



APPENDIX 4C REPORT, HALF YEAR UPDATE AND UPDATED GUIDANCE FOR FY2017

Melbourne, Australia; 23 January 2017: Redbubble Limited (ASX: RBL), a leading global marketplace for independent artists, today lodged its Quarterly Cash Flow Report (Appendix 4C) for the second quarter of FY2017.

In conjunction with the Appendix 4C lodgement, Redbubble is providing an update on its unaudited operating performance for the half year ended 31 December 2016 and updated guidance for FY2017.

1HFY2017 Operating Performance

Over the first half, Redbubble has continued to scale and demonstrated emerging operating leverage despite significant headwinds. Important measures (with first half year on year growth, where applicable) are:

- Strong growth in Gross Transaction Value (GTV) and Revenue of 22.8% and 26.3% respectively (31.3% and 34.3% respectively, on a constant currency basis).
- GTV was \$98.6 million, \$11.6 million lower than the expectations underpinning the IPO forecast;
- Strong growth from Redbubble's European language websites, with better than average GTV growth rates in each jurisdiction: Germany +61.8%; Spain +80.8% and France +33.7% (despite a 4.7% average deterioration in the Euro relative to the same period last year);
- Improved margins, both before and after paid marketing expenditure, resulting in:
 - 38.1% growth in Gross Profit (47.7% on a constant currency basis versus IPO forecast growth of 50.4% for the full year) to \$28.3 million; and a
 - 33.7% growth in Gross Profit after Paid Acquisition (44.6% on a constant currency basis) to \$21.8 million; and
- Modest growth in operating expenditure of 9.3% (12.4% on a constant currency basis) versus IPO forecast growth of 26.7% for the full year.

The net result is an EBITDA loss of \$1.1 million for the half, compared to a \$0.5 million profit expected from the IPO forecast for the first half.

Net operating cash flow for the half year was positive \$8.6 million (\$11.2 million for the second quarter) with a closing cash balance of \$44.7 million. Redbubble is a seasonal business with the December quarter containing Thanksgiving and Christmas. As Redbubble receives cash on sale



and pays fulfillers later, the Christmas fulfilment costs will fall in the March quarter; exaggerating December's cash position. This seasonality can be seen in the actual December quarter cash flows and the forecast March quarter cash flows in the attached Appendix 4C.

The results reflect similar growth rates to those reported in Redbubble's Thanksgiving sales update on 30 November 2016 and which persisted through the important Christmas holiday season. As indicated, a primary driver has been the impact of a strong Australian dollar. Foreign exchange differences account for 29% of the difference between our IPO forecast GTV and what was actually achieved in the first half.

In addition, there have been macro-economic drivers: including the uncertainty, both economically and otherwise, of the political situation in the US and the economic uncertainty caused by the UK decision to leave the European Union. The US and UK markets are Redbubble's two largest, accounting for 61.2% and 14.6% of GTV in 1HFY2017.

The other important headwind has been a significant and rapid shift to mobile traffic. Whilst this has had a short-term impact on GTV given Redbubble's existing larger share of GTV coming from non-mobile devices which convert more readily to sales, Redbubble will benefit from this consumer behaviour change as mobile becomes dominant. Redbubble's year on year growth in GTV from mobiles was 52.3% versus 13.8% for other devices

Redbubble has seen strong and profitable growth from its paid marketing activity by proactively increasing paid marketing spend to benefit from our improved processes but also in response to the shift to mobile highlighted above where paid placements get a higher profile on the smaller mobile screens.

Martin Hosking, CEO, said "Whilst I am disappointed that we have fallen short of the growth targets we set for ourselves in our prospectus forecast, I am pleased with the continued and resilient progress made by Redbubble during the first half of the 2017 financial year, which delivered strengthened operating performance despite some significant headwinds. We experienced stable growth throughout the six months. Importantly, the growth in Gross Profit after paid acquisition combined with lower operating expenditure growth reflects a business scaling to profitability."

He went on to say, "On 2 February 2017 we will celebrate the tenth anniversary of the Redbubble site. This marks ten years of dedication to creating an enduring global marketplace for independent artists. We are confident that the company's ongoing growth initiatives will enable us to exploit the large global opportunity in front of the company".

Updated FY2017 Guidance

Following the lower than expected growth in the second quarter, Redbubble has revisited its forecast assumptions and is now expecting its FY2017 GTV to be in the range of \$175 million to \$185 million (compared to \$215 million forecast at IPO), with resulting Revenue \$140 million to



\$148 million (compared to \$172 million forecast at IPO). The new forecast ranges represent year on year growth of 22% to 29%.

Redbubble expects the improvement in Gross Profit margin (before Paid Acquisition), achieved by a combination of product mix, pricing strategy and the benefits of scale, to be maintained at approximately 35% of Revenue for the full year, up from 34.1% forecast at the IPO.

Partly as a consequence of the increasing transition to mobile, Redbubble expects its paid marketing spend in FY2017 will increase to around \$13.0 million (from \$10.3 million forecast at IPO). Paid marketing remains profitable on a “first transaction” basis reflecting the investment that has been made in this area.

