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PRESENTATION

Meredith Mendola - *Vistaprint - VP - IR*

Hello and welcome to Vistaprint's 2012 Investor Day. My name is Meredith Mendola. I am the Vice President of Investor Relations. I would like to welcome our guests here in attendance in New York, as well as those who are on the webcast who are unable to join us in person today. Our presentations will begin in just a few moments after I finish a couple of quick announcements.

First, I would like to introduce today's presenters. Robert Keane is our President and Chief Executive Officer. He founded Vistaprint in 1995 and has been the driving force behind the Company's long track record of profitable growth by creating a disruptive approach to an old fragmented market and by building a winning Company culture.

Wendy Cebula is our Chief Operating Office. She joined the Company in 2000 and over the years has successfully taken on a variety of challenges of the Company, from marketing to manufacturing to technology. Her former roles include President of the North American Business Unit and Chief Information Officer.

Trynka Shineman is our Chief Customer Officer and the President of Vistaprint North America. Trynka joined Vistaprint in 2004 and has been instrumental in helping the Company grow in various marketing roles, including Chief Marketing Officer of North America before assuming her current position. She has been instrumental in crafting Vistaprint's strategy to improve our customer value proposition.

Don Nelson is our Chief Information Officer responsible for the Global Capabilities Team, including software and manufacturing engineering and IT. Don joined the Company in 2006 and has helped shape our success by bringing together people, processes and technology to support marketing, manufacturing and geographic expansion. Prior to joining Vistaprint, he served as Chief Information Officer at Sapient.

Over here to my right is Haroon Mokhtarzada. He's the former CEO of Webs, which Vistaprint acquired on December 28th, 2011. It's only been a couple of short weeks. Haroon co-founded Webs in 2001 with his brothers, Zeki and Idris, while studying for his undergraduate degree at the University of Maryland. Haroon then attended Harvard Law School where he continued building the company while earning his JD.

In 2005, Haroon and his brothers began working on growing the business full time and in 2006 secured venture funding. Webs grew into a leading providing of free websites, serving millions of users, and today has additional products for Facebook Business Pages and CRM. We're very excited to have Haroon here to demonstrate some of Webs' products.

And finally, Ernst Teunissen, our Chief Financial Officer, responsible for all finance functions and corporate strategy. He joined Vistaprint in October of 2009 as the Vice President of Strategy. Prior to that, Ernst was a technology and telecom investment banker, first with Deutsche Bank and then with Morgan Stanley. He began his career in strategy consulting with Monitor Group.

For those here in New York, if you have questions during any of our presentations, please hold them until the Q&A session at the end of the presentations.

Just a couple housekeeping items for those of you here in the room, first, the restrooms are located outside of this room and down the hall to the right. If you need to leave the room, actually please do so in the rear of the room so that we don't interrupt the presenters and the attendees here in the audience. And then finally, please turn your cell phones and BlackBerries to silent mode. Thank you very much.

Before we get started, I'd like everyone to know that during today's event we will make statements about our expectations for the future. Our actual results may differ materially from these statements due to risk factors that are outlined in detail in our SEC filings, and I encourage you to take a look at them. With that, I would like turn the presentation over to Robert Keane.

Robert Keane - *Vistaprint - President, CEO*

So good morning, everyone. Thanks for joining us. I'm very excited to be here, and I think you're going to notice a lot of that excitement in my voice and enthusiasm in the voices of everyone up here on the stage.

And I think it would be good just to start from a personal perspective, giving you some context on why we're so enthusiastic about Vistaprint. And to do so, I'd like to talk a little bit about where we've come from, why we believe so much in the current Vistaprint, but very importantly where we think we're going in the future.

So let me start with where we've come from. If you look from a financial perspective, Vistaprint has had a very long track record of strong growth. If you think of that growth, it's been 100% organic growth until very, very recently. And even this year less than 5% of our revenues will come from acquired growth.

And since the founding of the Company 17 years ago, there's only been one year -- it was in 2001 -- where we didn't grow more than 20% a year. And many of you in the audience have seen Vistaprint since we first went public in September 2005, and that fiscal year ending June 2006 we did $152 million in revenue. This year we'll do more than six times that revenue.

Back then we went public we processed 5 million orders that fiscal year. That's just about the number we did in the last two months of November and December this current fiscal year. In fiscal 2006, the entire year, we served 7.2 million total customers. Last quarter we acquired 2.9 million first time customers.

Six years ago we employed about 700 people in four locations. Today we have about 3,500 people in about 15 different locations. And in our guidance we just reconfirmed on January 26, we believe this year we'll pass an important milestone of $1 billion dollars in revenue in a single fiscal year. So again, it's very much a history of growth.

But importantly, be it any of those milestones or be it the billion dollars or the other operational milestones, they are milestones. They're not our destination, and they simply are marking what we believe is the beginning of the end, I'm sorry, the end of the beginning. I'm just kidding. I'm just riling up the shorts in the audience here. The end of the beginning and really very much the beginning of a very exciting future.

So if I got myself into trouble with the SEC, (inaudible) for that joke, that was a joke. So why do we care so much about growth? We talk about growth, and we say we're into growth so much. That's clearly part of our core strategy. I think it's very important to understand that we don't do growth for growth's sake.

We think in the end it will drive financial returns, but really because we are in a business where scale drives competitive advantage. And we have a very strong business, but it's surrounded by a very deep and wide competitive moat. And at the core of that competitive moat is scale-based advantage.

And as we said many times, the bigger we get the more advantage we have. Let me give you some examples. This year we're going to spend well over $110 million in technology. When you amortize it down, because of our scale, the per order cost is just over $3.

Since our IPO five, six years ago, we've spent $400 million in capital expenditures to automate the production and to get the low cost position that we have. But because of our scale, that comes down to just a little bit more than $2 per order.

In this year alone, we're going to spend $250 million in advertising -- a lot of money -- but when you take it down to a per order basis, the scale allows us to do that for about $25 per customer, which is well below what other companies in a small business space pay to acquire a customer.

And our conviction that even greater scale begets even greater competitive advantage is behind, and was one of the primary reasons behind our strategic decision about eight months ago, to go on the growth path which you're going to hear about today.

So what is this business which we're so enthralled with, and which we are so excited about the future of? At the core of this business, what we do is we help small businesses market their business. And we do this by manufacturing and delivering customized products. Every order is unique for every customer, and the end customer uses it to represent their business.

And importantly, we do this at market leading prices in very, very small individual quantities for each customer. And that is helpful because these customers -- our customers -- tend to be home based, one-person, two-person businesses, where what we call "right for me quantities" are really important.

And looking professional is very important to these people, but they can't afford the traditional graphic artist, the traditional printers, the traditional sign shops, et cetera. And all that looking professional really starts with something we call business identity, which is who are you as a business?

Now, these customers don't have a lot of money, but they do want to look professional. And so what we are able to do is give them that business identity in a very compelling fashion. And thanks to our recent acquisition of Webs, today Vistaprint is a market leader really across a trio of very important and the most important identity products for small businesses, their business cards, their websites and their Facebook Fan Pages.

Millions of times a year a customer comes to us and configures their look and feel on one of these identity products, and it's a gateway into Vistaprint. It delivers great value for our customers. Many times this is free. They look professional, they look great, and they don't pay a lot. Why are we interested in them?

First of all, we like our customers. We want to give that type of value because it builds trust for future business, but we also are able to use the content that is uploaded and designed on our servers in each of three products in the future -- and currently already with business cards -- to match and adapt from one product format to another.

So we automatically render layouts in other product formats. So you start with that business card. We'll offer it could be a banner, a presentation folder, a mug, an embroidered shirt, a hat. And the content elements, things like the graphic design choice, the themes, the photos, the name of the business, all those things in our business card product become resident on our servers and drives this matching.

Looking forward to the future, we certainly expect -- and will be doing this -- with the Webs' products, be it the website product you'll receive today, or the Facebook Pagemodo product you're going to see today.

And once we have that content in our servers we've delivered the first value to our customers. We have a strong relationship with them. The fact that we are a low cost producer in our market allows us to offer very, very low cost per -- have low costs and offer low prices to our customers.

And we've offered this with a really market defining breadth of products. What are these marketing products? They certainly begin with our traditional products that are printed, business cards, presentation folders, flyers and the like. They have products like signs and banners, apparel, promotional giveaway products, digital products like websites, mobile websites, e-mail marketing services, Facebook Fan Pages, local search.

And really it's the market leading breadth of products and services. And it's traditionally very difficult, not only to pay for this type of product for a small business, but to get these because you have traditionally needed to go to multiple different vendors. And we've really become a one stop shop place which gives the coordination graphically, but also it's just the simplicity of buying this all in one basket.

And if you look at this breadth of product and you compare it to the market, the pie chart on the left-hand side of the screen speaks to our surveys of these small businesses and how they spend business. And you see the different splices of the pie chart reflect different components of that market.

The average customer spends about $500 a year marketing their small business. In North America and Europe, there are about 60 million small businesses. And when you multiply the $500 spend per year times that 60 million, it's a $30 billion market. We're coming up on $1 billion, some of which -- I'll talk later on -- is for consumer applications. So we're still a very small portion of that market.

So when we look forward, we set an objective of growing very quickly organically in the future. Once in a while, we may make acquisitions, but those revenues we would see as incremental to our 20% publically announced growth objective. So why are we trying to grow this much?

As I said before, it's really because we believe scale drives competitive advantage. It will strategically put us in a much better position. Secondly and importantly, we very much look to recruit the best and the brightest, and the growth environment of Vistaprint allows us to recruit and retain and motivate that type of talent.

But third and very importantly, from a shareholder perspective, we fundamentally believe the net present value of this path is much greater than the alternative path that we looked at.

So what is that strategy for growth? There are really four core components. You'll hear a lot about them today, but they start in the upper left with reinvigorating the growth in our core, secondly on the right, laying foundations for future growth moving into adjacencies, third, ramping up resources to support that growth and to ensure we scale, and taking a long-term perspective on our financial investments.

So starting with the first box, which was how do we reinvigorate growth in the core? Trynka is going to talk a lot more in detail about this today, but we're investing to make a step function improvement in our end-to-end customer experience, faster shipping, simplified pricing, user experience improvements, less cross selling, reduced e-mail frequencies, major increases to customer service, and higher quality product substrates.

And from a customer perspective, we really believe this will mean an even more compelling and valuable offer. From a competitive perspective, these changes will keep us well ahead of the competitive field. And from a financial perspective, we think this will increase customer loyalty which will in turn increase the lifetime value that is the cash flow per customer.

Trynka is also going to speak about that lifetime value from an advertising perspective. And we believe that by making these investments in advertising we'll be able to reach untapped audiences, many of them who are currently not buying these products online.

And secondly, although we justify these investments based on a direct marketing model, we do believe we are starting to build up a brand equity which is very important from a competitive perspective. So value propositions, lifetime marketing, lifetime value-based marketing, and the third area to reinvigorate our growth is in the core manufacturing areas of our business.

Don is going to speak in quite a bit more detail about this. But in summary, we have a leadership position in what's called mass customizations. Every single order is produced uniquely, but it's produced in huge, huge order volumes; millions and millions of orders per quarter.

And the chart in the foreground of this shows that concept, that traditional markets you could either choose to do high volume production on the horizontal scale way over to the right, which got unit costs which were quite low. Or you could choose to do custom products on the left where unit costs were quite high. And the blue line represents the tradeoff curve you would have to make.

Vistaprint has broken that paradigm through this mass customization. We sell to the one or two-person business in very low quantities. We produce by the tens of millions per year, and we're able to use that differential in costs to both give great quality to our customers, great costs and price to our customers, but also to have 65% gross margins.

Those are the three things in aggregate of what we're doing in the core, but importantly, we're also looking to move into adjacent markets and trying to build the growth of this business beyond that core small business marketing in North America and Europe.

