



APPENDIX 4C REPORT

REDBUBBLE DELIVERS POSITIVE START TO FY2019 AND REAFFIRMS PREVIOUS GUIDANCE

- Product and Shipping Revenue¹ grew 39.6% (30.3% a constant currency basis^{2*})³
- Gross Profit margin of 36.5% (based on Product and Shipping Revenue)⁴ demonstrating strengthening unit economics
- Gross Profit after Paid Acquisition (GPAPA) growth of 42.3% (32.9% on a constant currency basis), exceeding Revenue growth and evidence of strong execution across the business
- Reaffirming previous FY2019 guidance

Melbourne, Australia; 24 October 2018: Redbubble Limited (ASX: RBL), the leading global marketplace for independent artists, today lodged its Quarterly Cash Flow Report (Appendix 4C) for the quarter ended 30 September 2018.

In conjunction with the release of the Appendix 4C, Redbubble is providing an update on its financial and operating performance for the first quarter of FY2019.

1Q FY2019 Performance

Redbubble's 4C released today demonstrates a pleasing start to FY2019 with revenue growth maintained at above 30% on a constant currency basis*.

Key 1Q FY2019 financial measures (with year on year ("YoY") growth rates, where applicable) are:

- GTV⁵ of \$64.1 million, up 40.5% (up 31.2% on a constant currency basis*)
- Product and Shipping Revenue of \$49.2 million, up 39.6% (up 30.3% on a constant currency basis*) contributing to Total Revenue¹ of \$59.6 million, up 40.7% (up 31.3% on a constant

1 "Total Revenue" is a new term for Redbubble and represents Product and Shipping Revenue plus Artist Revenue (i.e. Margin) as required by the adoption of AASB15 Revenue from Contracts with Customers from 1 July 2018. Metrics based on Total Revenue have been provided in the footnotes where applicable.

2 * "Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 94% of its GTV in currencies other than Australian dollars.

3 Total Revenue growth of 40.7% (31.3% on a constant currency basis)

4 Gross Profit margin of 30.2% (based on Total Revenue)

5 GTV (Gross Transaction Value) = Total receipts from customers less fraud, refunds and chargebacks

currency basis*)

- Gross profit of \$18.0 million, up 42.9% (up 33.6% on a constant currency basis*)
- Gross profit margin up 0.9% pts to 36.5% (based on Product and Shipping Revenue) and gross profit margin up 0.5% pts to 30.2% (based on Total Revenue²)
- Gross profit after paid acquisition of \$12.6 million, up 42.3% (up 32.9% on a constant currency basis*)
- Cash operating expenses of \$13.9 million, up 35.4% (29.1% on a constant currency basis*)

The definition of Revenue complies with AASB 15, the new revenue recognition standard, which came into effect on 1 July 2018. As such, artist margin, now referred to as Artist Revenue, is included in the Total Revenue figure reported, and Product and Shipping Revenue equates to previously reported Revenue. Artist Revenue is also included in cost of goods sold thus negating any impact at gross profit and GPAPA level.

By grossing up both Revenue and Cost of Goods Sold, the calculated gross profit margin is lower than that with which investors were previously familiar. For this reason, gross profit margins based on Product and Shipping Revenue as well as Total Revenue have been shown above and in footnotes to aid comparison.

Redbubble's gross profit margin strengthened notably during 1Q FY2019, reflecting the full effect of Redbubble's negotiated fulfiller terms, showing the business is continuing to reap the economic benefits associated with increasing scale.

The business delivered positive cash flow of \$0.9 million for the quarter with aggregate operating and investing cash outflow (free cash flow) of \$0.2 million.

Building on the Fundamentals

Redbubble continues to build a business of enduring value, supported by the core fundamentals emphasised in previous reports: a healthy and vibrant marketplace, strong top line growth, profitable customer acquisition, and emerging operating leverage.

Marketplace Health

Redbubble's marketplace is healthy and vibrant:

- 1Q customers increased by 31.7% YoY to 1,212,000
- 1Q selling artists increased by 32.8% YoY to 199,100
- 1Q visits to the site increased by 28.5% YoY to 73.5 million, of which mobile represented 57.4% (54.6% same quarter last year)
- 1Q mobile sales grew at 60.7% YoY with mobile devices delivering 41.7% of GTV, of which the Mobile App contributed 5.7%

During the quarter, Redbubble saw emerging benefits from its investment into deeper relationships and customer loyalty. Repeat GTV grew 48.8% to \$25.5 million, outpacing the overall GTV growth of 40.5% reported above.

