



Business Update

Conference call transcript – 25 June 2020

Start of Transcript

Operator: Thank you for standing by and welcome to the Redbubble Limited Investor Call. All participants are in a listen only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone key pad. I would now like to hand the conference over to Mr Paul Gordon, Company Secretary, please go ahead.

Paul Gordon: Good morning everyone here in Australia and good afternoon for our US investors. This is Paul Gordon, Company Secretary for Redbubble Group. Welcome to this Investor Call in relation to Redbubble Group's business update. With me on the line I have Redbubble Group CEO Martin Hosking and CFO Emma Clark. The key information for today's update is in the ASX announcement released to the market this morning. Please note that the financial information in the release and in the upcoming call are from internal management reports and have not been subject to audit.

Martin and Emma will now speak and then we will open up the floor for questions. This session is also being recorded. Now before we start, I would like to call your attention to the safe harbour statement regarding forward looking information in our ASX release. That safe harbour statement also applies to this investor call and the Q&A. Now I will pass on to Martin Hosking.

Martin Hosking: Thank you Paul and hello everyone. This morning we provided the market with a business update outlining Redbubble Group's performance for the current quarter and year to date. We also announced the intended reorganisation that is necessary to align teams with our strategy going forward. First let me talk about what we saw in the Group's business performance during this quarter. At our last third quarter results update at the end of April, we stated that the Group experienced significantly stronger sales growth due to increased online activity.

With lockdown and isolation measures in place across the world, consumers were increasingly driven to shop online. In the US and other markets, online retail grew as much in 8 weeks as it had in the previous 8 years. Redbubble Group along with most other established online platforms saw the benefits of this acceleration. These macro trends continued in May and June and we continued to see strong sales growth of over 100% across Redbubble Group in the current quarter to date. Emma will talk in more detail about how this has flowed through the rest of the 4th quarter P&L and the year to date numbers. This increase in demand is broad based and accelerated the flywheel overall. The growth was experienced by both Redbubble and TeePublic brand and marketplaces. It has been reflected in an increase in the number of customers and artists and in sales across the Group's geographies and product categories. We will cover these in more detail trends in our year end announcement in August, although Emma will touch on it a little bit more in her comments. This systemic uplift positions us well as we go into FY2021. We have more customers and artists and more engaged customers and artists. The surge in demand in combination with generally higher volumes across many parts of

the global shipping networks, means that we are experiencing lengthier delivery times at both Redbubble and TeePublic.

We are not unique in this regard and the Group's operation and supply chain have been able to adapt to growth and customer orders are being fulfilled within expectations. As I consider FY2021 I've grounds for confidence that at least part of the changes driven by COVID-19 will be sustained and become more structural. That being said, we remain mindful of the external uncertainties that might still lie ahead and the importance of being well prepared for whatever eventuates.

With this in mind, today we announced moving to realign the organisational structure to the more focused strategy I have flagged with investors. The restructure does involve reductions in headcount and related operating costs. This provides the foundation for profitable growth going forward. Emma will discuss the OpEx implications in more detail. In relation to the strategic direction, there are three key areas of focus.

Firstly, artists are the core to our strategy and mission and create the differentiated experience and products that sustain our brands and growth. In the coming quarters, we'll be investing in efforts across artist acquisition, activation and retention. This will be leveraging tools and learnings out of TeePublic. There will be new artist sales and success teams that will be tasked with acquiring, retaining and developing artists as measured by revenue and retention.

Secondly, we'll continue our work in user acquisition and transaction optimisation. This includes ongoing improvement in search engine optimisation and other aspects of the onsite experience such as landing pages and checkout. Historically, Redbubble Group has had very low customer acquisition costs. This has been further enhanced during the current crisis. Both the marketing and SEO teams have been invested into, to ensure this continues.

Lastly, we're progressing work to better understand our audience data, drive repeat customer purchases and increase loyalty. We have acquired millions more customers over the last few months. They are our most fertile ground for further sales and we are increasingly leveraging the assets we have and can develop to ensure they return.

Obviously, the Android and iOS apps are a key part of this. Again, more details on this will follow at the end of year update. In addition to these primary initiatives we will be rolling out new products at a consistent rate and continuing to optimise the logistics space back end, both for cost and effectiveness. This backend has been essential to our Group's success and we need to continue to invest in it. Like other established online platforms, over the last few months Redbubble Group has experienced the benefits of an accelerating structural shift to online eCommerce. The Group is well positioned for future growth. Redbubble Group is committed to aggressively pursuing the global opportunities through effective focused execution, delivering profitable growth. I'll now pass over to Emma.

