



## **RB GROUP DELIVERS 48% YOY GROSS PROFIT GROWTH AND \$3.7M IN OPERATING EBITDA**

### **1Q FY2020 Business Update**

- Both brands profitable and cash flow positive with strong operating leverage, culminating in 1Q FY2020 RB Group Operating EBITDA of \$3.7 million
- RB Group delivered 1Q FY2020 free cash flows of \$7.8 million
- Delivering on strategic initiatives with growth led by TeePublic

**Melbourne, Australia; 23 October 2019:** Redbubble Limited (ASX: RBL), which owns and operates Redbubble and TeePublic, the leading global marketplaces for independent artists, today provided its strategic and financial updates for the first quarter (1Q) ended 30 September 2019. The financial results are from internal management reports and have not been subject to audit review.

### **1Q FY2020 Financial Performance**

Core Redbubble Group's ("RB Group" or "Group") 1Q FY2020 financial metrics (with YoY growth rates, where applicable) are:

- Marketplace Revenue of \$70 million, up 43% (up 37% on a constant currency basis<sup>1</sup>)
- Gross profit of \$27 million, up 48% (up 42% on a constant currency basis)
- Gross profit margin up 1.5pp to 37.9% (based on Marketplace Revenue)
- Operating EBITDA profit of \$3.7 million, an improvement of \$4.5 million from a 1Q FY2019 loss of \$0.8 million
- EBITDA profit of \$2.2 million, an improvement of \$4.0 million from a 1Q FY2019 loss of \$1.8 million
- Free cash flow result of \$7.8 million<sup>2</sup>, improving from \$0.4 million in 1Q FY2019
- Closing cash balance at 30 September 2019 was \$37.9 million

RB Group's topline continues to be driven by strong growth rates seen from TeePublic. As mentioned last quarter, Redbubble's 1Q FY2019 growth was particularly strong and the 1Q FY2020 revenue growth was in line with management expectations.

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<sup>1</sup> "Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 94% of its Marketplace Revenue in currencies other than Australian dollars. TeePublic sources most of its Marketplace Revenue in US dollars but a constant currency adjustment has not been made to its current period contributions as TeePublic is not included in the prior period figures.

<sup>2</sup> Aggregate operating and investing cash flows. FY19 figures exclude consideration for TeePublic.

The Group is delivering strong operating leverage with 48% Gross Profit growth outpacing growth of 22% in expenses (aggregate of Operating Expenses and Marketing) during 1Q FY2020. Management has been disciplined in both marketing and operating expenses.

In 1Q FY2020, RB Group continued to demonstrate its ability to achieve gross margin improvements and increase its effective take rate<sup>3</sup>.

As discussed in the prior quarter, the Redbubble branded marketplace is working through a shift in marketing that has provided a short term reduction in marketing spend below targeted levels. The shift involves a move from higher cost social media channels toward lower cost, brand associated channels as well as improving customer retention via free or low cost channels including the Redbubble iOS app. Both Redbubble and TeePublic continue to generate profitable growth on the first transaction from paid channels. TeePublic continues to scale up Google Shopping.

Disciplined decision making on spending resulted in positive 1Q Operating EBITDA and EBITDA results for RB Group, as well as both Redbubble and TeePublic. The Group delivered a positive free cash flow result with both brands also achieving positive free cash flows.

#### **AASB 16 accounting treatment change of Leases**

Following the accounting change (AASB 16) effective 1 July 2019, there will be no rent expenses recognised on property leases in the P&L. This change shifts lease charges below the EBITDA line and boosted both Operating EBITDA and EBITDA by \$0.7 million in 1Q FY2020. 1Q FY2019 comparative figures were adjusted upwards by \$0.5 million. This change also increased 1Q FY2020 free cash flows by \$0.9 million<sup>4</sup>, and 1Q FY2019 comparative figures adjusted upwards by \$0.7 million.

Detailed 1Q FY2020 numbers and analysis are provided in the attached presentation.

#### **Business Update**

RB Group is making good progress in areas of strategic investment that are critical to long term marketplace growth and profitability.