Top Line Growth

As stated above, Redbubble enjoyed positive GTV growth for the quarter. Topline growth also benefitted from currency tailwinds, particularly from the USD.

Against the same quarter last year:

- GTV grew by 31.2% on a constant currency basis*. In particular, Redbubble's 'Back to School' campaigns across the northern hemisphere resulted in strong sales across wall art, homewares and stickers.
- GTV growth has been seen across all markets with the European markets of Germany and Spain growing at over 66% whilst France grew at 97%. Their combined contribution is now over 10% of GTV up from 8% in the same quarter last year.
- The sticker category was the notable performer growing at over 71% and contributing a record 18.9% of sales, whilst T-shirts continue to perform well with growth of 33.6% for the quarter.

Profitable Customer Acquisition

Redbubble continues to see the majority of traffic coming from unpaid (free) sources, and paid channels remain strongly profitable, adding to GPAPA. Total paid acquisition costs for the quarter were 10.9% of Product and Shipping revenue, compared to 10.6% in the previous quarter. This reflects increased promotions and paid spend across the Back to School period as well as continued increase of mobile visits and sales.

Redbubble is continuing to invest in acquisition channel opportunities. In this quarter, a social influencers program was launched targeting a new customer base and contributing strong returns at scale helping to support an efficient paid acquisition program.

Operating Leverage

Redbubble continues to manage operating expenses to generate operating leverage. Neither year on year or quarter on quarter comparisons in this quarter reflect underlying trends and we reaffirm our guidance that operating expenses through FY2019 will grow at a rate similar to that reported in FY2018 (FY2018 operating expenses growth was 19.3%).

In 1Q FY2019, GPAPA increased by 32.9% YoY (that is up 7.1% QoQ) and operating expenses increased by 29.1% YoY (that is down 8.4% QoQ) each as measured on a constant currency basis.

Looking Forward

As the business moves into the important second quarter of the year, Redbubble continues to drive positive growth and scale operations with improving unit economics. Pleasingly, GPAPA growth outpaced Revenue growth, demonstrating strong execution across the business.

In recent weeks, the business has seen some softness in organic search traffic and revenue due to Google, as it does regularly, changing its algorithms. Based on its previous experiences, Redbubble expects this effect to be short-lived as the business takes actions to respond.

Redbubble reaffirms its previous FY2019 guidance of delivering: Revenue growth rates at or above 30% on a constant currency basis*; GPAPA growth rates aligning with Revenue growth rates; and operating expenses growing at a rate similar to that reported in FY2018 (FY2018 opex growth was 19.3%). This is expected to deliver Operating EBITDA in the range of \$2-4 million and cash outflows of less than \$2 million.

For further information, please contact:

Louise Lambeth – Head of Investor Relations

louise.lambeth@redbubble.com

About Redbubble

Founded in 2006, Redbubble is a global online marketplace (redbubble.com) powered by over 700,000 independent artists. Redbubble's community of passionate creatives sell uncommon designs on high-quality, everyday products such as apparel, stationery, housewares, bags, wall art and so on. Through the Redbubble marketplace independent artists are able to profit from their creativity and reach a new universe of adoring fans. For customers, it's the ultimate in self-expression. A simple but meaningful way to show the world who they are and what they care about.

Forward-looking Statements

This announcement includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Redbubble. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

