1Q FY2020 INVESTOR UPDATE

TRANSCRIPT OF CONFERENCE CALL

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

23 October 2019

Start of Transcript

Operator:

Thank you for standing by and welcome to the Redbubble Group Q1 FY2020 Update. All participants are in a listen only mode. There will be a presentation, followed by a question and answer session. If you wish to ask a question, you will need to press the star key, followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr Paul Gordon, Company Secretary. Please go ahead.

Paul Gordon, Company Secretary:

Good morning everyone, or afternoon for our US investors. This is Paul Gordon, Company Secretary for Redbubble. Welcome to this teleconference following the release of our first quarter results for financial year 2020. With me I have Redbubble CEO Barry Newstead and CFO Emma Clark. As we announced earlier this month, the ASX has confirmed that Redbubble is no longer required to provide quarterly cashflow reports, that is Appendix 4C's. We will however continue to provide Q1 and Q3 market updates in addition to our half year and full year results.

The key information for today's update in respect of Q1 FY2020 is in the ASX release and supporting presentation which we released to the market very early this morning Australian time. Please note that results and figures are from internal management reports and have not been subject to audit review. Barry and Emma will now present referring to the supporting presentation viewable by the webcast and then we will open up the floor for questions. This presentation and Q&A session are being recorded. Before we start, I would like to draw your attention to the safe harbour statement regarding forward looking information in the ASX release accompanying our results. That safe harbour statement also applies to this call and the Q&A. Now I will pass to the Redbubble CEO, Barry Newstead.

Barry Newstead, Chief Executive Officer:

Hi everybody, I hope all is well. I am happy to share that in Q1 FY2020 the Redbubble Group achieved another important milestone. We delivered $7.8 million in free cashflow and $3.7 million in Operating EBITDA. Both Redbubble and TeePublic delivered positive results. We achieved Group constant currency revenue growth of

37% and gross profit growth of 48%, powered by the acquisition of TeePublic and the resilience of Redbubble, as well as strong Group margins.

Underneath the seemingly slow growth of the Redbubble business, noting the challenging comps from the prior year, our strengths in mobile membership and brand driven acquisition, along with lower marketing costs, have positioned the business well in coming years. Operating expense growth has slowed as management has sustained cost discipline focused on productivity and growth investing. This is a strong result that demonstrates our execution capabilities and our future potential.

The Group continues to deliver on the strategic priorities of the business which focus on long term growth and flywheel acceleration. Let me review the progress. The performance of TeePublic cannot be understated. I cannot have imagined a better outcome 12 months ago. This is a great business that has a ton of potential and a strong team. It has integrated well and the realised benefits are an important contributor to the results we are showing. TeePublic had a strong quarter supported by optimisation in organic search and Google Shopping, as well as the rollout of local currencies in Europe, the UK, Canada and Australia.

For Redbubble investments in the Membership program are delivering real outcomes with growth at 133% year on year. The Redbubble iOS app continues to thrive, reaching 12% of Redbubble revenue in Q1. The Android app development is also on track.

Our Fan Art business is emerging. The focus in Q1 was to get brands onboarded to TeePublic and to build licensed content. We launched four brands and made progress with existing partners and have a strong pipeline of new deals, including a recently signed agreement with NBCUniversal, one of the world's largest entertainment brands. These partnerships position Redbubble and TeePublic to extend our advantage as the home for the best and most diverse artistic content and to provide truly innovative fan art experiences for artists, partners and customers alike. Redbubble launched seven new products in the quarter, so a total of 12 in the past two quarters. TeePublic also launched two new products.

Before handing over to Emma I would like to discuss Redbubble's growth and reiterate the changes we have been making to our marketing strategy. As discussed, over the past year Redbubble is transitioning from a search transactional business to a branded relationship business. This will enable us to enrich the value of the Company, reduce reliance on Google and build a brand moat. The transition is underway with positive signs emerging from membership, the app and brand driven channels, as mentioned.