For the Redbubble branded marketplace, key initiatives are starting to power the business:

- **Artists:** Product Revenue<sup>5</sup> from authentic sellers<sup>6</sup> on Redbubble grew by 20% in 1Q FY2020 and now represent 83% of Redbubble Product Revenue

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<sup>3</sup> Gross Profit as % of Gross Transaction Value.

<sup>4</sup> Due to changes in the accounting treatment of property leases (as per AASB 16 effective 1 July 2019), a net amount of \$0.7 million was moved out of operating expenses and operating cash flows. Under the new treatment, the components of the \$0.7 million are reflected across \$0.2 million in investing cash inflows (sublease cash inflows) and \$0.9 million in financing cash outflows (lease payments to landlords).

<sup>5</sup> Does not include shipping income.

<sup>6</sup> Defined as those artists that tend to upload high quality, original works which resonate well with customers. Data Science work during 2018 has helped identify this critical segment at Redbubble and significant development investment has been focused on increasing the output of this group. TeePublic's artists are yet to be segmented.

- **Membership:** During 1Q, Marketplace Revenue from members<sup>7</sup> grew by 133%, being 46% of Redbubble Marketplace Revenue, and there were 2.8 million active members on Redbubble during 1Q
- **Web experience:** Significant changes in customer experience implemented including new home page, category landing pages (partial rollout), refined search result pages and refinements to personalised explore pages
- **Mobile App:** Redbubble iOS app saw growth in Marketplace Revenue of 146% in 1Q and represented 12% of Redbubble Marketplace Revenue. Development work on the Redbubble Android app is progressing well
- **Branded Marketing:** Focused spend in lower cost channels e.g. direct and branded search resulted in RB Group 1Q marketing spend at only 9.4% of Marketplace Revenue
- **Content Partners:** RB Group has on-boarded a total of 53 brands, with 5 new brands added in 1Q. The focus for the quarter was adding content for existing brands, resulting in licensed content growing to 620,000, up 76% QoQ
- **New Products:** 7 new products (socks, coasters, water bottles, comforters, cotton tote bags, kids and toddler pullover hoodies) were launched in 1Q

For the TeePublic branded marketplace, efforts in the first quarter focused on the following aspects:

- **Paid Marketing:** Further optimised bidding across paid channels, particularly Google Shopping
- **Content Partners:** Onboarded more brands, including Rick and Morty
- **Europe:** Benefitted from roll out of geo-location redirect and localised currencies in UK, EU, Canada and Australia
- **Improving Margins:** Group scale continued to drive supply chain savings

The Group realised \$1.3 million in synergies from the TeePublic acquisition during the 8 months from deal close to the end of FY2019 and continues to progress with integration work.

### Looking Forward

RB Group is focused on executing across its four strategic initiatives and delivering on opportunities to propel the flywheel. The business continues to demonstrate progress on the key drivers of operating leverage. In the immediate term, the Group is now focused on the upcoming holiday season.

### For further information, please contact:

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### About Redbubble Group

Founded in 2006, the Redbubble Group incorporates Redbubble Limited and its subsidiaries, including TP Apparel LLC (TeePublic). The Redbubble Group owns and operates the leading global online marketplaces hosted at Redbubble.com and TeePublic.com, powered by over one million

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<sup>7</sup> Marketplace Revenue from Members comes from Redbubble only and contribution is measured on a Redbubble basis only.

independent artists. The Redbubble Group'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 and TeePublic marketplaces, 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 RB Group. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

# FY2020 1Q Update

23 October 2019

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



RB Group owns and operates the leading global online marketplaces hosted at Redbubble and TeePublic, leading global online marketplaces powered by over one million independent artists, bringing more creativity into the world



# Highlights from 1Q FY2020

(with Year on Year comparisons shown)

Gross Transaction  
Value

**\$92m**

Marketplace  
Revenue<sup>1</sup>

**\$70m**

▲37% CC<sup>2</sup>

Operating  
EBITDA<sup>3</sup>

**\$3.7m**

▲\$4.5m

Free  
Cash Flow<sup>4</sup>

**\$7.8m**

▲\$7.4m

Sales growth  
from iOS app<sup>5</sup>

**146%**

Sales growth  
from members<sup>6</sup>

**133%**

Content Partnerships  
brands on-boarded

**53**

as at 30 September 2019

New products  
launched in 1Q

**7**

Notes:

1. Marketplace Revenue is Total Revenue less Artist Revenue (i.e. Margin).

2. "Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 94% of its Marketplace Revenue in currencies other than Australian dollars. TeePublic sources most of its Marketplace Revenue in US dollars but a constant currency adjustment has not been made to its current period contributions as TeePublic is not included in the prior period figures.

