



Redbubble Limited
2016 Annual General Meeting

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Level 10, 271 Collins Street, Melbourne, Victoria 3000, Australia

Transcript:

- ***Presentation by Martin Hosking (CEO), Chris Nunn (CFO) and Barry Newstead (COO)***
- ***Questions & Answers***

Martin Hosking: Welcome everyone. This is exciting, our first AGM as a publically listed company. I'm going to be pretty quick because most of you are very familiar with the Company. So we're going to go through, in the next little while, a bit of an introduction, then I'll hand over to Chris to talk about some of the numbers. Barry will take along to the operating highlights and then I'll look ahead.

Redbubble is the marketplace for independent artists. We're an unusual company in Australia, Australia has not had a great track record of producing global consumer companies and global consumer technology companies are even rarer. We are that, and have been that from the start, and specifically we're also a marketplace. In our marketplace we have the artists who create new content and then the consumers who buy it and they buy it from a third party fulfiller. That's all very familiar to you and we're also a very large marketplace with well over 400,000 artists, over 10 million images, 2.2 million customers last year, and right now we've got 14 fulfillers in 22 locations and it's been growth in all of those metrics over the course of the year.

I won't dwell on that. I just wanted to make a point though, all marketplaces share a similarity and that similarity is a network effect which occurs with the more sellers you have, in our context the artists, the more customers you have, and that goes around in a reinforcing cycle. That's why marketplaces are valuable, that's why they're defensible and that's how they scale.

There's four things though which are unusual about the Redbubble marketplace which are worth specifically pointing out.

Firstly, we have an unusually strong cash flow cycle. Because Redbubble collects the cash up front and pays the customers and the third-party fulfillers after the event, the faster Redbubble grows the more cash it has on hand, and that's reflected in our FY17 forecast, which even during this period of very strong growth there's negligible cash is forecast for use. So that's the first factor.

The second factor which is unusual in the Redbubble marketplace is the content both endures and is also spreadable. Most marketplaces once the house is sold or the car is sold or the beanie baby is sold on eBay it

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doesn't exist in the marketplace. Whereas once the content is sold on Redbubble it continues to exist, and that's building up a library of valuable content for us which gives us a degree of stability into the future. The other aspect about the content, and this has become more evident this year is it's also, I use the word spreadable. Most marketplaces need to grow region by region. When Uber goes into a new city, until it gets drivers it doesn't have customer or passengers and it needs to build that up region by region. We've been able to enter three countries this year and as we enter those countries, those 10 million images are immediately available in those regions. So we're able to scale up in those regions. Also when we enter regions we always have a significant business by the time we start, so the content is shareable globally in a way which is unusual.

The third aspect of the marketplace as well which is differentiated is that in most marketplaces the consumer experience is entirely reliant on the sellers. In the Redbubble context, there's a degree of consistency around the consumer experiences which comes through the third-party fulfillers and our visibility into the third-party fulfillers. If you look, you'll find most marketplaces actually find it very hard to get high customer satisfaction scores, and that's largely because (1) a few consumers have bad experiences with a few of the sellers and they will mark the marketplace down as a whole. In the Redbubble context, because the fulfillers are there and they are providing consistency, we have very high ability to improve the consumer experience.

The fourth aspect again is related to the third-party fulfillers. Because the fulfillers are third parties, that's actually giving us access to the best and the latest technology. Fulfillers are increasingly coming to us and saying, we can do these things - whether or not that is a new product item. For example this year - laser cutting then printing, printing then laser cutting then sewing women's apparel products, that was made possible because of the third-party fulfillers and making that investment in that technology. So as the new technology develops, as the new capabilities around print on demand become possible, Redbubble gets access to it.

So those are four unusual aspects of the Redbubble marketplace which reinforce that dynamic of the network effect.

The mission is all very familiar. It hasn't changed, it hasn't really changed in 10 years. The words have got a lot tighter, but remains around creating the world's largest marketplace for independent artists and bringing more creativity in the world. It's nice to have you all here in the Redbubble offices, as you'll see a little bit of creativity around this place.

Just picking out some of the key customer metrics - they follow from those four factors which I've talked about.

The sale of works which come from works that have sold 50 times or less, most retailers are very reliant on creating a few products which sell a lot. Because of the artists that are there in the Redbubble marketplaces creating a great diversity of content, most stuff which sells on Redbubble has not been acquired before or has been acquired in very small numbers. So that 70% of work selling 50 times or less, that's actually increased from the last time which we reported this which was at the time of the IPO when it was 65%.

