Martin Hosking, Redbubble CEO:

I'm pleased to introduce Redbubble's first full year results since we became a public company on 16 May 2016. These results build on and are consistent with the 4C results we released on 22 July this year.

I'm delighted to provide this announcement of our full year results for FY2016. Redbubble has had a strong year and is tracking above the forecast provided at the time of the IPO. The business is scaling strongly with revenue growth ahead of operating expenditure growth, with stable margins and low cuts from acquisition costs.

Based on the results and the upcoming pipeline of initiatives, we are reaffirming our 2017 forecast provided at the time of the IPO. We're looking towards revenue of $172 million and a small loss for the financial year.

As an introductory comment, it is worth remarking how unusual Redbubble is in Australia and on the ASX. Last year we touched almost 150 million visitors. This makes us without peer in Australia and yet the scale of the opportunity for Redbubble is as large now as it was 10 years ago. We are at the leading edge of seismic changes in consumer sentiment and in technology. Combined these will drive growth for us for years to come.

I, along with Redbubble's CFO, Chris Nunn, will now walk through the presentation that has been made available to you.

I turn to slide number 1 or page number 5 in your deck. At the absolute heart of Redbubble is the marketplace. This drives all of our economics. As I mentioned, this is a marketplace that is scaling rapidly towards profitability. I know most of you are familiar with the way in which Redbubble works, but just as a reminder, artists upload an image onto Redbubble; that image is only turned into a product when a customer orders it, and is turned into a product by our third party fulfilment network.

At this time there are 438,000 artists in the Redbubble marketplace and 10.2 million images. 2.2 million customers bought through the marketplace in financial year 2016. As with all marketplaces, the more customers we get the more sellers we get, in a strongly reinforcing cycle. This provides the low customer acquisition costs of the Redbubble marketplace.

Unlike some marketplaces, we're also a three-sided marketplace. The first side is the fulfilment partners that manufacture and ship the products.

It is worth noting the differences in the Redbubble marketplaces, as all marketplaces are somewhat different and three things in particular stand out for Redbubble. Firstly, Redbubble collects 100% of the value of all sales. This gives us exceptionally strong cash flows and is a contrast to most marketplaces which will collect in the order of 10% or less of the value of its total sales.
Secondly, both the artists and content on Redbubble continue to exist in the marketplace after a sale is made. This provides Redbubble with a back library of increasing value and provides a foundation for our forecast. We can expect over 70% of sales in the next year to come from artists who already exist on Redbubble, and 60% of the content that will sell in the next year will also come from content that already exists.

The third distinction is a third party fulfilment network. This means that Redbubble does not need to invest in a manufacturing capability or capital and gives us a high ability to scale.

I turn now to slide number 2 or page number 8 in your deck.

This slide provides a summary of some key measures of Redbubble. As I mentioned, the business has been strongly scaling over the course of the year. Gross transaction value (GTV) is the measure of total sales through the marketplace, up by 62%. GTV is a multiplication of three things: visits times conversions times average order value (AOV). All three things are up strongly. Visits are up by 43% and total $148 million, conversion is up by 7% and AOV is up by 6%.

It's important in a marketplace to look at the overall health of it and this is measured by the number of customers and the number of selling artists. The health of the Redbubble marketplace is reflected and the customers are up by 53% and the number of selling artists by 62%. As I mentioned, the more artists we get, the more customers we get; the more customers we get in that strongly reinforcing cycle.

I'll now hand over to Chris Nunn to discuss the financials.

Chris Nunn, Redbubble CFO:

Thank you Martin. I'm moving on to slide number 8 in the pack - the P&L highlights.

As Martin has said, the results for 2016 met or exceeded IPO forecasts at all levels. Gross transaction value, GTV, revenue and gross profit all grew greater than 61% compared to 2015, with approximately three-quarters of revenue increased supported by core initiatives delivering underlying metric growth. As Martin said, there is increase in conversion rates, and the balance due to a favourable i.e. weakening change in the Australian dollar relative to the 2015 year.

