



INVESTOR UPDATE – APPOINTMENT OF INTERIM CEO

TRANSCRIPT OF CONFERENCE CALL

18 February 2020

Start of Transcript

Operator: Thank you for standing by and welcome to the Redbubble Investor Update - Appointment of Interim CEO. 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 1 on your telephone keypad. I would now like to hand the conference over to Mr Richard Cawsey, Board Chair. Please go ahead.

Richard Cawsey: Thank you. Welcome everybody. I am here with Martin Hosking and other Board members. Further to our statement to the market this morning, Martin and I would like to make the following points to you. We will take questions at the end. We have all been disappointed by the Company's growth. As the prospects of growth did not return, management and Board started a thorough review of strategy and operations. Following these extensive deliberations, the Board came to the view that a change in leadership was required, and so the decision was made to terminate the CEO.

The Company's fundamentals are and remain strong. This is a unique business that is difficult to replicate and we are increasingly confident that growth is, can and will emerge in our core Redbubble business. The Company's focus must be on the core of the business, while investing in opportunities in front of us to further entrench our position and create value for our shareholders, employees, artists and partners.

The leadership transition comes ahead of the release of the Company's half-yearly results on 26 February, which will show the Company's financial and operating metrics are in line with expectations. Growth in operating revenues of 25% in the first half year on year and positive cash flow for the fiscal year, ended 30 June 2020. Business performance in the current calendar year to day has been encouraging, but please note that this reflects floating currency and the results are unaudited. Beyond the conversation of these headline numbers, we will not be taking questions on the numbers that will be announced next week.

In coming periods, our investment focus will be on continuing the current growth initiatives including the new product launch cycle and realising opportunities provided by the quickly growing Fan Art partnerships.



We have an incredibly talented and passionate Executive team in place. Martin knows the business inside out. He is passionate about the business and he, like us all, has the desire and intent to ensure the Company reaches its full potential. A global search for a new long-term CEO will commence immediately.

Before asking for questions, I'm now going to hand over to Martin.

Martin Hosking: Thank you, Richard. Hello everyone again. Just to reinforce Richard's comments, nothing has changed from a strategy perspective. This is a business that has strong fundamentals, demonstrated growth and a talented committed team behind it. Our focus remains on accelerating the upcoming growth phase to further entrench our position and create value for our shareholders, employee artists and partners. We're committed to accelerating the growth initiatives underway including the new product release cycle and investing in quickly growing Fan Art segment, as we continue to build out great content partnerships.

We'll obviously talk half-year results next week, however we're happy to take questions you might have on the current announcement. Are there questions?

Operator: Thank you. If you wish to ask a question, please press star then one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star then two. If you are on a speaker phone, please pick up the handset to ask your question. Your first question comes from Grace Fulton, from Goldman Sachs. Please go ahead.

Ashwini Chandra: (Goldman Sachs, Analyst) Oh, hi, gentleman. It's just Ash Chandra here, I work with Grace here at Goldman. Thanks for giving your time. Just wondering if there's anything you can perhaps provide with respect to what aspects of the business do you feel have been relatively, I guess, under-executed on within your overall review? You mentioned you've done a full and thorough review. Yes, is there anything you can say with respect to is a particularly geography, I can't imagine it's TeePublic specifically. Just to give us a sense of what's been the catalyst, given you're just going to report next week anyway?

Richard Cawsey: Thank you very much, Ash. This was not a precipitated action. It has been under deliberation for quite a long period of time throughout that review process. I think, or where I'd like to leave it is to say that I think we need to focus on the core activities of the transactional business and really around SEO and around others that we've discussed in the past - and then focussing on the investment and particularly identified through our release and our discussion today - around increasing the product release cycle and increasing our investment in the quickly growing fan art marketplace. But it has been under deliberation for quite some time. So there is not a degree of reactivity in here and we wish to focus, through this whole process, on what we believe is the leadership required going forward and unfortunately Barry did not fit what we believed the leadership that was in the best interests of the Company.

Ashwini Chandra: (Goldman Sachs, Analyst) Was this review a fully internally driven process, or did you use external consultants?



Richard Cawsey: It was led by management and involved the Board, and on some occasions we sought the insight from other strategic consultants to test some of the assumptions and hypotheses.

Ashwini Chandra: (Goldman Sachs, Analyst) Is there any chance that during the course of this year we're going to see, I don't know, any sort of one-off restructuring cost in and around any changes that might be made as a result of today's announcement?

Richard Cawsey: No.

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

Martin Hosking: That was Richard, actually.

Richard Cawsey: Yes.

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

Richard Cawsey: No problem, Ash.

Operator: Thank you. Once again, if you wish to ask a question, please press star then one on your telephone and wait for your name to be announced. Your next question comes from Owen Humphries from Canaccord Genuity. Please go ahead.

Owen Humphries: (Canaccord Genuity, Analyst) G'day guys. Welcome back, Martin. Just a question around the - any views, or the Board's views as to the catalyst that could see the growth return back to more industry trends. What part of the business has been underperforming and you look forward, one, two, three years, what - or plans or changes are you going to be putting in place to rectify that growth?

