Redbubble makes strong start to 2017 and reaffirms guidance

14 March 2017

Redbubble Ltd (ASX:RBL) releases the attached investor presentation to the ASX, ahead of meetings with investors this week.

Redbubble reaffirms the updated guidance for FY2017 included with its January 2017 Appendix 4C release. For 3Q FY2017 to date (January to March), year-on-year growth in Gross Transaction Value has been tracking at greater than 30% which reverses the weakness that had been seen in the US and Canada markets in particular during December.

The attached presentation incorporates an update on Redbubble’s initiatives for 2017 and further details behind the updated guidance provided with the January Appendix 4C.

For further information please contact:
Chris Nunn – Chief Financial Officer
chris.nunn@redbubble.com
“And it didn’t take an expert eye to notice that they [US department stores] were selling much of the same merchandise. Izod polo shirts. Six-packs of Hanes men’s tees. Levi’s jeans. Blah, blah, blah.

Retail connoisseurs have long lamented this “ocean of sameness.” But the problem has gotten steadily worse. Traditional, middle-of-the-road department stores now have a 40% merchandise overlap”
ENTER RB: TOP SELLING THEME FOR FEB 2017
ACCOUNTING FOR ~0.3% OF SALES
REDBUBBLE IS CREATING THE WORLD’S LARGEST MARKETPLACE FOR INDEPENDENT ARTISTS, BRINGING MORE CREATIVITY INTO THE WORLD
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<th>Agenda Item</th>
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<td>The fundamentals</td>
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<td>Financial foundations</td>
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<td>7</td>
<td>The future</td>
</tr>
</tbody>
</table>
1. The Fundamentals

BUILDING A HIGH GROWTH, SUSTAINABLE AND DIVERSIFIED MARKETPLACE
10 YEARS OF STRONG GROWTH

GTV\(^1\) by Fiscal Year

Three big drivers

1. Riding the consumer wave for differentiated content

2. A global marketplace delivering low customer acquisition costs

3. Taking advantage of ever increasing technology innovation in printing (and soon digital and 3D)

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1. GTV (Gross Transaction Value) = Total receipts from customers less fraud, refunds and chargebacks. Source: Redbubble internal data
STRONG ORGANIC GROWTH DRIVEN BY UNIQUE CONTENT IN THE MARKETPLACE

Redbubble continues to attract ever MORE ARTISTS to the platform

Growth in artist numbers leads to MORE CONTENT available for sale

This growth in content means increasing DIVERSITY & RELEVANCE

This attracts MORE CUSTOMERS looking for creative designs

With LOW CUSTOMER ACQUISITION COSTS, many customers come through free sources

49%
CAGR of Selling Artists FY2012-FY2016

53%
CAGR of Works Sold FY2012-FY2016

73%
Of sales from works that sold 50 times or less (FY2016)

69%
CAGR of Customer Numbers FY2012-FY2016

6.7c
Per $ of GTV 1H FY2017

Source: Redbubble internal data
THE CONTENT & FULFILMENT MODEL IS UNIQUELY SCALABLE

CONTENT ENDURES CREATING:
- An increasing content library
- Recurring revenues

CONTENT IS RE-PURPOSABLE FOR:
- New products
- New geographies

THIRD PARTY FULFILMENT ENABLES:
- Scaling
- Scope extensions
- With quality protections
SALES ARE GLOBALLY DIVERSIFIED WITH STRONG GROWTH IN ALL MARKETS

YoY Product Sales Growth FY2016

Penetration
Redbubble sales per Capita ($AUD)

1. Redbubble analysis of the total market of customers seeking creative expression on lifestyle products (apparel, electronic accessories, homewares and stationery)

2. Homewares = furniture and household goods such as kitchen and bathroom accessories, textile furnishings, office supplies and stationery

Sources: eMarketer, McKinsey and Company, ATKearney, Redbubble analysis

SUSTAINABLE GROWTH NOT SUBJECT TO A MARKET CEILING

ESTIMATED ADDRESSABLE MARKET IN EXCESS OF US$60 BILLION

Global online market:
Apparel = US$81B
Homewares\(^2\) = US$131B

Both of these large online markets expected to grow at between 10 and 14% per annum through to 2020
2. Sustainable, low cost Artists

