



## Half Year FY2020 Update

- RB Group delivers HY Operating EBITDA of \$10.1 million
- RB Group Total Revenue growth of 25% and Marketplace Revenue growth of 26%<sup>1</sup>
- RB Group has reviewed its strategy and looks to enhance growth by:
  - Increasing focus on SEO, performance marketing and improving customer experience
  - Accelerating the launch of new products
  - Increasing investment in the fast growing Content Partnerships and licensed fan art segment
- 3Q QTD has seen encouraging growth for the Redbubble branded marketplace

**Melbourne, Australia; 26 February 2020:** 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 half (HY or 1H) ended 31 December 2019. The financial results have been subject to audit review (unless otherwise noted) and strategic and operational metrics are from internal management reports and have not been subject to audit review.

### HY FY2020 Financial Performance

Core Redbubble Group's ("RB Group" or "Group") HY FY2020 financial metrics (with YoY growth rates<sup>1</sup>, where applicable) are:

- Total Revenue of \$213 million, up 25% (up 20% on a constant currency basis<sup>2</sup>)
- Marketplace Revenue of \$180 million, up 26% (up 21% on a constant currency basis)
- Gross profit of \$66 million, up 27% (up 23% on a constant currency basis)
- Gross profit margin up 0.3pp to 36.7% (based on Marketplace Revenue)
- Operating EBITDA profit of \$10.1 million, an improvement of \$3.2 million from a 1H FY2019 profit of \$6.9 million<sup>3</sup>
- EBITDA profit of \$4.3 million, an improvement of \$1.1 million from a 1H FY2019 profit of \$3.2 million<sup>3</sup>
- Free cash flow result of \$36.6 million<sup>4</sup>, improving from \$25.8 million in 1H FY2019<sup>5</sup>

<sup>1</sup> YoY growth rates based on TeePublic contributions from 1 Nov 2018.

<sup>2</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.

<sup>3</sup> Following the accounting change (AASB 16) effective 1 July 2019, lease charges have been shifted below the EBITDA line and this had a net impact of \$0.3m on the YoY comparison of both metrics. That is, this boosted both Operating EBITDA and EBITDA by \$1.4 million in 1H FY2020 and 1H FY2019 comparative figures were adjusted upwards by \$1.1 million.

<sup>4</sup> Aggregate operating and investing cash flows. FY19 figures exclude consideration for TeePublic.

- Closing cash balance at 31 December 2019 was \$65.2 million

The Group's Marketplace Revenue growth was the result of strong trading continuing at TeePublic, whilst growth headwinds seen at Redbubble and disclosed in early December persisted through the remainder of the month. Since then, in the 3Q QTD, the Redbubble branded marketplace has seen encouraging topline growth above 1H trends.

The Redbubble branded marketplace maintained its economics despite the recent growth headwinds, whilst the TeePublic branded marketplace has been an excellent contributor to Group financial performance. RB Group's take rate<sup>6</sup> remain strong. At the Group level, 1H GP margins benefited from enhanced scale, whilst efficient and profitable paid marketing efforts have seen GPAPA<sup>7</sup> grow at 26%, a similar rate to both Marketplace Revenue and Gross Profit. The Group's positive 1H Operating EBITDA results were driven by profitability across both Redbubble and TeePublic branded marketplaces.

Further 2Q and 1H FY2020 numbers and analysis are provided in the attached presentation and can be referenced in the Director's Report and 4D Financial Statements.

### Business Update

RB Group continues to demonstrate progress in areas that are critical to marketplace growth and capturing the business's long term potential.