The second statistic which I've circled there shows the enduring value - 58% of works that sell on the site have been on the site for six months or more. That's been steady at about that number, 60% last time reported but it isn't dramatically changing, and so we have that real - that's building up that back log of library



of works. Finally, it's also on the net promoter score, this is the number of customers who rank Redbubble as they would be willing to share it with a friend, whether a nine or a 10 is a plus one and a one to six is a minus one and a seven or eight is a zero. Getting positive is good, getting above 50 is excellent, getting into the high 60s is really great, and that's up from 64 when we last reported that. So solid progress there and that's also reflected in the 38% of all works are now - sales are going to repeat customers, again showing strong improvement. So those are sort of the net impact of those four differentiating factors of the Redbubble marketplace.

It's worthwhile bringing that home though, for what it means to actually some of the customers and these are from very recent comments which we get from the customers about the Redbubble experience. Just picking out a few of them –

“it makes gift giving so easy and for people I find the one thing which is very special”, it's often Redbubble gives a high degree of attention over - and tension over the Christmas period as people find that one gift which really talks about the connection with whoever they're giving it for.

“The products are beyond unique”, while being a relatively implausible grammatical statement - we'll take it from its intent.

The fact that they're created by independent artists is important to a lot of the customers, provides independent artists with a platform. “

The customer service quality and range of pieces is amazing too”, a lot of the customer really like the fact that it is not being created in a sort of anonymous corporate environment but is really being created by independent artists who they can connect with.

“Every interaction I have with Redbubble is an example of customer service done well.” We've spent a lot of time over the last few years really improving that customer service experience and that's shown there.

“I couldn't believe I found exactly what he was looking for - this is for the grandson.” Again, that's finding that very special thing which talks about your connections with the people you're giving it to, and again, design for pretty much everything I can think of. That's the diversity and the value which you get out of having 10 million images.

On the other side of the equation, a few words from the artists. A personal connection to Redbubble more than other similar websites, Redbubble started very much from the artists' point of view and the artists both see and appreciate that and that's reflected in their feedback to us.

“Redbubble has been very good to me and is definitely the best website in its category”, and then some reasons why – *“easy to upload, the community around Redbubble and perhaps I've earned much more money through it. I sell my artwork on a lot of different websites, but my success on Redbubble is leaps and bounds ahead, the only one that lets me set my royalty.”* That's important. Again, Redbubble came from an artist's point of view and saying that if you can sell a product or say a t-shirt for \$60, then good on you. If you can set a very high mark-up then you should get to keep that, but just giving the artists the flexibility to do that says that we really are aligned with their interests and that was built in again at the heart of the site.

“Redbubble has the best customer service, the best team and the best everything on the market. There you go, the best everything. You guys do a great job keeping the artist experience smooth and pleasing.” Look at



the office here, you'll see that a lot of this is engineering and product development. A lot of that is actually just about creating a really compelling experience, both for the artist and for the consumer and then there's the specific comment there "*German was made really well*". So with the launching of the German, the Spanish and the French sites has been very well received by the artists.

I'll now hand over to Chris and I think we'll take questions at the end.

Chris Nunn: Thanks Martin. We're in an unusual situation here of having already announced early 2017 year-to-date results before we actually hold this meeting, so I'm going to touch on both the 2016 results briefly and the first quarter.

So in the 4E at the end of 2016 we reported GTV, revenue and gross profit growth growing strongly, all in the vicinity of 61%. Margins were comfortably maintained at 34% and our EBITDA loss was a little better than we'd forecasted in the prospectus with the green shoots of operating leverage beginning to show, particularly in the second half of FY16.

We're seeing that growth and the emerging operating leverage into 2017. Growth in the top line metrics is in line with forecast and growing above 25% when measured against a very strong period of growth in the corresponding quarter last year. In the first quarter of 2016 we experienced, as we did for most of 2016 in fact, a considerable FX tailwind from a weaker Australian dollar. This year, we are experiencing the opposite. The 15% thereabouts weakness in the pound against our prospectus forecast rates is the most obvious example, while on a weighted average basis, the consistently 2% to 3% weakness in the US dollar has a similar overall impact on the top line.