And the first one we're doing is in home and family, or consumer applications. This business is growing faster than our overall revenues, even before our recent acquisition of Album Printer. Now, compared to small businesses and their marketing needs, the end need we're serving here is very different. These are things like preserving family memories, people are celebrating life events, it could be the birth of a baby, a 50th anniversary party.

But because Vistaprint has this trusted relationship with these tens of millions of small businesses who have personal lives on the side, they trust us for these types of products. And so we can cross sell to them with very low marginal advertising expense.

And we built a very strong business there, but we've expanded it even further. After more than a year of testing with an outsourced approach, we've moved to, last autumn we purchased Album Printer, Europe's leading producer of really beautiful quality photo books.

And today we have the broadest product line by far across Europe, and we ship from Turkey up to Ireland and from Poland to Portugal. So a very broad leadership position across a very broad set of product lines -- certainly strong in the US but even stronger in Europe.

So finally, speaking of geographic expansion, another adjacency that we're looking to move into is moving beyond our home markets of Europe and North America into markets elsewhere. And the chart on the right shows our revenues in millions of dollars from 2008 less than $10 million, to this year we should be $60 million plus or minus, in Asia-Pacific very high growth.

We're strong in Australia. We've upgraded our product offering in Japan. We're successful in Singapore. We just bought a small startup in India. We're testing into Korea. We're still in the early days, but we believe that there is worldwide opportunity for Vistaprint in these emerging markets.

So we have the core, we have the adjacencies, but we also had that segment of our strategy which is multi-year ramp of resources. And growing this Company as fast as we believe we can and should grow this Company, doesn't just require market opportunity and competitive advantage. It requires the ability to do the blocking and tackling of scaling a business and not getting in our own way.

And so we have recruiting teams which we're ramping up to be able to bring in top quality talent. Wendy, later on, is going to speak quite a bit about the depth and breadth of the executive talent of Vistaprint. We are increasing heavily our recruitment of software engineering, manufacturing engineering. We are increasing the finance departments across the world to make sure that we're keeping the traditional rigor we've had, financial rigor, as we scale.

These are, as I said, very much nuts and bolts of growing a business. But without this, we would have our own self-imposed constraints on the ability to grow.

And finally, as I mentioned before, we do have our financial strategy. And we are here in the end to make money, but we think we're here to make money over the long term not the short term. And we fundamentally believe these investments are going to allow us to do that.

So you've seen this before. When we announced this we talked about trying to not only have a top line compounded annual growth rate of 20%, but also a bottom line earnings per share and we had $1.83 last year. We certainly hope to get to $5 by 2016, again, replicating that 20% top line CAGR.

It is different on this slide in that we are doing what we sometimes refer as a J-curve. We have come down in FY '12 and FY '13 to -- we haven't guided to '13 or '14 yet -- but clearly we could have made more money in the traditional way in those short terms. But we believe that by doing those investments that we've just spoken about, and you'll hear a lot more about today, we'll have a faster growing and more competitively strong and more valuable business five years out.

So I'd like to begin to wrap up by talking about probably what is I believe already the most important competitiveness advantage at Vistaprint, and that is really the top to bottom commitment we have as an organization to building a great business. And it starts with a supervisory Board of Directors, with me as CEO, with the management team, all the way through the organization.

And we definitely recognize that there were easier paths to take. We didn't need to make this investment path. We didn't need to say we're going for growth. But we believe that hard, that difficult choice, was the right choice and I've talked about it. It's strategically right. It's motivationally for the troop right. It's financially right. And it's competitively right.

So as we're building up this business we keep harping back on this objective of long term. And internally I often share something which is talking about building a transformational and enduring business institution.

And if you look at the last three letters to shareholders in the last three annual reports, the last paragraph of each one closes with that phrase. And a transformational and enduring business institution is built over decades. It's never built quarter to quarter, and we're willing to make those types of investments.

And we are inspired by other companies that have done that. And there are not a lot, but there are definitely companies that have taken seemingly non-growth industries and built iconic, world class companies out of that industry by changing the rules of the game, by taking that long-term perspective and building up a new way of doing business.

And you all know the companies. There's many more besides the ones up on the slides, but these are companies that while there's nothing exciting about any of these industries from package delivery to watch manufacturing to coffee to furniture retailing and manufacturing, before companies like FedEx, Swatch, Starbucks and IKEA came along.

And we're far from being in these elite ranks of transformational, enduring business institutions, but it's certainly our inspiration and what we talk about internally what we're trying to do. And so when you look at Vistaprint from an investment perspective, you'll constantly see this type of thinking reflected in how we're thinking about our investments.

So to close, I just want to talk about what you're going to hear today from the assembled group up here. And the first two blue sections is really what Wendy's going to talk about. We have a very deep and broad set of talent. It's growing every day. We have analytics and a project rigor which runs very deep in our culture. It will stay in our culture.

And we'll turn it over after that to Trynka who's going to talk about the fact that we have a very unique value proposition. We really do something for the small business customers that no one else does. And we engender a real amazing amount of loyalty in the customers when we get it right, and we do it to millions and millions of customers right many times a year.

We're going to talk about with Trynka's presentation lifetime advertising and why this is a good investment.

Don is going to talk about some of the manufacturing strengths we have and the surprising technological complexity of what we do. He takes -- he'll use some examples which when you first think of it will seem quite simple, but how do we do that on a literally jaw dropping value proposition for our customers at unbelievably competitive back end cost structures and technology structures? And you'll hear that from Don.

Haroon will come up and speak about why we are very excited about the acquisition of Webs ,and you'll see some amazing previews. It's not yet public. And then finally Ernst is going to come up and talk about how we model our financial future.

So it's a long day but I think it will be a very interesting day for you, and we really look forward to hearing your questions at the end. But I want to thank you again for coming. Thank you for listening to this introduction, and with that I'd like to turn it over to Wendy.

Wendy Cebula - *Vistaprint - COO*

Thank you, Robert. As Robert mentioned, over the last 12 years, Vistaprint has grown the Company from $0 in revenue to almost $1 billion in revenue. We now have more than 3,500 employees across 17 different locations in the Company. And to reach our plan we need to double the size of the business again in the next four years and integrate our new acquisition.

To do this takes a tightly run ship and also a scalable organization design and a set of leaders who are ready to lead the Company but also who are able to grow with the Company. So what I'll be talking to you about today is to try to share how we drive and plan our execution across the broad set assumptions and geographies that we have in the organization.

This is a profile of our global executive team. The organization design we've been building together we believe is very scalable and gives us confidence that we can successfully execute against our plan. You can see a blend of tenures on our global executive team with some of us being with the Company for a very long time, but other people who are much newer to the organization.

You'll also see that our head of organizational design and talent development is on our global executive team. As a team we take talent development, especially of our senior and future leaders of the organization very seriously. We also have talent and management development organizations throughout our different business units and global groups in the Company.

To talk a little bit about how we're organized to drive this execution across our geographies and functions, especially in a high growth environment where so many people are new to the organization, I thought it might be helpful to describe our overall structure.

We operate in a matrix organization. You'll see in blue that we have some functional areas that we run across the globe in a centralized manner. We do this where scale advantage, global consistency is very important to the organization and can create an advantage.

Our finance organization, corporate strategy, Don's capability organization, each falls into these categories along with our core product site and service solutions development that are an important part of how we go to market in our different organizations.

And where we can create a competitive advantage through specialized local knowledge, customer centricity or where there are benefits of localization that outweigh the advantages of scale we operate through business units which are defined by the geographies that we operate in closest to our customers.

We now have four geographic business units. Our North American Business Unit and European Business Unit, which we've been talking about for some time now, you'll also see that we've separated our APAC business unit into two different business units, one that will be focused on Japan, Australia and New Zealand. Internally we call that our JANZ Business Unit. And our newest business unit to lead our global emerging markets business unit.

As Robert spoke about, one of our new opportunities for adjacent growth is to develop new markets for Vistaprint where we're not already operating today. And this business unit will be tasked with developing those opportunities for the organization.

If you look at our 40 senior most executives in the organization, we have folks from a variety of different tenures. We grow and develop our employees so that they are able to grow with the organization and to have rewarding careers with the Company. And that gives us a lot of institutional knowledge and learning that we're able to bring to bear as we do our strategy and plans.

However, in addition, when we need a particular skill set or domain expertise that we think will be beneficial to add to the organization, we also have been able to successfully recruit senior talent from outside of the organization. And this gives us a good balance between the Vistaprint domain knowledge and new outside perspective and frameworks that newer people to the organization can bring to bear to our thinking.

We've talked over the years about the long-term view that we take to our strategy, and we're also getting more rigorous about the long-term view that we're taking to our planning. We have a rigorous strategy and planning process now that begins with thinking about what our corporate strategy is and what our corporate objectives are.

That strategy has been taken by our global teams who can be put together cross functionally to lead global initiatives and by our global groups and business units to translate our corporate strategy into plans and local strategies to deliver on that. And then eventually that goes into our actual operational plans and budgets.

Each of these processes have a feedback loop into each other which acts as a check and balance to make sure that our plans are operationally feasible, that our plans add up to our outcomes, and to also make sure that we have the right balance of resources and to identify additional opportunities or risks that are out there through each part of the process so that it all comes together into an integrated plan that we feel good can deliver the outcomes that it needs to do.

What's an example of that? So on the prior slide I had talked about global initiatives. One example of a global initiative for our core, and Robert mentioned it, was our desire to really build manufacturing into a third pillar of competitive advantage for Vistaprint.

And so what we do there is we have team members both from our global teams, our manufacturing engineering teams, our software engineering teams, our plant operations and our business units, and they work together collectively to define our strategy and also our plans to meet that strategy and then have a shared accountability for the outcomes together, delivering on that over time.

And that creates leverage or our global manufacturing and engineering organization to drive technology choices and the systems and the processes that we use around the globe, but also partnering with our operating units and the business units to deliver and operate those capabilities as well as to drive local continuous improvements. This helps to ensure that our strategies and our plans are tightly linked with our delivery.

We also have a [member] and process to ensure that our value to customer initiatives that Trynka is leading, is also tightly linked up to our manufacturing initiatives because we want to balance manufacturing focus on making sure we're providing more value to the customers through better quality or faster throughput time while also reducing our cost of manufacturing to the Company.

Another example of an initiative is how we are doing our post-merger integration management for the two acquisitions that we just did. Again, we're taking an integrated approach. We've deployed cross functional teams who are experts in their domains both from our Company but also from the target companies.

And they work as peers to jointly develop a plan to integrate the companies from a people and an operational perspective but more importantly to develop the plans to capture the synergies that we have modeled when we were going the acquisition process for the Company.

If I double click on our post-acquisition integration process at one level more down, these teams work together during the first 100 days post-acquisition to really create that plan, how they'll operate together, what their milestones are and the long-term plan to deliver on the synergies. These teams have regular updates to our global executive team so we can keep an eye on process, progress, and also to give the teams input and guidance where it's necessary.

In our strategy and planning process we talked about the check and balances between our operational plans and our initiatives and our strategy. One of those checks is do we have the resources that are needed in order to be able to deliver on our plans? And as we were doing this long-term plan, we realized that to achieve our growth aspirations there were many high ROI projects that we wanted to do and that we needed to do in order to deliver on this plan.

But we had some areas where resources were our bottleneck in order to be able to do that. And in those cases we are ramping up our resources in order to be able to widen the mouth of the funnel and reduce the bottleneck to the organization. Some of those areas include our software and manufacturing engineering organization, finance, recruiting, and corporate strategy.

Once we have our plans in place we take those goals that we talked about at a corporate level and we have a system for cascading them through the organization. So let me take a specific example. We might have a corporate goal to reduce our manufacturing costs by Y% in a given year. Well, understanding our manufacturing and strategy and plans, each of our business units may get a goal to deliver A, B or C% of that cost reduction in a given year. And that goal is shared with our manufacturing engineering and capabilities organization that supports those initiatives.

