

Redbubble

Consumer
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Expanding universe

Redbubble's (RBL) rapid market growth is driven by three disruptive key trends: customer demand for personally relevant goods; manufacturing- and print-on-demand; and the sharing economy of the internet with economically viable and easily shared technology. These trends mean its individual customised production to order is economically viable. As a result, RBL has a disruptive retail model with long-term growth potential based on low customer acquisition costs, as well as a positive working capital cycle with neither inventory nor warehousing requirements.

A global platform for creative products

Redbubble is a global online marketplace where independent artists upload creative works for production on demand by third-party fulfillers. About 600,000 artists currently use the platform with 28 fulfilment locations. RBL appeals to consumers seeking affordable, distinctive, high-quality products. The model differs from conventional retail in its large range of designs and creative works. The main markets are North America (64% of revenue), the UK, Europe and ANZ.

Strategy: A growing, sustainable, diversified market

The strategy is to build a high-growth, sustainable and diversified marketplace by (1) helping customers 'find their thing'; (2) forming deeper customer relationships to increase their lifetime value; (3) acquiring new customers at low cost; and (4) upscaling the platform, improving economics, speed, affordability and experience.

Rapidly expanding metrics and profit turnaround

H118 web metrics are healthy, with customer numbers +40% y-o-y to 2.4 million, artists +33% to 218,800 and site visits +39% to 127.5m (of which mobile 54%), converting at 2.0%. 46% of sales are from paid sources (although immediately profitable), and cost per paid customer is reducing. Around 65% of selling artists are already on the platform. H118 revenue was +30% at A\$102.3m and EBITDA A\$0.9m (H117: -A\$1.1m). Net cash flow was A\$18.6m positive on seasonal factors.

Valuation: Scalability invites comparison

While RBL was EBITDA positive in H118, consensus forecasts are for maiden FY profit in FY19. Always subject to execution risks of 30% sales growth for the next three years, increasing cost utilisation means forecast ratios are rapidly improving. While still relatively small, the platform has the differentiation to scale and FY18e EV/sales of 1.9x is at a substantial discount to larger, better known platform-based disruptors such as Amazon (3.3x), Just Eat (7.4x), Etsy (6.4x) and Google (6.2x).

Consensus estimates

Year end	Revenue (A\$m)	PBT (A\$m)	EPS (A\$)	EBITDA (A\$)	EV/Sales (x)	P/E (x)	EV/EBITDA (x)
06/17	141.0	(14.2)	(0.04)	(5.0)	2.5	N/A	N/A
06/18e	183.7	(7.4)	(0.03)	(1.3)	1.9	N/A	N/A
06/19e	237.3	1.3	0.01	8.1	1.5	194.0	44.2
06/20e	303.0	12.3	0.05	19.8	1.2	38.8	18.1

Source: Bloomberg

Price **A\$1.94**
Market cap **A\$404m**

Share price graph



Share details

Code RBL
 Listing ASX
 Shares in issue 208.4m

Business description

Redbubble is an online marketplace that facilitates the sale and purchase of art and design on a range of products between independent creatives and consumers. The creative works can be printed on a large range of 64 physical products such as t-shirts, mugs, stickers and phone cases. The products are produced and shipped by third-party service providers (ie product manufacturers, printers and shipping companies) known as fulfillers.

Bull

- Rapid, well differentiated growth.
- Product area ties into contemporary trend for individuality and personal representation, with support for creatives.
- Cash-rich balance sheet.

Bear

- Organisational risks of continued future rapid growth.
- Not yet profitable.
- Proportion of paid customer acquisitions is increasing (although cost per dollar of paid sale is reducing).

Analysts

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