REDBUBBLE LIMITED

FY2020 HALF-YEAR REPORT AND ACCOUNTS

TRANSCRIPT OF INVESTOR UPDATE CONFERENCE CALL

26 February 2020

Start of Transcript

Operator: Ladies and gentlemen this is the conference operator. Please continue to hold and the conference will begin shortly. Thank you for standing by and welcome to the Redbubble Investor and Analyst conference call H1 FY2020 results. 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 keypad.

I would now like to hand the conference over to Ms Louise Lambeth, Head of IR. Please go ahead.

Louise Lambeth: Thank you. Good morning everyone or afternoon for our US investors. This is Louise Lambeth, Head of Investor Relations for Redbubble Group. Welcome to the investor call for our FY2020 half year results. With me I have RB Group Interim CEO, Martin Hosking and CFO Emma Clark.

The key information for today's update in respect of the first half FY2020 is in the ASX release and supporting presentation which we released to the market this morning. Please note that the financial results have been subject to audit review unless otherwise noted. Our strategic and operational metrics are from internal management reports and have not been subject to audit review.

Martin and Emma will present, referring to the supporting presentation which can be viewed via the webcast. Then we will open up the floor for questions. This presentation and Q&A session are also being recorded. Before we start, I would like to call your attention to the safe harbor statement regarding forward looking information in the ASX release accompanying our results. That safe harbor statement also applies to this presentation and the Q&A.

Now I will pass on to Martin.

Martin Hosking: Thank you Louise. Good morning. It is good to be back. Before I pass onto Emma, I want to share a few thoughts from my perspective. The Redbubble Group is a market leader in our industry, and we have a unique global business that is difficult to replicate. We have built a community of more than one million independent artists who have contributed 28 million works to the library. Almost six million unique customers purchased from the site last year with trailing 12 months marketplace revenue of almost $300 million. There are very few Australian companies that operate at our scale on a global basis.

The internal capabilities, technology and expertise that make this happen is of the highest level and has continued to develop over the last 12 months. We are getting further ahead of our competitors. We have also been onboarding brands for artists to partner with and adding to the products that artists can sell their designs on. Enabled by an expanding third-party supply and fulfilment network we are reaching more customers on a global scale than ever before. The business is established strong fundamentals and the strategic opportunities on which we are embarking have enormous potential. We remain committed to investing in and realising the full value of these initiatives and I will discuss them in more detail later on.

Over the last week I have spent my time with the team and observed an effective company with an effective operating rhythm from a talented and dedicated group of professionals. People are doing the right things and we are seeing the results. I am encouraged by this and expect to see even greater impact over the coming years. I am confident that many of the right things are happening in Redbubble and TeePublic and there are considerable opportunities ahead for both marketplaces and the Group as a whole.

In relation to the CEO position, we are going to take our time to ensure we recruit for the right global CEO. I am committed to leading the Company through this period of time.

I will now pass onto Emma to discuss the half year results.

Emma Clark: Okay, next slide please. Hi everyone, I am pleased to share that the Redbubble Group has continued to demonstrate sound financial outcomes from our marketplaces with consolidated marketplace revenue growth of 21% on a constant currency basis. Our strong profit and loss fundamentals have converted this growth into a 46% increase in operating EBITDA.

Our free cash flow has also improved to $36.6 million for the half, and we have a healthy cash balance of $65.2 million as at 31 December. Noting that the second quarter cash does benefit from a stronger inflow over the holiday season, as expensed associated with sales in November and December are largely not paid out until the current third quarter.

The initiatives that Redbubble has invested in over the past 18 months have continued to show good progress. Our apps, now both IOS and Android, are an increasing contributor to growth and reached 10% of Redbubble's marketplace revenue for the half. We have continued to add new members to our membership base, which is now at 10 million in total, including 5.2 million that were active in the half. This is allowing us to create a more personalised and relevant experience for each of our customers.

The Group generally doesn’t do new releases, system or product, during the Christmas quarter. However we did on-board a further three brands - being Schitt's Creek, Shaun of the Dead and Seis Manos. We are also pleased with the performance of new products across both marketplaces. Especially considering that most of the new products have only been recently launched and so have not yet reached their full steady state contribution. So to see $10 million in Group marketplace revenue coming from the new additions in the half is really very encouraging.

Next slide please. On this slide you can see the breakdown of the top level financials. We have included fixed and floating currencies so that the currency impact is clearly shown. We continue to have a tailwind on revenue due to the strong US dollar, noting that we see some of the inverse on our expense lines, with a net 6% positive impact at the operating EBITDA level for the half.