BUILDING A HIGH GROWTH, SUSTAINABLE AND DIVERSIFIED MARKETPLACE
ARTIST COMMUNITY

72%

18 - 34 YEARS OLD

51% FEMALE

~ 200 COUNTRIES

69% OF ALL-TIME SELLING ARTISTS ARE FROM

US  UK  AU

76% ARE PART TIME

77% SAY RED BUBBLE IS THEIR #1 SALES PLATFORM

Source: 2016 artists survey
ARTIST GROWTH A CORE DRIVER OF MARKETPLACE SUCCESS

Selling Artists by Fiscal Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Artists (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12</td>
<td>31</td>
</tr>
<tr>
<td>FY13</td>
<td>44</td>
</tr>
<tr>
<td>FY14</td>
<td>62</td>
</tr>
<tr>
<td>FY15</td>
<td>95</td>
</tr>
<tr>
<td>FY16</td>
<td>154</td>
</tr>
<tr>
<td>1H FY17</td>
<td>164</td>
</tr>
</tbody>
</table>

Source: Redbubble internal data
Deleted artists have been expunged, join date is defined as date of upload of first work
>60% future sales from artists already on the platform

Selling Artists by Cohort

- FY12: 31K artists (25% of Sales)
- FY13: 44K artists (27% of Sales)
- FY14: 62K artists (33% of Sales)
- FY15: 95K artists (31% of Sales)
- FY16: 154K artists (35% of Sales)

Source: Redbubble internal data
Source: 2016 artists survey - Question Prompt: "How did you first find out about Redbubble?"
3. Sustainable, diverse and growing
HUGE CONTENT LIBRARY & PRODUCTS MEAN IS NOT RELIANT ON “HITS”

73% OF SALES COME FROM CONTENT THAT HAS SOLD <50 TIMES (FY2016)

Source: Redbubble internal data

A Product is a combination of physical product and artist work; a work is simply a single artist image.
~60% of sales in any year come from content already on the platform.

Product Revenue by Work Vintage

- Product Revenue (AUD Millions)
- FY12: 54%
- FY13: 37%
- FY14: 39%
- FY15: 39%
- FY16: 43%

57% of works that sold in 2016 were already on the platform at the start of the year.

Source: Redbubble internal data

Product Revenue does not include any shipping revenue.
CONTENT PERSISTS AND SELLS OVER LONG PERIODS OF TIME

Our Secret Harbor
by Aimee Stewart, USA
Upload June 2009 Last sold: 28 Feb 2017

The Fox and the Forest
by Nic Squirrel, UK
Upload: Feb 2010 Last sold: 13 Mar 2017

Perhaps the Dreams are of Soulmates
by Cameron Gray, AU
Upload: July 2010 Last sold: 6 Mar 2017

Skulls are for Pussies
by harebrained, USA
Upload: Feb 2012 Last sold: 13 Mar 2017

Stress Less
by cabinsupplyco, NZ
Upload Sep 2016 Last sold 13 Mar 2017

Caffeine Powers...Activate!
by Nathan Davis, AU
Upload Feb 2012 Last sold
4. Engaged Customers

BUILDING A HIGH GROWTH, SUSTAINABLE AND DIVERSIFIED MARKETPLACE
LARGE AND GROWING CUSTOMER BASE

STRENGTH WITH NEW & REPEAT CUSTOMERS

Gross Transaction Value

FY12  FY13  FY14  FY15  FY16  1H FY17

Source: Redbubble internal data
CUSTOMER BASE IS DIVERSE WITH A CLEAR VALUE PROPOSITION:

- **13%** < 18
- **52%** 18 - 35
- **35%** > 35

*Source: customer surveys 2015*

**Find Your Thing**

- **28%** PURCHASED AS A GIFT
- **81%** "LIKE TO BE DIFFERENT TO MOST PEOPLE"