Operating expenses were maintained at below forecast, and after deducting the costs associated with the IPO, grew overall at a lower rate than the revenue lines. This slowing in rate of growth of operating expenses is forecast to continue into 2017.

Redbubble's operating expenses include our paid market initiatives to attract new customers and to re-engage existing customers in particular. In FY2016 Redbubble spent $7.7 million on paid marketing largely through Google and Facebook, which represents approximately $0.054 per dollar of GTV. Gross profit of $12.3 million can be directly attributed to that spend. Martin will touch briefly on this later.

The EBITDA loss reflects Redbubble's focus on growth initiatives. Whilst that focus will continue, the slowing of growth in operating expenses relative to revenue will improve that equation in FY2017.

As Martin has indicated, Redbubble is reaffirming its FY2017 forecast, subject of course to the same risks identified in the May prospectus. One of those risks is exposure to foreign exchange. Since mid-June the Australian dollar has been stronger against most of the currencies in which Redbubble does business. Because we are partially naturally hedged, a strong Australian dollar across the board has the effect of reducing GTV and revenue (and to a lesser extent gross profit) – but it would actually increase EBITDA based on our FY2017 forecast numbers.
Slide number 42 of the presentation, has updated the FX sensitivity table we provided in the prospectus to reflect current rates and shows this effect.

Below the EBITDA line depreciation and amortisation charges reflect the investment in growth initiatives taken to the balance sheet. I will talk a little more about capitalised development costs shortly. Finance costs are associated with quasi equity debt instruments which all converted to equity with the IPO.

The income tax expense, despite the loss before tax, results from a de-recognition of brought forward deferred tax assets and the non-recognition of FY2016 tax losses and R&B tax offset generated up until the IPO.

Turning to slide 9, cash flow summary. We've made detailed disclosure of our fourth quarter and full year cash flows in the Appendix 4C released last month. However, I will take this opportunity to highlight some terms to aid better understanding of the Redbubble business.

Receipts from customers is a close proxy for GTV, although it includes later refunds and credit card charge backs and fraudulent transactions (typically totalling between 1.5% and 2%). Payments to fulfillers is the equivalent of costs of goods sold, albeit on a cash basis.

The $6.9 million of cash for investing activities includes $6.1 million of capitalised development costs. More on that in a moment.

On slide 10 there is a simple waterfall chart that demonstrates the capital efficiency of the Redbubble business model. The $8.7 million capital absorbed by the EBITDA loss is reduced by almost half of a negative working capital generated by the same activities.

As Martin said, Redbubble receives 100% of the order value in cash on day one or two and pays it out to various tax authorities, the artists, and its fulfillers and suppliers over the next 30 days.

Turning to slide 11, the balance sheet. It is evident the convertible note and IPO capital raisings have placed Redbubble in a strong financial position. I stress Redbubble has no current or non-current borrowings. Redbubble's non-current assets of $11.4 million includes $7.4 million of capitalised development costs.

Slide 12 shows how development expenditure has increased over recent years in line with underlying growth. Redbubble however maintains a conservative approach to its capitalisation with a consistent 11% to 14% of total OpEx by the Company capitalised to intangible assets over recent years.

Before I hand back to Martin can I draw your attention to the key financial highlights section of the Appendix 4E on pages II to V. Firstly a comparison of the full financial years 2015 and 2016 and secondly the three most recent financial halves. The half by half comparison gives some insight into the seasonality of Redbubble's business.

Thank you. Back to you Martin.

**Martin Hosking, CEO:**

Thank you very much Chris. We'll now turn over to have an operations update and looking at the growth strategy going forward. If I could ask you to turn to slide 14 in the presentation. This shows the growth in GTV by year since the first year after Redbubble launched. It's remarkable how consistent that growth rate has been. Eight years ago our gross transaction value was $1.3 million. It has grown at consistently greater than 60% year on year including last year.

This chart also illustrates the seasonal nature of Redbubble. Those top two bars reflect our Q4, which is the blue colour and our Q3 which is the green colour. They have been consistently about the same size year on year. The
growth occurs in the bottom 2, the black and the grey quarters. This reflects the seasonal nature and operational factors in Redbubble.