The performance headwinds at Redbubble, which were disclosed on 12 December, persisted through the remainder of the holiday season. This can be seen in the lower consolidated second quarter marketplace revenue growth of 13% on a constant currency basis. As you are aware, we are currently almost two-thirds of the way through the third quarter. Top line growth in the current quarter to date has improved and is tracking above the first half for the Redbubble marketplace. We have also seen sticker sales recover from their pre-Christmas lows and improved ranking on US T-shirts.

Next slide please. TeePublic was the main driver of growth for the half. There is no doubt that the Redbubble growth rate for the half was disappointing. Our number one focus is getting growth back into this marketplace. There has been continued work since November and we are confident that these are going to result in better growth rates moving forward. As we have stated previously, the current quarter to date is encouraging.

TeePublic had a strong half. This continues to be driven by optimisations in organic search and Google shopping, as well as the rollout of local currencies in Europe, UK, Canada and Australia. In addition their two new product launches, which were pins and magnets, have also been successful and contributed 2% to their first half marketplace revenue.

Next slide please. Moving onto operational metrics for the first half. Our year-on-year growth rates are still good across all areas of our flywheel. Our number of active works has increased to 27.7 million, continuing our long-standing history of being an attractive place for artists to upload content. The migration onto mobile continues, with over 50% of the Group's marketplace revenue coming from mobile devices.

As we have flagged last quarter, our marketing costs as a percentage of revenue have increased slightly. This is primarily due to increased paid marketing spend during the quarter and is a normal part of our seasonal patterns. Even at 11% we are still a long way below most of our marketplace and e-commerce peers.

Redbubble continues to attract new members, and members contributed 42% of Redbubble's marketplace revenue over the half. As we have previously discussed, our membership offering is still in its early stages. We will continue our work to further monetise this group of customers.

Our NPS score, which we do disclose on the half, did decrease by seven points. This is due to a couple of factors. One being that we changed our shipping of stickers to a largely untracked method. Which whilst beneficial to our margins did result in some increased customer inbound queries for this product set. Secondly, we also changed our customer service process to obtain the score more quickly after purchase than we have historically. It's still very important to note that the NPS score continues to be very strong overall.

Our take rate continues to be very attractive and much higher than our peers. Our gross profit percentage also increased by 0.3% to 36.7% for the half.

I will now pass back to Martin to talk through our strategic growth initiatives and priorities. Next slide please.

Martin Hosking: Thank you Emma. As we shared with you in last Tuesday's announcement, the Redbubble Group Board and Management undertook and completed a review of the Group's strategy. The business has established strong fundamentals and is committed to investing to realising its full potential, backed up by a talented and committed team. The review supported the initiatives that we have been investing time and effort into, such as authentic content, partnerships, new product launches, and our focus on artists and repeat purchasers - are the right things to be doing and are critical to the long-term growth of both marketplaces.

As such I would like to take you through some slides to break out these initiatives in more detail, starting with authentic content. At its core this is a content business powered by high-performing authentic sellers. Such sellers are marked by the amount of content they have added, the frequency of their sales, and the uniqueness of their content.

We continue to see this side of our marketplace generate good growth. In particular saw authentic sellers revenue growth of 15% in the half. I would note, non-authentic sellers are not necessarily an IP risk. There are sub-categories in this of which those that represent an IP risk is only one. Thus while we look to continue high growth in sales by authentic sellers, this is not a metric that we would ever expect to represent 100% of Group's revenue.

We have some great near-term work planned for our arts community aiming both to encourage our existing artist communities to become more commercially successful as well as ensuring we remain the best marketplace for new artists to join.

Among the more important initiatives, our engineers in Australia have developed proprietary technology and an accompanying suite of services we are calling Redbubble Protect. The team has made great strides on this technology in the last quarter. We expect the first public release in the coming weeks. Redbubble Protect is designed to make the IP protection process easier to manage for our artist community and other rights holders.

One of the features of the new tool will be to target IP theft using internally developed image matching technology. Such technology will identify stolen copies of artists before they go live on our platform. The tool will streamline the process of enforcing IP rights by automating a time-intensive and cumbersome process. In addition Redbubble Protect will target theft off-platform, with the first off-platform feature being a downloadable take down notice that artists and other rights holders can use to alert other marketplaces that they are hosting stolen content. This new tool and suite of services is a step forward in the fight against infringement across the internet. We know this will have a big impact for all IP owners.