We have implemented some changes that set the business up well and are good trade-offs between short term revenue growth and long term profit growth.

- First, we have reduced our use of site wide promotions significantly and are limiting many of our promotions to members where the ROI is good. This has an impact on topline growth in the short term but improves gross profit, as you can see, and provides a real incentive for membership and app downloads.

- Second, we have tightened up on ROI expectations for paid marketing channels. Again, this has an impact on short term topline growth for some channels, but accelerates our gross profit after paid acquisition growth, as you can see in our numbers.
- Third, we continue to build our brand driven marketing by SnapChat and TikTok, the influencers we are partnering with and via co-marketing collaborations with Fan Art partners. In fact, in the last quarter, we initiated work with Cartoon Network to promote the Steven Universe movie, which was a real success and we also partnered with Gearbox to promote the launch of Borderlands 3.

All of these approaches are generating good results at a relatively small overall scale. We are working to scale them up as we move forward. To set the business up for the new approach to marketing we reorganised the function, including changes in leadership. Through these changes and the reduced reliance on Google and Facebook, the quality of Redbubble's revenue is higher when considering the flow through to gross profit after pay acquisition. We rely less on transactional paid marketing and focus more on relationships that have a higher LTV potential at lower cost of acquisition. It sets the business up for investing marketing dollars effectively for brand building, new user acquisition and LTV growth in 2020 and beyond.

Overall, we are feeling really good about what we have achieved this quarter and where the business is heading. I will now hand over to Emma to talk more about the financial details before I come back and talk a little bit about the strategic direction. Emma.

Emma Clark, Chief Financial Officer:

Thank you Barry. The Redbubble Group has continued to demonstrate the sound fundamentals of our marketplace flywheel model with a strong financial result flowing from this. Of particular note is our continued profitability, both from an Operating EBITDA and EBITDA perspective, with our Operating EBITDA margin further improving from 2.3% last quarter to 5.3% this quarter. This was driven by topline growth in both brands, coupled with gross margin improvement and good management discipline keeping both paid marketing and operating expenses at a level that provides for strong operating leverage.

We also had an excellent result from a cashflow perspective with our Q1 free cashflow generation at $7.8 million, the highest for this quarter ever. Now, we have had to make an accounting change to how we report both Operating EBITDA and EBITDA, driven by the implementation of IFRS 16, which is the Accounting Standard for Operating Leases. The implementation of this standard has moved our rental expenses from operating expenses into amortisation and interest, which are both below the EBITDA line. For the first quarter the impact was $700,000 and we expect this to be $2.8 million for the full year. This standard also results in the cost being treated partly in the financing cashflow and partly as an investing cashflow rather than an operating cashflow, so it does have a flow on impact to our free cashflow position. Please note that our prior year comparatives in this presentation and in our announcement have also been adjusted to ensure that the growth rates are on a consistent basis.

This change is not specific to the Redbubble Group and we still would have generated $3 million of Operating EBITDA and $7 million of free cashflow without it, but I wanted to be completely transparent with any changes to our reporting.

As I mentioned in the last update, we believe that the Company is undervalued compared to our peers, particularly in the US. Whilst the Group's share price moved up post last quarter's result, we believe a valuation gap still remains. I am pleased to say that we have launched this week a sponsored Level 1 ADR program and this listing is now live on the over the counter market in the US under the [ticker] symbol RDBBY.

Both Redbubble and TeePublic continue to grow. TeePublic had another great quarter. Their growth rate of 42% driven from efficient paid marketing spend, plus the rollout of geolocation redirect and currency conversion for EU customers and to a lesser degree the launch of their new products. Redbubble Group's growth continues to be powered by growth in customers, an accelerating membership base and an improved mobile experience. As I stated in the last update, we expected the Redbubble growth rate to remain similar to fourth quarter through this quarter and our results are in line with our expectations.