3. Reflecting changes in the accounting treatment of property leases (as per AASB 16 effective 1 July 2019), rent expenses have been excluded from the P&L. This change shifts lease charges below the EBITDA line and boosted both Operating EBITDA and EBITDA by \$0.7 million in 1Q FY2020. 1Q FY2019 comparative figures were also adjusted upwards by \$0.5 million.

4. Aggregate of operating and investing cash flows. Recent changes in the accounting treatment of rent expenses on property leases (as per AASB 16 effective 1 July 2019) have reclassified payments for such leases as financing cash flows and are therefore excluded from the Free Cash Flow figure. FY19 comparative figures have also been adjusted accordingly and also exclude consideration for paid for TeePublic.

5. Based on Redbubble Marketplace Revenue. 6. Based on Redbubble Marketplace Revenue from Redbubble members only.



# 1Q FY2020 RB Group financial summary

(with Year on Year comparisons shown)

Marketplace Revenue<sup>1</sup>

**\$70m**  
▲37% CC<sup>2</sup>

Gross Profit

**\$27m**  
▲42% CC<sup>2</sup>

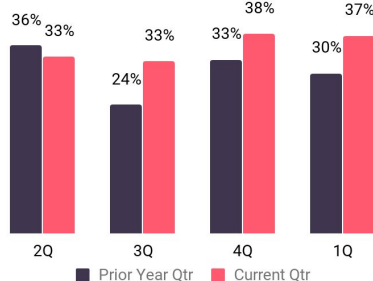
Operating EBITDA<sup>3</sup>

**\$3.7m**  
▲\$4.5m

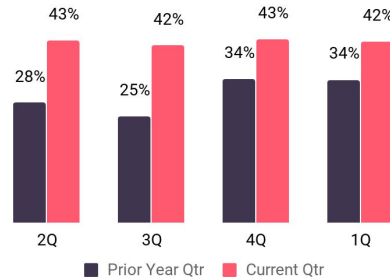
Free Cash Flow<sup>4</sup>

**\$7.8m**  
▲\$7.4m

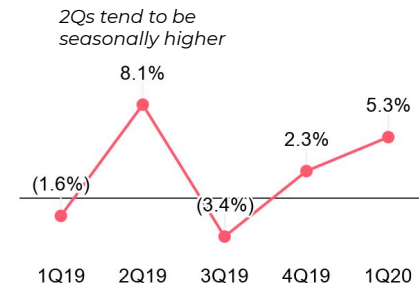
Marketplace Revenue<sup>1</sup>  
growth CC<sup>2</sup>



Gross Profit  
growth CC<sup>2</sup>



Operating EBITDA  
margins<sup>3</sup>



Notes:

1. Marketplace Revenue is Total Revenue less Artist Revenue (i.e. Margin).

2. "Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 94% of its Marketplace Revenue in currencies other than Australian dollars. TeePublic sources most of its Marketplace Revenue in US dollars but a constant currency adjustment has not been made to its current period contributions as TeePublic is not included in the prior period figures.

3. Reflecting changes in the accounting treatment of property leases (as per AASB 16 effective 1 July 2019), rent expense has been excluded from the P&L. This change shifts lease charges below the EBITDA line and boosted both Operating EBITDA and EBITDA by \$0.7 million in 1Q FY2020. Historical comparative figures were also adjusted upwards, including by \$0.5 million in 1Q FY2019.

4. Aggregate of operating and investing cash flows. Recent changes in the accounting treatment of property leases (as per AASB 16 effective 1 July 2019) have reclassified payments for such leases as financing cash flows and are therefore excluded from the Free Cash Flow figure. FY19 comparative figures have also been adjusted accordingly and also exclude consideration for paid for TeePublic.



