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## **REDBUBBLE ANNOUNCES ACQUISITION OF TEEPUBLIC AND CAPITAL RAISING**

- **Redbubble Limited (ASX: RBL) (“Redbubble”) has entered into a binding agreement to acquire TP Apparel LLC and TP Apparel Europe Ltd (“TeePublic”) for US\$41.0 million in cash (A\$57.7 million)<sup>1</sup> (“Acquisition”)**
- **Strategically compelling acquisition expands Redbubble’s online marketplace to connect more independent artists with passionate fans across the world**
  - ✓ Creating a compelling digital platform for independent artists and customers and accelerating the Redbubble flywheel
  - ✓ Wider market coverage across two brands and improved competitive positioning
  - ✓ Leverage greater scale to optimise strategic third party fulfilment relationships globally
  - ✓ Opportunities to achieve operating leverage from shared technology and investments
  - ✓ Strong cultural alignment and team fit
- **TeePublic has an attractive financial profile:**
  - ✓ Strong topline growth (57% YoY in 1Q FY19), operating EBITDA profitability and positive cashflows<sup>2</sup>
  - ✓ Pro-forma FY18 Revenue of US\$25.5 million (33% YoY growth) and pro-forma FY18 Operating EBITDA of US\$3.3 million (33% Operating EBITDA / Gross Profit margin)<sup>2</sup>

<sup>1</sup> Converted at US\$:A\$ exchange rate of 0.71:1.

<sup>2</sup> TeePublic metrics based on 12 months ended 30 June and 3 months ended 30 September, adjusted for Redbubble’s reporting standards; TeePublic’s financial results have been derived from its unaudited management accounts; TeePublic’s Revenue is prepared on a consistent reporting basis with Redbubble’s Product and Shipping Revenue. Investors should be aware that certain financial measures included in this announcement are ‘non-IFRS financial information’ under ASIC Regulatory Guide 230: ‘Disclosing non-IFRS financial information’ published by ASIC and also ‘non-GAAP financial measures’ within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934, as amended, and are not recognised under Australian Accounting Standards (AAS) and International Financial Reporting Standards (IFRS). The non-IFRS financial information/non-GAAP financial measures include Operating EBITDA, GTV. Redbubble believes the non-IFRS financial information/non-GAAP financial measures provide useful information to users in measuring the financial performance and conditions of Redbubble. The non-IFRS financial information/non-GAAP financial measures do not have a standardised meaning prescribed by AAS and IFRS. Therefore, the non-IFRS financial information is not a measure of financial performance, liquidity or value under the IFRS and may not be comparable to similarly titled measures presented by other entities, and should not be construed as an alternative to other financial measures determined in accordance with AAS or IFRS. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information/non-GAAP financial measures included in this announcement.

- ✓ In FY19, Redbubble is expected to achieve a faster Revenue growth rate and generate higher gross margins and Operating EBITDA / Gross Profit margins as a result of the acquisition of TeePublic due to the underlying financial profile of the TeePublic business
- **The acquisition and associated transaction costs will be funded through a combination of a fully underwritten A\$24.6 million pro-rata non-renounceable Entitlement Offer to existing eligible shareholders and a fully underwritten A\$36.0 million Placement to institutional investors**

**Melbourne, Australia; 24 October 2018:** Redbubble has entered into a binding agreement to acquire TeePublic for US\$41.0 million in cash (A\$57.7 million)<sup>1</sup>. The cash consideration consists of US\$35.0m to be paid at completion and US\$6.0m to be paid 18 months post-completion, of which US\$3.0m will be subject to set-off for any indemnification obligations of the sellers.

TeePublic is a three-sided global online marketplace that enables artists from around the world to sell their designs on 45 products produced and fulfilled by a network of third party suppliers. TeePublic was founded in 2013 and has a workforce of 38 with its headquarters in New York City. In FY18, TeePublic generated pro-forma Revenue of US\$25.5m, pro-forma Gross Profit of US\$10.0m and pro-forma Operating EBITDA of US\$3.3m<sup>2</sup>. TeePublic had 1Q FY19 pro-forma Revenue growth of 57% YoY and pro-forma Operating EBITDA / Gross Profit margin of 33%<sup>2</sup>.

Redbubble's current intention is to maintain and grow the TeePublic business as part of a multi-brand strategy. The TeePublic business will continue to be run by Adam Schwartz, TeePublic's co-founder and current Chief Operating Officer (COO).

The acquisition is expected to complete in early November 2018, subject to the satisfaction of customary conditions precedent.