Next slide please. The contents partnership business is an exciting one to be in. Redbubble has a window of opportunity to establish itself as a leading destination for high-quality licensed content. This is particularly so as it relates to fan art. We already have a portfolio of 58 brands that we have on-boarded. We expect increasing revenue from them as further content is created and we integrate this content in the core RB Group marketing and SEO capabilities. There are hundreds more brands that we can add to the pipeline from existing partners, plus the potential to add new partners and explore new verticals.

We are committing to continually invest behind this strategic initiative, and we will report progress back to investors. The Redbubble Protect tool, which assists both brands and artists, is but one example of the investments we are making.

Next slide please. As we have previously advised, we commenced launching new products in May 2019 after a hiatus of almost two years as we rebuilt our platform. In addition the TeePublic marketplace also launched two new products. New products are especially attractive in our marketplace as they multiple the value of the content library. The addition of throw blankets, for example, attracted completely new customers to our platform by leveraging content that previously had only been available on other product types.

Given the recency of our new products, some of which only launched in September, it is very pleasing to see this cohort of product making up 6% of our Group marketplace revenue in the half alone. We will be launching many more products in the coming years on both platforms to build category leadership, and are currently working through options to scale product releases above the 15 to 20 that we can currently do in a year. No other company in the world has the global reach and scale of Redbubble Group to launch so many products almost simultaneously with so much content to so many customers.

Next slide please. Both of the Group's marketplaces continue to generate customer demand through organic channels and disciplined paid marketing efforts. SEO, social channels and performance marketing remain important growth drivers. Efforts will increase in these areas to continue driving new customers to our platform. As new visitors arrive an increasing number become members and/or download one of our apps. This gives the Group the opportunity to serve up personally relevant and products to them to drive an initial transaction and gain loyalty in the form of repeat transactions. This also allows us to re-engage with customers organically and minimal marketing cost.

Looking ahead into the second half of FY2020 the Group's key priorities will be on SEO, performance and social marketing, and improving the customer experience. The Group will continue to focus efforts on demand generation, both transactionally and to drive higher levels of repeat business. As previously mentioned, we will also be accelerating the launch of new products and increasing investment in the fast-growing content partnerships and licensed fan art segment. These initiatives will remain strategic pillars for the business well into the future.

I am very much looking forward to working closely with the team over the next while. Together our focus will be on the core of the business, while also investing in the opportunities that deliver longer-term value by entrenching our position and creating value for our shareholders, employees, artists and partners. It's an exciting time at Redbubble.

Thank you. We will now open the session to 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 speaker phone please pick up the handset to ask your question.

Your first question comes from Grace Fulton from Goldman Sachs. Please go ahead.

Grace Fulton: (Goldman Sachs, Analyst) Hi guys, thanks for taking my question. I would just like to start with the outlook. When you released the trading update in December you still said that you expected to grow operating EBITDA year-over-year. I haven't been able to find any reference to that in the materials today. In that context, I want to ask a bit more around your outlook comments, that the balancing act that is required may continue to see growth variability in the near-term. So could you please talk about that and also particularly your operating costs outlook?

Emma Clark: Sure. Thanks for your question, Grace. To answer your question very directly, there is no change to our previous statement around operating EBITDA for the full year. So that statement still holds. When we talk about focusing on growth initiatives, we're doing work internally at the moment to look at how we can accelerate our number of products that can be launched and what some extra investment in the fan art business would look like.

Both of these things will take some time to mature. So hence in the current year, the previous guidance that we've given still holds.

Grace Fulton: (Goldman Sachs, Analyst) Okay. Could we possibly have a look at a bit more about your third quarter to date statement for Redbubble top line growth? You said that it's performing above the first half. Is that the total quarter to date or where it's sort of trended to at this point and can you be any more specific about what you mean by above first half trend?

Emma Clark: So obviously Grace, I'm not going to get caught into too much detail on the third quarter given that it's currently in progress. I'm not going to give you too much flavour on top of what I'd already said other than to clarify that yes, current quarter to date results, as I sit here today, are above the growth rate that were shared at both a consolidated and individual level across both market places in the half.

Whether they continue to be so or not, I can't comment on because we're still part way through the quarter with quite a bit still to run.

Grace Fulton: (Goldman Sachs, Analyst) Okay, perhaps if we could just turn to IP integrity. So I tracked a couple of the different products you have and the product numbers you have on the site at any point in time. I noticed that there was a bit of a decline in January. Can you just talk about your IP integrity work and has there been any change? Particularly seeing as that was one of the factors that impacted at the trading update.