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

- **Artists:** Product Revenue<sup>8</sup> from authentic sellers<sup>9</sup> on Redbubble grew by 15% in 1H FY2020 and now represent 66% of Redbubble Product Revenue
- **Membership:** During 1H, Marketplace Revenue from members<sup>10</sup> grew by 64%, being 42% of Redbubble Marketplace Revenue, and there were 5.2 million active members on Redbubble during 1H
- **Mobile App:** Marketplace Revenue from Redbubble apps saw growth of 122% in 1H and represented 10% of Redbubble Marketplace Revenue. The Redbubble Android app had launched in October 2019
- **Marketing:** RB Group remains profitable on the first transaction and 1H marketing spend was 11.0% of Marketplace Revenue, below many online marketplace and ecommerce peers
- **Content Partners:** RB Group has on-boarded a total of 58 brands, with 3 new brands added in 2Q. Licensed content grew to 720,000, up 32% QoQ

<sup>5</sup> The AASB 16 change also increased 1H FY2020 free cash flows by \$1.3 million, and 1H FY2019 comparative figures adjusted upwards by \$1.0 million.

<sup>6</sup> Take rate is defined as Gross Profit as % of Gross Transaction Value. Gross Transaction Value less Taxes and Artist Revenue is equal to Marketplace Revenue.

<sup>7</sup> Gross Profit After Paid Acquisition (Marketing).

<sup>8</sup> Does not include shipping income.

<sup>9</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.

<sup>10</sup> Marketplace Revenue from Members comes from Redbubble only and contribution is measured on a Redbubble basis only.

- **New Products:** 12 new products launched since May 2019. New products across the Group contributed ~\$10 million in 1H Group Marketplace Revenue representing ~6%

For the TeePublic branded marketplace, 1H efforts focused on the following aspects:

- **Paid Marketing:** Driving strong growth profitably across paid channels, particularly Google Shopping
- **Europe:** Benefitted from roll out of geo-location redirect and localised currencies in UK, EU, Canada and Australia
- **New Products:** 2 new products launched during 1H (magnets and pins) exceeded expectations
- **Supply Chain:** Leveraged Group scale and network during the peak holiday season to meet the surge in volumes

### Strategic Update

RB Group Board and management have completed a review of the company strategy. The business has established strong fundamentals and is committed to investing and realising its full potential. Efforts continue to grow the customer base and enhance the user experience. SEO and performance marketing remain important growth drivers for RB Group. Progress is also being made in areas of strategic focus that are critical to driving long term marketplace growth.

At its core, the Group is a business powered by high quality content, launching new products and increasingly, Content Partnerships enabling licensed fan art. The strategy review supported the work the company has already progressed in new product capabilities and in the Content Partnerships business. These initiatives will fill sizable gaps in RB Group's content library and each area represents a large and sustained pool of high ROI growth. Therefore the company's focus remains on continuing to invest in its current growth initiatives, with RB Group seeking to establish authoritative positions in key content and product categories. There is significant value across these initiatives, with increasing upside as they reach and gain scale to further propel the flywheel.

### Looking Forward

The business is focused on both short term execution consistency and delivering on long term growth investments. The balancing act that is required may continue to see growth variability in the near term, even as some of the prior strategic work generates impact.

Looking ahead to the second half of FY2020, key priorities are:

- Increasing focus on SEO, performance marketing and improving customer experience
- Accelerating the launch of new products
- Increasing investment in the fast growing Content Partnerships and licensed fan art segment

This announcement was authorised for lodgment by Redbubble Limited's Board of Directors.

**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 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 HY Update

26 February 2020

\* Financial results have been subject to audit review (unless otherwise noted) and strategic and operational metrics are from internal management reports and have not been subject to audit review



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



# Highlights from 1H FY2020

(with Year on Year comparisons shown)

Gross Transaction  
Value

**\$232m**

Marketplace  
Revenue<sup>1</sup>

**\$180m**

▲26% floating  
▲21% cc<sup>2</sup>

Operating  
EBITDA<sup>3</sup>

**\$10.1m**

▲46%

Free  
Cash Flow<sup>4</sup>

**\$36.6m**

▲42%

Sales growth  
from Apps<sup>5</sup>

**122%**

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

**64%**

Content Partnerships  
brands on-boarded

**58**

as at 31 December 2019

New products  
contribution to 1H

**~\$10m**

In Marketplace Revenue

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.