Then the business units cascade within their operating facilities that same goal into things that can be actionable for those teams. And so for example within a given plant to meet their cost reduction goals, value streams for our digital process might get a goal of improving labor productivity. Our value stream for our offset process might get a goal for reducing [trap] and another process for throughput times.

When you add all of those goals up, they get cascaded to the organization, we want to make sure they add up to at least as much as what we're trying to achieve that year if not more so that as people navigate toward their targets we can be sure that we can deliver on our plans. And if you were to walk through one of our manufacturing organizations, for example you would see these cascaded goals posted and monitored throughout the organization.

So in summary, I hope that you'll take away that we have the talent, the organizational design, the systems, planning and accountability to really deliver on the long-term plan with confidence. I'll now turn it over to Trynka to talk a little bit more about our value to customer initiatives.

Trynka Shineman - *Vistaprint - Chief Customer Officer, President - Vistaprint NA*

Thank you. So I'm really excited to be here talking a little bit about our customers and I think what I'll hopefully be able to do for you is take the high level of how we go to market which you are familiar with and you've heard before and lift the covers a little bit and let you know why and why we're confident in our long-term plan.

And so I'll start with that high level, which is really around how we go to market, and we all know that we focus on the micro business market. And we talk about who we target, and it's businesses with less than 10 employees. We talk about what we offer them, which is everything you need to market our business starting with business identity.

We talk about how we go to market, which is through a broad net approach to customer acquisition primarily online. And why they come to us, which is the do it yourself model that we offer, differentiated on price with same or better product quality. And at a high level this is how we've gone to market. It's what's driven much of our success and at a high level continues to be how we'll move forward.

But I think what's interesting is when you lift the covers a little bit and understand a little bit more about our customers and about some of the changes that we're making in the organization beneath the surface.

So I thought that I would start and maybe one way to illustrate that is to introduce you to a couple of our customers that represent broadly the spectrum of customers that we serve in the micro business market. These customers are -- these are real customers for Vistaprint and they are -- you'll see that there's a lot of differences between them in terms of number of employees but also the needs in terms of product needs and what's important to them as they make their purchase decisions.

I'm going to start by introducing you to Rebecca Nevin.

(VIDEO PLAYING)

Wendy Cebula - *Vistaprint - COO*

And so as you listen to Rebecca you'll hear some things that are interesting that I'll highlight for you. First of all is the size of her business. So it's her husband and herself part-time working on this business. I think it's also what's important to her, which is really around saving time so that she can spend time with her family, saving money, price is very important to there, and also looking professional.

On the other end of the spectrum, I'm going to introduce you to Sharon, and then I'll highlight some differences between these customers.

(VIDEO PLAYING)

Wendy Cebula - *Vistaprint - COO*

And so as you listened to Sharon, I'm sure that you heard some differences versus Rebecca. Obviously, there's a difference in the number of employees in her business. They're different. Employee size is not the only thing that differentiates them. It's clearly the amount of products and the breadth of products that she purchases. It's how she talks about marketing and the sophistication and the experience that she has in that arena.

In addition, although price is certainly important, the other thing that's important to Sharon that she speaks a lot about is quality, specifically the vibrancy of the color. And it's interesting and illustrative of the types of targets -- types of customers that we target within the micro business spectrum.

I'm going to refer to Sharon and Rebecca throughout this presentation to help you understand where we're at and also some of the changes that we're making and the impact that we hope to have on both of these customers moving forward.

So I'm going to start by taking a little bit -- talking a little bit about the mass market approach that we've had. We've had a lot of success, clearly, in growing the company, but we've been focused very much on the short term with a mass market, very highly analytic model. And what we've done as we've looked at our short term analytics and our short term test decisions is we bias a lot of decisions to both the mass market but really focus on that early, first-time customer purchase without as much understanding of what the long-term impact is on either Rebecca or Sharon.

And that's had actually very successful results. If you look at it from a market perspective -- this is data from InfoTrends -- you can see that customers like Rebecca and customers like Sharon both purchase online at a similar rate, so they've both tried online about 40% of customers. But when you look at the percent of their wallet or the percent of customers spending more than 50% of their marketing budgets online, you can see a difference and some opportunity with both customer segments.

Rebecca, or customers like Rebecca, 25% of them spend 50% or more of their budget online. With customers like Sharon, it's closer to 15%. Clearly, there's opportunity with both sets of customers. We've been slightly more successful with a customer like Rebecca, but there's opportunity with her as well.

You can also look at this from a Vistaprint perspective, and you should be familiar with these numbers. If you take a look at the approach that we've had, we've been clearly able to generate large numbers of customers coming to the site and trying Vistaprint. We had, in fact, 11.4 million customers purchasing with Vistaprint in the last fiscal year.

We've also been successful at growing their dollars per customer over the last 12 months. And so you can see that that's grown from fiscal year seven from $58 to $72 in the past fiscal year, fiscal year 11.

This is moderate growth, but we believe that there's a lot more opportunity in both of these metrics moving forward, And we believe that the approach that we've taken has limited some of the long-term value creation that we believe we can capture in the future.

So if you think about where we want to go with our goal of $2 billion and 20% compounded growth over the next five years, we believe that we need to make some changes in the organization regarding our approach, specifically we want to make changes around lifetime, value based marketing. We believe there's a big opportunity to get more customers purchasing online.

We also want to make improvements to the customer value proposition, which you've heard from Robert and over the past six months. We believe that making changes to the value proposition will improve the percent of customers repeating with Vistaprint and our share of wallet longer term.

And of course we rely a lot on what we're doing from a manufacturing capability perspective to improve the value, the quality and reliability that we offer customers.

And it's these three things together that we believe will get us to -- reinvigorate growth in the core and our goal in 2016. I'm going to talk about these in more detail and provide some specific examples for you.

First, I'm going to talk about lifetime, value-based marketing. The approach that we've taken, as I showed earlier, has been successful at getting customers like Sharon and customers like Rebecca purchasing online, but there's a lot more opportunity with both sets of customers. We're getting -- we've obviously had some success, but in the large market opportunity that we have in North America and Europe as well as in the global emerging markets, we believe that there's a lot more room to grow in the future.

In addition, there's really strong financial justification to do so when our COCA or our cost of customer acquisition is just 10% or about 10% of the lifetime value bookings that we generate from these customers.

So I'm going to tell -- you've seen this concept before, and I'm going to give you some examples. There're three specific areas that we're focused on as it relates to lifetime, value-based advertising.

One is going deeper and finding more opportunities online. The second is developing new channels to get more customers migrated from offline to online purchases. And the third is making changes in how we implement to make sure that we're building a strong foundation for future growth.

So first, some examples in online channels. We've been marketing online for a number of years and, with the change in our payback period, we're able to make significant increases in online display and also spend deeper for micro businesses and holiday paid search keywords.

A very specific example is when we think about paid search. We have algorithms that help us understand what to pay on a keyword to be able to get a strong ROI. By extending our payback threshold, we're able to spend a little bit deeper on terms like postcards, for example, getting a higher position in search, generating more revenue and customers to Vistaprint. This is just one of the examples in which we're spending and increasing spending as it relates to our lifetime value investments.

The second example is around new channel development. We're focused a lot on new channel development, and a great example of that, of course, is television in North America and Europe. In addition, as we think about other offline channels, we're investing in radio and also a variety of print, from direct mail to point -- box inserts and point-of-sale ads, and also magazines and newspaper ads.

So these are just some examples that hopefully help you understand a little bit about how we're going to market and how we're expanding the opportunity to capture more share from offline to online.

The third example is really a change in how we're implementing. And essentially what we're doing as we're thinking about how we're going to market is ensuring that the way in which we're implementing is not only successful in the near term but is building a strong foundation for the long-term growth.

A great way of illustrating that is to actually share with you the ads that we had in market and television in the US last year, and I'll compare them again then to the ads that we have in market right now and talk a little bit about the differences.

So I'll start with the ads that we had in market this time last year.

(VIDEO PLAYING)

Wendy Cebula - *Vistaprint - COO*

So you can see the ad is humorous. It's light, with a strong call to action and really focused on direct response. And it was effective for us, and it was a great ad. But I'm going to share with you now a new ad that we tested into last quarter and is currently in market.

(VIDEO PLAYING)

Wendy Cebula - *Vistaprint - COO*

I think it's evident when you look at the ads the difference that the second ad could have around setting a stronger foundation with customers like Sharon and also customers like Rebecca. But what's also interesting about that ad is that it's as successful in generating the short-term results that we generated with the first campaign.

And it gives you an example of how, as we're taking a longer-term view, we're changing our mentality within the organization and really thinking about not only what we're doing to drive the short term but also really how we're setting that foundation for long-term growth.

And that brings me to the customer value proposition and churn reduction. Our goal in this area is to improve customer loyalty, retention rates and LTV, long-term value of our customers, through focus on areas such as product quality, user experience, and service.

You've probably seen our bathtub before, and you're familiar with the analogy that we have a number of customers that come in that we acquire every year and a number of them that come out and go out the drain.

We're focused on plugging that drain and keeping more of those customers and growing their value over time. Again, I'm going to give you some specific examples and talk about how we're taking this strategy and really bringing it into the business.

And one of the things that we're starting with and really emphasize this year is more focus on customer research and customer insights to really make sure that we're understanding how what we're doing in the near term really impact the long-term value of these customers.

One insight that we have, which is, I think, pretty self-explanatory, but we found that mass market and more sophisticated micro businesses buy free business cards from Vistaprint, but their reasons for buying may be very different. Two thirds of these customers are buying because they have -- they're really tight on budget or they like the designs. This meets their needs, and they don't see the need to spend more money.

But a third of the customers that are buying those free business cards are simply using it as a way of testing the quality that Vistaprint has to offer. So they're trying to understand if Vistaprint could be a good partner for them regarding the rest of their marketing needs. Obviously, if we do a great job in that purchase, then those customers would come back, but if we're not meeting their needs, then we can lose them out the bathtub drain.

And when you think about the impact that that has, I shared data earlier that says the percent of customers who are spending more than 50% of their dollars online, and you could see that there was opportunity. And we talked about opportunity with both Rebecca and with Sharon.

What's interesting is if you look at the spend that these customers have on the ends of the spectrum, smaller companies might spend similarly on business identity. And, in fact, we found that they have a similar budget from a business identity perspective, so their business cards, but they're quite different as you look at their marketing products and also their websites and digital product spend in the future.

And so if we disappoint them on the business card purchase or their first purchase, we have a lot of opportunity and, again, both with Rebecca and with Sharon, to capture more of the marketing product portfolio.

The other thing that we've done from a research perspective is we said what is it -- where are we letting customers down when they are dissatisfied? And many of the customers are satisfied, which we've shared some numbers from that, of customer satisfaction, in the past. But for those that are dissatisfied, we wanted to understand what drives their dissatisfaction.

And so we did -- we've been doing surveys of customers that have purchased with Vistaprint to understand how many we're letting down. And when we let them down, what are the biggest drivers of repeat purchase?

Product quality by far is the biggest driver of repeat purchase. It's very important that we deliver a quality product, which I think makes sense. In addition, the experience that a customer has, whether it's through the website or the fulfillment experience, on-time delivery and things like that are also very important, as is service.

I think it's interesting or easy to understand also that price is actually not that important. We're a -- these are customers that have purchased with Vistaprint and the position that we have in the market is very much of a low price value position. That's not usually a driver of dissatisfaction, especially for those that have purchased.

And so I'm going to talk about how we take this and now are using this to make some decisions within the organization. I think a great example is the recent holiday quarter that we had and the focus that we had on holiday cards going into the quarter.

We focused a lot on improving the experience. We improved the user experience on the site. We improved the product quality. We improved the paper stock. We actually worked with the plants to improve our on-time delivery of the products that we were offering in this very tight holiday period. And we simultaneously introduced better customer service SLAs.

ForeSee recently released their E-Retail Satisfaction Index from the US holiday for 2011, and you can see that they rated Vistaprint as number two in terms of customer satisfaction, below only Amazon.com.