Emma Clark: Thank you Martin. Good morning or afternoon to everyone on the line. Redbubble Group has continued to see the positive impact of macro tailwinds on overall business performance. When we last updated the market in late April, we said that sales in April were significantly stronger than Q3 as a result from increased online activity. This remained the case as we went through May and June and Redbubble Group has recorded a 4th quarter, quarter to date Marketplace Revenue growth of 107% on a floating basis, and 96% on a constant currency basis.

This brings the Group's current year to date Marketplace Revenue growth to 42% on a floating basis and 34% on a constant currency basis. We have seen FX tailwinds in these topline growth rates hence the difference between the two numbers, although they have lessened materially over the month of June. It has been an exciting quarter so far at the Group, with average daily sales in absolute terms being the highest in the Company's history outside of the Christmas peak in 2019. The increased level of sales has come from both new users to the site as well as purchasers from repeat customers who have shopped with us before.

As Martin mentioned earlier, we have been particularly busy managing our supply chain and ensuring that we are able to continue to fulfill and deliver the increased level of customer purchases. One thing that is important to note is that the Marketplace Revenue growth rates quoted in the release and on this call, are calculated using financial information from our internal reports which are on a paid basis. Delivery date adjustments will need to be made according to Australian Accounting Standards, regarding revenue recognition in our full year statutory accounts. This will reduce the amount of revenue recognised in this financial year due to timing differences.

The quantum of the adjustment will be notably large at the end of this year because of the high growth rates that we have experienced, as well as the lengthier delivery times due to the COVID-19 impacts on the supply chain. Further details on this will be provided at the full year results release in August. As Martin has previously mentioned, the strong performance was seen across geographies and products. From a geography perspective, all are participating in the uplift with particular strength in Australia, Canada and the United Kingdom.

Interestingly sales in the United States have also performed well, with a year on year uplift of more than 100% across the Group. Across product categories, home décor and wall art have continued to outperform with year on year growth rates of more than 200%. Given the current work from home dynamic, it appears there is a broader market trend in these particular product categories, which the Redbubble marketplace is particularly well placed to participate in. T-shirts have continued to generate strong revenue growth in the TeePublic marketplace.

We are also particularly pleased about facemasks, which were launched across both marketplaces in late April and almost instantly became a notable contributor, with more than 600,000 units sold to date, generating gross sales of \$9.4 million since launch. Across a number of major cities and countries, we continue to see recommendations from government and health authorities to wear face coverings in public spaces. Looking down the P&L the Group's topline performance has been generated without degrading growth margins and paid acquisition efficiency. In the current quarter, operating expenses for the 2 months of April and May are tracking slightly above the first 2 months of the 3rd quarter. This is partly driven by some variable components such as Google crawl costs. These are associated with the incremental site visits that we have seen.

For the current financial year, up until the 31 May, Redbubble Group has generated an Operating EBITDA profit of \$11.9 million, up 101% year on year. Please be reminded that we now provide this number on a leasing accounting standard adjusted basis and comparative figures are either prior year figures, have also been adjusted so that the growth rates are a like for like. Due to the Group's negative working capital cycle, the significantly increased level of sales in the current quarter to date have flowed through to boost cashflows, and the Group had a cash balance of \$56 million as at the end of May. A complete and audited set of financial statements, including detailed P&L numbers, will be provided at the scheduled full year results release at the end of August.

We are acutely aware that the external environment remains volatile and its effects on Group performance could change at any time over the coming months, so I think it is prudent to reiterate that we will not be providing any forward-looking guidance.

Next, I wanted to speak in a little bit more detail about the intended reorganisation that we are undertaking. As Martin has already said, the main impetus for the reorganisation is strategic alignment. We have carefully mapped our teams to our strategic focus identifying capabilities needed to effectively deliver in our key priority areas as well as maintain our systems and business as usual. The renewed strategic focus entails us undertaking a smaller number of core initiatives. Partly due to this, we are making reductions across most departments supporting the Redbubble marketplace. Thereafter teams and functions will be accountable for more commercially oriented goals to drive greater measurable impact, more efficiently and effectively.