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 this had a net impact of \$0.3m on the YoY comparison of both metrics. That is, this boosted both Operating EBITDA and EBITDA by \$1.4 million in 1H FY2020. Historical comparative figures were also adjusted upwards, including by \$1.1 million in 1H FY2019.

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.

# 1H FY2020 RB Group financial summary

(with Year on Year comparisons shown)

## Marketplace Revenue<sup>1</sup>

**\$180m**

▲26% floating  
▲21% CC<sup>2</sup>

## Gross Profit

**\$66m**

▲27% floating  
▲23% CC<sup>2</sup>

## Operating EBITDA<sup>3</sup>

**\$10.1m**

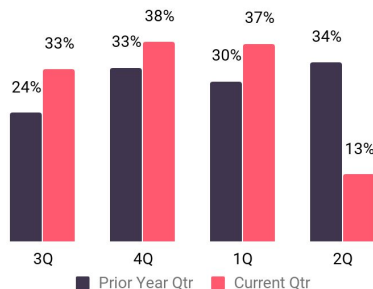
▲\$3.2m

## Free Cash Flow<sup>4</sup>

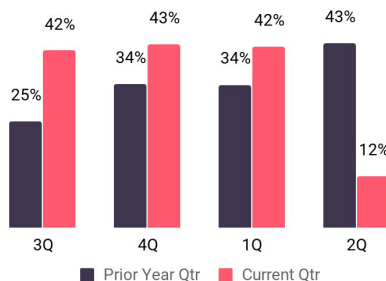
**\$36.6m**

▲\$10.8m

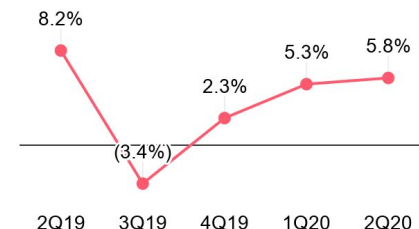
## Marketplace Revenue<sup>1</sup> growth CC<sup>2</sup>



## 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.

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# Topline driven by strong TeePublic growth



HY  
FY2020

**\$133m**

▼1% CC<sup>2</sup>  
YoY



HY  
FY2020

**\$47m**

▲55% CC<sup>2</sup> YoY  
1H19<sup>3</sup> to 1H20 like-for-like comparison

▲210% CC<sup>2</sup> YoY  
based on ownership from 1 Nov 2018

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.

3. TeePublic figures prior to 1 Nov 2018 are from internal management reports and have not been subject to audit review.



# HY FY2020 RB Group operational summary

(with Year on Year comparisons shown)

## ARTISTS & CONTENT

Active works

**27.7m**

▲41%

Selling artists

**350k**

▲31%

## LOYAL CUSTOMERS

Mobile Marketplace  
Revenue (MP Rev) growth

**36%**

(51% of MP Rev)

Unique  
Customers

**3.7m**

▲11%

Repeat MP  
Rev growth

**18%**

(40% of MP Rev)

Marketing as % of MP Rev

**11.0%**

▲0.3pp

 **REDBUBBLE**  
only

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

**42%**

▲15pp

Active  
Members  
on Redbubble

**5.2m**

▲70%

Member MP Rev  
/ Active Member

**\$10.70**

▼4%

## FULFILLMENT & OPERATIONS

Customer NPS<sup>2</sup>

**61**

▼7pts

Take rate<sup>3</sup>

**28.5%**

▼0.1pp

Gross Profit margin<sup>4</sup>

**36.7%**

▲0.3pp

Notes: Metrics shown are for the six months ending 31 December 2019, with growth rates shown on a Year on Year basis, as compared to the six months ending 31 December 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. Redbubble basis only. TeePublic NPS has not been updated since CY2018 survey.