# RB Group capturing topline growth across both brand

TeePublic contributing strongly to topline growth



1Q  
FY2020

**\$55m**

▲6% CC<sup>2</sup>  
YoY



1Q  
FY2020

**\$15m**

▲42% CC<sup>2</sup>  
YoY

Marketplace  
Revenue<sup>1</sup>

Notes:

1. Marketplace Revenue is Total Revenue less Artist Revenue (i.e. Margin).

2. "Constant currency basis" reflects the underlying growth before translation to Australian dollars for reporting purposes. Redbubble sources about 94% of its Marketplace Revenue in currencies other than Australian dollars. TeePublic sources most of its Marketplace Revenue in US dollars but a constant currency adjustment has not been made to its current period contributions as TeePublic is not included in the prior period figures.



# Summary of TeePublic acquisition performance

RB Group generating scale and growth benefits across both platforms



Realised \$1.3m of benefits in FY19<sup>1</sup>

- Diversifying supply chain to enable fulfilment cost savings from joint scale and mitigate network risk
- Implementing features and other changes from shared insights
- Expansion of Content Partnership brands to TeePublic
- Leveraging Group functions in Marketplace Integrity, Finance, Legal and People & Culture

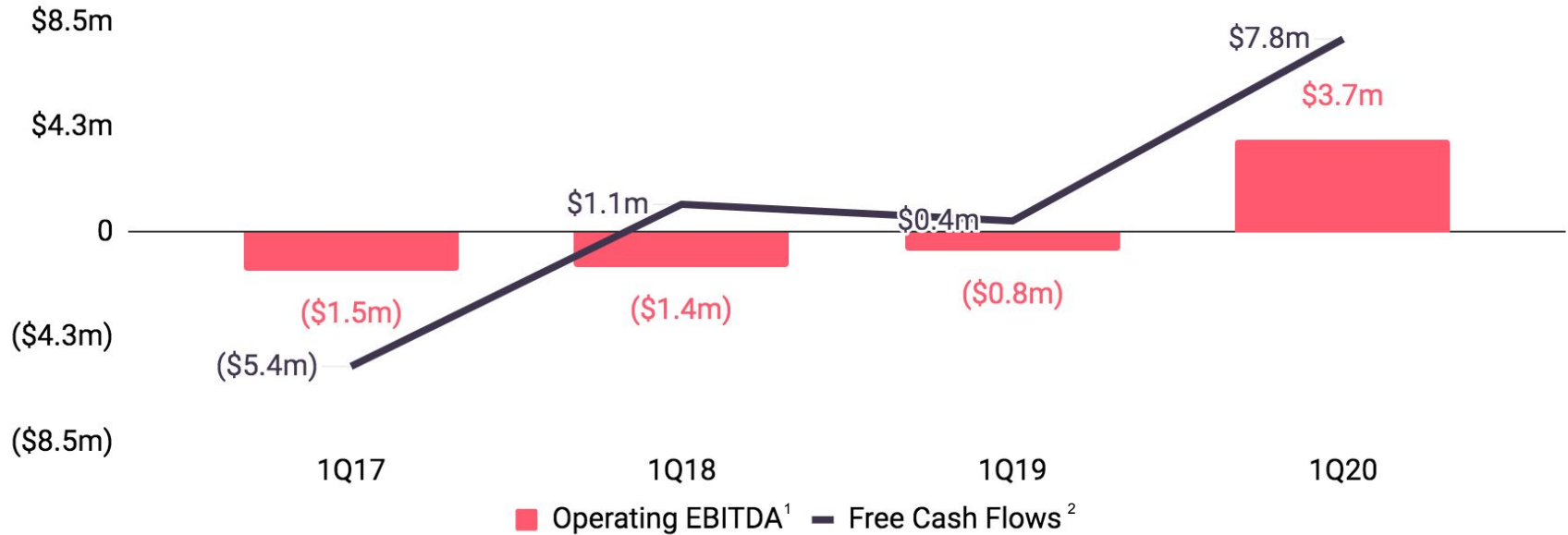
...with more benefits to be delivered as integration continues to progress

- Extend on savings with greater integration of supply chains
- Enhance artist tools and services and enable easier access to share content across both brands
- Build shared marketing and cross-brand planning
- Share localisation capabilities to support TeePublic's growth ex-US
- Collaborate on new product insights and launches

Notes:

1. Benefits captured from date of acquisition to end of FY19 (eight months from 1st Nov 2018 to 30 June 2019) and considered Operating EBITDA accretive.