The reorganisation is expected to generate annualised growth savings of over \$5.6 million in operating expenses, with a one-off cost of \$2.1 million, which will be recognised in the current financial year. To be clear, this is not included yet in the May year to date Operating EBITDA number that I quoted before. A portion of the growth savings will be reinvested in core growth initiatives supporting in particular artists sales and success and product marketing capabilities.

As a business we are pursuing a strategy of profitable growth. We are committed to maintaining a sustainable cost base and ensuring that cost growth remains below revenue growth. The Group is focused on both short-term execution consistency and its medium to long term potential amidst a broader acceleration in eCommerce activity. Thank you - we will now open the lines for questions.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on a speakerphone please pick up the handset to ask your question. Your first question comes from Tim Piper with Royal Bank of Canada. Please go ahead.

Tim Piper: (Royal Bank of Canada, Analyst) Morning team, congrats on the update. Just firstly around the revenue recognition, I know this is going to be finalised towards year end. But I mean the actual size of the quantum of what's going to be pushed into first quarter 2021, are we sort of just talking like a week's worth or revenue? Or can you give me a bit more detail around that?

Emma Clark: Yeah look, it's actually a pretty - thanks for the question Tim, it's a pretty rapidly shifting landscape at the moment, because we're currently clearing delivery backlog. So, depending on where we land closer to the end of the month, we will actually dictate that number. It will be likely to be about a week's worth of revenue.

Tim Piper: (Royal Bank of Canada, Analyst) Okay great, thanks. Just secondly around your gross margins, if we kind of look at where you're tracking towards FY2020 and the comments around OpEx, is it fair to say that your GPAPA margin is down a little bit in 4th quarter compared to 3rd quarter?

Emma Clark: Not necessarily Tim. So, as I said just before, we've been able to hold our GPAPA pretty consistent because we've been able to get the result without degrading the gross profit margin and the paid marketing efficiency. So GPAPA is good at the moment.

Tim Piper: (Royal Bank of Canada, Analyst) Okay thanks, and just your comments around the OpEx there, keeping the OpEx growth rate below the revenue growth rate going forward - how are we thinking about that in the context of the \$5.5 million in savings? Are we kind of assuming the underlying base is going to grow below revenue and then take the \$5.5 million out? Or is that the right way to think about it?

Emma Clark: That is the right way to think about it, yes.

Tim Piper: (Royal Bank of Canada, Analyst) Okay great, and just finally on the cash position, really strong cashflow. Can I just confirm that the TeePublic deferred consideration has been paid out and that's the \$56 million post that?

Emma Clark: That is 100% correct, you have no idea how happy I am that I no longer have to keep making the note that we still have to make a TeePublic deferred payment.

Tim Piper: (Royal Bank of Canada, Analyst) Okay great, good stuff, thanks for that.

Operator: Your next question comes from Grace Fulton with Goldman Sachs, please go ahead.

Grace Fulton: (Goldman Sachs, Analyst) Hi guys, thanks for taking my question. I've just got one follow-up for Tim's question on the revenue recognition. So how you're saying it's likely to be about a week's worth of revenue, would you expect there not to be an impact on the Operating EBITDA number you've reported to the 31 May, just given those timing differences?

Emma Clark: So we only do delivery date adjustments for stat purposes Grace, so we only actually post the delivery date adjustment on the 30th and 31st of December, so we don't actually have a delivery date in the May number, as we don't have it in any month outside those two months.

Grace Fulton: (Goldman Sachs, Analyst) Okay, so that Operating EBITDA number still needs to be adjusted for the delivery dates then?

Emma Clark: For whatever we post in - so it's accurate as at 31 May, but when we post a delivery date adjustment into June, it will defer a portion of revenue and a portion of the fulfillment costs associated with that revenue into the next year. Obviously, both of those have an impact on Operating EBITDA for the full year.

Grace Fulton: (Goldman Sachs, Analyst) Okay, understood. Just with having some delivery delays, so I've been seeing on the website that the customer service has pushed out to 72-hour response or a week for TeePublic. Can you comment at all about how your customer experience measures have been tracking? I'm seeing that for TeePublic you're hiring some extra people to deal with the backlog?