Investor update

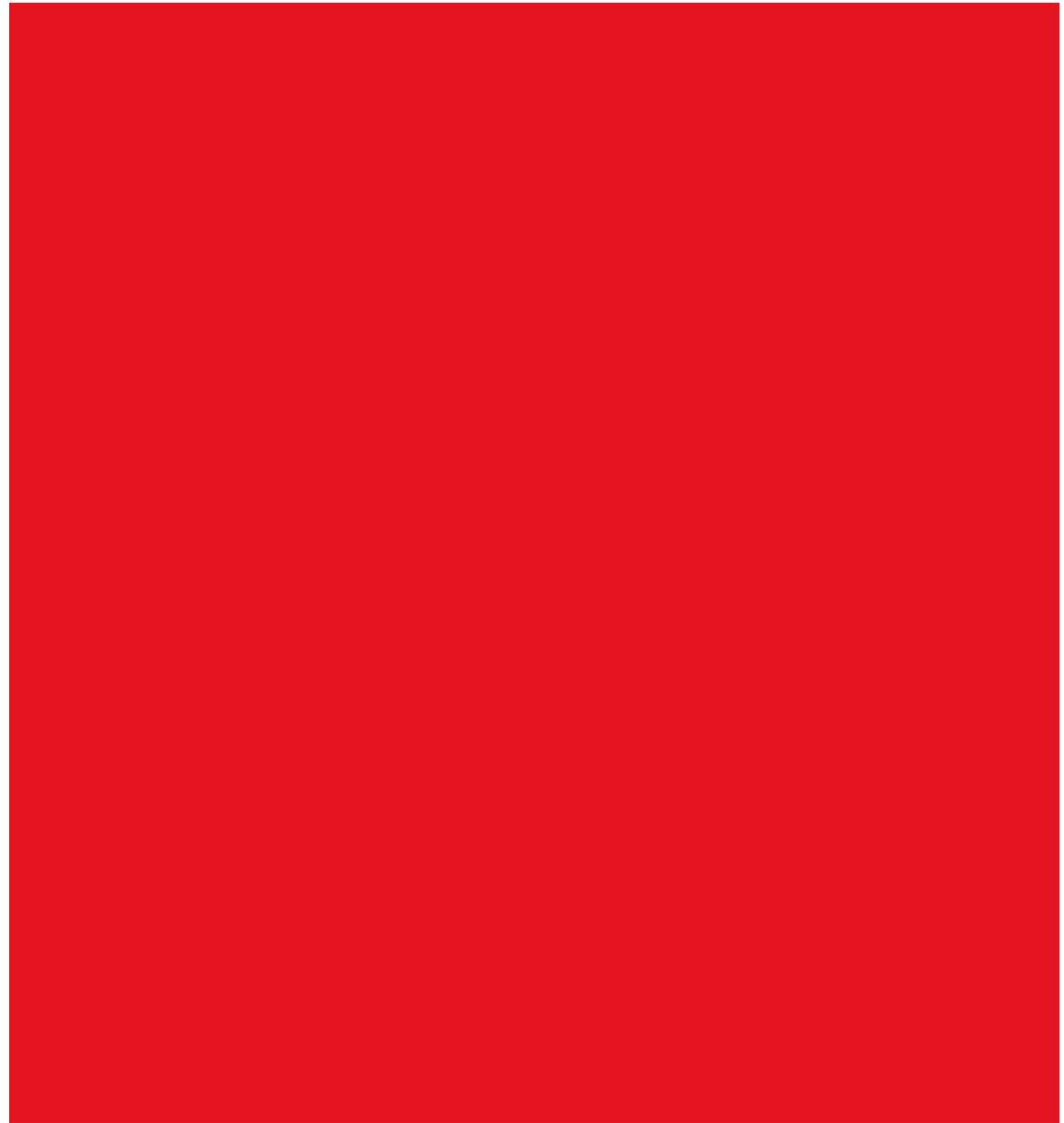
Q1 FY2019 results* and key
company metrics

24 October 2018



**The world's largest online
marketplace for independent
artists, bringing more creativity
into the world**

* Results and metrics disclosed in this update are from internal management reports and have not been subject to audit



1Q FY2019 P&L analysis

P&L (A\$M)	1Q	4Q	1Q	YoY (1Q19 v 1Q18)		QoQ (1Q19 v 4Q18)	
	FY18	FY18	FY19	Growth	CC Growth ³	Growth	CC Growth ³
GTV ¹	45.6	52.6	64.1	40.5%	31.2%	21.8%	19.0%
Total Revenue	42.3	49.9	59.6	40.7%	31.3%	19.5%	16.5%
Less Artist Revenue ²	(7.1)	(8.3)	(10.3)	46.3%	36.3%	24.7%	21.6%
Product & Shipping Revenue	35.3	41.6	49.2	39.6%	30.3%	18.4%	15.4%
Gross Profit ²	12.6	15.4	18.0	42.9%	33.6%	17.0%	14.1%
GP Margin (based on Product & Shipping Revenue)	35.6%	36.9%	36.5%				
GP Margin (based on Total Revenue)	29.7%	30.8%	30.2%				
Paid Acquisition	(3.7)	(3.9)	(5.4)	44.3%	35.2%	38.4%	34.6%
Gross Profit (after Paid Acquisition) (GPAPA) ²	8.8	11.5	12.6	42.3%	32.9%	9.7%	7.1%
GPAPA Margin (based on Total Revenue)	25.1%	27.6%	25.5%				
GPAPA Margin (based on Product & Shipping Revenue)	20.9%	23.0%	21.1%				
Operating Expenses	(10.2)	(14.8)	(13.9)	35.4%	29.1%	(6.5%)	(8.4%)
Operating EBITDA	(1.4)	(3.3)	(1.3)	8.4%	(5.3%)	61.9%	61.1%
Other Income/Expenses	(0.7)	(0.9)	(1.0)	40.3%	86.2%	17.7%	34.2%
EBITDA (Loss)/Profit	(2.1)	(4.2)	(2.3)	(8.4%)	(26.1%)	45.5%	45.0%