**57% FEMALE**
DIVERSIFIED PRODUCT MIX SUPPORTS SUSTAINABLE GROWTH

Revenue by Product Type %

Wall Art
Homewares
Accessories/Other
Garments

Total GTV: $34M
$59M
$88M
$143M
$99M*

* 1H results only, not full fiscal year
STRONG GROWTH FROM MOBILE VISITS SHOWS SUCCESSFUL TRANSITION TO MOBILE-FIRST WORLD

Visits by Device

- 49.6M total visits in 2Q FY17 alone

Source: Redbubble internal data
**GROWS STRONGLY WITH LOW CUSTOMER ACQUISITION COSTS**

**ORGANIC GROWTH FUELS SALES**

<table>
<thead>
<tr>
<th></th>
<th>Paid</th>
<th>Other Free</th>
<th>Email</th>
<th>Direct</th>
<th>Organic Search</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>42.5%</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>7.9%</strong></td>
<td>7.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>42.5%</strong></td>
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<tr>
<td><strong>35.8%</strong></td>
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<td></td>
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</tr>
</tbody>
</table>

**WITH ALL CHANNELS PROFITABLE ON FIRST PURCHASE**

1. Organic Search = traffic to the site originating from search click through that we do not pay for.
2. Direct = Traffic from people coming directly to the RB homepage.
3. Paid = Traffic to the site from sources we pay for (Google ads, Facebook ads etc.)

Source: Redbubble internal data
UNPAID & PAID CHANNELS DELIVERING EQUIVALENT VISITOR PROFITABILITY

Profit per Visitor

Paid spend effectiveness being driven by:
- Low cost terms
- Better conversion
- Higher AOV

* First quarter of significant paid spend
Source: Redbubble internal data (since reliable records available)
5. Sustainable, capital efficient fulfilment

BUILDING A HIGH GROWTH, SUSTAINABLE AND DIVERSIFIED MARKETPLACE

Presented by: Rob Baumert
THE GLOBAL SUPPLY CHAIN HAS GROWN AND DIVERSIFIED RAPIDLY OVER TIME

Number of Fulfillers and Products

Jun 2007: Fulfillers 3  Products 7
Jun 2008: Fulfillers 3  Products 12
Jun 2009: Fulfillers 5  Products 12
Jun 2010: Fulfillers 5  Products 19
Jun 2011: Fulfillers 5  Products 19
Jun 2012: Fulfillers 7  Products 25
Jun 2013: Fulfillers 7  Products 27
Jun 2014: Fulfillers 9  Products 35
Jun 2015: Fulfillers 11  Products 48
Jun 2016: Fulfillers 13  Products 57
Dec 16: Fulfillers 15  Products 62

Source: Redbubble internal data
Localisation of production has reduced global average delivery time by a full day CY 2016.

Localising garment printing in Australia cut shipping time from 9 days to 3 days and delivered a 20 point NPS improvement.

Localisation also yields improved margins via the reduction in shipping charges and less redos.
6. Strong underlying Financials

BUILDING A HIGH GROWTH, SUSTAINABLE AND DIVERSIFIED MARKETPLACE

Presented by: Chris Nunn
## 1H FY2017 P&L Highlights

<table>
<thead>
<tr>
<th>P&amp;L</th>
<th>FY2016 (A$M)</th>
<th>FY2017 (A$M)</th>
<th>Reported Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTV</td>
<td>80.3 Half Year</td>
<td>98.6 Half Year</td>
<td>22.8%</td>
</tr>
<tr>
<td>Revenue</td>
<td>62.3</td>
<td>78.7</td>
<td>26.3%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(41.8)</td>
<td>(50.4)</td>
<td>20.5%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>20.5</td>
<td>28.3</td>
<td>38.1%</td>
</tr>
<tr>
<td>Gross profit margin</td>
<td>32.9%</td>
<td>36.0%</td>
<td>9.3%</td>
</tr>
<tr>
<td>Paid Acquisition costs</td>
<td>(4.2)</td>
<td>(6.6)</td>
<td>55.0%</td>
</tr>
<tr>
<td>Gross Profit (after Paid Acquisition)</td>
<td>16.3</td>
<td>21.7</td>
<td>33.7%</td>
</tr>
<tr>
<td>Operating expenses(^1)</td>
<td>(19.3)</td>
<td>(21.2)</td>
<td>9.3%</td>
</tr>
<tr>
<td>Other income/expenses</td>
<td>(1.2)</td>
<td>(1.7)</td>
<td>43.4%</td>
</tr>
<tr>
<td>EBITDA loss</td>
<td>(4.2)</td>
<td>(1.1)</td>
<td>(75.0%)</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>(1.7)</td>
<td>(3.0)</td>
<td>77.8%</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(0.3)</td>
<td>0.3</td>
<td>183.4%</td>
</tr>
<tr>
<td>Income tax</td>
<td>(4.2)</td>
<td>1.0</td>
<td>122.9%</td>
</tr>
<tr>
<td>Loss after tax</td>
<td>(10.7)</td>
<td>(2.8)</td>
<td>(73.4%)</td>
</tr>
</tbody>
</table>