I mentioned operating leverage in the second half of 2016. Well that's become more apparent in the first half, the first quarter of 2017. Revenue and particularly gross profit are growing considerably faster than the operating expenses on both the reported and the constant currency basis. We anticipate this trend continuing.

Moving to the key non-financial metrics that Martin touched on, demonstrating the underlying growth of the business. First - between 2015 and 2016, the year-on-year numbers, they were strong across the board. The increasing size of the marketplace is reflected in the customers and selling artist metrics, both increasing by more than 50%. The evidence of the continued work on paid marketing and SEO efficiency and the improved user experience is reflected in the visit and conversion rates metrics.

To the first quarter of FY17, comparing both against the corresponding period last year and the final quarter of 2016, we see growth in the same marketplace metrics, customers up 21% from the previous quarter and selling artists up 12% quarter-on-quarter.

There is one outlier here and that's the Average Order Value, which has fallen, largely because of the FX effect I mentioned before. There's also a minor contribution from product mix. The balance sheet message is a simple one. We have a strong balance sheet at 30 June, following the capital raisings immediately before and in the IPO. At 30 September in our Appendix 4C, the cash balance has fallen as expected as we continue to invest, but we anticipate a healthy cash inflow in the second quarter trading and in case anyone needs reminding, we do have no debt.



A chart we have regularly presented to investors - this shows our GTV by year, in this case since 2009, separately identifying quarter by quarter contributions as stacked bars. I have added the black bar now to the right, representing the first quarter of 2017 to show the continuing trajectory. Although it is by no means the only factor that is worth highlighting, that the tailwind and headwind effects I mentioned are very apparent in this slide in the first quarter of these last two years. With about 94% of our revenues generated in currencies other than the Australian dollar, we will always be somewhat at the mercy of the FX markets, at the top line at least, less so further down the P&L.

Now a new chart to introduce how we spent our available cash resources in FY16, so this is the last full financial year. The waterfall chart breaks into component parts the cash we spent in delivering our 2016 results. The red bar is the total spend of \$53.4 million. That comprises \$19.2 million invested for future growth, which is the next two bars. Approximately one third, \$6.1 million, of our growth focused spend was capitalised. Two thirds or \$13.1 million in 2016 was charged directly to the P&L, although it was specifically aimed at future growth from which the benefit will be derived in 2017 and beyond.

This one third, two thirds ratio has been consistently - has been fairly consistent over the years and is expected to remain so. The remaining spend of \$34.2 million, including paid marketing, generated \$39 million in gross profit, representing underlying EBITDA profitability of \$4.8 million before that investment in growth. You can expect to see underlying profitability accelerating as we enhance the operating leverage in the first quarter - seen in the first quarter of 2017.

Handing over to Barry, we'll take questions at the end.

Barry Newstead: Thank you Chris. So I'm going to talk a little bit about all the things that we've been working on at Redbubble which is ultimately what drives the growth and what the people in this Melbourne office spend most of their day working on as well as our office in San Francisco and our team based in Europe as well. Before I go into it, I think one of the things I wanted to highlight is during FY16, one of the really important developments with the Company was actually on the people side.

We're clearly growing the team overall, but three critical hires, two that happened at the end of last calendar year and the beginning of this year, Victor Kovalev, our new CTO and Nick Kenn, our General Manager for Marketplace Growth, joined the Company. These are two very experienced folks who really up our capabilities and really enable us to support the scaling of the Company overall. Those are major positive changes. And then more recently, just a month ago, Kristan Scott, our GM for User Experience and Design, joined the Company as well. He's got a very deep background in mobile, which is an extremely important part of our business as you know, and as we'll continue to highlight going forward.

So we've added a lot of people in a lot of areas but I wanted to highlight those three people, because as Martin said, fundamentally we are providing a platform on which the artists, consumers, third party fulfillers and others engage. That is - it is core that our technology, the products we develop, the marketing that we do and the design that we employ are really of the highest quality. So adding the people with the expertise to do that is the first step to doing that excellent work. So really happy to have them on board.

Just in terms of the strategic initiatives and what we've been trying to do, and Martin has been talking about this a lot over time pre-IPO, and post-IPO. It's fundamentally we are trying to reinforce the marketplace



dynamics that Martin talked about earlier. Redbubble is not about one specific thing, it's about the marketplace working effectively and growing, somewhat of its own steam, but then our role is to really accelerate that growth. This visual focuses on that and the four things that we've done over the past year and before that in order to enhance that. The first is mobile and customer experience in general.

