like Germany and France and Spain, and obviously the languages associated with those countries, is the best place in which we can prioritise our efforts geographically for the time being. But we continue to do regular reviews around that question within our new markets team.

Second, on products, I think we have alluded to, we've slowed the launch of new products a little bit over the last 12 months, and I think we expect that to continue over the next sort of six to 12 months. That said, adding new products to the platform is a serious opportunity for continued growth of the marketplace. The reason actually we're slowing down is that we're - some of that re-platforming work that we've alluded to in other areas, we're applying that now to our fulfilment and our product platforms.

So the goal right now is to get that platform in a position where we can reaccelerate - actually accelerate beyond our prior speeds - the rate at which we add new products and add new fulfillers and new geographies. So it definitely remains core to our medium-term growth strategy.



Owen Humphries: (Canaccord Genuity, Analyst) Okay, good one. How many products do you have now, did you say? I may have missed it. How many products do you have on the platform today?

Barry Newstead: Sixty-eight, I think.

Owen Humphries: (Canaccord Genuity, Analyst) Sixty-eight, okay. Just a question on the mobile app, if I type Redbubble in my Android app I get Etsy. Any intention to launch an Android app following your successful launch with the IOS?

Barry Newstead: I will look at it through the year. I think it's part of the things that we're considering within that team, is what are the various priorities. I think the current focus as I alluded to is really about - the thing that we're really happy about in the last two weeks - we've started to - we've got a logged-in experience from members, so members can start to put their web experience on to - into IOS and vice versa. We have some extensions with that to do as well to really enrich that experience. As we develop that we're going to look at the potential, the real potential, obviously - of an android app at the appropriate juncture.

Owen Humphries: (Canaccord Genuity, Analyst) I might take a break here and let someone else ask some questions. I've got a couple more which I'll ask, but I'll hold on.

Operator: Our next question comes from the line of Stella Wang. Please ask your question.

Stella Wang: (Investor) Hi, guys. I'm sorry. I missed, again, lots of the conversation, so apologies if I ask you repetitive questions. The first one is when you guys talk about ongoing EBITDA positive, you're talking about quarter-on-quarter, each quarter basis. Is that...

Barry Newstead: I'll let you take that one.

Martin Hosking: Thank you, Stella. What we're talking about specifically is moving through the end of the financial year on a profitable basis, so operating EBITDA, profitability, as we move through the fourth quarter. We haven't provided guidance through FY19 at this point.

Stella Wang: (Investor) So I can expect the last quarter should be EBITDA positive. Is that what you mean? Or the whole year basis?



Martin Hosking: We've given guidance on EBITDA as a whole, Stella, and we're not talking to the market on FY19 at all at this point.

Stella Wang: (Investor) No, I'm just talking about FY18, so last quarter...

Martin Hosking: I think - we've given guidance in respect of FY18 as a whole, and we're not...

Stella Wang: (Investor) As a whole, okay.

Martin Hosking: ...projecting to FY19.

Stella Wang: (Investor) Okay, that's fair enough. I'm just thinking, with your cash flow cycle with the working capital the way it works, and now you've got a pretty healthy cash pile, if you can achieve ongoing positive operating results, do you guys have a dividend policy yet? Or are you guys going to form one?

Martin Hosking: No, we don't have a dividend policy at this point.

Chris Nunn: If I could actually also just make sure - use the opportunity to ensure everyone understands the cash balance carefully, I did make a point of saying in my notes that the cash balance is inflated at the end of the year because of the timing of our cash flow cycle. We do have to part with a fair bit of our cash in January and February. That's one point - I want to make sure you understand that from your question, Stella.

Martin Hosking: In a business which is growing as strongly as Redbubble is, it is potentially the best use of the invested money to reinvest it in the business rather than giving it back to them. We are - as I mentioned in my - the commentary - that we're an unusual Australian company, being a global growth company, so it - generally, in that scenario, providing dividends would - is unlikely to be optimal.

Chris Nunn: It's basically saying you - we think the investors can do better with their money. We give it back to them, which I don't think is necessarily something we agree with.

Martin Hosking: Yes.

Stella Wang: (Investor) The last question is what is the sensitivity of assets on your EBITDA line these days with the current profit level?



Martin Hosking: The current profit level impact, really - and any profit level is pretty small. The longer we grow, the further we grow, the less the sensitivity as we - for example, create a fulfilment network where our costs are in the same country and the same currency as the orders and the sales. It's pretty small.

If you go back to our end of FY17 result, I think we had an EBITDA loss as a few million and we had a foreign exchange effect of \$50,000, so it's very small at the EBITDA level. As we move into profitability, a similar kind of metrics. It will get less and less as we spread the business more globally.