Emma Clark: Yes look, our NPS scores across both marketplaces are still holding up particularly well. I think, you know, during the period - so if we think about this April and May period, as Martin said, delivery delays are not solely obviously due to us. It's not something that's unique to us. Generally speaking, when you're buying products from most places, there's delays in both the shipping carrier as well as in the fulfillment of the product itself.

So we actually have found that people have been pretty understanding about it. We've also been very clear with our communications when you go to the checkout page on both marketplaces. It's super clear in terms of when you're going to get your product. So people know what the delivery is going to be before they choose to buy.

That being said, yes, we are getting - we are obviously having people contact us. More to do with the increased volumes of sales than necessarily a higher ratio of people contacting us from the existing sales. And we are making sure that we're staffing up to be able to bring those times down.

Grace Fulton: (Goldman Sachs, Analyst) Okay. You made some broad comments in your speaking notes about new versus returning customers. Is there any more detail you can provide? Like have you seen any of the new customers that come on through the period start to return? If you could just talk about those sort of metrics?

Emma Clark: Yeah, look, the reason I haven't mentioned them, and we'll probably talk about this more when we come out at the end of August, is it's a little too soon to talk about the repeat of the customers who have only come in the last month and made their first purchase. So we obviously have different cohorts running internally, we're doing different things with those cohorts to prompt repeat. I'm going to be in a much better position in a couple of months' time to be able to update the market on how we're going with that.

Grace Fulton: (Goldman Sachs, Analyst) Okay, and can you just comment, did the two marketplaces exhibit the usual pattern of TeePublic growing at a higher rate than Redbubble?

Emma Clark: Yes, they both grew, and acknowledging their starting point differences, that being said, Redbubble being highly diversified in particular into products like home décor. So as you know, I said that wall art and home décor is up 200%, that has meant that actually the gap between the two marketplaces has closed. Not totally, but in part.

Grace Fulton: (Goldman Sachs, Analyst) Okay and then just with the tee shirt, is that sort of in line with the growth in the rest of the market, with people focusing on home décor? Or is there any sort of more market share issues going on there?

Emma Clark: No more market share issues. I mean as I said, home décor is growing at 100%, tee shirts are growing at about just under 100% if I factor in Redbubble as well as TeePublic. So it's close to the mean of our total growth rate.

Grace Fulton: (Goldman Sachs, Analyst) Okay, great. I'll jump back in the queue.

Operator: Your next question comes from Owen Humphries with CGS. Please go ahead.

Owen Humphries: (CGS, Analyst) G'day. Happy days. Just on the cash, what is the normalised cash balance when you adjust for the working capital tailwinds that you've got in the business at the moment?

Emma Clark: Well that's actually - thanks Owen - quite a difficult question to answer. It depends on what the fixed level of daily sales will be moving forward and what it's going to settle at. So at the moment the cash balance, after the initial increase in sales levels has held up well. You know, the sales coming in are pretty much at the equal level of all of the payments going out for the prior period. So it's holding relatively stable at the moment.

Owen Humphries: (CGS, Analyst) Good one. Okay. Then in terms of the revenue that's been derived from some of the products that have been released in the last couple of months, facemasks and the others, what's the percentage of revenue that's been derived from new products through these quarters that wasn't there 12 months ago?

Emma Clark: We won't calculate that number until we actually hit the end of the quarter, Owen. So we won't have that until our full year results release in August.

Owen Humphries: (CGS, Analyst) Okay, no worries. Then just on the gross profit margin, I'm just trying to work out, you said basically it's increasing on previous periods which was record in the third quarter. Are you seeing volume benefits? Are you seeing less discounting? And are some of the new products that you launched, like facemasks for example, is that a higher margin than the rest of the other products or revenue that you generate?

Emma Clark: Okay. So just to clarify, I didn't say that margin had improved, I said that margin has not been degraded in my speaking notes. In terms of the trend and the behaviour that we actually saw during April, which we talked about in our April call, has continued which is fundamentally that we've been running a relatively low level of promotions across the marketplaces and obviously that's a tailwind on margins

In terms of your question on face masks margin specifically, we obviously have a donation component for those face masks which does impact margins slightly but not enough to materially impact the Group margin number.

Owen Humphries: (CGS, Analyst) Right. Okay, thank you. Then just on the cost side. It looks like you've taken about \$6 million that your recycling has moved into growth initiatives. Is that - are we talking about new geographies and new products? Or is it more on platform? Just maybe if you can give an insight into where you're planning to recycle your free cashflow now.