Second is the product and supply chain and ensuring that scales as we grow. The third is artists and content and the fourth is our new geographies. I'm going to talk about what we've done in each of those areas, plus a fifth bonus area over the course of calendar year 2016. This basically covers what we did in the second half of FY16 and then over the last few months.

A lot of work on the mobile and customer experience. This has been a major area of investment and we've worked on a number of dimensions of the work. The first is really improving the search experience within Redbubble, enabling people to find what they're looking for. There's 10 million images across a wide range of products. Our search is a fundamental way in which people interact with our platform. It's critical that we are making progress on the algorithm which decides what we show a customer when they type in a search term. There's a lot of data and technical capability that needs to sit under that, and it's an ongoing evolution on our part to get better and better at that. I would say that's the number one place in which we've invested team resources over the time that I've been here and certainly it continues to be. The user experience that goes with that is obviously very important as well, and we've seen quite significant gains in just how we present those search results to users so that they can interact with them.

The second area within the space is new, more targeted feeds in Google Shopping. Google Shopping is probably the most significant advertising product that we utilise and it's one where we've seen a lot of gains over the year. We actually took our entire platform in which we interact with Google and re-architected that over the year so that we could serve much more content and images into Google Shopping on a much more dynamic basis and we're starting to see the benefits of that in terms of the growth of that channel for us. It's both growing on the top line but we're also able to retain profitability of that channel, which is really encouraging for the business. I'll talk a little bit more about some of the other elements of that first category in a couple of illustrative slides.

Product and supply chain. We continue to launch products; we've launched eight new products this year. We continue to localise our fulfilments, so those of us sitting here in Australia will be happy to know that we've localised our direct-to-garment tee-shirt and hoodie business into Australia. This improves the customer experience in a very significant way. And we've made significant gains in reducing the amount of time it takes from order to delivery for our customers in all of our major geographies of the US, Europe and Australia and our other major geographies are going to get some additional attention before the end of the year.

In fact, the data point is 63 combinations of products in different geographies have been localised over the course of the year, so it's been a major effort of the Company. A little bit behind the scenes, it's not a product launch per se, but it's very, very important to our customer experience. We've seen our net promoter score, whenever we get our services close to our customer we get a really good boost in our net promoter score on that dimension.

Content management activities continue and we've really started to up also our focus on the artist profile, and trying to find new ways to enable artists to bring traffic into Redbubble and then convert that traffic into



customers on the platform for both the artist and for Redbubble. Quite a bit of work happening just around the corner here in the office, and you'll see more of that in the coming weeks and months.

Martin referred to the three geographies; I won't spend too much time, other than to say German was the first non-English language site that we launched. A lot of work goes into putting in place a new market; that took us a while, but happily three months later we're launching a second language. The first one was a lot of groundwork; the second one comes quite a bit easier; the third one came pretty much right on the tail of French. We're seeing reasonably good results in that area. In fact, Germany is our fastest-growing major market and we saw a significant uptick over the March through September periods.

I wanted to highlight some things that aren't necessarily directly related to growth, but are actually really important to the successful scaling of Redbubble. The first is Victor Kovalev's (CTO) team transitioned our IT platform to the cloud. Now, for a lot of internet companies that's what's done but actually, an older internet company like Redbubble that's been around a lot, that wasn't really the state of play. So it's a significant activity to actually move us onto the cloud, but there's also significant benefits from doing that.

One is that we can scale our infrastructure extremely easily now. What would normally be a lot of stress at this time of year to make sure we have enough servers to serve the business going into Christmas, it's pretty much something that happens automatically. It also has really eased our ability to deploy new code into our environment, and actually opens our engineering team up to a whole world of new tools that are available in the cloud infrastructure that's wasn't available in the old hosting infrastructure. It also lowered our costs of managing our web hosting activities, so it's also got benefit and that benefit will continue to help us as we grow.

You see, as Chris mentioned, our margin is reasonably strong. That's because our supply chain team has been out working with our third party fulfilment partners and the shipping companies that provide shipping services to negotiate better deals. It clearly helps that we are a bigger business; that allows us to have more market power in those conversations. We've also reduced the cost of our customer support through outsourcing. As we grow, that is a variable cost. While we do a good job of keeping customer inquiries to a minimum by serving them well the first time, even that small percentage will grow as the business grows, which we're looking for ways to create more efficiency in that picture, in that cost area.