Stella Wang: (Investor) Okay. Sorry. Just one more question. At the last call you guys mentioned a revamping of your website. Is that going to happen this quarter or next? Do you expect that to, in some way, interrupt your flow?

Barry Newstead: I'll take that one. I would - it's not really a revamping. It's a re-platforming, because - it's an important distinction, is the - we continue to make changes to the experience for users pretty much on a weekly basis. They're sometimes not easily noticeable, but they're always happening. There isn't going to be one period where we revamp the site, but there'll be continued work. A lot of our team - in the building here, that's what they're doing, is regularly making adjustments which improve the user experience.

What we have talked about is a slightly different thing, which is re-platforming, which is the back end infrastructure on which the site runs. That is an ongoing re-platforming. The goal there is to get us on to a modern, much faster platform. As I mentioned, we - in October or early November we moved all of our English language search pages - which is about 20% of the site page visits - on to the new platform, and we moved our parallel product pages on to the new platform. We're going to continue that transition over the coming months, through the year, to broaden that.

In terms of interruption, we expect no interruption to users through these transitions. We - that's obviously a very high priority of our entire team, is to keep the site experience strong for users at all times. We've been making all these changes with, really, no scheduled down time. As I mentioned earlier, it's worth underscoring our ability to handle increased loads and scalability.

Christmas was really proven out in - over Christmas because we got - we had very heavy traffic on Black Friday and Cyber Monday, and the team was able to make adjustments to our capacity to handle that without any customer disruption.

Stella Wang: (Investor) Great. Thank you very much. That's all I want to ask.



Martin Hosking: Thank you, Stella.

Operator: Just a reminder for everyone on the phones, it's just star one to ask a question. We do have a follow-up question from Owen Humphries from Canaccord. Please go ahead.

Owen Humphries: (Canaccord, Analyst) Just two quick ones, guys. Just on that OpEx line, it does appear to be flatlining now. I know this paid acquisition cost is rising, but that's because you're growing. Just around the underline - under - the line under paid acquisitions, is that expected to grow at sub-10% now, going forward?

Martin Hosking: You're talking about the OpEx line, Owen?

Owen Humphries: (Canaccord, Analyst) Yes, OpEx excluding paid acquisition costs. Is that now - we're pretty full - you've spent 12 months building up the team globally. Are we expecting that to slow down now?

Martin Hosking: I think we said before that we try and manage that. We want to grow. We want to keep growing the top line. If we can keep growing that relationship two to one, that's the kind of relationship we want to keep going, Owen. We think that gives an appropriate level of operating leverage long term if we can achieve that.

Owen Humphries: (Canaccord, Analyst) One last question from myself. It's just around - the last quarter was obviously the peak, the largest you've had ever in your history. I understand that one of your competitors struggled to get their own printers ready for Christmas. Did you have any capacity constraints during that period? Or were you running at below capacity through your peak period?

Barry Newstead: We were - we did not have any significant issues in our fulfillment network at all. I mean we ran the fulfiller's printers pretty hot, I'll say, but that's what their strength is. All the work that our team does - that team - our supply chain team - which I think is a potentially under-appreciated asset of Redbubble - is the team that really manages the relationships.

All the work they do is to co-ordinate with that fulfillment networks. They are then prepared for the heavy loads. We understand very well when the loads are going to come, and they understand that as well. They all delivered exceptionally well through the period.

I will also say that we - to the extent to which any folks had any limited challenge to the period we also had redundancies in place so that we could load balance where required between different fulfillment partners. It was



a - I'm not usually prone to say this, but it was a phenomenal performance by our supply chain team, by third party fulfilment network, and I think it underscores the strength of that component of the marketplace.

Chris Nunn: It's also worth - sorry, Martin. It's also worth saying, Owen, that every Christmas period relative to the previous nine months is going to be a challenge for us. It always has been, and it basically raises the bar every year.

Martin Hosking: It is worth - it is a good position to be the global leader in this position. We're in the best position to negotiate terms and to have the - and to have people working with us.

Owen Humphries: (Canaccord, Analyst) Good one. Well done, guys.

Martin Hosking: Cheers.

Chris Nunn: Thanks, Owen.

Operator: Just one last reminder that it is star one to ask a question. There don't seem to be any further questions at this time. I would now like to hand the conference back to today's presenters.

Martin Hosking: Thank you very much. Nothing more from us.

Operator: Ladies and gentlemen, that does conclude our conference for today. Thank you for your attendance. You may all disconnect.

**End of Transcript**