Emma Clark: Yeah, so as we said, as both Martin and I said, we're going to recycle a portion of that back into new initiatives. So not the full amount by any means. The first things we're going to focus on are artist sales and marketing and increased product marketing capability.

Owen Humphries: (CGS, Analyst) Okay. Good one. I might step back there but happy days to you guys and well done.

Emma Clark: Thank you.

Operator: Your next question comes from Anthony Porto with Morgans Financial. Please go ahead.

Anthony Porto: (Morgans Financial, Analyst) Hi guys. Can you hear me?

Martin Hosking: Yes, we can. Nice to talk to you Anthony.

Anthony Porto: (Morgans Financial, Analyst) Yes. Yes, well I look forward to rekindling the relationship there, Martin. But congratulations first off. You obviously benefited from reasonable tailwinds in this period. Can we just get a sense of how you're going to utilise these to drive growth going forward and some stats around maybe

new members that have signed up in the period? And I know Grace asked about repeat usage of new customers but I'm talking about repeat usage of old customers and how that's tracked and improved.

Martin Hosking: Yeah. I'll take it in the general sense. We're not going to be giving the - well, not only aren't we going to be, we can't give you the detail of breakdown between repeat and new customers now. That is for the August update. This update is a 'point in time' update around Group level performance.

That said, as Emma said and I said, the growth has come from both new and repeat customers. So both have been performing strong at both brands and we, like other marketplaces, have both an expectation of putting work into ensuring that customers who are new, come back. So that's part of our established way of doing it. We would like to do that as a higher rate than has been in the past, and have some expectations that will be the case because of the shift in consumer behaviour. So our relative degree of confidence of the future comes from the fact there have been a significant increase in the total number of customers and also good loyalty from existing customers and a reasonable expectation that new customers will also be loyal. So that's the confidence going forward. And I will as well reiterate that the artist is showing a similar pattern. So they also have engaged at a higher level. So it's not just one side of the marketplaces but both sides and that's where the confidence, cautious confidence, comes through for the future growth.

Anthony Porto: (Morgans Financial, Analyst) Yeah, great. Thanks for that, Martin. Just another quick question. Just how long it took you to source and start selling facemasks? I assume it wasn't a product that was on the website prior to this.

Martin Hosking: It was exceptionally quick. It was just a little bit over two weeks for both marketplaces. And that was a reflection of our good relationships with the independent fulfillers and our ability to engage. So we went into it - we were aware of the opportunity and we went into it with significant vigour. It takes, in general, a lot longer than that for a product but that was one which we gave a strategic priority to and so could respond to flexibly to bring the product online.

Anthony Porto: (Morgans Financial, Analyst) That's great. Thanks.

Operator: Your next question comes from Ashwini Chandra with GS. Please go ahead.

Ashwini Chandra: (Goldman Sachs, Analyst) Good morning everyone. Thanks very much for taking these questions. Just a couple of quick ones. Is there anything you can say about the channel through which you are seemingly getting the most leverage at the moment? Between mobile, desktop, or apps?

Martin Hosking: There's no fundamental change in that, Ash. The mobile is strong. Desktop is strong. Apps is strong. The characteristic of what we've seen is that all channels, or in this case, all platforms, have been strong.

Ashwini Chandra: (Goldman Sachs, Analyst) Okay, thank you. Then maybe the other questions I'll just ask is during this period, have you seen - I know you've indicated that there have been broad base strengths but anything in particular that you could call out about acceleration in demand for some of your branded license partnership linked product? Is there anything that you've observed or noticed?

Martin Hosking: No specific comment on the products which we have with rights holders. Certainly the growth has been across content types as well so it's a good one to pick out. So it's been across content types, and in particular, as different memes have occurred, those have always been a big part of the sales at Redbubble.

You know, as we enter into a meme-intensive environment around US presidential elections, we can expect that to be a factor as well.

Ashwini Chandra: (Goldman Sachs, Analyst) Okay, terrific. Thank you.

Operator: Your next question comes from John Lewis with Osmium. Please go ahead.

John Lewis: (Osmium, Analyst) Hey guys. Good morning. How are you guys today?

Martin Hosking: Well, thank you, John.

Emma Clark: Good, John.