And if you compare that to where they rated Vistaprint last year, we were number eight. I think the number eight, we were -- we thought was okay, but we're happier at number two and we want to continue to improve, and this is a great example of where we've been able to do that.

Another example, we talked about the slow (inaudible) of pie focus on service. Service is really important to customers. And if you ask what about service, the first thing that's important to customers on service is their ability to access a customer service agent when they have an issue.

We have made improvements around the globe in improving our customer service accessibility. In North America, Europe and Asia-Pacific, you can see the percent of customers last year versus this year that are able to now access customer service via phone.

If you looked in more detail, we've also improved the hours of operation. So for example in Australia, before they could access phone but only at odd times of day -- it was actually through the US call center -- and now we have service during normal business hours. We've also improved our SLAs.

We've made a lot of improvements. We're seeing improvements in customer satisfaction. It's early, but we're pleased with the results and are looking forward to continuing down this path.

We're also making changes deep in the organization every day to make sure that we're balancing and creating the right tradeoff between the short term and the long-term results. This is a very specific example in a single market in one of the European markets, and what the team did is they tested lower email frequency to customers who had opted in for email. So one group of customers may have received five emails a week where the other group received two or three emails a week.

And what you can see if you look at this chart is the bar chart shows the difference in the customers receiving the lower frequency of email versus the control, the old higher frequency of email. And you can see in 30 days that those customers receiving fewer emails are not generating as much profit for the organization. That's true as well at 60 days and at 90 days, but by 120 days it actually starts to breakeven.

And what's interesting about that is we just -- we know when we're emailing people less often we're keeping them engaged for a longer period of time with Vistaprint, and that's over the long term great for the organization and great for the customer.

In addition, we're focused on how we execute. And so, similarly, in how we execute on our advertising, we're also focused on how we execute as it relates to our website experience and our CRM.

This is just one example, but it shows that a customer like Rebecca might get ads or campaigns or emails focused more on memorable business identity and creating a matching set. Customers like Sharon might get more emails focused on marketing -- get great results this fall with multi-channel marketing is the campaign.

Both of these emails and both of these campaigns are, of course, promotional. Promotional is an area that Vistaprint's been very successful with in the past. We are a direct response company. But you can see that they're also more professional, we believe more authentic, and setting a better foundation for long term.

We're making a number of other improvements now and in the future across the organization, and we believe that these improvements will improve the customer satisfaction and reduce churn. We're making improvements to product quality. We really rely on the manufacturing as a third pillar strategy to execute these improvements and to make sure that we're setting and raising and maintaining the quality bar in the organization for product delivery.

We're making improvements to our set experience. We've talked some about changes that we're making with cross sell to reduce the amount of cross selling and also make it more relevant to customers.

We're focused on our customer relationship management, making sure that we're talking to customers and creating a longer term relationship with them versus a relationship really focused on the near term transaction.

And we're making changes to our pricing strategy and specifically our shipping value proposition. As a specific example, we just removed the 21-day shipping option in North America to focus more on the faster speeds of shipping.

So in summary, I think that we're well-positioned as a market leader for micro businesses, and we're investing to capture that opportunity. We're investing in LTV advertising to convert more offline buyers to online buyers. We're investing to improve our value proposition to reduce churn and improve our share of wallet.

We have a long runway with mass market customers like Rebecca, and we have a long term upset opportunity with our more sophisticated micro business customers like Sharon. We're really confident in our plan and our strategy and believe that this will help us to achieve our long-term targets.

I'm going to turn it now to Don Nelson, who's going to talk about the manufacturing and Capability strategies that enable some of this in the organization.

Don Nelson - *Vistaprint - EVP, Chief Information Officer*

Thank you. I'm very excited to come today and speak about the Capabilities organization and our overall manufacturing strategy at Vistaprint. Within Capabilities, we're over 400 people strong working in all of our offices around the world, and our core mission is to combine people, process and technology to drive strategic business outcomes.

And the way in which we do that is we begin with the outcome in mind, we assemble teams from a wide variety of domains of expertise that you'll soon see, and we work cross functionally across the business in order to deliver on the outcome that we set as our objective at the beginning.

We created a video to showcase the way in which Capabilities works as a team and how we deliver value together, and I'll pull it up right now.

(VIDEO PLAYING)

Don Nelson - *Vistaprint - EVP, Chief Information Officer*

Fiona had a problem. She needed five shirts in an industry that is arrayed against her in regards to being able to provide those shirts at a price that she could afford. In many instances, the very cost of just the setup with these companies and the fees they would charge for that would be greater than what she wanted to spend for the entire five shirts.

And what I love about this video is it begins with the problem and it begins to forecast the outcome that we hope to achieve. And that is really the Capability's mindset at its core is we begin with the outcome in mind. We see technology predominantly as an enabler. It either works or it doesn't.

The true value of technology comes from the outcomes that you can achieve with technology. And when you begin with that perspective in mind, Fiona's problem becomes Vistaprint's opportunity and results in the embroidered hats that you all have in front of you on your desk. Those were all manufactured in our plant here in North America and are an example of what you saw here with the capability.

Embroidery is one of dozens of examples with regard to capabilities that we've built in Vistaprint. And while they're all very different in nature, they have some significant similarities. First of all, they're very difficult to replicate. There's a high degree of complexity that goes into designing an end-to-end solution similar to what you've seen with embroidery.

They also require significant upfront investments. But alongside that, we design these capabilities to scale very efficiently which when met with Trynka and her team's ability to bring in millions of paying customers results in very low marginal costs for these products enabling us to go to market with prices that are difficult or impossible for our competitors to match.

We're actively expanding our focus beyond individual capabilities to look at the overall manufacturing strategy at Vistaprint. And we believe that the collected opportunity across manufacturing is greater than the benefits from any one capability that we deliver for the Company.

We're already taken the competitive lead in manufacturing in the printing industry. We've driven high levels of automation into an industry that's been traditionally crafts-based. And we've created the ability to manufacturing millions of customized orders with very strong margins at pick from stock speeds.

But our aspirations don't end there. We actually aspire to be one of the best high volume manufacturers in the world in any industry. And we've created a five-year strategy to enable that vision for us. And that strategy includes a very clear definition of the vision of what we hope to achieve, or what we will achieve and all the gaps that need to be closed in order to achieve that vision.

Our core objectives within the manufacturing strategy is to drive significant step function improvement in on-time, to spec delivery to customers, in quality attributes as valued by our customers, in unit manufacturing costs and in click to doorstep throughput time.

To describe our vision at the highest level, it's in building world class manufacturing that creates and delivers jaw dropping propositions for our customers at unbeatable costs. There are four key strategies that support this vision. We want to create a global and highly optimized supply chain. We want to continue to break new ground with our production technology and platforms that continue to give us competitive advantages. We want to be world class in productivity, and we want to continuously improve the customer value propositions.

Three pillars that enable this are the creation of our own Vistaprint production system, which I'll speak about in a moment, our continued focus on proprietary data and information systems. You saw some of that in the video that I showed. All of that is proprietary. All of the data that we create, all the systems that we created are proprietary, and building out an effective global production network model.

We have three high volume, computer integrated, mass customization manufacturing facilities. Together they manufacture on our peak day in Q2 over 120,000 orders. And across all of Q2, we manufactured more than 6 million orders for customers.

In North America serving predominantly our North American customers in Windsor, we have more than 0.5 million square feet of manufacturing space. Serving predominantly our European customers in Venlo, we have a manufacturing facility with more than 200,000 manufacturing square feet. And servicing Japan, New Zealand and Australia, in Deer Park in Australia, we have a production facility with 120,000 square feet.

Many companies treat operations purely as a cost center and fail to optimize the benefit that can be derived from operations. By focusing on costs, they fall into the trap of starving operations often hampering revenue generation opportunities or failing to optimize capital productivity. We seek to govern our operations as you would -- optimizing return on investment and maximizing economic value.

This simplified value tree here links together our world class manufacturing approaches on the right with our operational KPIs directly to our financial metrics. And this helps us drive our focus to drive improvements in revenue, cost, assets and our overall customer orientation in manufacturing.

We've created a five-year manufacturing supply chain roadmap to operationalize and phase our manufacturing strategy. We use this roadmap to help guide our decisions, drive alignment within the company and measure our progress against the overall strategy.

Internally we work with our business partners to periodically assess and measure our progress against this roadmap. And then periodically we pull back over the course of the year to assess whether or not we're on track and whether or not we need to adjust the strategy in order to achieve our vision.

We're working across the Company now to develop and implement a unified standard framework which we refer to as our Vistaprint Production System. This production system will create a node spaced platform of best practices and benchmarking, will be highly systematized, and a globally consistent methodology and an operational approach for manufacturing wherever it happens in the world for Vistaprint.

It defines the architecture, the philosophy, and our overall manufacturing strategy globally. We'll be deploying a cluster of capabilities in a standardized way across our locations to eliminate waste, improve operating performance, and enable continuous improvement globally.

Many companies start the journey towards Lean manufacturing , but actually fail to achieve the benefits that can be derived from that strategy. And one of the reasons why they fail to do this is because they look at continuous improvement on a project basis as opposed to a systems basis. And without a systems approach, many of the improvements may not either be captured or sustained over time so it reverts back to the norm.

As a matter of fact, in many companies in the standard continuous improvement approach, a company will set its targets for its improvements on a yearly, a half-yearly or a quarterly basis. And then they'll adjust the spotlight and put it on a particular area and drive a particular type of improvement.

But once the priority changes, they'll move the spotlight into a new area, and the challenge becomes that the original area reverts back to the norm and they're unable to sustain or capture the original advantages that they captured in the continuous improvement process.

We believe that there's two ways to counteract this natural gravity to revert back to the norm, the first of which is employee empowerment. By empowering employees all the way down to the operator level on the shop floor to add their own improvements to the overall system, not only do we increase buy-in, but we significantly increase the number of improvements that we can drive across the organization.

If every one of our manufacturing employees submits just 10 improvements over the course of the year, that's thousands of improvements that we can drive that accumulate to a competitive advantage that is difficult for our competitors to match.

We'll match that with a systems approach that focuses on ensuring that improvements are continuously captured, documented and reinforced. It will avoid the situation that I talked about before where operations fall behind the established standards and will raise the standards over time, thus increasing the continuous improvement that we get from the original ideas.

It ensures that each improvement is sustained, improved and creates a lasting and solid foundation for future improvements. And you can see the type of impact that we believe is possible by the systems approach and the employee empowered approach.

Here's three tangible examples of improvements that we've been able to drive recently. In the area of setup efficiency in our printing operations, we've increased the number of setups per shift from 165 to 205. This is a 25% improvement in the numbers of setups that we can do in our shifts and allows us to increase the output that we can have on a shift by shift basis for the same amount of labor.

We have optimized our pack tables and created our own design for a new design pack table where we're getting a greater than 50% productivity gain in what it takes to pack an order for our customer. And this may seem like a small thing, but when you look at a 50% productivity gain across 6 million orders that are packed in an individual quarter, you can begin to see that these productivity gains while they may not even be that complex can have a tremendous impact on the overall benefit to the Company.

And we've improved our business card cutting processes and that has directly led to a greater than 60% decrease in customer complaints about cutting. And this is a great example of where we can lead from a perspective of improving the quality attributes as valued by our customers.

We believe there's also an opportunity to reduce our overall unit costs by increasing the number of commodities and the percentage of commodities that can be sourced from Asia. In order to achieve this outcome, we're building a world class global supply chain management team in Hong Kong.

Our staff is already there and we're building out the team that can focus on qualifying new suppliers, overseeing supplier quality, and effectively reducing our overall total cost of ownership. And we believe that this can represent significant savings over the next few years.

One of the challenges that we have as a Capabilities team is that our clients are literally spread around the world and our manufacturing facilities are in many places around the world, and that will expand in the future. And as we expand the number and the types of our manufacturing facilities, it will be critical that we can balance our ability to deliver capabilities globally and still be able to drive improvements at the local level.