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

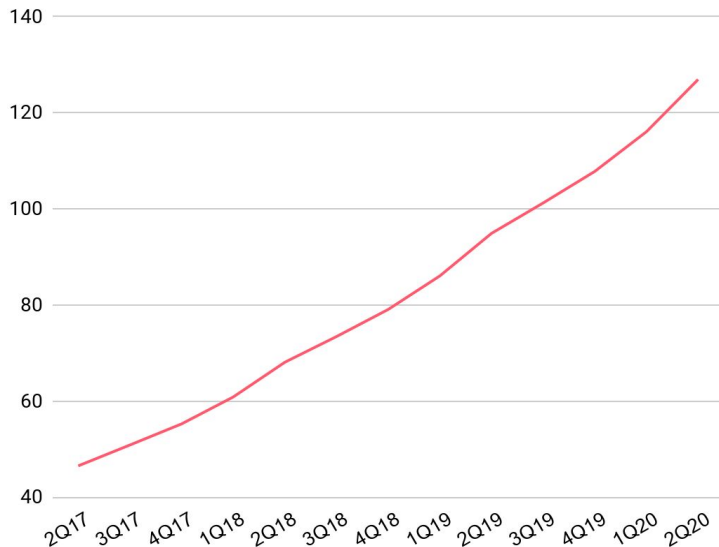
4. Based on Marketplace Revenue.

# Grow authentic sellers

Tend to offer high quality, original works which resonate with customers

Continuing to grow core segment of high performing authentic sellers<sup>1</sup>

Total authentic sellers  
('000, 2Q FY17 - 2Q FY20)



Sales from this segment represent significant contributions to the topline

# 66%

of Redbubble 1H FY20 sales made by authentic sellers<sup>2</sup>

# 15%

Redbubble 1H FY20 growth in sales by authentic sellers<sup>2</sup>



Source: RB internal data.

Notes:

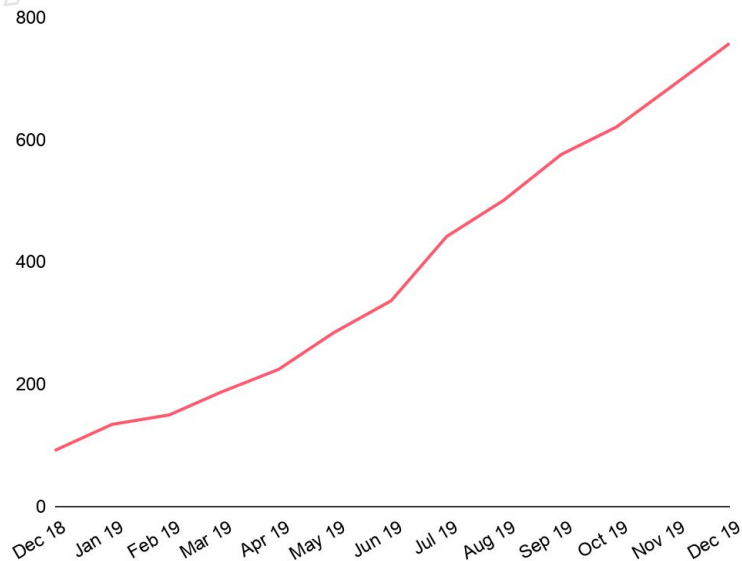
1. Count of Redbubble artists who have met the criteria to be authentic sellers. TeePublic artists are yet to be segmented.

2. Redbubble Product Revenue is used as a proxy for Redbubble sales and does not include shipping income.

# More content partners and increase licenced content

## Focus has been on-boarding brands and growing RB Group's licensed content

Pieces of licensed content<sup>1</sup>  
('000, Dec 2018 - Dec 2019)



Source: RB internal data.

Notes:

<sup>1</sup> Content refers to product and work combinations.