We are now focused on the upcoming holiday season and ensuring that Redbubble's growth rates move higher whilst retaining the discipline we have had in performance marketing spend and limiting excessive use of promotions, which can improve the topline number, but impact negatively lower on down through the P&L. In regards to the holiday quarter, we have historically planned for an ASX release on Thanksgiving sales. Subject to continuous disclosure regulations we will not be doing this moving forward as we look to maximise value and impact for the entire holiday season rather than focusing on only five days of trading within the quarter.

As I mentioned at the last update, given we have owned TeePublic for almost a year, it is a good time to pause and reflect on the acquisition. Please also note that once we pass the anniversary date of 1 November, TeePublic numbers will be included in our prior year baseline which will affect the year on year growth rate at the consolidated level moving forward.

Overall, we realised $1.3 million in benefits over the period from November 2018 to June 2019 and please be aware, these were captured in our FY19 results.

The addition of TeePublic effectively doubled our US t-shirt business overnight and this has allowed us to gain additional value from our entire supply chain. These changes have benefited both businesses. We have also been able to leverage knowledge and insights from one brand to the other to add value. Our ability to license content for the group has allowed TeePublic to participate in these agreements with the most notable being Star Trek which was added last quarter of FY19 and Rick and Morty which was added in the first quarter of FY20.

Being a smaller, newer business, TeePublic has also benefited from being able to tap into Redbubble's back-office functions and processes thus avoiding some of the scaling costs of building support functions to support their ongoing growth profile.

Whilst we have driven an immediate return from a synergy perspective, we will continue to explore additional opportunities; sharing artist content and marketing insights to drive further value, as well as leveraging off

Redbubble's broader geographical footprint and new product development capabilities. As Barry has already said, this has been a fantastic addition to Redbubble and it's been impressive to see how both teams have come together effectively in such a short period of time.

In addition to our continued profit and loss strength, our cash flow for the quarter has been a real highlight. I think this chart speaks for itself, so I won't add anything other than to reiterate that the Group is now free cash flow positive - noting of course that we will still be subject to seasonality over the holiday period which inflates our second quarter and reduces our third quarter – and that our cash balance has increased from $29 million to $38 million over the quarter.

These dynamics give us the flexibility to selectively reinvest in growth initiatives which will continue to power the flywheel and as we do this, we will keep the market updated on both the investment and the outcomes.

Finally, moving on to operational metrics for the first quarter, our year on year growth rates are still good across all areas of our flywheel. Our number of active works have crossed the $25 million threshold, increasing our competitive moat of content. The number of unique customers continues to grow which is supporting the Marketplace Revenue growth rate. Repeat sales continue to increase moving from 40% of our revenue from FY19 to 42% this quarter.

As Barry has already spoken about, our paid marketing costs at the percentage of revenue have been held to under 9.5%. This is a deliberate strategy reflecting the underlying move to branded channel. I do anticipate this percentage will increase slightly over the remaining quarters as we invest more in brand building and scale up our emerging channels. It is also important to be aware that our paid marketing spend usually increases in the second quarter which reflects the seasonal nature of our business.

Redbubble continues to attract new members and 2.8 million of them logged on as members during the first quarter. This is 1.2 million more than the same quarter in 2019 which is a 76% increase. We will progressively mature our membership offering to encourage more of this user base to convert to sales and repeat sales over time. Our take rate which is already much higher than other marketplace peers has continued to increase and our growth profit margin has done the same. Please note that a couple of our operating metrics which we reported for the full year, specifically our Revenue-per-Active-Member and Net Promoter Scores are going to be reported on a half-yearly basis.

Overall, the Redbubble Group has delivered an excellent quarter's results showing the scalability of our business model, the strength of our economics and the sustainability of our cashflows. I'll now hand back over to Barry.

Barry Newstead:

Thank you very much, Emma. Redbubble and TeePublic are still in our early years and we see a revolution in retail commerce that will open up a large market opportunity. Our vision is to connect authentic artists and content partners with millions of loyal customers enabling personalised ventures and creativity.