- Revenue increased by 34.3% on Constant currency basis
- Significant margin improvement achieved through product mix changes and scale in negotiations with fulfillers
- Paid Acquisition costs increasing with the rapid transition to mobile but Gross Profit after Paid Acquisition up 33.7%
- Modest increase in Opex relative to growth in Profit after Paid Acquisition demonstrating operating leverage

\(^1\) Operating expenses exclude share based payments which have been included in Other income/expenses

Note: GTV, Cost of sales, Gross profit, Gross profit margin, Gross Profit after Paid Acquisition and EBITDA are non-IFRS measures that are presented to provide readers a better understanding of Redbubble’s financial performance. The non-IFRS measures are unaudited, however, they have been derived from the audited financial statements.
REDBUBBLE CONTINUES TO SEE A STRONG SALES TRAJECTORY ...

... BUT UK SHARE DECLINED DUE TO WEAKNESS IN GBP

GTV ($M) by Year & Quarter since Launch

1H FY2017 GTV split by region
(UK has declined 1.5%, Europe has increased 0.7% on 1H FY2016)

- 65.3% Americas
- 11.8% Europe
- 14.5% UK
- 7.3% Oceania
- 1.1% ROW

1H FY2017 split by region:

- Americas: 65.3%
- Europe: 11.8%
- UK: 14.5%
- Oceania: 7.3%
- ROW: 1.1%

Source: Redbubble internal data
<table>
<thead>
<tr>
<th>Key Metrics</th>
<th>1H FY2016</th>
<th>1H FY2017</th>
<th>YOY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>GTV$^1$</td>
<td>$80.3M</td>
<td>$98.6M</td>
<td>22.8%</td>
</tr>
<tr>
<td>Repeat GTV$^2$</td>
<td>$27.3M</td>
<td>$36.8M</td>
<td>34.9%</td>
</tr>
<tr>
<td>Visits</td>
<td>75.1M</td>
<td>91.6M</td>
<td>21.9%</td>
</tr>
<tr>
<td>Conversion rate$^4$</td>
<td>2.00%</td>
<td>2.21%</td>
<td>10.3%</td>
</tr>
<tr>
<td>AOV$^3$</td>
<td>$53.10</td>
<td>$48.70</td>
<td>-8.2%</td>
</tr>
<tr>
<td>Customers</td>
<td>1.25M</td>
<td>1.68M</td>
<td>33.8%</td>
</tr>
<tr>
<td>Selling Artists</td>
<td>106,700</td>
<td>164,300</td>
<td>54.0%</td>
</tr>
</tbody>
</table>

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

- 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
## GAINS IN CONVERSION RATES AND VISITS DESKTOP AND MOBILE ...  

... but strong AUD impacting AOV

<table>
<thead>
<tr>
<th></th>
<th>1H FY2016</th>
<th>1H FY2017</th>
<th>YOY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Desktop</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visits</td>
<td>36.6M</td>
<td>40.0M</td>
<td>10%</td>
</tr>
<tr>
<td>Conversion rate(^1)</td>
<td>2.71%</td>
<td>3.12%</td>
<td>15%</td>
</tr>
<tr>
<td>AOV(^2)</td>
<td>$53.2</td>
<td>$48.6</td>
<td>-9%</td>
</tr>
<tr>
<td>Mobile</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Visits</td>
<td>32.2M</td>
<td>45.3M</td>
<td>41%</td>
</tr>
<tr>
<td>Conversion rate(^1)</td>
<td>1.21%</td>
<td>1.41%</td>
<td>16%</td>
</tr>
<tr>
<td>AOV(^2)</td>
<td>$50.9</td>
<td>$47.6</td>
<td>-7%</td>
</tr>
</tbody>
</table>