## Current portfolio of 58 brands

Select brands shown below



BILLIONS



CRIMINAL MINDS

CONAN



FULL FRONTAL  
WITH SAMANTHA BEE



## The opportunity

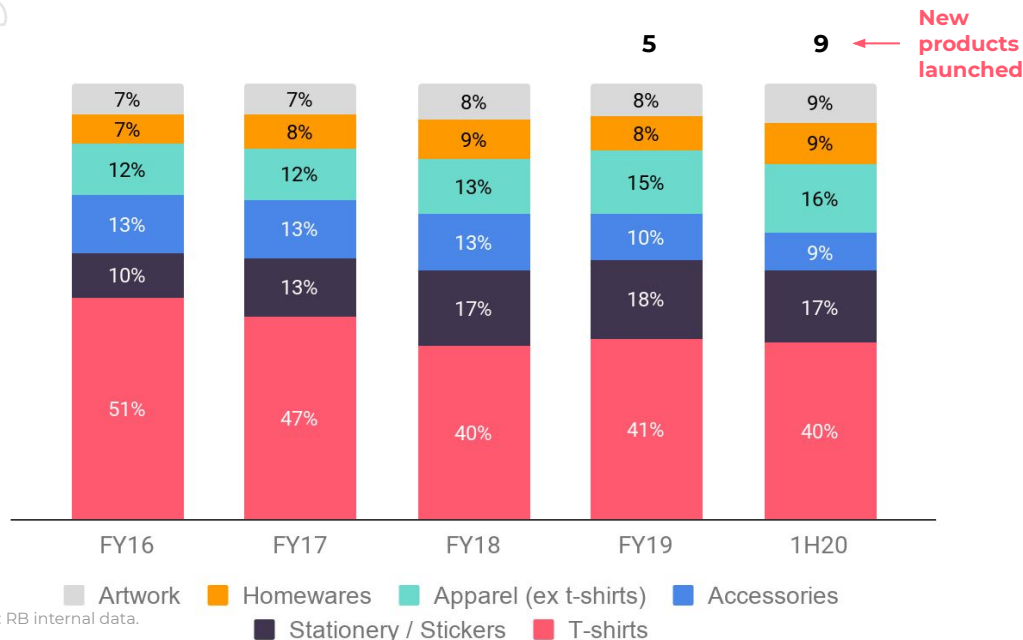
- Further monetisation of existing brands
- Integration into core RB Group marketing and SEO capabilities
- New partners and verticals targeted in CY2020
- Potential to bring many more brands into the pipeline

# More new products more quickly

By accelerating launch cycle

Group has reignited new product launches and 14 new products have been launched since May 2019

Product Contribution  
(% of Marketplace Revenue, FY16 - 1H20)