As I said before, we are a much bigger market play than most people appreciate. The marketplace model extends into a wide array of consumer product markets. We can access these markets as we scale up, build our brand and consumers realise that they don't need to compromise between personalisation, quality, speed and affordability.

We are uniquely positioned to win because we are a flywheel business that is hard to replicate. Our strategy aims to solidify our advantage.

- First, we are the artist and content leader that is a magnet for authentic artists. The 25.8 million-strong back catalogue of art is evergreen; generating long-running value at a tiny cost to maintain. Artists continue to join and upload at negligible cost of acquisition. The RB Group is the most attractive place for no-hassle monetisation. In the near term, the offering for artists will only get more attractive as we roll out new services including promotional tools, art theft prevention and value-added marketing offers for high potential artists to manage their businesses more effectively. For content partners, Redbubble and TeePublic present a new way to engage fans and evolve the merch business in partnership with artists. We are working with them to create a scalable way to manage thousands of brands and ultimately, license millions of content units on a global level. This will extend our content advantage.

- Second, we have a diverse product catalogue that multiplies the value of an artwork. This is what makes new products so attractive in the marketplace as we instantly create a massive personalised catalogue at launch. We will launch many more products in the coming years on both platforms to build category leadership. Our supply advantage is solidified by the fulfilment and operational capabilities we've built over a decade. Our supply economics continue to improve as the biggest business begins to reach scale on each client area. The supply side is our existing moat.

- This brings us to the customer side of the strategy. For customers, content is king and Redbubble and TeePublic continue to have the best content. The business is deepening relationship with customers to enrich the experience. Customers are flocking to Redbubble's IOS app and are signing up as members at a rapid rate. This allows us to provide customers with more personalised experience with improved recommendations with enhanced merchandising and really critically the human connections to artists and content partners. We're extending TeePublic into new markets and will progressively build up the personalised member experience that is proving so valuable on Redbubble.

- Fourth and finally, Redbubble and TeePublic continue to generate a lot of inbound organic search and social traffic, which keeps marketing costs low. The Group has well established paid search capabilities which provide profitable growth.

As I mentioned earlier, what is emerging is a powerful shift towards brand and content-based marketing partnerships, that are enabling new sources of growth. We have the potential to take our brands to scale, by partnering with people who love content, artists, customers, partners and influencers. We want to build a brand moat to augment our supply side. Our business is a flywheel, so our moats get stronger as each strategic initiative reinforces the whole.

The final slide (the summary slide) covers the investment thesis for Redbubble Group. We think it's compelling. Redbubble and TeePublic provide a new kind of commerce marketplace for artists, partners and customers. We have a long and profitable growth investment runway ahead of us, both in the core and via adjacencies. Competitors face a daunting investment challenge to try and reach a similar scale. This is a formidable business with the advantages of some of the best marketplaces on earth.

We have a committed, energised team that knows what it takes to win. We have reached a big milestone of having the ability to start generating internal cash resources to fund future growth. Our next milestone is to grow to $1 billion in sales, and we feel this is very much within our grasp.

So, thank you and we'd like to now open the floor for your questions.

Operator:

Thank you, if you wish to ask a question please press start one on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on a speakerphone, please pick up the handset to ask your question. Your first question comes from Grace Fulton from Goldman Sachs, please go ahead.

Grace Fulton: (Goldman Sachs, Analyst): Hi guys, thank you for taking my question. There was a pretty significant improvement in gross profit versus first quarter 2019, so you said at the fourth quarter result that you'd got some efficiencies that had only started coming through at the end of FY2019, you sort of talked a bit about the efficiencies you've got with TeePublic as well. Could you maybe just talk through the margin outlook for the remainder of FY2020?

Emma Clark: Sure, thanks Grace for the question. So yes, you've hit the nail on the head, so at last quarter we did say that some of the initiatives that we had through our supply chain, had only been recently implemented and therefore we would get the full year impact of them, and you can definitely see those having an impact on our first quarter margin. Yes, the TeePublic synergies also continue to flow through. I would think that in terms of our growth margin looking forward, it's relatively stable at its current rate. We might see some small further improvements in it, but not to the extent that - you wouldn't take last year to now and then just keep extrapolating that out, I would hold the margin relatively consistent to what we have now with some small improvement over the rest of the year. Because we did see the full impact of those things through the quarter that we're reporting at the moment.