# Increasingly profitable and cash generative



Notes:

1. Reflecting changes in the accounting treatment of property leases (as per AASB 16 effective 1 July 2019), rent expense has been excluded from the P&L. This change shifts lease charges below the EBITDA line and boosted both Operating EBITDA and EBITDA by \$0.7 million in 1Q FY2020. Historical comparative figures were also adjusted upwards.

2. Aggregate of operating and investing cash flows. Recent changes in the accounting treatment of property leases (as per AASB 16 effective 1 July 2019) have reclassified payments for such leases as financing cash flows and are therefore excluded from the Free Cash Flow figure. Historical comparative figures have also been adjusted accordingly and also exclude consideration for paid for TeePublic.



# 1Q FY2020 RB Group operational summary

(with Year on Year comparisons shown)

## ARTISTS & CONTENT

Active works

**25.8m**

▲41%

Selling artists

**253k**

▲29%

## LOYAL CUSTOMERS

Mobile Marketplace Revenue (MP Rev) growth

**40%**

(50% of MP Rev)

Unique Customers

**1.6m**

▲12%

Repeat MP Rev growth

**27%**

(42% of MP Rev)

Marketing as % of MP Rev

**9.4%**

▼1.6pp

 **REDBUBBLE**  
only

Members % of Redbubble MP Rev<sup>1</sup>

**46%**

▲24pp

1Q Active Members on Redbubble

**2.8m**

▲76%

## FULFILLMENT & OPERATIONS

Take rate<sup>2</sup>

**29.4%**

▲0.2pp

Gross Profit margin<sup>3</sup>

**37.9%**

▲1.5pp

Notes: Metrics shown are for the three months ending 30 September 2019, with growth rates shown on a Year on Year basis, as compared to the three months ending 30 September 2018. Definitions provided in the Appendix.

1. Marketplace Revenue from Members comes from Redbubble only and contribution is measured on a Redbubble basis only.

2. Take rate is Gross Profit as % of Gross Transaction Value. Gross Transaction Value less Taxes and Artist Revenue is equal to Marketplace Revenue.

3. Based on Marketplace Revenue.

***Vision: RB Group connects authentic artists and content partners with millions of loyal customers enabling personalised adventures in creativity***

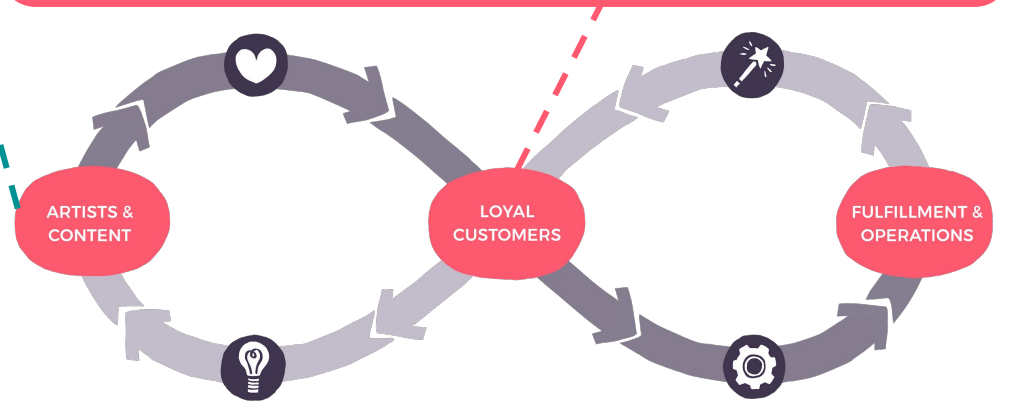
**4 strategic initiatives aligned with core**