Seasonally it's the Christmas and the preceding quarter is actually where most of the shopping occurs for both Redbubble and for other e-tailers and indeed retailers. Operationally it reflects the fact that we work on a calendar year internally. We develop and launch things then in the second half of the year. As an example we have launched the German, French and Spanish sites. That will start to get traction in Q1 and Q2 - this September and December quarters.

Also on slide I would note the global nature of our business. The US is our largest market. It's 65% of the business, followed by Europe at 27%. The UK is actually 16% of that 27%. Australia is a relatively small 7% of its total businesses. These percentages are largely unchanged from last year reflecting the even nature of our growth across regions.

Turning now to slide 15 this shows the growth of repeat visitors in the business. A major driver of growth in Redbubble in consumer loyalty. This is reflected in some of the great quotes which are on slide 28 of the deck. I'll draw your attention to those after the call. The main measure of customer loyalty for Redbubble is strong steady growth and repeat gross transaction value. Repeat customers generate about 35% of all sales in FY2016 but most importantly though are growing at 76% year on year which was higher than all overall GTV growth of 62%. Going forward we expect to see repeat GTV growing faster than the total GTV. Of course new customers are going to remain important for Redbubble given how rapidly we are growing.

Turning now to slide 16 which Chris has remarked on and I've remarked on as well, which is actually our customer acquisition costs. Low customer acquisition costs are really the measure of a marketplace. This is in contrast to a typical e-tailer which grows through paid acquisition. In the case of Redbubble over two thirds of GTV in FY2016 came from free sources. Organic search, with people searching on ninja unicorn mugs or car t-shirts are 40% of all sales. This reflects the quality of the content on Redbubble. Also in free are social visits. We expect this to be a major driver going forward as both artists and consumers naturally want to share what they find on Redbubble.

During the year 32% of GTV came from the pay sources. This was primarily the Google product search but also increasingly Facebook page as well. Importantly these paid sources were profitable when first purchased for Redbubble as we were only buying long tail at the more obscure keywords which we can acquire profitably. We expect pay to contribute about a third of all GTV going forward.

The reason why we have profitable pay channels and vast free channels is primarily because of the quality and diversity of the Redbubble content. Redbubble is the site on the web for the vast variety of human interests from the solar system to chess or unicorns. We are the place to get things that you cannot get anywhere else. This gives us exceptional leverage in the free and pay channels.

I now turn your attention to slide 17 which provides a little bit more detail on the negative working capital which is underpinned to the growth in Redbubble and has allowed us to grow with very limited investment capital. I just remark again - and just remind people in the case of Redbubble no product comes into existence until it has been actually produced through print on demand technology. This is handled by our outsource third party fulfillers. Looking at the chart if we take our revenues at 100%, the artists typically mark up at 19% and then there is tax of 6%. This is our GTV or effectively our cash flow.

Moving down the shippers and cost of sales and the small transaction costs are 66% of revenue. But the most important part of this whole chart is the 0% in warehousing and inventory. The net of this is that the faster Redbubble grows the more cash it actually generates. We are not limited in our growth by the need for working capital. This is in contrast to a typically global internet retailer which is shown on the right hand side of the chart. They bear the costs of inventory, distribution and warehousing. This cost is borne before any sales are made.
Finally it's worth noting that at the end of all this Redbubble's margin of 34% of revenue is in fact higher than the normal e-tailer. We're expecting going forward our margin to be in the 33% to 35% range.

I now ask you to turn to slide 18. This slide illustrates the growth in the number of products which is the red, and the growth in the number of fulfillers which is in the black. During the year Redbubble added 12 new products. We deleted three. The new products included six new women's products, three unisex products and three accessory products. One new fulfiller joined the network. In July a fulfiller was brought on in Brisbane to serve the Australian market.

The localisation of fulfilment has made a major benefit of improving delivery times. This is the main driver of customer satisfaction. The average delivery time fell from 5.1 business days in June to 4.2 business days in June 2016. The net promotor score for the business rose from 59 to an exceptional 63 overall.