1. Conversion rate is the percentage of visits to the site that result in a purchase being made  
2. AOV: Average Order Value (Order sales / Order count)  
   Source: Redbubble internal data
SHIFT FROM DESKTOP TO MOBILE OVER THE LAST 12 MONTHS ...

... BUT CONVERSION RATE (CVR) CONTINUES TO IMPROVE

Visits and Conversion rates in second half traditionally lower as not boosted by holiday season
ATRIBUTION OF 1H FY2017 YEAR ON YEAR GROWTH

CONTINUING INCREASES IN VISITS AND CONVERSION RATES (CVR)

Strong gains in visits and conversion rates have been partially offset by FX headwinds as the AUD remains strong against the four other revenue currencies.
## CASH FLOW SUMMARY

<table>
<thead>
<tr>
<th>Cashflow</th>
<th>FY2016 First Half</th>
<th>FY 2017 First Half</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Receipts from customers</td>
<td>80.8</td>
<td>100.7</td>
<td>24.7%</td>
</tr>
<tr>
<td>Payments to artists</td>
<td>(9.6)</td>
<td>(14.8)</td>
<td>54.6%</td>
</tr>
<tr>
<td>Payments to fullfillers</td>
<td>(35.3)</td>
<td>(45.4)</td>
<td>28.4%</td>
</tr>
<tr>
<td>Payments to other suppliers &amp; employees</td>
<td>(27.1)</td>
<td>(32.3)</td>
<td>18.9%</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
<td>0.3</td>
<td>301.2%</td>
</tr>
<tr>
<td><strong>Net cash from operating activities</strong></td>
<td>8.8</td>
<td>8.6</td>
<td>(2.4%)</td>
</tr>
<tr>
<td><strong>Net cash for investing activities</strong></td>
<td>(2.9)</td>
<td>(5.2)</td>
<td>80.7%</td>
</tr>
<tr>
<td><strong>Net cash from financing activities</strong></td>
<td>0.4</td>
<td>0.0</td>
<td>(95.4%)</td>
</tr>
<tr>
<td>Net increase in cash</td>
<td>6.3</td>
<td>3.4</td>
<td>(45.6%)</td>
</tr>
<tr>
<td>Cash at beginning</td>
<td>14.0</td>
<td>42.0</td>
<td>200.4%</td>
</tr>
<tr>
<td>FX impact</td>
<td>(0.4)</td>
<td>(0.7)</td>
<td>67.8%</td>
</tr>
<tr>
<td><strong>Cash at end</strong></td>
<td>19.9</td>
<td>44.7</td>
<td>124.9%</td>
</tr>
</tbody>
</table>

- Receipts from Customers gross of Refunds, Fraud and Chargebacks
- Payment to Artists includes $1.7M brought forward due to changes in payment terms
- Net cash for investing activities is largely capitalised development costs but also includes $1.3M for fit out of additional space in Melbourne office
- Cash at beginning includes proceeds from IPO
Operates with a positive cash cycle equivalent to 3 weeks of sales in hand at any one time.

Inflows
- $100 GTV
- $96.4
- Product shipped & revenue earned

Days
0 1 - 2 1 - 3 7 32 85 - 90

Outflows
- $3.60 Payment platform
- $14.90 Artist
- $49.60 Fulfillers
- $4.50 Tax

$27.40 Cash generated before operating expenses

1. Revenue earned is GTV less artist margin and tax (i.e. $80.60 on $100 GTV)
Source: Redbubble internal data (per FY2016 results)
REDBUBBLE IS CAPITAL EFFICIENT ...