John Lewis: (Osmium, Analyst) Good. Good. I guess one of the questions I had was...

Martin Hosking: Can't hear you, John.

Emma Clark: You've cut out, John.

We still can't hear you, John.

Operator: Apologies, I believe we've lost John's audio. Once again, if you wish to ask a question, please press star one on your telephone and wait for your name to be announced. We will now pause momentarily to allow questioners to enter the queue.

Thank you. We have John Lewis with Osmium. Please go ahead.

John Lewis: (Osmium, Analyst) Sorry guys.

Emma Clark: Second time lucky, John.

John Lewis: (Osmium, Analyst) Okay, sorry about that. I guess I was just going to get to the point that it looks like facemasks, without going out on a limb, is a pretty obvious - good sized category up there with stickers and stationery and not that far behind tee shirts. So I think in February, you guys mentioned that you hoped to launch 15 to 20 new products this year in 2020. So I guess when you look at the categories that are out there from what you've launched to what you hope to launch, can you give any colour about other categories you think that could be needle-movers kind of in the same vein as facemasks?

Martin Hosking: Yeah, thanks John. I think you're completely right. I think it's worthwhile people just bearing in mind, particularly the Australian callers, that facemasks are a much more common thing in the United States and Europe. And you clearly need more than one facemask. You may have 5 or 10 or 20. People are buying them in volume because they need more than one. So that's worth noting.

One of the things, as I've come back, is I've really looked at the product release strategy and tried to make clear that they need - and I mentioned this in my notes and Emma mentioned it as well - is that we need to get better at picking products which really are likely to move the dial most effectively. And so that has been one of the things which we've looked at and that can include not only whole new product category types but also changes within products categories. Because we're aware, just for example, changing the sizes and adding small and larger sizes, while you may not see it, can actually have a pretty significant impact on sales within product categories. So when I talk about focusing on commercial outcomes, it's moving away from just a raw number of products to actually getting more money out of the products which we have. So that's a change in thinking. In regards to the particular product types, certainly with facemasks, is one of the areas which we need to continue to actually evolve on. One facemask does not a summer make, and so we need to think of those kids' masks and youth masks, for example. They've got different considerations with those. So that's an example where we are looking at product types which can move the needle for us quite significantly.

It is worth noting, and I think you know this better than anybody, we're only in a fraction of the possible product types which we could be in. We know companies which are doing furniture, for example. We're not doing any furniture at all. Clearly that's a category which is worth exploring. So it is something which is very intently on my mind, to make sure we do the smallest number of products with the most impact, rather than the previous, sort of looking at doing a lot of product with no potential view of what the impact may be.

John Lewis: (Osmium, Analyst) Got it, thank you. I guess my other quick question was on the supply chain. Obviously given your growth rate, it doesn't look like you've hit any constraints, but how do you feel about meeting demand, order flow and being able to keep your Net Promoter Scores up.

Martin Hosking: Yes, we're confident around it. Again, ensuring the depth of - I don't know if anybody still remembers what mid-March looked like. It looked like the world was coming to an end and at that point I was certainly concerned about what it would look like overall. We were very heavily engaged with our team and they were then engaging with the independent fulfillers and even as things were unfolding, I got confidence that there was a genuine robustness within that supply chain, both from our end and also in the independent fulfillers.

So it has held up, we've had to re-set expectations with customers, but clearly, as we're also getting more time, we're able to bring on more independent fulfillers into the network as well. So these things are setting us up for back to school in the northern hemisphere, then Christmas.

Emma Clark: Yes, we're well diversified, John, with our fulfillment network now, which is excellent.

John Lewis: (Osmium, Analyst) Okay, thanks. I guess my final question is, I notice that Goldman Sachs today came out with \$120 price target on Etsy, about 12 times revenue and I know a Goldman analyst on Redbubble values the Company at about 50% of revenue. So I guess, given this enormous disparity inside of Goldman Sachs, what are you doing to bring on more sell-side analysts to discover Redbubble, and what are you doing on the IR and PR front to get the story out, as we believe the stock is wildly undervalued?

Emma Clark: Yes, if we could on this call, we would actually directly connect you to Grace and then the rest of us would drop off and you guys could have a talk about that. Obviously we can't do that, so we are talking to all

the analysts today. We obviously do communicate with them relatively closely and we will continue to try and get the message out from the PR perspective about the wonderful company that Redbubble is. I don't know Martin, if you wanted to add anything more?