Barry Newstead: I think that's really more this year versus longer term.

Emma Clark: Absolutely, oh I completely agree, our longer term thesis remains intact on growth margins.

Grace Fulton: (Goldman Sachs, Analyst) Okay, so just to be clear, FY21 to FY22 can you just talk about that?

Emma Clark: Look, I think we've demonstrated historically that we are very good at seeking out improvements in our growth margin, we've got really well-established capabilities in the business to do that. We're consolidating on the most recent improvements that we had, but that team will continue to be tasked with finding further improvements. There's also continued scale, so as more product is sold over the marketplaces, we get efficiencies out of that as well. So those things will continue over the longer term to continue to improve our growth margin.

Grace Fulton: (Goldman Sachs, Analyst) Okay, then just pivoting towards marketing, so as you said earlier you expect that it was a little bit lower in the first quarter and a bit of a step up through the rest of the year. You mentioned in the release that you've got targeted levels, can you give any indication what those are? For the two different platforms?

Emma Clark: We don't specifically publicly give out the targeted levels and we do change them internally at times depending on the results that we're actually getting, so it's not a static number that's easy to publish, so to speak. But really, I think the point that we wanted to make sure that everybody understood, was that we have not loosened our requirement for first transaction profitability in terms of marketing spend. So even whilst we're changing our channel mix, we haven't loosened that requirement at all.

Now at the moment we're finding those marketing channels to be less expensive than some of our other historical channels like paid social, so we're getting a benefit from that, and that's what's keeping marketing somewhat low. As we scale them up, they'll probably become a little bit more expensive, but really, it's that first transaction profitability that we have not loosened on at the moment that's impacting that low marketing spend rate.

Grace Fulton: (Goldman Sachs, Analyst) Just in terms of the content partner pipeline, I think you mentioned a new partner you'd recently signed, Barry during the call - I didn't quite catch it, could you maybe just talk about that pipeline a bit more?

Barry Newstead: Sure, so the partner I mentioned was NBCUniversal. I think they're the second or third largest media company out there, so it's a pretty significant player. Really up in the top echelons of the licensing world. I think the pipeline continues to be nice and strong, I think there are other deals of top 10, top 20 players that we're working on in a number of sectors, not just in television and film. So, I think these things are coming. As we said to you previously, or said to the investors previously, these are deals with very large companies, so they can take upwards of a year to get negotiated and finalised, so they do take a little bit of time and effort, but we're confident that they're really valuable over the medium term, as we've seen with Cartoon Network.

Grace Fulton: (Goldman Sachs, Analyst) Okay great.

Operator: Thank you. Once again if you wish to ask a question please press star one on your telephone and wait for your name to be announced. Your next question comes from Tim Piper from Royal Bank of Canada, please go ahead.

Tim Piper: (Royal Bank of Canada, Analyst) Morning team, great result, just a couple of quick questions. Can we just drill down on the $1.3 million of synergy a bit further, just following on from Grace's question there. Can you give us a bit of an idea of what the split is between the supply chain savings you've made within that, and what sort of costs in revenue synergies?

Emma Clark: Yes, certainly Tim. So, as I said the synergies were actually across both businesses, so the supply chain synergies did benefit both Redbubble and TeePublic. They're approximately two thirds of the synergy benefit and the remaining third is the other things that I mentioned.

Tim Piper: (Royal Bank of Canada, Analyst) Okay great thanks, and the cashflow results are particularly strong, just in the context of the way you were talking about cashflow at the end of FY2019 moving in to the first quarter of this year. Were there any sort of one-off timings around working capital payments and receivables within that cashflow number?