A couple of highlighted things very briefly. If you've been on the site - I hope you have - recently, you will have seen our new branded homepage experience. There's four things that are really important to highlight here. One is in contrast to the previous version where we were mostly using the banner on the homepage to promote products or promote discounts that were available, we're now very, very focused on the core value proposition of Redbubble. We think this is an extremely important thing as we grow, to be clear about who we are and what you're coming to find. It also reflects, if you will, the voice, the style, the sense of humour of Redbubble. So it's a really important activity that starts to make it clear to people to who are coming to the site what this website stands for.

The second is themed collections to aid browsing. I said earlier that searching is something that's really important. We do know that a lot of customers come without being clear about what they're searching for, so these themed collections allow people to explore the site, engage with our content and engage with our



product without having to go to the search block as a first activity set. These collections, which there's over a 100 of when you go through them, also reflect what people are interested in based on the data on Redbubble. It's also an area in which we're going to be able to build future capabilities around these collections for customers. We're featuring artist portfolios so people can see that we're an artist - see very clearly on the homepage that we are indeed an artist marketplace and that we've got amazing artists that people can explore, not just the content.

Then finally, a place where we did a lot of experimentation, is we've put more - put the products upfront rather than the images. It used to be you'd see the images only. We've found the product performs better in terms of people's ability to buy it. Also it actually exposes people to Redbubble's product portfolio. Which was again some of the feedback we got from customers previously was they thought we had images but they weren't clear about the breadth of the portfolio that we have. So a very successful transition over the year. It was done in different phases and it also sets us up to do a lot more off this platform going forward.

One of the things that many companies have to be able to do really well is take people's money, and making it really, really easy for people to check out. So there's a number of features that the team has delivered, each of which actually adds value to the business and adds value to the customer. It seems quite small; in some cases, it might seem almost insignificant, but for example adding delivery dates to the cart, and we've actually added these in other parts of the website, actually really have had a positive impact on conversion, because now people know when they can expect to receive it. It's somewhat intuitive and obvious but it's made a significant difference.

In some cases, it may seem very tactical but actually it's got more value in that work, and what we try to do with the team is get them focused on adding - making big changes, which is the ultimate change on the right-hand side here, which is the full experience from your shopping cart to checking out in one flow which is mobile-friendly, but building in a way that you get different feature benefits along the way.

Eight products launched January-September, so I think you've probably seen some of these before. Hopefully you've purchased some of them. Worth noting that there's a few new things in here in terms of style, a little bit more fashion forward product, focused on women. That's an area that we continue to build out and invest in over time, but some of the other stuff we're a little bit more in our sweet spot, Tribal tees, classic tees, iPhone wallet, building on our strong iPhone business, and wall tapestries which have done quite well out of the gate building on our strength in wall art.

What are we going to work on - what are we working on now for near-term delivery? These are things that are happening out here behind us. As I said, we're probably always going to have search algorithm updates on there, continuing working on user experience. We're doing some interesting work on Facebook, so hopefully we'll have some good stuff to present about how we're presenting ads in Facebook. It's been a good growth area, is social ads. We think there's a lot of additional upside in terms of our ability to work with Facebook to deliver quality content to our customers and through broader Facebook users.

There's a mobile iOS app in the works - the first beta will be coming soon - trying to really deepen our position in mobile. We're trying to speed up the site so that everybody gets a richer, faster experience.

Then a couple of things just worth highlighting in product. One is we've got a few more products coming before Christmas. I know we're getting closer but they're still coming. We're also - if you're interested in



trying out - interested in a new little pilot - we've put some digital stickers on Apple's new iMessaging platform. In September Apple launched an app store within their messaging to do digital stickers. We've got some packages available in there. We are going to be growing that area out and exploring what more we can do with digital stickers and potentially over time some other digital products.

Canadians are going to get faster apparel delivery before Christmas which will extend our shopping time for apparel, for T-shirts in Canada by I think over a week and then some additional pieces of work down the thing but suffice it to say the team continues to be very focused and very busy delivering value for our artists and customers.

I'll now pass back to Martin.

Martin Hosking: Thank you, Barry.

So I just wanted to sum up - this is really now looking very much from an investor perspective - both the themes which I talked about, the themes which Chris talked about and those which Barry talked about.