### **The acquisition is supported by strong strategic and financial rationale**

- **Creating a compelling digital platform for independent artists and customers and accelerating the Redbubble flywheel**
  - ✓ Broader reach and more opportunities to make Redbubble+TeePublic the predominant online destination for independent artists
  - ✓ Expands existing content library and provides pathway for broader content partnership opportunities
  - ✓ Potential to offer more creative content and more products to more customers
- **Wider market coverage across two brands and improved competitive positioning**
  - ✓ Developing differentiated brand positions and customer segments over time
  - ✓ Strengthen our joint competitive and supply chain positions in our core US markets
  - ✓ Leverage Redbubble's experience and previous investments to grow the TeePublic business
- **Compelling financial metrics<sup>2</sup>**
  - ✓ Strong topline growth (57% YoY pro-forma Revenue growth in 1Q FY19), operating EBITDA profitability and positive cashflows
  - ✓ Pro-forma FY18 Revenue of US\$25.5 million (33% YoY growth) and pro-forma FY18 Operating EBITDA of US\$3.3 million (33% Operating EBITDA / Gross Profit margin)

- **Leverage greater scale to optimise strategic third party fulfilment relationships globally**
  - ✓ Opportunities to further strengthen Redbubble's third party fulfilment network, increase fulfilment efficiency and reduce costs
  - ✓ Accelerate TeePublic's future expansion with new products and new geographies
- **Opportunities to achieve operating leverage from shared technology and investments**
  - ✓ Adds new talent to the Redbubble team and expands platform to drive efficiencies in data science, mobile, marketing and customer support
  - ✓ Unlocking potential cost synergies over time as TeePublic leverages Redbubble's infrastructure to increase operating leverage as it continues strong growth
- **Strong cultural alignment and team fit**
  - ✓ Great cultural fit between two companies with the same mission and similar growth history
  - ✓ High quality management in place at TeePublic and opportunity for Redbubble to add insights/value

### **Redbubble+TeePublic – Integration, synergy potential and operating plan**

- **TeePublic to operate semi-autonomously and continue to be run by Adam Schwartz, TeePublic's co-founder and current COO**
  - Co-founder, Josh Abramson, will remain with TeePublic until the end of December to enable a smooth transition of his responsibilities to Adam Schwartz and Redbubble's legal team. A discussion about an ongoing role will be had in January
  - Key management committed to the business: CTO, Director of Ops, Director of Marketing, part-time CFO
- **Develop multi-brand strategy powered by shared artist community and fulfilment network**
  - Maintain and foster differentiated brand positions to reach a wider customer base
  - Powered by one artist community, a global fulfilment network and a core technology platform
- **Redbubble to support TeePublic growth into new markets and new products, enable business scaling by leveraging Redbubble technology experience, operational scale and content partnerships**
- **Synergy potential over time in:**
  - Third party fulfilment efficiencies and further economies of scale
  - Customer service and support
  - Technology platforms and data science capabilities
  - Artist on-boarding and portfolio management
  - Search engine optimisation and marketing know-how
  - New product launches, as well as geographic and language expansion
  - Marketing channels and campaign

### **Barry Newstead, CEO & Managing Director of Redbubble, said:**

*"TeePublic is a very attractive strategic fit for Redbubble and we see tremendous potential in the combination of the businesses. The opportunity to serve our artists and customers alongside TeePublic to generate even more momentum in our combined businesses is compelling. This acquisition enables us to accelerate our marketplace flywheel together and emerge as the platform with scale to disrupt mainstream retail commerce."*

*“TeePublic and Redbubble have strong cultural fit, highly complementary business models and are strategically aligned with the same mission – to create the world's largest marketplace for independent artists. We are excited to welcome the TeePublic team to Redbubble in due course.”*

**Richard Cawsey, Non-executive Director & Chair of the Board of Redbubble, said:**

*“The Redbubble Board has been actively engaged and is highly supportive of the acquisition as a great opportunity to accelerate Redbubble’s mission. We are excited about the potential that this combination has to create value for Redbubble shareholders both in the short-term and over the long-term.”*

**Josh Abramson, Co-Founder & CEO of TeePublic, added:**

*“I am so proud of our team for what we have created for designers since we founded TeePublic in 2013. It a big step forward for TeePublic to combine with such a mission-aligned partner in Redbubble. From the moment we met, the two teams have worked effectively together and we are committed to ensuring a smooth transition. I look forward to following the successes of TeePublic under Adam’s continued leadership with the benefit of the broader Redbubble team.”*

**Adam Schwartz, Co-Founder & COO of TeePublic, added:**

*“The TeePublic team is excited and energised to be combining with Redbubble at such an important stage of our respective growth trajectories. We look forward to partnering with Redbubble to bring more creativity into the world, leveraging our shared capabilities to support the artist and designer community. Redbubble’s experiences in growing its own business and developing its technology platform are a great fit for supporting TeePublic on the next steps in our journey.”*

## **Transaction funding**

The acquisition is expected to be funded through a combination of a fully underwritten A\$36.0 million institutional placement (“**Placement**”) and a fully underwritten A\$24.6 million, 1 for 13 pro rata accelerated non-renounceable entitlement offer (“**Entitlement Offer**”) (together, the “**Equity Raising**”). Approximately 40.4 million new fully paid ordinary shares in Redbubble (“**New Shares**”) will be issued under the Equity Raising.