### **Artists & Content**

- 1** Authentic content
- 2** New products

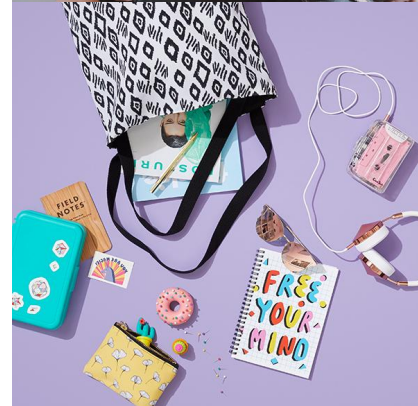
### **Customers**

- 3** Deeper relationships
- 4** Brand-driven customer growth



# RB investment opportunity

- Loved by consumers seeking personalised **creative adventures** with **emerging brand and deepening relationships**
- **On-demand content supply market leader** - valuable back catalog, generative artists, fan art partners, scaling 3P fulfilment / operations
- **Large addressable market** trending toward on-demand commerce
- **Flywheel effects** strengthening the moat
- Range of low risk **growth opportunities in core and adjacent**
- **Robust economics** as growth enables margin upside, opex leverage and positive cash flows
- **Management team that delivers:** ~6x gross profit growth since FY2014







# Q&A



## Appendices

# 1Q FY2020 Income Statement Summary - RB Group<sup>1</sup>

P&L (A\$M)	1Q		YOY (1Q FY20 v 1Q FY19)
	FY19 <sup>1</sup>	FY20	Growth
Total Revenue	59.6	84.0	41%
Less: Artist Revenue	(10.3)	(13.8)	34%
Marketplace (MP) Revenue	49.2	70.2	43%
Gross Profit	18.0	26.6	48%
GP % (on MP Revenue)	36.5%	37.9%	1.5pp
Paid Acquisition (Marketing)	(5.4)	(6.6)	22%
GPAPA (Gross Profit after Paid Acquisition)	12.6	20.1	60%
GPAPA % (on MP Revenue)	25.5%	28.6%	3.0pp
Operating Expenses <sup>2</sup>	(13.4)	(16.4)	22%
Operating EBITDA <sup>3</sup>	(0.8)	3.7	573%
Operating EBITDA % (on MP Revenue)	(1.6%)	5.3%	6.9pp
Other Income/Expenses <sup>4</sup>	(1.0)	(1.5)	49%
EBITDA (Loss)/Profit <sup>3</sup>	(1.8)	2.2	221%

Notes:

1. FY19 results do not include TeePublic.

2. Excludes non-cash share-based payments, currency gains/losses and due to changes in the accounting treatment of property leases (as per AASB 16 effective 1 July 2019) rent expense are now also excluded from operating expenses. Interest expense and depreciation has taken its place and is shown below EBITDA. FY19 comparative figures have also been adjusted accordingly.

3. Reflecting changes in the accounting treatment of property leases (as per AASB 16 effective 1 July 2019) rent expense has been excluded from the P&L. This change shifts lease charges below the EBITDA line and boosted both Operating EBITDA and EBITDA by \$0.7 million in 1Q FY2020. 1Q FY2019 comparative figures were also adjusted upwards by \$0.5 million.

4. Other Income/Expense includes non-cash share-based payments, currency gains/losses.



# Operational metric definitions

- **Active works:** currently published works (i.e. available for sale to the public) at the end of the period; does not account for overlaps between Redbubble and TeePublic
- **Selling artists:** currently active artists (i.e. not suspended or deleted) who sold a currently published work during the period; does not account for overlaps between Redbubble and TeePublic
- **Unique customers:** defined as an unique email address; does not account for overlaps between Redbubble and TeePublic
- **Repeat Marketplace Revenue growth:** year on year growth of Repeat Marketplace Revenue is Group Marketplace Revenue earned from customers who have previously purchased, regardless of the date of their initial purchase
- **Active members on Redbubble:** unique members who visited either the web or app platform while logged in at least once during the period
- **Sales from members:** based on Redbubble Marketplace Revenue from active Redbubble members only
- **Members as % of Redbubble Marketplace Revenue:** Redbubble Marketplace Revenue from member purchases divided by total Redbubble Marketplace Revenue from all purchases for the period

# Disclaimer

The material herein is a presentation of information 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.

## **Forward-looking Statements**

This presentation 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 RB Group. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.