Redbubble remains a compelling investment and if you pick out six reasons:

Firstly, we participate in a market which is larger than we could almost ever imagine filling. Most Australian companies are ultimately constrained by the small size of the Australian market. We're in a consumer market which is simply unconstrained so our capacity to grow out as far as we can see will only be limited by our execution capabilities.

Secondly, high entry barriers. People talk about why can't somebody else replicate it? I had a conversation with somebody last night about this and they said they simply could not imagine it being possible. Since Redbubble launched in 2006 there's only one competitor which has emerged which has got any scale. They launched about a year after us and they're about half our size and they're growing at a lower rate than us as well. It's just very - it's almost impossible to displace a marketplace once it gets going. We know this well in Australia when Fairfax couldn't displace SEEK once they got going or REA once they got going even with all the Fairfax resources. Marketplaces are very, very sticky.

Thirdly, the scalable business model. We don't generate the content on Redbubble and we don't undertake the fulfilment so we don't have - none of these people out here are doing any of that work. That is all happening with the 400,000 artists which are out in the world and the fulfillers. Recently you may be aware that Donald Trump popularised the phrase 'nasty woman' and 'bad hombres'. Within a few minutes of that, those became major internet memes and you can go along to Redbubble and get yourself a 'bad hombre' mug or a 'nasty woman' T-shirt. That's the nature of the way in which we grow.

Fourthly, the low customer acquisition cost. This is a typical feature of marketplaces. It comes through from the free sources which is really to do with the huge breadth of content which Redbubble has on the site. Again you're looking - Redbubble is not selling the word cool T-shirt but 'bad hombre' mugs or whatever it happens to be. It's that highly niche content which people go to Redbubble for and that provides for the low customer acquisition cost from free sources and also from paid sources because if we're bidding through on Google or on Facebook it's always those highly niche words and they're profitable because not many people if



anybody is also bidding on it. That's probably your experience when you see a Redbubble ad. It's for that highly niche content.

Fifthly, the consumer tastes. Consumers want things which are more relevant, which reflects their interests and concerns, which speak to some - the word authentic really is about relevance, something which they can connect with. There is no way consumers - I can't see them going back to suddenly deciding they really did want to be branded by a major branded company across their chest or whatever it happens to be. That's going to continue. We're at the start of that journey. We're a little way into it but there is no way back and consumers will demand more and more that the corporations and companies create stuff which is relevant for them rather than sell the stuff which they have. Redbubble has been a part of that since the beginning and that wave is going to continue.

The final point is that as I couldn't have imagined 10 years ago what product types we would be in. I could not imagine that we would be doing duvet covers, that doona covers would be coming out of huge printers, that there'd be the fashion products which are now Redbubble. People say well what products will Redbubble be in in five years' time? I really can't imagine it. I know it will be a lot. I know that they'll be around. I did not know - two years ago it seemed inconceivable that people would want to buy packs of stickers and sell them and we could be selling packs of stickers as a messaging app, a digital product like that. Those are all now conceivable.

The missing link in all of this is not the technology. It's actually the content. Redbubble has access or the artists who work with Redbubble provide us with that content and that's what gives us the leverage into the new markets or into the new products as they become available and that gives us the multiple growth accelerants for those six compelling reasons which drive really the scalability of the Redbubble marketplace overall, which means in essence we see the revenues continuing to grow at a significantly greater rate than our growth in our operating expenditure.

We'll now take questions.

Questions

Shareholder 1: I've got just a few questions. The first one was on the - on Barry's slides there was an item about IP owners and I was just wondering if he could elaborate on what that was about, something about dealing with IP owners which he didn't talk to.

Barry Newstead: Very briefly we have a small team that works with - works a lot in content that people - as part of the marketplace people will at times upload content which a third-party owner would - might allege is infringing of their content. We have a process by which we accept their takedown notices and take care of that. That's what that referred to.

Shareholder 1: Are there other languages coming?



Barry Newstead: To be determined. No specific comments on that right now about where we go next. I think it's important that we grow those - the three that we've chosen and learn from those experiences so that's what we're focused on.

Shareholder 1: My final question was - when I was on the site there were a lot of artists complaining that as the number of products proliferate they have to re-customise their images the whole time for each new product and that this was becoming incredibly difficult because by the time you got 30 images by 57 products it gets - it just becomes a huge amount of work for them. I was wondering if you were doing anything to help manage that process.