They're both important to the overall strategy of the company. Global because we derive significant advantage from standardization and the ability to drive scale, and local because we derive benefits from being able to meet local market needs.

So we've created within Capabilities a global team that's going to focus on our manufacturing strategy with Centers of Excellence in research and development, manufacturing technology, supply chain management and production systems and analytics. The goal of these teams will be to create, maintain and improve our global standards and ensure that we consistently capture value locally in the plants wherever they may be around the world.

So why does this all matter? We believe that this creates a virtuous cycle. By improving our customer value proposition, this will lead to a greater lifetime value of our customers which will enable us to reinvest savings into our business and our strategies which will help us scale efficiently and improve our bottom line profitability leading to unbeatable cost advantages in the market which will thus help us reinforce our customer value proposition.

And with that, I will turn it over to Haroon who will be giving us a demonstration of the great technologies they've been developing at Webs.

Robert Keane - *Vistaprint - President, CEO*

(Inaudible - microphone inaccessible). Is this mic on?

THOMSON REUTERS

Don Nelson - *Vistaprint - EVP, Chief Information Officer*

Oh, sorry.

Robert Keane - *Vistaprint - President, CEO*

I just wanted to do a quick introduction to Haroon. One while Haroon's figuring out -- is it working in the back. Can you hear me? Switching over to Macintosh, I want to introduce Haroon. So one, I certainly hope you took away from Don's description the very deep technology behind what the customers get, as I mentioned $110 million a year this year alone. It comes down to $3 per order, but it's a lot of technology. We have 400 plus technologists in the Capability organization.

That being said, we are trying to really own this initial customer identity and the business identity moment, and we are willing to look outside of Vistaprint when we see fundamentally best-in-class technology, which we didn't get for this screen but we're working on it. And the -- there we go. Okay.

So the technology you're going to see here today is very exciting for us because I think you'll see something that although in theory we could have developed in-house, in practical reality we felt we couldn't. And I hope today when you walk away from this you'll understand our excitement around this.

It's serving the same objectives of a business identity, unbelievable value to the customers and the ability to take that content and later on go across different products, be they different digital products or different physical products.

So with that -- and it looks like we have a stable screen -- I'll turn it over to you, Haroon.

Haroon Mokhtarzada - *Vistaprint - CEO - Webs Inc.*

Thank you, and we're really excited to be here and obviously very excited about this acquisition. We really couldn't have imagined a better partner to be working with to bring what we think are the best digital identity products and marketing products for micro businesses to an even larger audience than we already have.

Before -- today I'm going to demo two of our products. The first one is called Pagemodo and it's a very easy to use tool for Facebook Fan Page creation, to create a custom sort of branded page within your Facebook Fan Page.

And the second is the third generation of our site builder that's actually a yet-to-be-released. And so it's a treat for you guys. You're the first people outside of the Company who get to see it. And we've been working on it for a long time, and I'm really excited to be able to show it to you today.

To start off, I just want to show you some of the examples that have been built using our new technology and just to give you sort of what our approach is. We kind of have three constraints when we build products. The first is to really nail ease of use and make it really easy for a layperson who's not technically experienced to do that. And that's what we set out to do from 2001 until now.

The second is that the end product, the end website or Fan Page actually looks professional. It looks like it's been designed by someone. It looks like someone paid a lot of money for it, which is really important for these micro businesses.

And that would be easy, but the third one is customizability, and you have to actually let the users customize what they're doing so that they can add their own brand and their own flavor and their own content to it. So those are the three things that we're always balancing as we're building out products.

And this is the type of stuff now that can be built with our platform. So this is a real website. You can see how nice it looks, how professional it looks. You can see this beautiful carousel on the home screen.

Here's another page from this website. You can see it's got a subtitle here on this page. It's one of the page types. The banner is gone on this page. Now I've got a contact form and a map, and in this case there's icons for their social presences which is really important for these businesses now.

So if I click on this, this is an actual page built on Pagemodo that lives inside of someone's Facebook page. So you can see it matches the other website. You can see how professional it looks, and this of course would link back to the website.

Here's another scene. This is a daycare here, and again, you've got this really nice carousel. It's in a very different style and design, a small kind of sign up form that the person's added on the left side here in a side bar, really nice content all the way through. And again, a Facebook page that's been built to kind of match that theme and those colors with a call to action.

And here's another one. I mean, just beautiful, beautiful websites that people would literally have to pay thousands of dollars. If you were going to get a designer to do this you're in the $500 to $1,000 range easily just to get these things to happen.

So I mean look at just even these little stickers here, and I'll show you how easy it is. This looks like how could somebody possibly create this with a do it yourself tool? And I'll show you how easy it is to do in a minute. And again, I can click on that and I get this really nice looking Facebook page that's been built to match that website.

So I'm going to start with showing you how these Fan Pages were built and then I'm going to cut over to web. How does that sound, good? All right.

So this is Pagemodo. This is the dashboard that I've now logged into as a user so I'm in here as a user and I have three Fan Pages as I just showed you, so these are the three that I have. And you can see I've got these really gorgeous shelves that kind of display the different pages that I've created. So each of these represent a Fan Page and then these are the custom tabs I've built. And you can actually build multiple pages within a Fan Page.

So I'm going to kind of demo and show you how this works. I'm going to kind of rebuild a page like this for summer camp, so let's say there's a summer camp tab that someone wants to create. So I just -- there's really little to do there other than clicking on your tabs to edit and accessing settings for these tabs. It's really a clean interface and you just click on this "Create New Tab" thing. Oh, actually I have to login.

All right, so we click on this "Create New Tab", and what it's done is it's gone to Facebook. It's hit the Facebook API and looked up from Facebook which Fan Pages I actually manage that I'm an admin of in Facebook. So it says, all right, well here's your three kind of Fan Pages, which one do you want to build it on?

So I'll pick this one. And what we have here is a five-step process that just walks the user through creating their custom tabs. So the first step is to choose a theme. Then they can modify their theme. Then they edit their content. Then they have a step called a like gate and I'll talk about what that is. And then they go to publish and that's it. So they just have -- all you have to do is walk through these five steps and you've got your page on Facebook.

So I'm going to go ahead and pick a theme. I'm going to grab this one here. And we have different color versions of them. So we'll jump in here, and now I'm on the modified theme set. So I've chosen my theme, and it's going to show up on the right. So here's a preview of my theme.

Now maybe I didn't want the green. I wanted a blue one, so I change the color there. You can customize more than that with some advanced settings, but I'm going to stay away from that.

And then here there's sub-content layout, so this area here I can swap out. Maybe I want a Twitter feed instead, so I could grab a layout that has a Twitter feed on the side of it with some additional text, and it'll put that there. And so -- or a newsletter or a contact form or a map or things like that.

So I'm going to go with this two column layout. I think this looks nice. And I jump to the next step. So I'm now halfway through the process. I've got kind of the page I want, and now let's see how editing works.

So I've got my preview on the right and all I have to do is just click on the part that I want to edit. So in this case I've clicked on a header, and you see I get these editing components here. This header has a title, a share button and a tagline.

So here I can say -- just change it to Sunset Hills Daycare. And you can see it immediately changing on the right. I can hide the share button if I don't want it. I can remove the tagline if I don't want that and I'm done. That's it. Now I've edited that.

And you just kind of click through and go through that, so I'll click on this element and it's got a title, "summer camp enrollment starts now." And this one has a spot for an image. So I'll go ahead and grab an image I've got on my desktop here. And I'm going to grab this image.

So now I've got the image. Now, one of the things that was really important for us is image cropping in both of our products because people who have images they're all kind of just one aspect ratio one dimension, but it's hard to kind of design nice stuff if everything has to be in that aspect ratio.

So we have a built-in cropper here where you can actually crop the image to the size you want. Maybe you want it really thin and it'll actually resize that and make it thin. Maybe you want a tall image and it'll make it tall, and you can basically get the exact part of the image you want. Maybe I just want the kids here or maybe I want more of the full image.

So the image cropper's built in. I can link the images with this add a link thing or choose not to, and that's it. So there's that part of the page, and I can click here, again upload another image. Let's get these kids. Again, I've got my crop here so I can sort of crop the area that I like, like that.

This one has a button so maybe it'll say "Enroll Now," and change the text. Maybe this is summer season one so we'll close that up, and one more. Upload that image. Again we've got our cropper and we can get just the part of the image that we want. Maybe it's summer season two and maybe I want it to say "Enroll Now" on the button.

And again, you put in your "Link URL" where you want that button to go. It would go to your website for example. And that's it. I've built my whole page. I think it's been like five minutes. So now we go to the next step.

My page is done and this is a really great feature. It's called the like gate, and what it does is it -- one of the reasons people create these pages is to serve as a landing page so the first time someone comes to their Fan Page they actually take action to like the page, because if they don't like it you really can't get any of the benefit.

So what this does if you turn it on is it actually puts a cover on top of your page that matches the theme, and it says, "Hey, we've got some great content beneath this cover." We've got maybe an exclusive video, maybe a coupon or different things like that. And so if you want to see it you have to click "Like." And the user would come and they have to actually click the "Like" button and then the clouds fade away and they can get to the content behind it.

Now here you can actually see the content behind it but on the live version we actually do a blurring. We take a screen shot and we blur the background and so you can't actually read a coupon code or things like that.

So you just turn it on and off. It's just so simple, and to get really complex things. And then you go to the next step, and here we've taken a screenshot of your page. We put it inside of a Facebook template because a lot of people didn't understand what this is actually going to look like in Facebook.

So you do that and then you pick an icon that you want. Maybe it's this one, and you can name your tab like Summer Camp. You can see we're doing a live preview down here so the user fully understands what this is going to look like in Facebook. They can choose to immediately share it on Facebook and then they click "Publish."

And now what it's doing is we're actually talking to Facebook. You notice the whole time we've never actually been -- we've never sent the user to Facebook to install anything or anything like that. And literally it's that easy.

So my tab has just been published. I can click on it here. You can see on the left there's a new tab called "Summer Camp," and this is the page we just built inside of Facebook, fully served. It's all -- we do all of the hosting for you. We do all the hosting the images. It has to be on secured servers. We have it on secure servers and everything.

And because I'm an admin there's this extra strip up here so that I can actually access the editing right from within Facebook, and it'll take me back into Pagemodo automatically. There's no sign in even. You just use Facebook Connect to use the product. So there's no passwords to remember or anything like that. It's just a terrific, really simple, easy to use product.

And if I refresh this here -- if it comes up -- and so this is what it looks like. This is what the welcome page looks like and this is how users can kind of browse through different tabs. I'm not sure what's going on with my Internet. Let's try that again. Okay, well -- oh, there it goes. All right, so right, here's the screenshot of the new tab that we just created. It shows up right on my shelf.

Now, if I wanted to reorder it I could literally just drag and drop these shelves around with this dragger here, so I can pull this over to there for example or pull it back. And that'll actually reorder it within the tabs on Facebook as well. And if I make changes like I change the name of it, for example, it'll actually push that to Facebook and change the tab name.

So that's Pagemodo. It's really simple to use. We allow people -- all of our products are premium products so we allow people to create one tab for free and then there's additional upgrades if you want to use things like videos or that like gate feature or other features. And we have hundreds of thousands of users now. This year we're going to cross 1 million users.

We're getting organically, with very little marketing spend, over 100,000 users per month now signing up for this. It's a highly viral product. And over 12 million users actually traverse a Pagemodo page on Facebook in any given month. That's where we're at, and I think that could potentially double this year.

So it's growing really quickly. On all of these pages that are published our brand shows up. It says "Powered by Pagemodo" or link unless they upgrade, and so it's just a viral product that's been doing really well and our users love it. So that's Pagemodo. What do you think? Not bad? All right.

So now let's go to Webs. And Webs I'm even more excited about believe it or not, and again, with Webs every couple years you have to kind of redefine yourself as the trends change and everything else. And we said rather than making an incremental improvement to our existing site builder we're going to start completely from scratch.