Emma Clark: So I'm not really sure where you're getting that data from, Grace, so it's a little hard to comment on it. From our perspective, there's certainly been nothing occurring either in the results that we're talking about or since then around IP protection. Generally that would result in any decreased content available for sale in our site. The ways in which we manage IP have remained consistent throughout both the reporting period and since then.

Grace Fulton: (Goldman Sachs, Analyst) Okay and in terms of the factors that negatively impacted Redbubble at the trading updates, you covered off on this element during your prepared remarks. Can you just comment on how the US T-shirt business is performing and how you're also going in terms of where you're sitting in search rankings?

Emma Clark: Sure. So I did actually say previously that we had seen improvement in the US t-shirt business since the quarter had closed and that is true. So we have seen improvements in both organic rankings and in conversion across T-shirts in the US. Some of that is due to, well, a lot of it is due to the work that has been done in the business over the past six months to improve just general user experience in those areas.

So we have definitely seen across approximately 32 of our key search words that we use for T-shirts, that ranking has improved in the current quarter.

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

Emma Clark: Thanks, Grace.

Operator: Thank you. Your next question comes from Ash Chandra from Goldman Sachs. Please go ahead.

Ash Chandra: (Goldman Sachs, Analyst) Sorry guys, I'm not trying to hog this so I thought I'd come in a bit later. But thanks for taking the questions. Have you disclosed anything in the slide deck and apologies if I've missed it, with respect to how much of kind of branded licensed content partnerships have generated in revenues? I know you've give a new products number. But I don't know if that's incorporating licensed content partnerships or just new categories that you've launched. Is there anything that you could expand on in that regard?

Emma Clark: Sure, thanks for the question, Ash. No, so the number that we disclosed in relation to new products are solely to do with new products. I mean some of those products might have sold using a piece of content that's licensed fan art content. But it's not a specific thing to do with fan art. In terms of the fan art, no, we haven't disclosed the percentage contribution to revenue at this stage.

It is still too small to be meaningful to our disclosure. New products is not, hence why we have disclosed new products. As fan art does continue to grow, at the point that it does become material to our results, I will start to disclose the revenue breakdown of that category.

Ash Chandra: (Goldman Sachs, Analyst) Okay, thank you. Can I ask, with respect to initiatives like Redbubble Protect, will they also be applied to TeePublic? Is there any risk in and around the growth rate that you're currently seeing in TeePublic being impacted by stronger compliance environment for IP protection? Given that that platform should also be benefiting from some of these license arrangements?

Emma Clark: So in terms of handling the second part of your question first, Ash, we don't see any specific risks in terms of TeePublic's continuing growth rate in the near term relating to any IP protection risks that we see specific to that business. In terms of the Redbubble Protect tool that we're launching, we're initially launching it onto the Redbubble platform.

There is slightly different architecture between both platforms so we're doing it on the Redbubble platform first. But the intention obviously would be over time, to extend that out across the Group.

Ash Chandra: (Goldman Sachs, Analyst) Okay, thank you. If I could just ask one last question before I jump in the queue? There doesn't seem to be much evidence of average orders per customer improving despite the focus on member sign ups and our driven revenue growth. Can you talk a little bit about how you're hoping to rectify this? I assume you would have liked this to be a bit stronger already.

So where do you feel you need to invest in order to kind of stimulate this statistic? Or the outcome being a stronger statistic?

Emma Clark: Yes, sure. Good question, Ash. We have covered this off previously so my answer is probably going to be similar to what I've said before on this front. Which is that effectively, we're doing work internally at the moment where we're looking at cohorts of users and we're understanding better the lifetime value of those cohorts. Particularly around which channels drive higher level of repeat, which product categories drive higher level of repeat, which geographies drive higher level of repeat.

As we mature our understanding as the cohorts mature, we will look to use that to more effectively target customers in a way that means that where we are spending money for repeat, we're actually getting value out of that spend. So we're able to identify who is transactional and who is repeat earlier on in the process.

Also, be able to push people up into getting that repeat usage up. We do note that there is a lot of value in terms of habitual at anything that's three orders plus in a 12-month period. So we are particularly focused on that. That work is largely internal at the moment and as I said previously, as we get better with that and I feel like we've got a solid platform of which to make better marketing decisions, we will then start to move our metrics that we present to the market to encapsulate those new operational metrics as well.

Ash Chandra: (Goldman Sachs, Analyst) Okay, terrific, thank you. I'll jump back in the queue.