1. GTV (Gross Transaction Value) = Total receipts from customers less fraud, refunds and chargebacks. * GTV is a non-IFRS measure that is presented to provide a better understanding of Redbubble's financial performance.
2. Inclusion of Artist Revenue (i.e. Margin) complies with the new revenue recognition standard which came into affect on 1 July 2018. As such, Artist Revenue (i.e. Margin) are now included in Total Revenue, Product and Shipping Revenue accord with the previous Revenue classification. Artist Revenue (i.e. Margin) is also included in costs, negating any impact at a GP or GPAPA level. For ease of comparison, GP and GPAPA Margins have been calculated on both basis.
3. **"Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 94% of its GTV/Revenue in currencies other than Australian dollars.

Commentary

- 1Q FY19 GTV and Revenue growth of >30% (CC basis^{1*}) in line with guidance
- 1Q Gross profit increasing 33.6% YOY (CC basis*). GP Margin (based on Product & Shipping Revenue²) at 36.5%, improving significantly YoY, although lower than 4Q FY18 due to seasonal activity relating to Back to School
- 1Q GPAPA growth of 32.9% (CC basis*), higher than Revenue growth due to unpaid channel growth and efficient paid marketing spend at 10.9% of Product & Shipping Revenue (10.6% 1QFY18)
- Operating expenses on a CC basis increased by 29.1% YoY but were down 8.4% QoQ. However, neither YoY nor QoQ comparisons reflect underlying trends and **Redbubble reaffirms its guidance** that operating expenses through FY2019 will grow at a rate similar to that reported in FY2018 (FY18 opex growth was 19.3%).

1Q FY2019 key marketplace metrics

	1Q FY2018	1Q FY2019	YoY Growth
GTV ¹	\$45.6M	\$64.1M	40.5%
Mobile GTV	\$16.6M	\$26.7M	60.7%
Repeat GTV ²	\$17.2M	\$25.5M	48.8%
Visits	57.2M	73.5M	28.5%
Conversion rate	1.8%	1.9%	2.8%
AOV ³	\$43.6	\$46.4	6.4%
Customers ⁴	0.92	1.21	31.7%
Repeat Customers ⁵	0.31	0.43	42.0%
Selling Artists	149,900	199,100	32.8%

Commentary

- Key marketplace metrics such as number of customers, repeat customers and selling artists continue to underpin growth
- Repeat GTV growth of 48.8% reflecting strong gains in customer loyalty
- Mobile GTV growing 60.7% and now representing 41.7% of total GTV (up from 36.4% 1Q FY18)
- The mobile app contributing 5.7% of GTV 1Q FY19 (up from 2.0% 1Q FY18)
- Visits growth at 28.5% is slightly lower than other metrics due to some softness in organic search during September as a direct result of recent Google algorithm changes (refer commentary in ASX release)
- Conversion rates showing small improvement assisted by mobile conversion rate up 13.2% YoY, in turn aided by the App which is converting at 2.8x mobile web.

1. GTV (Gross Transaction Value) = Total receipts from customers less fraud, refunds and chargebacks. • GTV is a non-IFRS measure that is presented to provide a better understanding of Redbubble's financial performance.
 2. Repeat GTV = GTV earned from customers who have previously purchased from Redbubble
 3. AOV: Average Order Value (Order sales / number of orders)
 4. Customers are unique customers counting only once however many times they have bought on Redbubble during the period
 5. Repeat customers are customers who have purchased this period and have purchased more than once, regardless of the date of their initial purchase