And the way we built it was we said we're going to start with websites that we think are really great, like those ones I showed you, and we're going to work backwards from there and create a builder that can actually build those things. So let's see how we -- what we ended up with.

All right, so we're now in the website builder, and I'll give you just a quick tour. So across the top here there's four links, the builder where you do all of your main editing, the theme designer where you actually change your themes and your colors, the page manager where you can add and remove pages and create nesting, and then a control panel where your other settings and features are.

And then of course there's a help menu and there's some page setting options here. And to publish at anytime the user just clicks the "Publish" button and it goes live on the Internet.

So how does this builder work? Well, first let's just talk about the anatomy of a website. So there's a title area which I'm hovering over up here. There's a navigation bar, and you can see we support things like sub-navigation as well. There's a content area which is where kind of the main content of a certain page lives, and then there's a footer.

So the footer and the header are global across all of your pages so any changes made within those automatically go across so you don't have to redo them, and then the main content as well as the navigation. And then the main content area is what changes from page to page.

Across the bottom of the builder here you'll see a little bar with these modules like title, text, image, slideshow, et cetera, and those are the building blocks of the website. And what I'm going to show you is how easy it is to create really nice-looking stuff with this builder. So how does it work?

Well, all you have to do to actually add stuff to your website is you pull something from down here up into your page. So in this case maybe I want a title. So I just drag it into the page and now I have a title on my page. Now, to edit this I just click on it and I -- let's say "Welcome to Good Food." So just pull the WYSIWYG right in the page.

You'll see that when I clicked here I actually got a contextual editing bar up here that has things like fonts. It has things like icons I can add. I can change a text color, resize it, add links, anything that you would imagine that you should be able to do for text. And if I click off of it that goes away. So each module kind of has its own contextual editing bar.

So let's add -- that was a title -- let's add some text, so this is kind of some text. I'm not going to type it. I'll just paste something in here. So here's some text. You can see that the colors all match. Everything matches with the rest of the theme, and so now I'm sort of starting to build a page.

Now, you can see that the template actually stretches no matter how much I add the template is going to stretch itself. It's not like I'm stuck at some vertical width or anything like that. It's very flexible.

So let's get into some more interesting stuff because text isn't that interesting. Let's drag an image in the page. So I'm going to put this image up here and it's put in image container. And it says "Double Click To Add an Image." So I double click it and we get this popup window that comes up, and these are images that I've uploaded.

So I'm going to -- if I want to upload a new one I can upload it or I can take an existing one. I can click it, and it'll come back into the page. And so there's an image in the page. It's that easy to get it on. You can see there's a really nice frame.

And you can see that we've got now up here not text options but image options. So for example I can change the frame to be something that has a little Scotch tape. I don't know if you can see it up there, but there's -- yes, this looks like it's Scotch taped on the page or a dartboard, so really nice design elements and treatments.

So what else do I have here? Well, I've got image controls, so I can zoom in on this image here and I can kind of grab the exact crop that I want, and then I can fully resize it. So the corners will resize the image, but I can also crop this way. So if I wanted it thin I can get a thin image. If I wanted it wider I can widen the image and just get the exact kind of crop that I want.

Now, we don't allow them to actually stretch or distort the image. That's how you make really bad looking sites, and so we do constrain them there but that's a good thing. And so you can get this really nice. And once you get the crop you like you can still use the corners to kind of resize the crop that you've chosen.

So this is a really great -- it took a long time to develop this technology. And then we take the -- we restore the original size image but we actually size it down for the actual end rendering on the website so that it loads really quickly.

So now let's play around with this. So let's say I've got this image but I don't like it here. I might want it somewhere else, so I can drag it and say well, I want this image down here and so it moves down there.

So that's great, and if you don't like it there's actually undo options, so I can undo that and it'll actually move my -- undo my dragging events also. So we have a full undo set for the entire product.

Now, what if I wanted this image next to this text, right? It's I don't want everything just kind of linearly laid out. So I can actually drag this and instead of going below I can drag it to the left. and you can see now a blue bar has appeared to show that I can put it there or to the right.

So if I drag it there it'll actually create the columns for me automatically. I don't have to go and drag in columns and stuff like that. And I have a resize handle and I can actually resize it exactly what I want, everything will resize itself and format itself accordingly. We even have these snap points like there where you see that blue dotted line coming up and down, which are the aesthetically pleasing snap points on websites, like at the thirds and at the 50%.

So if I want to be right in the middle I can do it that way. If I want it here I can do it there. And again, what if I want a third image? Well, I can drag that one in between here and it'll actually create another column. And you can really build great looking sites like this. And if I don't like it I can just delete it. It'll have a placeholder here if I don't want the column at all I can delete that and I'm back to the original format that I had.

So let's go through a couple more options here. One of the things I want to show you is the page layout. So I have a theme but within this theme there's different layouts for pages that I might want. For example, I might want a banner which would have like a carousel on top. Or I might want a side bar.

So let's take this sidebar layout, and it's going to basically reformat my entire page and add this sidebar over here to the right. So you can see it's recalculated the column width and everything. It's maintained that this is on the third and this is two-thirds, so I've maintained that there. And now I've got this sidebar which I can drag additional content into fully styled within the theme.

So let's show you a couple of other modules. This one is a map. I drag it in. Let's see, our Internet is a little hinky. Okay. Well, there's a map. It's a Google map, and if I click on it, it just points up to here and says, "Okay, type in an address." So I'm going to just put in the zip code, and it'll jump to that area on the map. Then I can zoom in exactly to where I want on the map.

We actually store the location that they've put so the user just kind of puts it the way they like it. We can add those frames that I talked about so maybe I want a frame on this also so it matches my imagery across the site. And we even have all the options from Google.

So I can turn the controls on and off, remove the "Get Directions" button. I can remove the marker. I can even go to black and white or stay in color, and those are the Google options that are now within this contextual menu. So it's that easy. And then of course you can resize it. You can get any size you want of this map, really, really easy to add things like maps.

And there's a few other things I want to show you. This here is a social module. These icons which are very common on websites now so how do I do this? Well, we have a whole tab for social modules over here, and these are different ones. This one is the social links module. I can double click on it and this is where I can change my URLs to my different social presences. Maybe I don't want LinkedIn so I can delete that one. I save it and LinkedIn is gone.

And then we have different versions, so I can click here and say I want them to look like stickers like that other one, or I want them to be kind of the standard square ones that are on different sites. It's really easy to get really nice-looking stuff on your site. And now that'll apply across all of my pages to -- across all of my pages and my footer.

Here's another one is a Facebook like box. Again, you click on it. It says what's your Facebook URL? So let's put in Vistaprint, and it'll pull that from Facebook. And this will dynamically resize itself. So if I pull it over here, across the bottom you can see now there's a lot more thumbnails that have appeared here. And if I put it, for example here, again it'll resize itself and put less thumbnails and everything like that.

And like the rest of our modules there's settings. You can turn off and on the header for Facebook. You can show the stream of your wall posts and change the color scheme, even change the border color.

So it's just really easy and we have modules across different areas, social. We have commerce modules. And we have a bunch of apps and so feeds from those apps can come in and you can just get amazing looking stuff.

If I wanted a button, a call to action, I just drag it in. You get a matching button. I can click on it. I can change the color of the button, get it to any color I like. It's just really, really amazing customization options here.

Talk about the header really quickly, header I click on and we darken out everything else. We tell the user you're focused on the header. We even collapse the modules because you don't drag stuff from there into your header. Here you can freeform drag and drop things to really get a customized header. So maybe I wanted this in the middle or I wanted this to the left.

I can click on it and again I get my text options. There's a ton of fonts here. It'll take a second to load, but there's a huge variety of fonts that I can choose from. Everything is done web safe. There's no Flash or anything like that. This stuff will actually work on things like an iPad and other devices.

I can change parts of the text color and things like that to just get really nice-looking stuff. And I can add additional elements. If I wanted a logo I could just add an image here or I could add additional text elements and put them in other places. Maybe I want this to say "Call Us" and put a phone number on it. And these are just toggles to turn on and off the title and subtitle, and it's that easy.

If I want to see other pages you just click on your navigation bar. It'll load those up in the editor. So here's an About page. I've got some testimonials on the side. We even have these little stylistic dividers, and we've got all these different divider styles that users can select from. It's just down to every fine detail.

And I want to show you one more module which is the carousel that you saw on some of these other pages. So this is a carousel. Now, how do you get a user to edit something as complex as a carousel in a WYSIWYG format? This also took us a while to figure out. Again, we'll darken out the screen, and what we do is we put slide numbers down here, so that's the first slide, second slide, third slide.

And to edit it you just click on the slide you want and you just click in here and you just edit it, just like everything else. There's my delicious sandwiches. I can turn on sort of sub-text or if I don't want text at all I can turn that off. If I want to add a slide I just click plus and I have a new slide. Then I can just double click to add the image or I can delete this slide.

The image itself I can move around. I can again zoom and get the exact crop I want. And I can even resize the entire slide show, the entire slider here to whatever size I want. Maybe I want it really thin. Maybe I want it taller so you can differentiate. And we have some settings, things like auto play, the speed of the transition, just really good customization while keeping the interface really simple.

And now maybe you don't have three images that you don't want a slider on your home page. So you can actually delete these, and now you'll see that those little right and left arrows have just disappeared and this has turned into an image. It's just a static image on my site and I can undo that if I didn't like that, and I can bring those back. And you can see that the ears on the two sides have come back and I've got my -- I've got a carousel on this page.

So that's -- it's really that easy. We're really excited about it. I just want to show you how themes work. This is the theme editor. So again, we're looking at a live preview of our site, and you can see how many themes we've added, painstakingly detailed themes that are all professionally designed.

And if the user wants to see something they just click on the theme. So here's a theme. I think I like this. I'd like to see what my site looks like in this theme. I click on it and there you go. Everything is restyled into this theme. I've got a carousel that's a completely style. I've got a different navigation bar, different dropdown menu styles, different header styles, and then I can go in and customize it.

Let's look at a couple others. This one is great for a menu. I'll show you like what it looks like if I have a sidebar. So this page has a sidebar and it's got this really nice bowtie here, or bow here, like as if it's a menu. And we didn't stop there.

So yes, you can have themes but your site might start looking like other people chose the same theme. So we've added really good customization to these themes. In this case you can change accent color. You can change the background.

Here maybe I love this theme but I don't like this red background. Maybe I want to change that. So you can actually just change the background to whatever you want. And you can see that the pattern is still showing through that background so you can get it to fully match your brand.

Let's just go -- let's just show a couple others, again, really nice-looking, clean, professional themes. Here's another one. And again, maybe I really like this theme but blue isn't my brand color. Maybe it's green, and so I would just come in here and change this blue to green. You can see we do the color match -- actually change these colors to all match the green.

The green comes in here and even in the footer and other places and buttons, for example, that green color will flow through the template. If you want to see a preview you click this and you can see the whole thing in preview and you can add it back and you can see the theme picture again.

So that's the new site builder. We are going to be phasing -- doing a phased release to our new customers starting tomorrow. We're really excited about it and thank you all for your time. I appreciate it.

Ernst Teunissen - *Vistaprint - EVP, CFO*

Well, thanks Haroon. I hope you all got a little bit of a flavor of why we're excited about Webs and Haroon and his team joining us. And it's the technology that was very important to us. Through this technology will bring us really at the forefront, the leading edge of website and Facebook builders, but it's also the team that we've acquired with that.

Haroon and his team who will have developed this technology and will keep us at the forefront of developments here, and keep Vistaprint at the leading edge of providing high density products like this for our customers.

It's also from a business economics perspective very attractive to us. Vistaprint as well as Webs as well as Pagemodo are acquiring millions of customers every year now on three different platforms. And that combination of that customer acquisition is incredibly important for us for our long-term value.