1H already benefiting from new product contributions

## \$10m

MP Revenue from new products contributed 6% in 1H alone

The opportunity

## 15-20+

New products planned for launching in CY2020

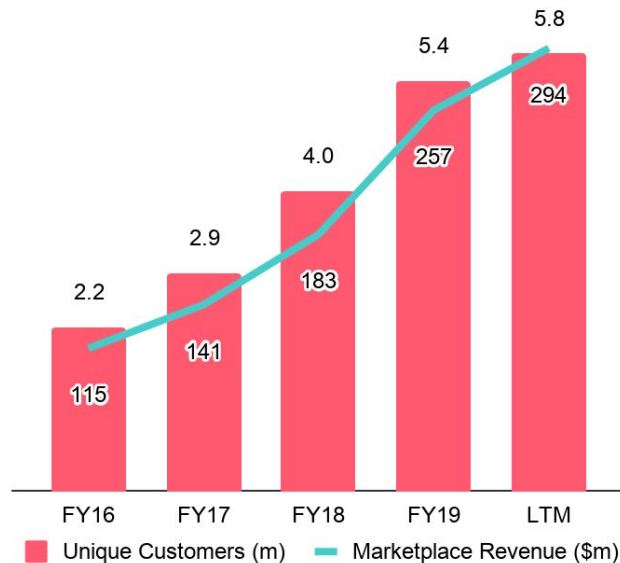
with hundreds more in the pipeline

# Continue to grow customer base

With upside potential from improving the user experience

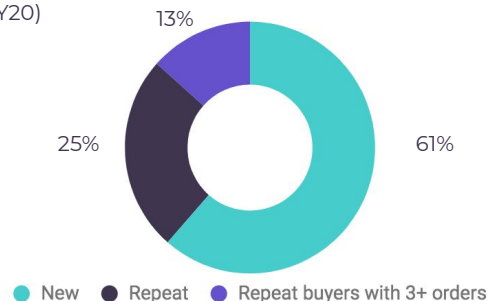
## RB Group marketplaces are online shopping destinations for 5.8 million unique customers

Unique customers<sup>1</sup>  
(in millions, FY16 - LTM as at 1H FY20)



## The opportunity

Redbubble orders by customer type  
(As at 2Q FY20)



Further upside potential from improving the user experience and engaging more deeply

# 1.1

Average orders per customer in 2Q FY20  
(Redbubble only)

Source: RB internal data.

Note:

1. Defined as an unique email address. Does not account for overlaps between Redbubble and TeePublic.

2. Returning buyers with 3+ purchases within CY19, i.e. LTM.



# Q&A

for personal use only

Images sourced from social media channels.



## Appendices



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

P&L (A\$M)	2Q		YOY (2Q FY20 v 2Q FY19)	1H		YOY (1H FY20 v 1H FY19)
	FY19 <sup>1</sup>	FY20	Growth	FY19 <sup>1</sup>	FY20	Growth
Total Revenue	111.1	129.5	17%	170.7	213.5	25%
Less: Artist Revenue	(17.5)	(19.7)	13%	(27.8)	(33.5)	21%
Marketplace (MP) Revenue	93.7	109.8	17%	142.9	180.0	26%
Gross Profit	34.1	39.5	16%	52.1	66.1	27%
GP % (on MP Revenue)	36.4%	36.0%	(0.4)pp	36.4%	36.7%	0.3pp
Paid Acquisition (Marketing)	(10.0)	(13.3)	33%	(15.4)	(19.9)	29%
GPAPA (Gross Profit after Paid Acquisition)	24.1	26.2	9%	36.7	46.3	26%
GPAPA % (on MP Revenue)	25.7%	23.9%	(1.8)pp	25.7%	25.7%	0.0pp
Operating Expenses <sup>2</sup>	(16.4)	(19.8)	21%	(29.8)	(36.2)	22%
Operating EBITDA <sup>3</sup>	7.7	6.4	(17%)	6.9	10.1	46%
Operating EBITDA % (on MP Revenue)	8.2%	5.8%	(2.4)pp	4.8%	5.6%	0.8pp
Other Income/Expenses <sup>4</sup>	(2.7)	(4.2)	55%	(3.8)	(5.8)	54%
EBITDA (Loss)/Profit <sup>3</sup>	5.0	2.1	(57%)	3.2	4.3	37%

Notes:

1. FY19 results include TeePublic from 1 November 2018 onwards.

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 had a net impact of \$0.3m on the YoY comparison of both metrics. That is, this boosted both Operating EBITDA and EBITDA by \$1.4million in 1H FY2020 and 1H FY2019 comparative figures were also adjusted upwards by \$1.1 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
- **Authentic sellers:** 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
- **Sales from authentic sellers:** based on Redbubble Product Revenue (i.e. does not include shipping income) from authentic sellers at Redbubble
- **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
- **Members as % of Redbubble Marketplace Revenue:** Marketplace Revenue from member purchases divided by total Redbubble Marketplace Revenue from all purchases for the period
- **Active members on Redbubble:** unique members who visited either the web or app platform while logged in at least once during the period
- **Member Marketplace Revenue per active member:** Marketplace Revenue from member purchases divided by active members for the period
- **Redbubble NPS:** Sales-weighted average NPS for survey responses received during the period (as approximated by responses to orders shipped one month earlier)

# 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.