Operator: Thank you. Your next question comes from Owen Humphries from Canaccord. Please go ahead.

Owen Humphries: (Canaccord, Analyst) Can you guys hear me?

Emma Clark: Hey, Owen. How are you going?

Owen Humphries: (Canaccord, Analyst) Yes, not too bad. Can we just touch on that comment you made about the first quarter trading performance when you said it's above the performance of the first half. Are we talking about floating or constant currency and we're talking about the Group or Redbubble core?

Emma Clark: Both and both.

Owen Humphries: (Canaccord, Analyst) Okay. Good one. Just targeting that second quarter. Paid marketing costs growing 33% or thereabouts versus revenue growth. I'm guessing there's a part of this where you're pushing the paid marketing lever on TeePublic to accelerate their growth. But can you maybe talk about the split between the two? Or are you pushing the lever on both above your top line growth?

Emma Clark: So obviously we don't disclose full P&L for both brands as you know, Owen. That being said, I'm quite happy to tell everybody that the marketing as a percentage of spend across both market places is relatively the same. There's very little difference between the two of them in the last quarter. So they're quite consistent.

You are correct that we are obviously using paid marketing to great effect within TeePublic to help drive that revenue growth in that particular market place. The other factors as we think about paid marketing spends, one is we do seasonally enlist it through Christmas. Because obviously there's greater value to us in getting those holiday shoppers through even with one transaction.

The second thing to also note is that with marketing spend, as I've said previously, we've got multiple lines on the P&L to make our decisions off. So one of the trade-off decisions always for us is how do we balance paid marketing spend along with promotional activity.

So increased promotions obviously hit the growth profit line. Increased marketing obviously hits the paid acquisition line. We have moved a little bit to effectively less promotions and a little bit more paid marketing. So we've changed the mix slightly. So as we look at the business moving forward, you also need to consider that we look at that quite holistically and we do make trade-offs between those two lines rather than just focusing on each individual line in isolation.

Owen Humphries: (Canaccord, Analyst) Okay, good one. Now, the Redbubble growth was no doubt being impacted by the takedown of say copyright artwork or trademark artwork. Now, as you roll out this new initiative across Redbubble core initially and then TeePublic down the path, do you expect a similar slow down or impact on TeePublic?

Emma Clark: No. No, I don't. We are very excited around the Redbubble Protect tool. Obviously early days. Only soon to be launched. But that represents a large step forward in our ability to ensure that we're the best place for artists to upload their content and that that content is not being pirated and sold elsewhere.

Owen Humphries: (Canaccord, Analyst) Have you done analysis in the past of working out what the percentage of the revenue sold from non-authentic artists? I know you released it for the Redbubble core business in the past. Have you guys done that analysis for TeePublic?

Emma Clark: Not specifically, no.

Owen Humphries: (Canaccord, Analyst) Okay. I guess on the product roll outs, how many products do we have on the platform now and where do you want to take that market over the next 12 months? It's obviously a clear initiative for you guys.

Emma Clark: Yes, so at the moment, we're planning on taking it - our current run rate, and we've said this previously, is we will launch products largely in three quarters of the year, not four quarters. We're currently targeting somewhere between 15 to 20 for this current calendar year. Because we are seeing good value out of the ones - the cohort that we have launched, we are looking to see how we can accelerate that.

We currently have over a hundred products on the platform. That being said, as we've said previously, there are still lots of opportunities for us to infill our existing product categories and make us a real category destination for our customers. So we're intending on continuing full steam ahead in that regard.

Martin Hosking: Just from my perspective, one of the exciting things to see has been that 18 months ago, Redbubble was still largely a t-shirt, apparel and sticker business. We're seeing the emergence of whole new homewares categories which had been anticipated, but to see those really coming on stream is exciting.

Similarly, categories which had been almost dormant in some ways, the wall art category, are emerging strongly as well. So the growth is coming in across a diverse suite of products and that is very, very hard to replicate that sort of company.

Owen Humphries: (Canaccord, Analyst) Okay and maybe a broader question here. You guys own a very strategic asset here. Number one in your field by organic traffic to your website, the artists and the platform, the products you launch, the global reach. Yet you guys trade it, call it, 0.3/0.4 times for the core Redbubble business.

What strategic initiatives did the Board, and yourself, Martin, sitting on the Board, take to unlock value apart from just trying to reaccelerate growth?

Martin Hosking: I think you've just identified the strategic initiatives. Where I am, Owen, as the largest shareholder in Redbubble and as the interim CEO and after just having spent a week across the business, tremendously excited with what we have here.