And we paid a high valuation of you look at it compared to historic multiples, historical revenues, historical profits, but we believe that this combination of the two companies the price that we paid for Webs will turn out to be very reasonable in the long-term value that we create with that. Thanks, Haroon.

I want to switch gears to financial modeling. I don't have videos. I don't have product demonstrations, but I do have financial models, so I'll speak the language that maybe you and I are more accustomed to. In July we announced, and Robert has shown the charts, we announced this goal that we have, this five-year goal, this fiscal year '16 goal of reaching $2 billion or more dollars of revenues and reaching $5 of EPS or more.

And what I want to do today is take you one level down from that and talk to you about how we look at the drivers and the metrics that make up that goal of $2 billion of revenue and $5 of EPS and talk to you about what the metrics and then also how we think about where those metrics might move over the next five years.

So as such what I'm going to tell you is relatively new. I'm going to give you more detail than we've given to you before about how we see our business evolving.

So the objective of this is really to give you better tools, either as investors or as sell side analysts, better tools to think about how you would like to model our business and how you think about the value creation and also give you more information about the trends that we see leading us there.

So we're going to talk about four things. I'm going to recap the five-year targets. I'm going to go through that quickly. You've seen those today. You've seen those before. And then I'm going to talk you through first the revenue drivers, so how do we think about revenue? What are we providing to you today that can look at the composition of revenues and how do we look at that composition in the future?

Then I'm going to talk about the P&L, how our margin's going to develop in our view and the different cost components and how can we -- how do we think about modeling those out in the future? And then finally I'm going to talk about our balance sheet strategy and how that relates to the strategy we've laid out.

Now, what I want to note is everything I'm going to tell you, talk to you about today is about our organic business because that's when we in July started talking about our $2 billion goal, our $5 EPS goal. That was not contemplating the acquisition of Album Printer or the acquisition of Webs.

The acquisitions that we're making are not ways to get to our $2 billion or $5 EPS goal. The acquisitions are additive to that. And we're still in the integration of these two companies that we acquired and we're still developing our long-term plans around that. That is for another day. Today I'm really going to talk purely about Vistaprint as an organic business before the upside of these acquisitions.

So this is a chart you've seen before, and I will not dwell on it. It highlights the objectives that we set to our self in July. So let's think about revenue and how do we on a very high level as a senior executive team think about our revenue composition? We break it down first in how much revenue do we make on new customers? And we define new customers as customers that have bought from us in the last 12 months, and they've bought from us for the first time in those last 12 months. How much revenue do we make from those?

And then we look at how much revenue do we make from new or from repeating customers, customers that have bought with us in the last 12 months but had also bought in periods before that. And why do we make that first separation? Why is that so interesting to us is the economics and the reasons why we focus on these are different for the two.

We want revenue from new customers because that's the lifeline of growth of all -- the first lifeline of growth of our business, getting new customers in which gives us an opportunity to convert them into loyal customers and keeps our growth high.

Repeat customers are very important to us because they tend to be economically very attractive, more attractive than new customers. They tend to spend more. They tend to -- if they have stayed with us for more than a year actually they turn out to be more loyal. And therefore the profitability of these customers is high. So that's the first split we make.

And then one level below that we look at so how many are we acquiring? How many we have or how many have we kept, and what do they spend? What is their average revenue with us or their average bookings?

And the various initiatives that Trynka has talked about and Don has talked about today are feeding in different levels of that revenue chain. So Trynka talked about lifetime value-based advertising, and that is directly impacting the number of new customers that we have.

It may over time also as we build our brand have an important function for retaining customers. Is our first order effect that we see is in getting new customers in? And in the second quarter we created year-on-year growth of getting new customers in of 32%. So it's really evidence of that part of our strategy really producing results in our revenue models.

The bookings per customer are impacted by some of the improvements that Trynka talked about in the user experience. I'll show you some historical data, but we have been able to grow our bookings per customer ,and we'll continue to do so. The quality improvements that we're making in manufacturing that Don highlighted are going to directly contribute to that.

And very importantly, and I'm also going to talk about that, is the mix between new customers and repeat customers. Our objective is to change that mix over time, keep changing that mix over time and have more and more repeat customers as a ratio of our total number of customers because those economics are more attractive.

So let's look at some of these metrics and then I'll -- historically -- and then I'll talk about them for the future. This is a chart, the left-hand chart is not new. We've shown that to you and since the last two quarters we've started to show that on a trailing 12-month basis for every quarter.

But this is annual data and you see that we look at our unique customers, customers that have bought with us in the last 12 months, so active customers. And unique means if someone buys with us three times in one year we still count them as one customer.

And we split those by new customers and repeating customers, and if you can do the math quickly you will see that the growth rate in the pink bar of the new customers -- of the existing customers or repeating customers is faster than the growth in the blue bar. So that is a metric that we're tracking.

On the right-hand side you see another one, so there's new data in this, which is our average spend per unique customers. Now, we've shown the chart more often with the total or the average, the green line here, the average spending per customer. We've now broken out for you how that is different for these two customer groups, which we're doing here.

So what you see, maybe not surprisingly, is that the repeat customers tend to spend about twice as much as new customers. If you look at our graphs for each cohort, you'll see customers come in and they spend, and the next year they spend more, and the year after they spend more and the year after they spend more.

But also important to note is that both -- all three of these lines from both the new customers and the repeating customers, the line is going up. So over time we've been able to have more spending per customer, from new customers, as well as repeat customers, because of new products that we've introduced, because of us getting better at marketing every year, and because of the experience that we're changing every time. So those are our very important metrics, and they together make up customer's time -- spend per customer make up our revenues.

So, let's think a little about where that might go and some of the ratios underneath. With the data I've showed on the previous page, on the left-hand side, the new customers and repeat customers, if you look at that historically you can do a couple of ratios that are interesting, and on a high level we are looking at.

The blue bar -- the blue line at the top takes how many customers were repeating in, say, fiscal year '11, and what was that repeating number of customers as a percentage of customers we had a year before, say, in fiscal year '10? Why is that an important metric to us? Well, that's sort of a proxy for retention, how many people are repeating versus how many total customers you had.

And that last year was roughly 42%. We also present this information on a trailing 12-month basis, and in quarter two, the December quarter, on a trailing 12-month basis, it was 42.5%. So we saw another bit of improvement there versus where we were at the end of the year.

So that going up, that line going up is good for us. And why is that good for us? Retention, as Trynka has talked about, means more loyalty. More loyalty means higher spending per customer, and it means better economics for us.

The red line is what is the repeat number of customers as a percentage of the total number of customers right now in this year. What's the mix of the bars you saw? And you see that that has also been going up. Partly that is a natural trend of us growing larger as a Company and partly it's the things that we doing to foster loyalty.

And why is that an important measure for us is the higher that mix of repeat customers ultimately the more favorable our advertising costs as a percentage of revenue will be. And that is because we are spending almost all of our advertising budget on acquiring new customers and repeat customers we don't. So they're much more profitable.

Now, for the next five years, until fiscal year '16, we see this percentage go up more, both the retention metric and the mix metric we see go up by single-digits and even low single-digits improvement in these numbers, and mid-single-digits is what we're targeting, is going to be very, very beneficial for revenue growth and especially for profitability over time.

So we're not aiming to, for instance, get that retention metric from 42% to 80%. That would not be realistic, given the nature of the small business population. But it doesn't take very much. And it takes continuing the path that we're on to really move the economics in the direction that we have highlighted.

So if I take those components that I showed two pages ago and say where are we, and where are we going with that, then the where we are going is new. You've seen over the last three years that new customer growth has been roughly 15%. If we say overall revenue growth is going to be 20% plus we think new customer growth doesn't have to be 20% plus. So we actually believe that's it's going to be in the 10% to mid-teens-type of growth rate.

Repeat customers will grow much faster, so we'll see high teens to low 20s growth there. And again, that's the natural growth you saw on the previous pages as well as the initiatives that Trynka has talked about.

And then if you look at bookings, we see low single-digits bookings growth for new customer. Low to mid-single-digits growth for bookings for repeat customer, which combines to a total number of bookings increase that is actually larger as the two components. And the reason that it's larger than the two components is the mix shift that you're seeing, that mix shift towards more repeat customers.

So if you add it all up, we see our total number of customers grow with a CAGR of mid to high-teens. We see our bookings for unique customer grow with low to mid-single-digits, and that combines to the 20% revenue growth.

Why some of these ranges? Well, as we think about our modeling internally, we think about this a little bit in ranges as well, as we say, because there are trade-offs embedded. And maybe we'll find that we can grow our customer base faster and will accept a little bit lower bookings per customer or vice versa. So this is the makeup of revenue.

So moving further down the P&L, how do we think about gross margin and where could that go? We think it will go up. We already have a very, very high gross margin compared to anyone else in our direct competitor arena. We had 67% gross margin in the second quarter in our core business. It tends on an annual basis to be more like 65%, 60%. Our second quarter is a high volume quarter and therefore the margin is higher. But we still think there is some upside there.

So how is that composed? Well, there are three core drivers of gross margin as we think about it, one is price realization. So do I move my prices up or down over time, and how does that impact the price part of the gross margin?

The second important one is mix, which means we have different products, and different products have different gross margins. And if we grow one product compared to the other, over time the gross margin just purely from the mix will change.

In our modeling, we don't think fundamentally there will be a large difference between -- in price or mix over the next five years, so we'll see roughly the same trends as we've seen. There will be ups and downs in product categories, but we'll see roughly the same. Prices, we'll remain price leaders and we don't see a lot of up or down there.

COGS is where you'll see the most movement. So Don has talked about the manufacturing efficiency that we're seeking, and you'll see improvement of our cost of goods sold, our unit cost of manufacturing from that result.

But we're also making some investments in costs of goods sold, and Trynka talked about upgrading substrate quality, for instance, of our paper or other parts of our product. But net-net we think there's a few percentage points of upside over the next five years in our gross margin as a result of this.

So here a bullet point overview of some of these main drivers, and Don has talked about most of the ones in the blue column, optimizing our supply chain, that chart that he showed for about more and more acquisitions in purchases that we make in Asia, along with our different inputs. Platform development we've reached a lower cost. Smart automation and also increasing the quality of our manufacturing, which may cost something early on, but ultimately higher quality will ultimately lead to lower costs as well in our manufacturing systems.

And on the right-hand side, material and shipping which where we see some increases actually in costs over the next five years because of the quality of our inputs, faster shipping options that we are going to provide, and commodity inflation which we're also projecting for the next five years.

The other big one in our P&L is external marketing and particularly advertising. And the way to think about advertising is again in sort of three broad drivers, and I'm thinking about advertising as a percent of revenue.

Now, advertising as a percent of revenue has gone up quite substantially this fiscal year, as you all have seen. And that is really because we are investing so much behind the channels that Trynka highlighted, online as well as offline. There's three key drivers. Our cost of customer acquisition has been going up because we are moving in some of these new channels and we are investing deeper in existing channels.

And this higher COCA is actually a trend that we see going for the next few years. But still we think that at some point in the five-year cycle, we'll start to see advertising costs as a percent of revenue go down.

So how can that be when your COCA is going up? Two reasons, first that mix that I just talked about, about existing customers and repeating customers is shifting. So we're spending more on acquiring a new customer coming in but then the mix of new customers as a percentage of the whole is declining. Also our revenue per customer keeps going up, so that's also a buffeting factor.

So net-net in our models, we see advertising as a percent of revenue go down at some point, and end up five years from now, not as high as it will be this year, but somewhere in between where it was before and where it is this year. So lower than it is this year because of these effects.

And a main engine behind that is what Trynka talked about, which is this comparison of lifetime value and cost of customer acquisition, and I'm drilling down one more level than in the chart, that Trynka has shown, and one more level further down than any of the charts we've ever shown to you. So this is new information as well.

What is not new is the total $150 of lifetime value of gross profit. What I've done on this chart, is break that up in how much profit do we make from a customer in the first 12 months, then the second and third year, and then beyond three years. And here you see the value of distribution of that.