Barry Newstead: We do work on that. We've actually made changes over time to make it easier. I think you've heard some feedback, negative feedback but overall our artists tell us that we are one of the best uploaders out there. That's the first thing. The other thing is the number one thing that artists love about Redbubble is the number of new products we're launching. It's a little bit of one of those growth challenges of Yes more products, yes more work for artists. The team over here that works on that area is constantly looking for ways to make it easier but not so easy to be honest that the artist doesn't have to do their work - do some work to actually make it look good when it's a new format for example. Because one thing we learned, when you automatically deploy a bunch of artwork onto new products it doesn't always fit very well so we'd rather the work be a good fit even though it might cost a little bit of work. Then what we work with over time is to make it easier and easier.

Shareholder 2: I want you to look into your crystal ball and tell me when you think you'll be operational cash flow positive.

Chris Nunn: We are forecasting in this year - in the prospectus you have available we are going to be cash flow positive towards the end of this calendar year.

Shareholder 2: Operational?

Chris Nunn: Operationally, yes. We have the whole year FY17. We're forecasting around about \$1 million net cash outflow for the whole year, just \$1 million. Towards the end of the year that moves into positive.

Shareholder 3: I get a continuous stream of 20% discounts on products. Is that just in the Australian market or is that a general strategy that you're following at the moment? It's almost constant, every day that I see stuff.

Barry Newstead: Yes, it's not - it shouldn't be every day. It's not actually every day. I think we do run promotions. We typically run a promotion at the beginning of the week and then we'll run a narrower product specific promotion later in the week. We have found that that's been a very effective growth tool and as you've seen by our margins, our margins hold up with it. That's exactly why we're pursuing it. Our customers like it, it helps with the repeat rates and as I said the margins stay strong.



Shareholder 4: I was going to ask that question as well so I'm glad somebody else did. There is evidence that those continual discounts have been lucrative? Yes? Okay.

Barry Newstead: Yes.

Shareholder 4: Okay. My question or my next question is about the proliferation of images. If you have 400,000 artists and each artist - do they have an unlimited number of images that they can offer? I'm speaking as a customer because I recall looking through images for cards and finding a gorgeous picture of a surfer against the Golden Gate Bridge. Then I went on to look at other images and when I tried to find that image again it was very difficult. I see you're using themes to make that easier but when there are so many images, you actually get really tired looking. How do you deal with that?

Martin Hosking: It's a product discovery problem and it is the single largest consumer issue. That is how do you provide both the relevancy and diversity? Search has been our answer. Typically people find things which they are searching for most easily and it is increasingly about the work which we put in around personalisation. That was a theme which came through in Barry's presentation but it is going to be - the diversity is great but people actually want relevancy and so the diversity gives us the foundation for delivering the relevancy, and it does work if people are doing searches. If they're not doing searches, if they want to browse, then that's a challenge for us, but it's a challenge which we're investing in allowing and it's a challenge for all very significant, large volume sites, and each of them have to solve it in their own way. So that's not - there is not going to be a simple answer for you tomorrow, but it is an area of ongoing investment.

Barry Newstead: Yes, I think that I would say that it's an area of ongoing investment and it takes place - we make incremental gains on, that specific problem. We see how our customers use the site, we do a bunch of user testing and then we try to find ways to make it easier. Then I think specifically the question you can't find something you were looking at before, also investing in tools for you to put stuff aside, wish list them and what not. I think to Martin's point about multiple growth accelerants, whilst we have a pretty good user experience, we have a lot of opportunities to make it better. We're investing progressively against that, trying to prioritise the things that are highest opportunity first and then working our way through the various dimensions of that. I think specifically for customers who've been around Redbubble for longer, I think we're going to put some additional work into those deeper experiences in the coming months.

Shareholder 5: I'm curious about growth rates and how as an investor I should monitor the growth rate of the company. So once upon a time 150% a year was good and anything less was terrible, then 100% was fine and now it seems that 35% is fine, whereas 60% year on year down to 35% year on year, we're told that that's fine. I'm not - I understand there's the currency stuff but I also note that the number of customers is growing at about 35% year on year or 39% year on year; it's not as if it's growing at 60% year on year and just the transaction value is dropping because of foreign exchange. So how do we - how do we as shareholders make sense of the growth rate and how do we know when you're doing well and when you're doing badly?