Richard Cawsey: So I think, as Martin has identified, the core areas of strategic focus that we've had for some period of time are growing quickly and are very strong. We can expect those to become a larger part, in fact the most significant driver of value going forward. I think in terms of the transactional elements around SEO and email marketing and others which are more tactically based, I think we will be looking to increase our focus there and feeding the green shoots in the growth areas that we've clearly identified and also seen the benefits - and realising the benefits that we've re-proven through the release of new products.

Owen Humphries: (Canaccord Genuity, Analyst) Then, from a cost perspective, is the Board happy with the cost level of the business?



Richard Cawsey: In broad, I think the fittings of the business around the investment within the business are about right. I would expect Martin and the team to review and to potentially modify some of the priorities but this is not a cost-out initiative.

Owen Humphries: (Canaccord Genuity, Analyst) Okay and then just lastly, on the word 'encouraging', can you give us a sense of the positive, it was trending negative into that last quarter. Just a bit more detail on what encouraging means? It means five to 10? Zero to five? Negative?

Richard Cawsey: I think I'll leave 'encouraging' as it stands and allow you to be on tenterhooks and waiting with bated breath until next week, Owen.

Owen Humphries: (Canaccord Genuity, Analyst) No worries. Okay, thanks guys.

Operator: Thank you. Once again, if you wish to ask a question, please press star then one on your telephone and wait for your name to be announced. We will now pause momentarily if anyone wishes to register. There are no further questions at this time. My apologies, your next question comes from Grace Fulton, Goldman Sachs. Please, go ahead.

Ashwini Chandra: (Goldman Sachs, Analyst) Hi gents, sorry. It's just me again, Ash. Could I just ask then, maybe one final question from me. With respect of the global search for CEO, do you know what are you going to be going out there as advertising, in terms of core competencies, core backgrounds? Is this going to be a marketplace executive? Are you open to other industries? Any sort of guidance you can give on what you're looking for?

Richard Cawsey: We will be looking for a CEO that can most effectively prosecute the strategy that we've identified. And to put a position description out today is not useful or appropriate.

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

Richard Cawsey: No problem.

Operator: Thank you. Your next question comes from Richard Stubbs from Castle Point Funds. Please go ahead.

Richard Stubbs: (Castle Point Funds, Analyst) Hi there. Martin, I was just wondering if you could perhaps just give us a bit more colour in your view about the US T-shirts, whether you think this - the Company has to go through a greater structural change as to how it represents itself in terms of getting more fan art? Or it was noted before that



smaller companies are coming up and stealing your art. How do you think Redbubble can deal with that going forward?

Martin Hosking: Thank you. What I'd say is, as the Board has considered Redbubble, we are extremely encouraged by the position which we occupy as the global market leader with the most artists adding the most content and with the global reach which nobody can match, in terms of our fulfillment network, our partnerships and so forth. That puts us in a very strong position to pursue whatever opportunities open up.

I think we do believe that there are significant continuing opportunities within the T-shirt business in the United States and North America, as we do within the other line items which we have as a Company. So pursuing those and investing against that, from our position of strength is a core part of our strategy. In that regard, of course, we are uniquely positioned to enter into relationships with the fan art partners. We are the biggest player in this space and we have the most opportunity to offer fan art partners a position on an independent platform with extraordinary reach to a dedicated artist community. So that's why the fan art partners have come to us and that's why those partnerships are getting traction. So yes, we're committed to that. We're committed to investing against that but it is from this position of strength which we have as a Company and it's why we have such confidence in growth returning into the business.

Richard Stubbs: (Castle Point Funds, Analyst) Thanks, Richard.

Operator: Thank you. Once again, if you wish to ask a question, please press star then one on your telephone and wait for your name to be announced. Your next question comes from Charles Frumberg from Emancipation Capital. Please, go ahead.

Charles Frumberg: (Emancipation Capital, Portfolio Manager) Hi, thank you. Does your search include internal as well as external candidates?

Martin Hosking: Yes, Charles. I did get that question. It's Martin here. I'm not sure that others did. I think my hearing is a little bit more acute. Thank you for asking the question. We will be appointing a global search to find a candidate - so yes, you can expect it to be a fully comprehensive search.

Charles Frumberg: (Emancipation Capital, Portfolio Manager) Thank you.

Operator: Thank you. Once again, if you wish to ask a question, please press star then one on your telephone and wait for your name to be announced. We will now pause momentarily if anyone wishes to register. Thank you. There are no further questions at this time, I will now hand back to Mr Cawsey for closing remarks.

Richard Cawsey: I'd like to thank you all for your attendance and if there are further follow up questions that you might have, then please reach out to Louise in the normal course of business and we look forward to when next



we speak, which will be Martin and Emma's discussion on the 4D, which will be on the morning of 26 February.
Thank you all for your attendance.

Martin Hosking: And I look forward to speaking to you all then.

End of Transcript