... SEASONALITY A SIGNIFICANT POSITIVE FACTOR AT THE END OF THE FIRST HALF

Net cash from Operating activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening Cash Balance 1 July 2016</td>
<td>$42.0</td>
</tr>
<tr>
<td>EBITDA Loss</td>
<td>($1.1 )</td>
</tr>
<tr>
<td>Change in Working Capital</td>
<td>$9.7</td>
</tr>
<tr>
<td>Capitalised Development</td>
<td>($3.8 )</td>
</tr>
<tr>
<td>Investment in PP&amp;E</td>
<td>($1.3 )</td>
</tr>
<tr>
<td>FX impact</td>
<td>($0.7 )</td>
</tr>
<tr>
<td>Ending cash Balance at 31 Dec 2017</td>
<td>$44.7</td>
</tr>
</tbody>
</table>

Cash generated due to Holiday season trading (~30% of annualised GTV is received in November & December). Payments to suppliers in relation to December sales paid in January.
CAPITAL RAISED IN FY2015 & FY2016 AND INTERNALLY GENERATED CASH DRIVING GROWTH IN FY2017 AND BEYOND

- Initial growth using negative working capital - minimal external capital
- Capital constrained in FY2014 delivered profitability but...
- New capital raised in FY2015 and FY2016 to drive accelerated growth and.....
- Growth in FY2017 and beyond on capital raised in FY2015 and FY2016 but....
- ...particularly on internally generated cash flows
34% OF CASH SPEND IN 1H FY2017 INVESTED FOR FUTURE GROWTH

... SO UNDERLYING PROFIT $6.8M DELIVERED

Spend to deliver 1H FY2017
Gross Profit (66%)

Spend to generate future growth (34%)

Total 1H FY2017
Cash spend $32.8M

Source: Redbubble internal data
USA – Comprising largely Marketing, Customer Service, Legal and Content teams

Australia – Comprising largely Web Development & Product, Physical Product, Executive, Finance and People and Culture teams

Source: Redbubble internal data
Diversification of currency exposure provides significant natural hedge

- Biggest impact on Revenue from USD volatility but hedged by cost incurred in USD
- Revenue and cost imbalance in GBP, EUR and CAD
- Recently localised production in Europe (Netherlands) and Canada to increase natural hedge at Gross Profit level
- Operating expenses in US, UK and Europe provide further hedge at the EBITDA level

FY2017 YTD Distribution of Revenue & Costs by currency

Source: Redbubble internal data
7. A bright Future

BUILDING A HIGH GROWTH, SUSTAINABLE AND DIVERSIFIED MARKETPLACE
STRATEGIC FOCUS IS SCALING THE MARKETPLACE

We will continue to scale the marketplace building profitable relationships with users and partners by enhancing our distinctive customer experience and exemplifying the Redbubble mission.
4 BIG THEMES FOR 2017

STAY FOCUSED ON STRENGTHENING MARKETPLACE DYNAMICS

Efficient GLOBAL ACQUISITION of new customers & artists

Enhancing ability TO FIND YOUR THING to enrich experiences

Enhancing SCALABILITY across the business

Developing DEEPER RELATIONSHIPS with our customers
**AND THE DETAIL**

**THEMES ARE REINFORCING TO DELIVER AGAINST CORE LOYALTY OBJECTIVE**

- Improvements in organic acquisition (social, search)
- Increase leverage of content library into paid API channels (search, Facebook)
- Increased targeting by geographic and customer segments

- Faster core platform – critical for mobile
- EBITDA improvements of up to $3 million p.a. from operational efficiencies:
  - Minimize redos from undelivered packages
  - Negotiated supplier pricing
  - Automatic shipping optimization
  - Customer service automation
  - Product pricing

- Personalized content recommendations
  - Onsite and in App
  - Scaling personalized email marketing
- Content discovery journey
  - Search relevance improvements
  - Ease of navigation
  - Presentation of content
- Content partnerships

- Upgrading account creation to enable personalization
- Push notifications (app)
- Cross platform recognition
  - Relevant journeys: product, local, gender, keyword
- Localization of supply to reduce delivery time
WITH A FINAL OBJECTIVE FOR CUSTOMERS