Looking at our product mix, apparel is our largest category at 63% followed by accessories, homewares, stationery and artwork. They make up the remainder in about equal measure.

It's worth noting that print on demand is opening up huge vistas of opportunity for Redbubble. To give but one example we have over 260 identified opportunities in the homewares category alone. We are expecting to launch over 20 products in FY2017 and to continue to accelerate the pace at which we get new products out.

I now ask you to turn to slide 19 which talks about our strategy. We'll talk about slide 20 at the same time. These slides provide a summary of our strategy. Given the nature of the opportunity before Redbubble the strategic focus is on executing on those things that most enhance the dynamics of the marketplace that has already been established. What has been working for 10 years will continue to work. We're investing behind that. There are four reinforcing areas of investment identified on slide 19 - improving the mobile and customer experience, adding new products and enhancing the supply chain, geographic expansion and improving the experience for artists.

Taking these themes as a whole the following stand out for FY2016 - over 50% of all traffic to Redbubble marketplace now comes from mobile devices. Significant activity has gone into improving the functionality and performance of the mobile website and growth in mobile visits has been the primary driver of overall growth in visits. Improvements in the site experience overall and particularly in mobile resulted in an increased overall conversion rate. As mentioned over the year Redbubble increased the range of physical products with a particular focus on women's apparel including using advanced technology, printing of the material before laser cutting and sewing it.

Finally the number of selling artists grew in line with our GTV growth. It is these artists and their work that is at the heart of Redbubble relevancy and growth.

I'll ask you to turn to slide 21 which is looking towards what we have planned in the first half of 2017. Redbubble will continue to pursue its strategy of enhancing the marketplace dynamic. We will continue to improve the onsite user experience with a particular focus on the mobile experience. Site speed is also receiving a lot of attention. This reflects the need to deal with the growth in our inventory library. Personalisation will be a new theme enabling Redbubble to serve directly relevant content to every user.

New product as I mentioned is a strong theme for FY2017 and in particular in the first half we will be focusing on homewares and art categories.

Supply chain - we're continuing in this first half of the year to focus on delivering greater direct to garment print capacity in core markets particularly as we go into the Christmas period as well as more homewares capability including bringing on new fulfillers in this category.

In the artist community the main focus will be on enhancing the ability of artists to drive traffic from social networks. Work will also continue on piracy protection for artists and further automation of artist authentication.
In new markets after the roll-out of the Spanish site in this quarter the new markets team will be concentrating on bedding down the three new sites - German, French and Spanish, and driving deeper penetration into these areas.

I now ask you to turn to slide 22 which is the summary of the Redbubble investment thesis. This summary follows from our mission of establishing the world's largest market place for independent artists and the strategy which has been outlined above.

Six themes stand out to me. Firstly, we are participating in a massive global marketplace which is not going to limit the scale of our growth opportunity. Secondly, there are high entry barriers that follow from the nature of the marketplaces. Marketplaces are inherently very difficult to dislodge once they get going because without the customers you can't get the artists and without the artists you can't get the customers.

Thirdly, we have a scalable business model as a consequence of the print on demand technology. The faster we grow the more cash we have to grow. Fourthly, we have low customer acquisition costs. We can see this continuing going forward. This follows from the nature of the content on Redbubble. Fifthly, we are being driven by a major shift in consumer sentiment to the individually relevant and away from the mass produced and mass marketed. This shift is not going to change any time soon. Sixthly and this is almost a summary of the first five things, there are multiple growth opportunities for Redbubble going forward.

On slide 23 and based upon all that I've just said we are reaffirming our guidance for 2017. Revenue of $172 million, gross margins at 34%, gross profit of $59 million and a small EBITDA loss.

Thank you very much. I'll also note that there's supporting information which is in the last part of the presentation. You may refer to that as well. I'll ask for questions now for Chris and myself.

