



APPENDIX 4C REPORT

REDBUBBLE BUILDING GROWTH MOMENTUM AND REAFFIRMING EBITDA GUIDANCE

- 30.5% top line growth on a constant currency basis* in 1Q FY2018
- Strong momentum into important holiday season
- Strategic longer-term initiatives continue to progress and starting to impact

Melbourne, Australia; 25 October 2017: 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 2017.

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 FY2018.

1Q FY2018 Performance

Redbubble's 4C released today demonstrates a pleasing start to FY2018 with top line growth returning to a level above 30% on a constant currency basis*¹. The marketplace is building strong momentum into the important holiday season.

Key 1Q FY2018 financial measures (with year on year ("YoY") growth rates, where applicable) are:

- GTV² of \$45.6 million, up 26.4% (up 30.5% on a constant currency basis*)
- Revenue of \$35.3 million, up 21.9% (up 25.9% on a constant currency basis*)
- Gross profit of \$12.6 million, up 19.5% (up 22.7% on a constant currency basis*)
- Gross profit margin down 0.8 percentage points to 35.6%
- Gross profit after paid acquisition of \$8.8 million, up 8.1% (up 10.7% on a constant currency basis*)
- Cash operating expenses of \$10.3 million, up 5.3% (7.3% on a constant currency basis*)

1* "Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes.

Redbubble sources about 93% of its GTV in currencies other than Australian dollars.

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

The lower YoY growth of Revenue compared to GTV is largely due to timing differences with a particularly busy last few days of September increasing the value of unshipped orders relative to previous periods. There is also a slightly larger tax component as the increasing contribution of European markets with higher sales tax rates has an effect.

Importantly, Redbubble's quarter on quarter ("QoQ") growth rates demonstrate the business has recovered from a softer than anticipated last two quarters of FY2017. 1Q FY2018 GTV is up 22.1% (on a constant currency basis*) versus 4Q FY2017.

Redbubble's gross profit margin remains strong with the underlying rate remaining in line with the 35.6% reported for FY2017, despite this quarter being lower relative to a particularly good quarter this time last year.

The business delivered positive cash flow of \$1.03 million for the quarter with cash flow from operating activities contributing \$3.19 million relating mostly to some delays in the receipt of supplier invoices at the end of September³.

Building on the Fundamentals

Redbubble continues to build 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 38.0% YoY to 920,200
- 1Q selling artists increased by 36.6% YoY to 149,900
- 1Q visits to the site increased by 36.0% YoY to 57.2 million
- Mobile represented 54.6% of 1Q visits (49.6% same quarter last year) and importantly 1Q mobile sales grew at 53.0% YoY with mobile devices delivering 36.5% of GTV

Development work focused on increasing Redbubble's organic search presence and paid campaigns in social media channels such as Facebook (see below) were key factors in the high level of visits in the quarter.

Top Line Growth

During the quarter, predominantly through the growth in visit numbers and higher conversion of those visits, Redbubble drove strong GTV growth despite ongoing currency headwinds, notably in the USD.

³ Further details of these temporary timing benefits to cash flow can be seen on the Appendix 4C document.

Against the same quarter last year:

- As indicated, GTV grew by 30.5% on a constant currency basis*. The 'Back to School' period in the northern hemisphere saw strong performance across wall art, homewares and stickers, in particular.
- GTV growth has been seen across all markets and product categories. Europe continues to be a strong contributor and US growth has bounced back after being the principal geography contributing to the slower growth in the second half of FY2017.

Strategic initiatives related to the pricing of some key product lines were undertaken this quarter. These have led to: volume increases, which in turn opened the door for margin improvements in future quarters through successful supply chain negotiations; and increased gross profit this quarter.

The results flowing from the flexing and testing of pricing, to drive volume and reduce cost, have increased the business' confidence in the global price competitiveness of Redbubble's marketplace.

Profitable Customer Acquisition

Redbubble continues to see the majority of traffic coming from organic (unpaid) sources, through the ongoing transition to mobile. Paid channels remain strongly profitable, adding to Gross Profit after Paid Acquisition "GPAPA". Total paid acquisition costs for the quarter were 10.6% of total revenue, a slight increase from the previous quarter of 9.9% reflecting the impact of the increased proportion of mobile visits and sales.

Redbubble is continuing to invest in acquisition channel opportunities. In this quarter, investment for longer-term growth was more significant than in prior quarters, generating insights that will help us to capitalise in the paid social channel over time. This method is in keeping with a successful approach to the Google Shopping channel.

Operating Leverage

While maintaining significant investment in growth, Redbubble continues to demonstrate operating leverage. GPAPA increased 8.5% QoQ whilst operating expenses reduced by 6.3% QoQ. Pleasingly, GPAPA is growing faster than operating expenses YoY and momentum has returned during this quarter.

Against GTV constant currency* growth of 30.5% YoY, Redbubble's aggregate operating expenses and paid acquisition costs growth is 18.5%. The leverage is more pronounced on a QoQ basis with 22.1% constant currency* GTV growth achieved and only a 2.8% increase in aggregate operating expenses and paid acquisition costs.