Martin Hosking: I will say as well, that there is a significantly increased interest in Redbubble. I think your appreciation of the gap between where we are and peers, has been more widely shared. And as a consequence of that and the interest in what's happening with the online retail, both in general and specific to Redbubble, we are seeing an increase in interest from potential analysts and they are wanting to cover us, as well as of course, interest from major institutional investors. So that is what you would expect given the environment and given our performance.

John Lewis: (Osmium, Analyst) Okay, thanks.

Operator: Your next question comes from Armina Rosenberg with Grok Ventures. Please go ahead.

Armina Rosenberg: (Grok Ventures, Analyst) Hi guys, just a few questions from me. Firstly, is there any change in thinking about the opportunities to leverage fulfillers or have you gone as far as you can from the scale advantage you get with them, from an economic point of view?

Emma Clark: No, would be my short answer to that, Armina. I think as we continue to increase volumes, the ability to further diversify by bringing competition in for the same product type or localising the same product type and having it fulfilled closer to customers - those opportunities still remain for us, and we will continue to effectively do that, and apply that recipe as we continue to grow our sales volume. So that helps us continue to be able to increase our margins. I think as I've said previously a few times, we probably wouldn't increase our margins into infinity, but at some point we would want to reinvest back into the quality of our products and back into the customer experience. But at the moment, I don't think we've necessarily taken fulfillers as far as we can go. I think also, and we spoke about it in the 1 April and 28 April call, during April we did some co-promotion of fulfillers. So when we did run promotions which were far less frequent, the fulfillers actually funded part of that promotion and it was the use of the network that was more designed to get a win-win for all the participants in the network rather than Redbubble being the only one that made the decisions within it. That worked quite well for us, so I think that's something that longer term we'll explore doing more of.

Armina Rosenberg: (Grok Ventures, Analyst) Okay, great. Then just a last question from me, are there any sort of big changes you need to make from a management or strategy team perspectives in terms of hires.

Martin Hosking: Yes, thank you, I'll take that one. As part of the restructure, we have unfortunately had to separate from some senior executives. That information will become public in time. That is as a consequence of the re-alignment to strategy. There is also the one clear gap in the organisation, and that's for a senior product lead and that is something which we will actively be recruiting for. So it's a change in the way in which we think about what we do (and by product I mean the website product. I don't mean the physical product). So the marketplace and how we actually do that, and making - again this about - I think it's fair to say there's been a reasonable amount of experimentation that has gone on within Redbubble, but not necessarily with a strong view about its commercial impact. The alternative structure which we're moving to is being much clearer about what we want to develop and that should be led by a very senior executive who has that experience. So that's a role which we'll be bringing into the organisation.

Armina Rosenberg: (Grok Ventures, Analyst) Thanks guys.

Operator: Your next question is from Gordon Sims with Castle Point. Please go ahead.

Gordon Sims: (Castle Point, Analyst) Good morning guys. Thank you for the update. Perhaps you could just touch on where the fan art or content partnership business is going and how that falls into the three core initiatives that you outlined.

Martin Hosking: Yes, what I will say, and again, this is as I've come back into the organisation. It is important, but is not as important as the three things which we have specifically identified. It's a facilitator and I think you're quite correct, it's a facilitator around the relationship with the artists. But I don't want people to get hung up on it, which is why I haven't put it as the highest level thing. The simple reality is, we get millions of customers. We have hundreds of thousands of artists and we have millions of new customers and loyal customers. The Company needs to be devoting its resources and attention on that core aspect of what we do. The fan art marketplace is an enabler of some of that, but it is a relatively small part of our total business and it's likely to remain so, going into the future. So we will keep people updated, but I think we also, again, as I came back into the business, let's be focused on the main game. Let's put resources into the main game and make sure that that is well funded and make sure that we don't get distracted, even though it's important and is not as fundamentally important as those big things.

Gordon Sims: (Castle Point, Analyst) Thank you, thanks guys.

Operator: There are no further questions at this time. I'll now hand back to Mr Hosking for closing remarks.

Martin Hosking: Thank you everybody and I look forward to updating you in August with the end of year results with Emma and at that point we'll give you more detail and more colour into how the year has unfolded. So I look forward to that and I look forward to catching up with you all then. Thank you very much.

End of Transcript