**Owen Humphries (Canaccord Genuity, Analyst):** Good day guys. Congratulations on the result and also reaffirming next year's forecast. Just a quick question on that. I noticed the currency - if you look at slide 42 I noticed the currency seemed to be moving against you for four of the five or three of the four. Can you maybe just highlight to us is the prospective forecast for FY2017 - is the forecast for FY2017 is that now rebased on a new current level of currency or is that still at the IPO rate? i.e., is there downside of risk that the currency holds where it is for the next year's forecast?

**Chris Nunn:** Thanks Owen. No, the forecast stays based on the original forecasted rates. The purpose of the updated table is to tell you what that will do to our numbers if the rates today carried on as they are now.

**Owen Humphries (Canaccord Genuity, Analyst):** Okay. Thanks for clarifying. I just wanted to double check.

**Martin Hosking:** It would be quite difficult to predict currency and so until we have reason to believe that the currency - the average exchange rate is going to be different from it was at the time of the IPO, we're going to leave it that way.

**Owen Humphries (Canaccord Genuity, Analyst):** Sure. Was that based on a broker forecast or was that based on just internal estimation?

**Chris Nunn:** Well, these rates are based on the rate, I think, as of Friday night this week - last week, so they're current. I mean, they obviously change by the minute, and the mix between the currencies changes as well, but the weighting between the currency changes - weight change as well. So it's just a point in time to give some feel of the movement. Perhaps the most important thing - yes, it does affect the top line, but it becomes more muted as you go
down the P&L, as we have the natural hedging of our cost of sales and our operating expenses in some of those currencies.

**Martin Hosking**: Yes - that's improving over time as we're localising production. The original forecast rate was actually the rate which prevailed at the time in which we did the forecast. We weren't trying to forecast what the rate would be going forward. We're only, at this stage, less than a month or a bit over a month into the year, so we're not going to re-change the forecast rate at this point, Owen.

**Owen Humphries (Canaccord Genuity, Analyst)**: No worries. Just lastly, obviously you've talked in the past around the mobile solution. Could you maybe flag if there's any change of date and when that's expected to be released? Also, are you expecting any impact in terms of growth from that?

**Martin Hosking**: It's very important that the mobile strategy, the core of our mobile strategy is going to have a mobile responsive site. Most retailer mobile apps do not succeed. That is the actual simple background of that. Most consumers will want to buy - they will link through - for example, if they come through from Facebook or if they come through from Google, they won't land in your app. They will actually land in your mobile responsive site. So the core of the mobile strategy for Redbubble is having a compelling mobile responsive site. The application, a native iOS app for us, we will be doing - having a slightly different orientation and we'll be doing different things. But we're not expecting it to be a major driver of mobile going forward.

**Owen Humphries (Canaccord Genuity, Analyst)**: Great. Thanks, guys.

**Ivor Ries (Morgan Financial, Analyst)**: Yes. Good morning, Martin. Good morning, Chris. Just if I could just ask a broad picture question. Since you've gone public – or when the market became aware you were going public, has there been any change in the way that your competitors are behaving in the marketplace?

**Martin Hosking**: No. Ivor, that's a good question and thank you very much. I would draw people's attention to slide number - it's in part of the back-up here, which is at slide number 31. We've updated the survey, which we conducted at the time of the IPO. The question was to our artists and it was a very large participation in that survey: on which websites do you upload your work for sale?

There's the one major direct competitor, which is Society6, and the number of artists who had uploaded to Society6 had actually increased from when we last asked that in 2014 from 20% to 25%. Importantly though, that has actually not improved their economics. So they've actually been growing at a slowing rate versus us and they are at about - currently about half our size overall. So we're not seeing increased competitive action activity from them in a top line economics, but they have actually - they've been more of Redbubble artists who actually do have a presence there. Looking across that competitive set, there's DeviantArt, which has had - has also had some improvement, but they're not a direct competitor.

There's Etsy, which is also - more of our artists have a presence on Etsy. They are also not a direct competitor, because they don't have a fulfilment network, but they are a completely site. Then there's the other direct competitors, where our artists are less represented, including their own websites. So artists are finding that their own websites don't work for them and that's down significantly. Zazzle, which had been a major competitor to us earlier on, is down significantly from 16% to 11% and CafePress, which also had been a competitor, is down from 7% to 6%. So we've seen some increase in competitive activity from Demand Media, which is the owner of Society6. But overall there has been on other major activity and it isn't having an impact, as far as we can tell, on our growth rates.