Emma Clark: So, there were working capital benefits within that number, and we obviously had seen working capital benefits both from a Redbubble perspective and a TeePublic perspective. For Redbubble, if I drill down to the working capital benefits Redbubble, I interrogated this number in quite some detail - they are in line with the same quarter for prior years, so there's nothing unusual in the number and I also checked obviously that in terms of our flows of payments and everything like that, that we were normal in terms of paying everybody and that was 100% on track as well. So, there's actually nothing abnormal in the result. We continue to grow and that's reflected in the free cashflow that we're generating.

Tim Piper: (Royal Bank of Canada, Analyst) Okay sure, and then just at the top of the release where you referred to both brands being profitable, I assume you're referring to at an Operating EBITDA level?

Emma Clark: That is correct, yes.

Tim Piper: (Royal Bank of Canada, Analyst) Okay great, thanks for that, I'll jump back in to the queue.

Emma Clark: Thanks Tim.

Operator: Your next question comes from Owen Humphries from Canaccord, please go ahead.

Owen Humphries: (Canaccord, Analyst) Hi guys, I thought I might just touch on the PCP obviously was very strong in the first quarter of 2019 in the 40% odd mark, and now we're cycling through that in to the second quarter. Rewind your minds back to last year, I think September, the end of September we saw some issues around the organic traffic and that was flagged in November. Can you maybe just touch on how this quarter's been trending? Are you seeing you're cycling out of that quite well? Just maybe provide a bit of colour how we're seeing the numbers versus the PCP which kind of fell - was hit quite hard last October.

Barry Newstead: Yes, so this call is about last quarter not this quarter, so we're probably going to just say it's probably not a question that we're going to tackle. I think if it seems material that we want to share we will obviously share at the appropriate time.

Emma Clark: Yes, I appreciate it's frustrating for everybody and it's the billion-dollar question on everyone's lips as we go through this quarter. We're keeping our quarterly release update cycle intact, in part because we want to have frequent touch points with everybody. But unfortunately, everyone's just going to have to be patient and wait till we talk to you in January about the holiday quarter.

Owen Humphries: (Canaccord, Analyst) No worries, and maybe obviously you've spent a bit of time calibrating your platform and your tech stack to, particularly on the fulfiller side, to allow you to ramp up the amount of products on your website. You know a strong quarter in terms of incremental products. Just maybe touch on where you could take that to? Like some others have in the hundreds of products, just touch on where you expect it. I know you've kind of said there that you'll ramp up the amount of products being launched, but just the past sort of 12 or 24 months where you see your product numbers going to?

Barry Newstead: As we've talked about really for the last 18 months, there was a priority to get the platform in really good shape to take new products to scale. The 12 products we've launched since since May 1, I think just shows that we're fully backing that. We've achieved what we really wanted to get done - it's actually notable that we're actually going to do more work to make it even more scalable. I think if we look forward two or three years, I think we're talking hundreds of products, and so I think our goal is to really be on a cadence of just increasing the rate at which we're able to launch products for the next few years.

So, I think clearly the expectation next year would be that we would solidly beat the number we've launched this year. That's really fundamentally because as I said before, products are a multiplier of the marketplace, so the artwork goes on, more products, it's a great multiplier. We also think that it's going to be critical on the consumer side to offer a real category experiences, so build out home, build out accessories, build out apparel, these are all areas where I think the more products we have in those categories, the stronger the categories come.

So, it really is, it is core to the future strategy and the platform work has done a lot to help us there. I also think by the way, that a lot of the platforming work we've done on the core customer experience also helps that. Because we're actually going to be able to merchandise these products far, far better than we have been in the past, because our platform is just so much more flexible, and we're going to be able to do things like 3D and potentially augmented reality in previews, because we're really working on a top class platform now.

Owen Humphries: (Canaccord, Analyst) Right good one, okay, and I know in FY19 there was a drag, as you guys were proactively kind of taking down the non-authentic artwork and monitoring that. Obviously just to touch on page number, I've forgot what the page number is, but talking about the growth from authentic sellers increased by 20%, is that for the Redbubble core or is that for the Group of Redbubble?