Importantly, Redbubble continues to prudently manage its operating expenditure in response to anticipated revenue growth whilst maintaining significant growth capability. It is now expecting operating expenses (excluding paid marketing and capitalised development expenses) to be between \$44.5 million and \$45.5 million for FY2017 down from \$47.4 million forecast at IPO.

Aggregating the revisions outlined above, Redbubble expects its FY2017 EBITDA loss to be in the range of \$6 million to \$9 million, before Other Expenses of \$3.0 million (largely stock-based compensation), compared to a loss of \$1.3 million forecast at the IPO.

Redbubble now expects to move into month on month profitability late in FY2018.

Looking forward

The global opportunity before Redbubble remains large and the company is investing to seize that opportunity. Redbubble’s ongoing growth initiatives are designed to deliver sustained and profitable growth with continued improvement in Redbubble’s key business metrics. Those growth initiatives include:

- Acquisition of customers and artists at low cost through expansion in Europe and growth of Google Shopping and Facebook advertising platforms;
- Improvements in helping users “find their thing” by upgrading our content search/recommendations capabilities and by adding new, high demand content from independent artists and partners;
- Deepening relationships with customers through improved mobile-first customer experiences that encourage and reward customer loyalty; and
- Continuing to scale the Redbubble platform building new, faster infrastructure and releasing economic value through product growth and cost management.

Redbubble will be releasing its Appendix 4D Half Year Report on Monday, 20 February in which it will provide greater detail on the operating performance for 1HFY2017 and its ongoing strategic initiatives.



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

1H FY2017 results* and company metrics

23 January 2017

* Results remain subject to audit review



REDBUBBLE

First half results* show continued growth in revenues reflected strongly at Gross Profit level.....

P&L	1H FY16	1H FY17	1H FY17 v 1H FY16	
(A\$M)			Reported Growth	Constant Currency Growth 1
GTV	80.3	98.6	22.8%	31.3%
Revenue	62.3	78.7	26.3%	34.3%
Cost of Sales	(41.8)	(50.4)	20.5%	27.8%
Gross Profit	20.5	28.3	38.1%	47.7%
GP Margin	32.9%	36.0%	9.3%	9.9%
Paid Acquisition costs	(4.2)	(6.6)	55.0%	59.2%
Gross Profit (after Paid Acquisition)	16.3	21.7	33.7%	44.6%
Operating Expenses	(19.3)	(21.2)	9.3%	12.4%
Other Income/Expenses	(1.2)	(1.7)	43.1%	41.0%
EBITDA Loss	(4.2)	(1.1)	(75.0)%	(115.5)%

...with operating leverage being reflected in the improvement in EBITDA

1. Constant currency numbers are derived by taking the original currency value and converting it at the same exchange rate used for the comparison period.

* Source is Redbubble internal unaudited management accounts and remains subject to audit review

Year on Year Quarterly analysis

P&L *	1Q FY16	1Q FY17	YoY Growth	2Q FY16	2Q FY17	YoY Growth
(A\$M)			Reported			Reported
GTV	28.7	36.1	25.7%	51.5	62.5	21.2%
Revenue	23.0	28.9	25.6%	39.3	49.8	26.7%
Cost of Sales	(15.3)	(18.4)	20.4%	(26.6)	(32.0)	20.6%
Gross Profit	7.7	10.5	35.8%	12.8	17.8	39.5%
GP Margin	33.7%	36.4%	8.1%	32.4%	35.7%	10.1%
Paid Acquisition	(1.9)	(2.3)	24.3%	(2.3)	(4.2)	79.8%
Gross Profit (after Paid Acquisition)	5.9	8.2	39.5%	10.4	13.6	30.5%
Operating Expenses	(8.7)	(9.7)	12.2%	(10.7)	(11.4)	6.9%
Other Income/Expenses	(0.5)	(0.8)	66.7%	(0.7)	(0.9)	27.4%
EBITDA (Loss)/Profit	(3.3)	(2.3)	28.6%	(1.0)	1.3	234.2%

Gross Profit growth and prudent expense management contributing to a positive EBITDA in Q2

1. Constant currency numbers are derived by taking the original currency value and converting it at the same exchange rate used for the comparison period.

* Source is Redbubble internal unaudited management accounts and remains subject to audit review

Key Metrics

	1H FY2016	1H FY2017	YOY growth
GTV¹	\$80.3M	\$98.6M	22.8%
Repeat GTV²	\$27.3M	\$36.8M	34.9%
Visits	75.1M	91.6M	21.9%
Conversion⁴	2.00%	2.21%	10.3%
AOV³	\$53.10	\$48.70	-8.2%
Customers	1.25M	1.68M	33.8%
Selling Artists	106,700	164,300	54.0%

- GTV increased 31.3% on constant currency basis

- Repeat GTV represents 37.3% of total GTV up from 34.0% in 1H FY2016

- AOV decline almost entirely due to weakness in Revenue currencies vs 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. 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.