Strategic Developments

Redbubble has continued to progress with development work focusing on longer-term initiatives with anticipated impact across the upcoming holiday period and beyond. These include:

- Preparations to significantly improve site speed with T-Shirt product pages and search results pages to be launched on a new, faster, platform in the next few weeks;

- Work done to enable integration of user accounts between website and mobile app;
- Further scaling of the app itself with features such as augmented reality introduced;
- Rights holder management tools and content management automation; and
- Release of new on-site search ranking algorithms to enhance search results and make artwork and products more easily discoverable.

During the quarter and also in readiness for the important holiday season, Redbubble launched new products, those being Premium men's and women's T-Shirts, and also extended its range of new iPhone model cases.

Redbubble was able to add further fulfilment/product capability locations including the printing of mugs in Australia, apparel in Germany and Graphic T-Shirts in the UK.

To scale the German market, a new payment provider, Sofort, was introduced earlier this month with the specific intent of further building "trust" signals, highly relevant to that high growth market.

Looking Forward

The business moves into its important second quarter of the year with positive momentum. Redbubble continues to demonstrate the ability to accelerate the marketplace dynamics and scale operations with improving economics. High rates of growth across all metrics including revenue also continue to be delivered, while absorbing the challenges to top line growth from FX and continued investment to support the shift to mobile and paid channels. Redbubble is well positioned to achieve the expected top line constant currency* growth rates consistent with those achieved in FY2017.

In light of the strong momentum in the business across its key metrics, Redbubble is increasingly confident of meeting its previous guidance of moving into ongoing operating EBITDA profitability late in FY2018.

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About Redbubble

Founded in 2006, Redbubble is a global online marketplace (redbubble.com) powered by over 600,000 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

1Q FY2018 results* and company metrics

25 Oct 2017

* Results are from internal management reports and have not been subject to audit



REDBUBBLE

1Q FY2018 Key Marketplace Metrics

	1Q FY2017	1Q FY2018	YOY growth
GTV¹	\$36.1M	\$45.6M	26.4%
Mobile GTV	\$10.9M	\$16.6M	53.0%
Repeat GTV²	\$13.7M	\$17.2M	24.9%
Visits	42.0M	57.2M	36.0%
Conversion³	1.81%	1.83%	0.8%
AOV⁴	\$474	\$43.6	-7.9%
Customers⁵	0.67M	0.92M	38.0%
Repeat Customers	0.22M	0.31M	39.4%
Selling Artists	109,700	149,900	36.6%

- GTV growth 30.5% on constant currency basis⁶
- YoY growth in Mobile GTV particularly strong
- Marketplace health metrics of Visits, Customers and Artists all growing strongly
- Visit growth driven by organic traffic including from Facebook video series, Youtube partnerships and Back to School marketing
- Conversion rate increases enabled by strategic pricing initiatives, search algorithm enhancements and improved product navigation
- Lower AOV caused by strong AUD and Back to School seasonality in northern hemisphere increasing product share of lower value sticker items

1. GTV (Gross Transaction Value) = Total receipts from customers less fraud, refunds and chargebacks
2. Repeat GTV = GTV earned from customers who have previously purchased from Redbubble
3. Conversion rate is the percentage of visits to the site that result in a purchase being made
4. AOV: Average Order Value (Order sales / Order count)
5. Customers are unique customers counting only once however many times they have bought on Redbubble site whilst repeat customers are those instances where customers purchase more than once
6. "Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes

1Q FY2018 Income Statement Summary

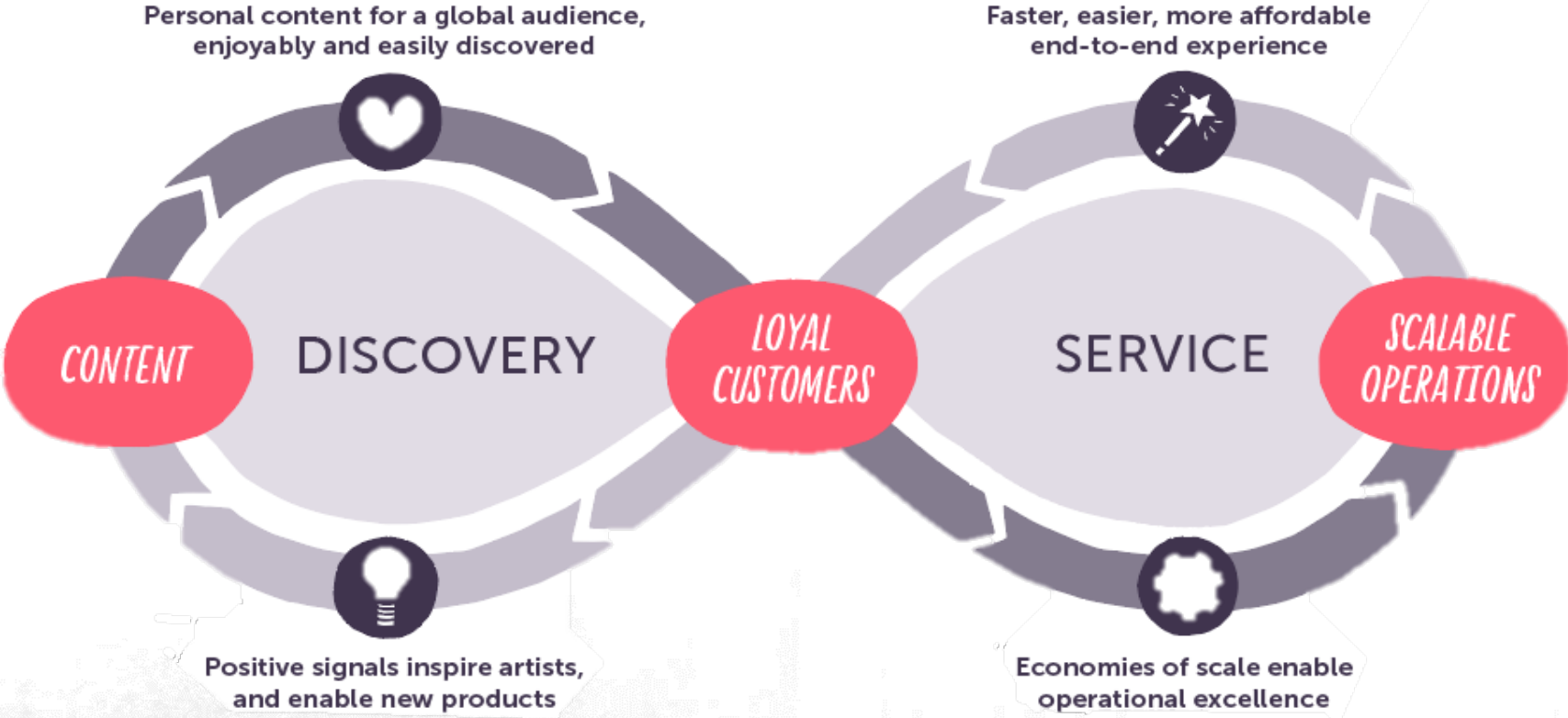
P&L (A\$M)	1Q	4Q	1Q	YoY (1Q18 v 1Q17)		QoQ (1Q18 v 4Q17)	
	FY17	FY17	FY18	Growth	CC Growth ¹	Growth	CC Growth ¹
GTV	\$36.1	\$38.7	\$45.6	26.4%	30.5%	18.0%	22.1%
Revenue	\$28.9	\$30.9	\$35.3	21.9%	25.9%	14.0%	18.2%
Gross Profit	\$10.5	\$11.2	\$12.6	19.5%	22.7%	12.0%	14.5%
GP Margin	36.4%	36.3%	35.6%				
Paid Acquisition	\$(2.3)	\$(3.1)	\$(3.7)	59.1%	64.7%	21.4%	26.8%
Gross Profit (after Paid Acquisition) (GPAPA)	\$8.2	\$8.1	\$8.8	8.1%	10.7%	8.5%	9.9%
GPAPA Margin	28.3%	26%	25.1%				
Operating Expenses	\$(9.7)	\$(10.9)	\$(10.3)	5.3%	7.3%	(6.3%)	(3.9%)
Operating EBITDA	\$(1.6)	\$(2.8)	\$(1.4)	9.7%	10.1%	49.3%	46.0%
Other Income/Expenses	\$(0.8)	\$(0.7)	\$(0.7)	(9.6%)	(21.2%)	7.8%	(28.3%)
EBITDA (Loss)/Profit	\$(2.3)	\$(3.4)	\$(2.1)	9.7%	13.1%	38.5%	42.6%

- Improved YoY GTV growth rate supported by particularly strong 22.1% growth over 4Q17
- Revenue growth impacted by larger than normal unshipped orders at the end of September and higher sales tax component due to geographic mix
- GP Margin in line with FY2017 as a whole due to improved pricing strategies, localisation of fulfilment and economies of scale negotiations continue to progress
- Investment in paid social channel customer acquisition has increased this quarter with this longer term initiative generating valuable insights to enable future sales growth
- Opex growth constrained even in faster GTV growth environment helping to deliver EBITDA improvement.
- YoY aggregate Paid Acquisition and Operating Expenses increased by 18.5% on CC basis
- QoQ aggregate Paid Acquisition and Operating Expenses increased by only 2.8% on CC basis

1. "Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes.

Appendix

STRATEGIC FOCUS: ACCELERATING MARKET PLACE DYNAMICS OF THE LAST 10 YEARS



* Content is the marriage of Digital Art and the Products they are sold on

Disclaimer

The information in this Investor Update is given in summary form and does not purport to be complete. Investors or potential investors should seek their own independent advice. This material is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of a particular investor. These should be considered when deciding if a particular investment is appropriate.