I believe that we're the natural owners of this business. I believe we're the natural owners to grow the business. There's reasons why it makes sense for it to be an independent company. There are reasons why, as that is realised by the markets, I expect the value to come in.

Owen Humphries: (Canaccord, Analyst) Okay. Thank you.

Operator: Thank you. Your next question comes from Ivor Ries from Morgan’s financial. Please go ahead.

Ivor Ries: (Morgans, Analyst) Oh good morning. Two questions if I may. The first one is just about the T-shirts business. Obviously that’s been a real sort of drag on growth for the last few halves and I’m just wondering if you've got any feel for – you obviously weren't getting the T-shirt growth but someone was. Have you got any feel for what the marketplace was doing and who was picking up the growth that you were missing out on?

The second question relates to the paid marketing costs. Obviously there's been a tendency for you to pay more in the first half than the second half as a percentage of revenues and paid marketing costs and should we expect to see similar sort of trend in FY20?

Emma Clark: Thanks Ivor. In terms of your first question about US T-shirts. One important clarification I would make is we basically bought our biggest t-shirt competitor and TeePublic's growth obviously is largely dominantly in T-shirts. So, if we think about it at a consolidated level rather than obviously brand by brand, I would say the Redbubble Group is still very, very strong in T-shirts and in apparel globally, albeit the spread between the two brands is diverse. So, we're obviously very committed to continue to grow that particular brand.

In terms of where are people buying T-shirts outside of us, I'm not going to comment specifically on that. We have competitors along all of our categories, obviously T-shirts being one of them. I don't feel that there is anything lacking particularly in our T-shirt offering that means that we're at risk of continuing to lose volumes. I would note an interesting point which is that if you look at the amount of just T-shirt searches globally, people typing it into a search bar, that has declined over time and people are more inclined to go directly to where they're buying T-shirts from. That's more of just a trend globally as opposed to anything specific at the marketplaces at Redbubble and TeePublic.

The second question around paid marketing spend, as I've said previously look you know when I came in we were running at 9.5% which I had said to everyone repeatedly was probably too low and it was as we were rebalancing our marketing channels. So seeing 11% in that half, I think I agree with you that historically we have had a bit more of a seasonal bias towards the first half. That being said, as I've said previously, as a marketplace I feel like that 11-12%, that's a good level of spend for us. So I don't necessarily think that people should be factoring in that we would reduce our marketing spends over the second half. Particularly in line with my comment earlier around balancing off promotions and marketing spend.

Ivor Ries: (Morgans, Analyst) Fantastic, thanks.

Operator: Once again, if you wish to ask a question please press star one on your telephone and wait for your name to be announced. Your next question is a follow up question from Grace Fulton from Goldman Sachs.

Grace Fulton: (Goldman Sachs, Analyst) Hi guys. Just one quick follow up from me. I was just wondering about the share-based payment expense. It increased quite a bit on first half '19. It's gone from $2 million to $5 million. Could you just talk about that please?

Emma Clark: Sure. That's a really good question Grace. So, as you're all aware we launched a new share-based scheme – employee scheme – which commenced on 01 October 2019. We're obviously accounting for share-based payments under that new scheme. That new scheme does have higher levels implied in it with obviously different hurdle conditions.

The accounting for it – the rules around how you have to account for it are quite strict and so we have followed the rules and that has resulted in a higher charge as you point out in the first half on share-based payments. I do recall that even at the full year I had flagged that the share-based payment expense for this year will be higher in total across the entire year because of the new scheme being put into place.

Grace Fulton: (Goldman Sachs, Analyst) So essentially just double for the full year?

Emma Clark: I think that's a reasonable assumption. It's obviously dependent upon employee turnover and share price and a bunch of other things but I don't think that's unreasonable.

Grace Fulton: (Goldman Sachs, Analyst) In the presentation you've given the impact of $1.4 million for AASB 16 on EBITDA, are you able to split what it is between depreciation and interest as well?

Emma Clark: I have to come back to you. We actually don't – I don't have that split on me Grace. Obviously as you know we also restated last year so the actual net impact of our result is only $300 thousand for the half. But we can get back to you with those splits if that's something that you need.

Grace Fulton: (Goldman Sachs, Analyst) That'd be great. Thanks.

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

Martin Hosking: Well thank you very much and lovely to be back and as I mentioned it is an exciting time to be at Redbubble. The last week which I spent with the team has been more than encouraging about where we are and the opportunities before us. I look forward to continuing to talk with you as we go forward.

End of Transcript