- More buyers acquired more profitably
- Best in class site speed
- Ever more content from more artists & partners
- With a personalised best-practice mobile discovery & shopping experience for all visitors
- And mobile habit resulting in more orders per loyal customer per year
## FY 2017 P&L – UPDATED GUIDANCE (Jan 2017)

<table>
<thead>
<tr>
<th>P&amp;L</th>
<th>1H FY2017</th>
<th>Interpolated 2H FY2017</th>
<th>Guidance FY 2017</th>
<th>YOY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actuals</td>
<td>Lower end</td>
<td>Upper end</td>
<td>Lower end</td>
</tr>
<tr>
<td>GTV</td>
<td>98.6</td>
<td>76.4</td>
<td>86.4</td>
<td>175.0</td>
</tr>
<tr>
<td>Revenue</td>
<td>78.7</td>
<td>61.3</td>
<td>69.3</td>
<td>140.0</td>
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<tr>
<td>Cost of Sales</td>
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<td>40.6</td>
<td>45.8</td>
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<tr>
<td>Gross Profit</td>
<td>28.3</td>
<td>20.7</td>
<td>23.5</td>
<td>49.0</td>
</tr>
<tr>
<td>GP Margin</td>
<td>36.0%</td>
<td>33.8%</td>
<td>33.9%</td>
<td>35.0%</td>
</tr>
<tr>
<td>Paid Acquisition costs</td>
<td>6.6</td>
<td>6.0</td>
<td>6.8</td>
<td>12.6</td>
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<tr>
<td>Gross Profit (after Paid Acquisition)</td>
<td>21.7</td>
<td>14.7</td>
<td>16.7</td>
<td>36.4</td>
</tr>
<tr>
<td>GPAPA Margin</td>
<td>27.6%</td>
<td>23.9%</td>
<td>24.0%</td>
<td>26.0%</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>21.2</td>
<td>23.3</td>
<td>24.3</td>
<td>44.5</td>
</tr>
<tr>
<td>EBITDA before other (non-cash) expenses</td>
<td>0.5</td>
<td>(8.6)</td>
<td>(7.6)</td>
<td>(8.1)</td>
</tr>
</tbody>
</table>
FY 2017 P&L – UPDATED GUIDANCE ASSUMPTIONS

- **GTV**: ~30% YOY growth over 2H FY2016 in respective currencies (FX rates - USD 0.741, GBP 0.59, EUR 0.70, CAD 1.00). Lower and upper ends represent +/- 8% YOY growth for 2H FY2017. 2Q FY2017 hit by particularly weak December in US & Canada (not other regions). **Both those regions tracking >30% in 3Q to date.**

- **Revenue**: Confident of maintaining long term consistent ratio of c80% of GTV – artists’ margin and tax remain steady. Will always be subject to period end timing difference between order & shipment date.

- **GP Margin**: Lower 2H margin due to impact of 1H holiday period sales on refunds and returns. Growth on last year achieved through combination of product mix, pricing strategy and benefits of scale. Confident improvements can be maintained.

- **Paid Acquisition Costs**: cost increase is based on current Paid GTV performance and the increasing shift to mobile. Paid marketing to remain profitable on a “first transaction” basis. Currently on track for guidance spend of c$13M.

- **Operating Expenses (excluding paid marketing and capitalised development)**: Detailed re-forecast carried out prior to January 4C release. Very confident low end of guidance range can be achieved.

- **Profitability**: Expecting to move to month to month profitability by end of FY18
POSITIONED FOR LONG-TERM GROWTH...

1. SUSTAINABLE
   - Leading global marketplace:
     - 10 consecutive years of growth
     - 93% of sales outside Australia
     - Customers in 208 countries
     - Artists in 238 countries
     - 15 fullfillers in 24 locations

2. LOW RISK
   - Diverse and enduring content/artists:
     - 73% (FY2016) of sales from works that sold 50 times or less
     - 3.75M SKUs sold in 2016
     - 56% of sales from works that are >6 months old

3. FINANCIALLY STRONG
   - Capital efficient from outsourcing:
     - Manufacturing outsourced
     - Negative working capital
     - Low customer and artist acquisition costs
     - Strong balance sheet
DISCLAIMER

The material herein is a presentation of information 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.