Martin Hosking: Yes, you're right, I think that it is worth noting that over the years, growth has been actually - it's never been consistent. So sometimes it's been very high but you would also recall in years in the past it's actually not been very high as well. So it's always been a little bit up and down, and that reflects both things which are happening within Redbubble but also things which are happening in the wider world. The way in which I think about Redbubble, and this is based upon experience and the fundamental factors at work, is long term high rates of growth significantly above the rates of growth in OpEx. So there is going to be clearly forecasting challenges at any given point in time and the growth rates will be variable at times, so we have seen this quarter - if you look at the chart there, you'll see this quarter for example has sometimes been a very high growth quarter, sometimes been a slightly lower growth quarter. As we get into the Christmas season, growth typically accelerates because all the products which have been launched or are being launched come on stream. Repeat customers come back at a much greater rate so they contribute more into this quarter, and then you have also new initiatives around - particularly around the logistics and supply, so we've got more shopping days this year than we've ever had. So you then expect to come out of next year on a higher plateau. That has been historical basis for it. But the way in which I think about growth for Redbubble and model it is thinking about it in terms of high rates of growth, somewhere north of 30%, but those rates of growth being significantly above the operating expenditure, because that's - the operating expenditure is just into the fundamentals of the platform.

Shareholder 6: Thank you. So related to growth, growth is - needs to be targeted towards your demographic, and I'm wondering what your research is telling you about the age frame of most of your customers, and if it's a fairly youthful customer base are you worried at all about their attention span and their future commitment to buying products that are based on digital images attached to products, and is there any potential for Redbubble broadening beyond that particular focus?

Barry Newstead: 62% of our customers are under 35. So there's two ways to take that, right. First of all, under 35 is still a reasonably broad range; it's also a reminder that 38% are over 35, so it actually indicates that Redbubble's customer base is probably broader than some people might expect. So I think that's the first thing. The other is - the research on millennials, which is kind of the core under 35 group, is they are no less loyal to things that they like and brands and companies that they like than people over 35. Some research says they're more loyal to things they love. They're less loyal to logos; that's clearly a major shift. They're not wearing Ralph Lauren's little horse in their t-shirt or Tommy Hilfiger's thing. So that's a clear change. But in terms of loyalty to the things that they really like and the experiences they like, there's no indication that they're more fickle. So I think that on both parts I think we've got a broader customer base than maybe some people naturally see when we say 62% under 35. The other is I think the challenge is for us, as with any company, is to earn the loyalty of those customers. And explain our brand proposition and give them a really good experience that they want to come back for. I don't think there's any specific reason they wouldn't, if we're delivering on that promise.

Richard Cawsey: If I could also add onto that is that we've actually seen our demographic change. If we go back a couple of years ago when we started to introduce women's apparel, we were uncertain how well we would extend, how well the Redbubble brand would extend away from t-shirt geek, for want of a better term, and it's actually started - it's actually progressed quite well. As the product range changes, we're actually



going into new demographics and new buying circumstances. So as yet we're not seeing any real barriers to that growth.

Shareholder 7: Thank you. Thank you Mr Chairman. First, congratulations to Martin and his team for an outstanding achievement bringing Redbubble to where it is today. Since listing the company, we've seen some fluctuation obviously in the share price. Normally the performance of a company is directly linked to the share price. Considering that the Company is performing at such a good rate, are there any external factors affecting the fluctuation in the share price? Because if one was to take into account the performance of the company, one would wonder as to why the share price is not where it needs to be since it was listed.

Richard Cawsey: Apart from agreeing with you - there's clearly external circumstances. What they are, I wouldn't hazard a guess. So I think what I would like to address is the way we're looking at how we - what we do going forward. The first and more primary issue is deliver. In the end, where those doubts are, whether it's a doubt on the business model, whether it's a doubt on the operating leverage or whether it's external circumstances, in the end actually the only thing we can do is to deliver. And if we do our job and if we meet our prospectus forecasts and we continue to do as we said around the growth and growing revenues beyond our cost line, then in the end I'm incredibly confident that we'll get rewarded for doing so.

I think the second one is that for a number of the factors that are actually up here, we're quite a new proposition for an Australian marketplace, not just in the institutional but also in the retail investor space. So I do think there's an obligation on us to increasingly educate the market, understand where the concerns are from many investor groups and then look to address those. So what I expect us to be is we'll continue to use our quarterly process where we're announcing 4Cs, we'll continue to use that to be fuller in how we're updating the marketplace to try and bring that education up. But in the end it's going to come down to deliver, deliver on our promises. But I agree.

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