The Equity Raising will be conducted at A\$1.50 per New Share (“**Offer Price**”), which represents a discount of:

- 10.4% to the last close of A\$1.675 on 23 October 2018; and
- 8.9% to the theoretical ex-rights price (“**TERP**”) (including the Placement).<sup>3</sup>

Following the transaction, Redbubble will remain debt free, with A\$28.5 million cash expected on the balance sheet as at pro-forma 30 September 2018<sup>4,5</sup> to support working capital needs and growth initiatives. Further details on transaction funding are set out in the table below.

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<sup>3</sup> TERP is the theoretical price at which Redbubble shares should trade after the ex-date for the Entitlement Offer based on the last traded price and issuance of shares at the Offer Price under the Equity Raising. TERP is a theoretical calculation only and the actual price at which Redbubble shares trade immediately after the ex-date for the Entitlement Offer may be different from TERP.

<sup>4</sup> Adjusting Redbubble’s 30 September 2018 cash balance for the cash raised from the Entitlement Offer and Placement, the portion of the purchase price due at completion and estimated transaction costs.

<sup>5</sup> Including the A\$8.5 million (US\$6.0 million) deferred consideration amount.

Uses of funds	A\$ million <sup>6,7</sup>	Sources of funds	A\$ million
TeePublic purchase price	57.7	Placement	36.0
Transaction fees	4.8	Entitlement Offer	24.6
		Redbubble cash	2.0
<b>Total uses</b>	<b>62.6</b>	<b>Total sources</b>	<b>62.6</b>

### Details of the Entitlement Offer

Under the Entitlement Offer, eligible shareholders are invited to subscribe for 1 New Share for every 13 existing Redbubble shares held as at 7.00pm (AEDT) on Monday, 29 October 2018 (**Entitlements**). All New Shares in the Entitlement Offer will be issued at a price of A\$1.50 per New Share.

The Entitlement Offer will consist of:

- An accelerated institutional component to be conducted from Wednesday, 24 October 2018 to Thursday, 25 October 2018 ("**Institutional Entitlement Offer**"), and
- A retail component which will open on Wednesday, 31 October 2018 and close at 5.00pm (AEDT) on Wednesday, 14 November 2018 ("**Retail Entitlement Offer**")

Each New Share will rank equally with existing shares on issue. The commencement of quotation of New Shares under the Entitlement Offer is subject to confirmation from the ASX.

### Institutional Entitlement Offer

The Institutional Entitlement Offer opens on Wednesday, 24 October 2018 and closes on Thursday, 25 October 2018.

Entitlements not taken up under the Institutional Entitlement Offer or attributable to institutional shareholders that were not entitled to participate in the Institutional Entitlement Offer will be offered to eligible institutional investors (including institutional shareholders who have subscribed for their Entitlements) at the Offer Price.

### Retail Entitlement Offer

The Retail Entitlement Offer opens on Wednesday, 31 October 2018 and closes at 5.00pm (AEDT) on Wednesday, 14 November 2018. Only those retail shareholders with registered addresses in Australia and New Zealand ("**Eligible Retail Shareholders**") will be eligible to participate in the Retail Entitlement Offer.

<sup>6</sup> Reflects a purchase price of US\$41.0 million at a US\$:A\$ exchange rate of 0.71:1. Purchase price to be made in two payments; US\$35.0 million on completion and US\$6.0 million to be paid 18 months post completion, including US\$3.0 million subject to potential set-off for vendor indemnity obligations. Payments are not subject to any earn out or other conditions other than customary conditions precedent to transaction close.

<sup>7</sup> Redbubble has purchased a call option and effectively hedged US\$34.0 million of the upfront cash consideration at a minimum US\$:A\$ rate of 0.71:1.

Eligible Retail Shareholders wishing to participate in the Retail Entitlement Offer should carefully read the retail offer booklet and accompanying personalised entitlement and acceptance form, which are expected to be despatched on Wednesday, 31 October 2018. Copies of the retail offer booklet will also be available on the Company’s ASX announcements platform.