**Ivor Ries (Morgan Financial, Analyst)**: Yes. The competitors aren't spending more buying traffic than they were.
Martin Hosking: Well, if they are, it's not attracting our artists to them. So that's the primary way in which we measure that. We do also measure that through - you can also get the external measures of overall traffic numbers through things like Alexa and Compete and we're not seeing them getting a lot of traction there either, Ivor. We're not seeing them having traction there. But we are not having to pay more for the traffic we’re getting, which is another measure of the competition. Our traffic is actually becoming more profitable through the paid channels.

Ivor Ries: (Morgan Financial, Analyst): Yes. If I can ask you a question on Germany. Obviously, the German language site has been running now for quite a few months. I just wondered in terms of the - if you could share with us what the impact has been on conversion rates since you've shifted to the local language.

Martin Hosking: We have noted that the German website at the end of the last year was the fastest growing region for us at 76% overall, 76% GTV growth overall in that last quarter. So we had previously noted that. We hadn't broken that down between visits and GTV. We can say that the conversion rates have gone up in Germany as a result of the - of the new site, as indeed they have in France and Spain. But can we take that as an action item for the next quarter - our next quarterly update 4C which we'll have a little bit more traction from all three sites to actually give you an update on how those three sites are performing overall. That will give them time to settle down and we can provide you with that greater detail, Ivor.

Ivor Ries: (Morgan Financial, Analyst): But conversion is up?

Martin Hosking: Yes - conversion is up. It has had a material impact, not only on Germany, but also in France and Spain. So, yes, there is a material impact on conversion as a result of the website being in the native language.

Ivor Ries: (Morgan Financial, Analyst): If I may ask a supplementary question about costs. Obviously the operating cost line wasn't as high as you thought it had been making the prospectus forecast. I just wondered what those items were and whether there's any potential spill over into FY2017.

Martin Hosking: It was really across the board, Ivor, and absolutely no spill over into FY2017. I made sure that was the case.

Ivor Ries: (Morgan Financial, Analyst): If you look at slide 42 - the exchange rate one there. Obviously the variation and the currency movement there, where you're getting negative GTV and positive EBITDA reflects the fact that more of your operating costs are located in that - in that currency. Is that correct?

Chris Nunn: Yes. Well, that's what the chart on the left of the table tries to show. So that gives you the percentage of our sales, COGS and OpEx in those currencies.

Ivor Ries: (Morgan Financial, Analyst): Yes. They don't - that's how we forecast them. That will vary obviously as the year goes on with, for example, we have now a fulfiller in the Netherlands which we didn’t have at the beginning of the year or at the end of 2015. So there are going to be changes in the mix, but based on our FY2017 forecast and the weighting of the sources of revenue and the sources of the costs, that's how those relative line items in P&L will change.

Ivor Ries: (Morgan Financial, Analyst): Right. So I take it both the Brisbane and Netherlands fullfillers are in apparel, are they?

Chris Nunn: Yes, they are. The Netherlands is actually a new facility of an existing fulfiller rather than a new fulfiller. The Brisbane fulfiller is brand new.
**Ivor Ries (Morgan Financial, Analyst):** During your briefing, you mentioned expanding capacity in terms of fulfilment coming into the busiest time of the year. Does that mean you’re working with your existing fullfillers to actually add more capacity around the Christmas season?

**Martin Hosking:** We start those discussions in February and provide them forecasts through what they need to provide us through the Christmas period. So, yes, we’re ensuring that we have the capacity for the Christmas period. It’s always the most challenging part of the year for us, so we start working on it early and we make sure that they - the capacity exists there.

**Ivor Ries (Morgan Financial, Analyst):** Great. Thanks very much.

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

**Martin Hosking:** Thank you very much everybody. Delighted to introduce Redbubble into its first annual results and we look forward to speaking to you again in October.

**Chris Nunn:** Thank you.

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