Barry Newstead: That's just for the Redbubble…

Emma Clark: Redbubble, because we only have the concept of authentic sellers for Redbubble at the moment. TeePublic doesn't have that concept.

Owen Humphries: (Canaccord, Analyst) Good one, and is that 20% constant currency, is it?

Emma Clark: Of course.

Owen Humphries: (Canaccord, Analyst) Good one, great, thanks guys, well done.

Operator: Thank you. Once again if you wish to ask a question please press star-one on your telephone and wait for your name to be announced. Your next question comes from Tim Piper from Royal Bank of Canada. Please go ahead.

Tim Piper: (Royal Bank of Canada, Analyst) Yeah, I'm back, I thought I'd just ask a couple more. Just on the Android update, update on the Android app, has that timeline changed at all? Was it calendar year end also that that was going to be launched?

Barry Newstead: That was hoped, and we haven't changed the timeline on that. So stay tuned.

Tim Piper: (Royal Bank of Canada, Analyst) Okay, sure. Then I guess looking at this EBITDA number $3.7 million for the quarter and market sort of consensus of circa $10 million for the full year, or going to sort of look at extrapolating out and what the EBITDA number is looking like. Your GPAPA is growing at 60% and OpEx is up 22%. From sort of an OpEx perspective and you've provided some detail around marketing spend, but more specifically on OpEx for the remaining quarters of the year. I know there's potentially more OpEx growth within TeePublic, but can you give us a bit more detail around the final quarters of the year for OpEx?

Emma Clark: Yeah, look, it's a good question Tim. So obviously first thing is you need to take the $3.7 million down to $3 million even because of the rent adjustment, right. So just to be really clear on that. Once you look at the $3 million, which is still a very strong result, and we talk about the 22% growth, that's across both paid marketing and operating expenses. If I look at just the operating expense part of that, operating expense growth was very very low. So that we've managed to get a good tail wind from that in the quarter and that has definitely contributed to the strong EBITDA result.

In terms of what that then looks like, I expect that we will - we've benefited from that for a period of time. Our OpEx growth will start to creep back up again. We do have some vacancies internally that we're currently recruiting for which are impacting that number. We’re allowing that recruitment to continue.

In terms of then, is there a step change up in OpEx later on in the year - that's really going to come down to how we see the next quarter, how the growth rates rebound on Redbubble and therefore what the forecast is going to look like for the rest of the year and how much we can actually grow within our internal cash flow generation. So we're keeping a really closes eye on that. At the moment I'm holding the purse strings on OpEx very very tightly.

Tim Piper: (Royal Bank of Canada, Analyst) Okay, understood. Just one final one further on the content partners. I think you’ve talked about 620,000. Is that products in terms of the number of active works on the website? Is that what we're comparing that number to?

Barry Newstead: Yes, it's really the number of SKUs that are available. So it's the combination of the licensed works themselves and the products that they're on.

Tim Piper: (Royal Bank of Canada, Analyst) So is there 620,000 in…

Barry Newstead: Yeah, so you might one image from Alfred Hitchcock, which by the way is one of my favourite Fan Art deals that we've got, and very, but dating me I guess. But that would be that one image on a sticker and a poster and a t-shirt that would be three units - just so it’s clear what that really is.

Tim Piper: (Royal Bank of Canada, Analyst) Okay, got it. Great, thanks again.

Operator: Thank you. There are no further questions at this time.

Barry Newstead: Great. Well, thanks everybody. Thanks for the early start for those of you who are in Australia, and hopefully a more humane time for those of you in other parts of the world, in North America. Really, as I said, we are really thrilled with the milestone we have achieved this quarter. We're feeling confident about the direction of the business, I think in the short term - but I think most critically in the medium term to long term - we're super excited about where we are and we think the prospects are very strong.

So we look forward to continuing to keep investors updated and progressing the business. So I hope everybody has a wonderful day.

End of Transcript