## Key dates

<b>Event</b>	<b>Date</b>
Trading halt and announcement of the Acquisition, Placement and Institutional Entitlement Offer opens	<b>Wednesday, 24 October 2018</b>
Placement and Institutional Entitlement Offer closes	<b>Thursday, 25 October 2018</b>
Announcement of results of Institutional Entitlement Offer and Placement	<b>Monday, 29 October 2018</b>
Trading halt lifted – shares recommence trading on ASX on an “ex-entitlement” basis	<b>Monday, 29 October 2018</b>
Record Date for determining entitlement to subscribe for New Shares (7pm)	<b>Monday, 29 October 2018</b>
Retail Entitlement Offer opens	<b>Wednesday, 31 October 2018</b>
Retail Offer Booklet (including Entitlement and Acceptance Form) despatched	<b>Wednesday, 31 October 2018</b>
Settlement of Placement and Institutional Entitlement Offer	<b>Friday, 2 November 2018</b>
Allotment and commencement of normal trading of New Shares issued under the Placement and Institutional Entitlement Offer	<b>Monday, 5 November 2018</b>
Retail Entitlement Offer closes	<b>Wednesday, 14 November 2018</b>
Announcement of results of Retail Entitlement Offer	<b>Monday, 19 November 2018</b>
Settlement of New Shares under the Retail Entitlement Offer	<b>Tuesday, 20 November 2018</b>
Allotment of New Shares under the Retail Entitlement Offer	<b>Wednesday, 21 November 2018</b>
Commencement of normal trading of New Shares issued under the Retail Entitlement Offer	<b>Thursday, 22 November 2018</b>
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	<b>Friday, 23 November 2018</b>

## **Additional details**

Further details of the Acquisition, Entitlement Offer and Placement are set out in the Investor Presentation pack provided to the ASX today. The pack contains important information including key risks and foreign selling restrictions with respect to the Entitlement Offer and Placement.

Greenhill & Co acted as Redbubble's financial adviser on the Acquisition and the Equity Raising. Allens acted as legal adviser to Redbubble on the Equity Raising and Wilson Sonsini Goodrich & Rosati acted as U.S. legal counsel for the Company. Canaccord Genuity and Petra Capital acted as joint lead managers and underwriters to the Entitlement Offer and Placement.

## **Jurisdictional distribution**

This announcement has been prepared for publication in Australia and may not be released to US wire services or distributed in the United States. This announcement does not constitute an offer, invitation or recommendation to subscribe for or purchase any security or financial product and neither this announcement nor anything attached to this announcement shall form the basis of any contract or commitment. In particular, this announcement does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States or any other jurisdiction in which such an offer would be illegal. Any securities described in this announcement have not been, and will not be, registered under the US Securities Act of 1933, as amended (the "**US Securities Act**"), or the securities laws of any state or jurisdiction of the United States. Accordingly, the securities may not be offered or sold directly or indirectly in the United States unless they have been registered under the US Securities Act (which Redbubble has no obligation to do or procure) or are offered and sold in a transaction exempt from, or not subject to, the registration of the US Securities Act and any other applicable United States state securities laws.

## **Forward looking statements**

This announcement contains forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. Forward looking statements should, or can generally, be identified by the use of forward looking words such as "believe", "expect", "estimate", "will", "may", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions, and include but are not limited to the expected outcome of the acquisition. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual outcomes to be materially different from the events or results expressed or implied by such statements. Those risks, uncertainties, assumptions and other important factors are not all within the control of Redbubble and cannot be predicted by Redbubble and include changes in circumstances or events that may cause objectives to change as well as risks, circumstances and events specific to the industry, countries and markets in which Redbubble operates. They also include general economic conditions, exchange rates, interest rates, competitive pressures, selling price, market demand and conditions in the financial markets which may cause objectives to change or may cause outcomes not to be realised. None of Redbubble or any of its subsidiaries, advisors or affiliates (or any of their respective officers, employees or agents) makes any representation, assurance or

guarantee as to the accuracy or likelihood of fulfilment of any forward looking statement or any outcomes expressed or implied in any forward looking statements.

**For further information, please contact:**

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### **About Redbubble**

Founded in 2006, Redbubble is a global online marketplace (redbubble.com) powered by over 700,000 independent artists. Redbubble's community of passionate creatives sell uncommon designs on high-quality, everyday products such as apparel, stationery, housewares, bags, wall art and so on. Through the Redbubble marketplace independent artists are able to profit from their creativity and reach a new universe of adoring fans. For customers, it's the ultimate in self-expression. A simple but meaningful way to show the world who they are and what they care about.