So when we talk about spending more towards lifetime value, it is really historically we were well in the light blue part of the graph before, and we've started to spend into that pink part with some of these new channels that we're investing in and going deeper with the existing channels.

And by nature what you see is because the payback is beyond one year, is advertising as a percent of revenue is going up. But beyond that first year, when you get to the 12 to 36-month, at some point that will start repaying itself. And so that's one of the key underlying drivers of that advertising as a percent of revenue going up and then ultimately trending down again.

And on the left-hand chart here you see customer acquisition go up over time historically, but then you also see that our lifetime value of customers has gone up over time. So fortunately we see not just our costs going up but our revenues going up, although admittedly in the last two years, we are spending a higher percentage of our lifetime value for acquisition of customers. So that's how we think about advertising, and cost of advertising going forward.

Some of the other major P&L drivers, technology and development, which is the area that Don leads, and it might not surprise you to hear after Don's presentation, that's an area where we continue to invest over the next five years.

At some point we'll see some leverage in the model from that, but we don't anticipate that really significantly over the next five years as we're still in our growth phase. As soon as the growth starts slowing down, potentially beyond the five years, hopefully not too short beyond the five years, we would see some leverage in our models for that.

But in general and administrative costs we would see some leverage, even in the five-year period. We are making a significant investment this year in G&A. We have transaction costs, for instance, for the two acquisitions that are included in that. We've also beefed up our teams, our global teams in places, but here in our models we see upside, even in the next five years.

S, how does that come together in our models? On this chart, you see the P&L items. You'll see what percent of revenue different costs or margins represented in fiscal year '11. Where we see that end up roughly in fiscal year '12, the next column, and then, how we think about how that could evolve over the next five years. So if I could take those in turn.

Gross margin, this year we've said will be roughly in the 65% area, which is not too different from what it's been in the past. And as I've said on the pages before, we see that there's a potential for that going up over the next five years by low single-digits. So don't expect 75% margins, but ending up somewhere higher up the 60s is what our ambition is through the different initiatives we talked about.

Advertising, I said we this year are expecting to come in roughly in that 25% to 26% of revenue where before we were in the much lower 20s. We expect that to come down over time in the five year cycle, and we expect to end up somewhere in between where we were and where we are this year.

Other marketing, which is service centers, as well as our marketing staff, is probably going to be similar to fiscal year '11 levels by fiscal year '16. Technology and development, as I said, probably similar on G&A, some upside. So if you combine that and you look really at the bottom line, our net income line is -- we have been historically roughly at about 10% net income margin.

We are seeing that come down this year to roughly 5%, but through the dynamics that I've described, in this presentation and you see on this chart, you see that percentage of net income coming back up again to 10% and even slighter beyond that in that cycle.

Now, what that means for that EPS curve that we talked about, that we described, that Jake or Robert described, is that if you see the combination over the five-year period of 20% CAGR on revenues, and then you see profits from the first two years on profit margins go up from 5% to 2%.

You see EPS in that last two or three years of the five-year period go up actually quite significantly, combined effect of revenue growth and margin improvement in that period. So that's how we think about our five-year model and the composition of our P&L in that period.

Shifting to balance sheet, the cash that we project from our operations over the next five years is actually sufficient to run our operational business, so run our organic business. We don't need balance sheet funding, either cash on the balance sheet or debt funding to run our organic operations.

So we have, as you know, and we will think about our balance sheet about both excess cash, as well as our debt capacity as opportunities to do things on top of our organic plans. And as I said in the beginning of the presentation, that's how we think about M&A. We may use M&A, and we have used M&A, to add to that organic plan and use our balance sheet to do it.

But we've also re-purchased shares using our balance sheet. We've re-purchased 6.9 million shares in this fiscal year alone, and we've done that with the cash that was available on our balance sheet, and we'll continue to look at our share re-purchases as one of the options with M&A to use our balance sheet to drive non-organic growth. M&A to drive top and bottom line growth. Share purchases to drive earnings per share growth.

Then some thoughts on our guidance approach and guidance strategy. These are not changes for this fiscal year. These are changes that we are anticipating for fiscal year '13, so starting from July onwards. We are going to continue this focus on giving you information about our longer term drivers, so I've teed that up today. I've talked to you about these long-term five-year drivers and how we think about them, and we're going to continue to do that on an on-going basis going forward.

We are going to change how we give quarterly guidance in the following way. We will continue to give annual revenue guidance and also quarterly revenue guidance as we've always done, but for EPS we plan to give you annual guidance on EPS, update that every quarter, update our view of that every quarter, but no longer give quarter-specific EPS as we go forward.

And the reason why is that we found this, that operationally is the way we run our business the way we run our budgets, are really on that annual basis. And we see very often shifts in cost, that we make during the year from one quarter to the next or from the next quarter to the previous quarter, and these operational changes make actually management towards a guided EPS number suboptimal for us.

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So we want to continue to hold ourselves to annual guidance that we give you on EPS. We want to continue to hold ourselves to updating you every quarter on where we see that guidance come in for the rest of the year, but we're no longer going to give quarterly EPS guidance. So that's a change we're making from fiscal year '13, doesn't impact Q3, doesn't impact Q4 of this fiscal year, and for both quarters we have and will give EPS guidance.

So in summary, I hope that this presentation has been helpful in giving a little bit more light on how we think about the composition of our five-year goals and given you some tools to check that against your own models or even build your own models in that sense. We believe these targets are achievable if we execute well.

We have, as you may have heard in Wendy's presentation, our entire organization lined up to deliver against those targets. It's very clear in our organization what we're trying to do, and it's very clear for everyone in the organization what their contribution is to these goals. And it is these metrics that we as a senior leadership team and the whole organization are working towards quarter after quarter, year after year and throughout the next five years.

I hope you also get away with the notion of how we see our net income margin move from 10% to 5% and then back up to 10% and then even beyond, and what the key dynamics in that are. And I also hope you take away from this is that upfront investment that we're making this year is going to pay back through the various mechanisms that I describe.

Thank you very much. I'll give it back to you, Robert.

QUESTIONS AND ANSWERS

Robert Keane - *Vistaprint - President, CEO*

So thank you very much. We're going to switch now to question and answer. Meredith is in the back picking up a microphone, and because we are on a webcast we really want to make sure we have you speak into a microphone. So maybe we can just start in the back and Meredith, well, actually you have to -- yes.

Youssef Squali - *Jefferies & Company - Analyst*

Can you hear me? Okay, great. Youssef Squali, Jefferies. A couple of questions, I guess on the last point, Ernst, so you're going to stop disclosing or guiding for quarterly guidance, but as you look at 2013, and I know you're not guiding, but would you expect fiscal '13 EPS to be higher or lower than 2012? And the reason I'm asking is if we're going to -- if we keep looking at that $5 the hockey stick gets even that much more difficult to reach if the EPS for 2013 is below that of 2012.

And then the question -- I have a question for I guess Robert, in terms of the Webs integration, I'm assuming that part of it is to be doing a lot of cross selling between the two different businesses. How do we reconcile your effort to lower the cross promotional activity to improve the user experience, which you've done in the last six or nine months, and now you seem to be going in the other way --

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Robert Keane - *Vistaprint - President, CEO*

Right.

Youssef Squali - *Jefferies & Company - Analyst*

-- to increase cross promotional activity to drive revenues when you acquired the business?

Robert Keane - *Vistaprint - President, CEO*

So Ernst, do you want to start with the first one?

Ernst Teunissen - *Vistaprint - EVP, CFO*

I'll start with the EPS for next year. You're right. We're not giving guidance for fiscal year '13. What we have said back in July is that the shape of the J-curve is that EPS will modestly increase in fiscal year '13, and we haven't updated that view since then. We will obviously come July give you more detail on our EPS guidance for next year, but that was the shape of the curve that we laid out back in July.

The fact that we're not giving quarterly EPS guidance is not going to impact the clarity we're going to give you for an annual basis, nor -- and it will also mean that we're still going to tell you roughly what the seasonal path will be of EPS, but we're not going to be as specific. So we will update on Q3 more.

And on the rapid ascent of EPS or the rapid growth in that period, you're right. That's exactly a function of revenue growth combined with margin improvement in that period that will happen.

Unidentified Company Representative

I want to -- I just want to add a clarifying point on FY '13 guidance. We said modest growth. That was from an organic perspective and we haven't updated since then so the acquisitions could impact that.

Robert Keane - *Vistaprint - President, CEO*

What I would like to do is then talk to your second point you said, which is yes, we do expect that cross selling is important and one of the key attractions to the Webs acquisition. As I talked about today, we really are increasingly see this triad of identity products, the websites, the business cards, and increasingly the Facebook Fan Pages.

And that the model -- Vistaprint has built a great business by giving away free business cards, a core identity product 10, 15 years ago. Still today, and then taking that relationship and that content across, matching and adapting it to other products. Of course we sell premium business cards as well.

Its' very analogous. It's directly analogous in the Facebook Pagemodo world and in the websites. We will give those away free. Some people will buy premium, but that content we'll use to match and adapt into other products. Now, we are and we always will be a direct marketing company and a company that uses that matching adapting technology to drive cross sell.

I mentioned today for many of our customers this is a really positive wow experience. We do feel that we pushed too far maybe in the last five years. In the last six months we've pulled back, but it's a question of feathering back on the lever, not stopping the cross sell. So if you go through Vistaprint's site today you still will see matching adapting products.

And we certainly think that one of the -- there are many assets that we've brought on with Webs, but the millions of customers with the rich content which is now resident on our servers and our knowledge on how to make that look good on other formats is a core value of that, acquiring so many free identity products, be they physical business cards or digital like Haroon demonstrated.

Meredith Mendola - *Vistaprint - VP - IR*

Next question?

Unidentified Audience Member

Hi. I just had a question on the sales and marketing and sort of how that ramps over time? And if you look at the change in the strategy, the biggest P&L impact was the 4% increase in sales and marketing, total sales and marketing as a percentage of revenue in '12 versus '11.

And the only way to make the five-year thing work would be basically in '11 you grew 25% total sales and marketing, I think, and based on your guidance and stuff it's 39% growth in 2012. And then you're going to have to have the sales and marketing is going to have to stop growing very much, sort of in the 10% to 12% range or something to get to your long-term -- that what you guys laid out.

And so it appears you sort of have this big spike of growth in '12 and then much less growth beyond which will then help you get to the, as you guys describe very clearly, get to your long-term targets. And so I guess my -- the deeper question I guess is sort of if all the metrics hold and you keep getting a really nice return on the marketing spend, what's the governor of that? I mean are you thinking if you can keep growing the marketing spend very effectively why not just keep doing that?

Robert Keane - *Vistaprint - President, CEO*

Yes. I think it's a good question. I'll answer at a high level and then turn it over to Trynka and/or Ernst to add some color. I think we try to separate two things, what is just the cash flow economics, the DCF of a customer or a customer cohort from the P&L impact.

And for instance, last quarter we actually saw a decline versus the prior quarter in cost of customer acquisition, but a significant increase in advertising as a percentage of revenues. That happened because we had a huge quarter in terms of acquiring customers.

But from a classic DCF analysis those customers let's assume they had the exact -- no improvements versus previous cohorts of customers, that was a lower cost of acquisition per customer. It was a higher net present value of that cohort.

But it did drive up the percentage on our P&L. I think that gets to what Ernst is really talking about when he showed the three drivers and then the breakdown of the drivers, and so those are moving components. I think -- Ernst, do you want to talk a little about it financially and then Trynka, if you could address how we look at it from a marketing perspective or from a business unit management perspective?

Ernst Teunissen - *Vistaprint - EVP, CFO*

So this is one thing that was potentially embedded in what you were saying when you were saying advertising as a percent of revenues going up and then down again, so you must be growing more in the beginning years. We are still -

Unidentified Audience Member

(Inaudible - microphone inaccessible)

Ernst Teunissen - *Vistaprint - EVP, CFO*

Yes.

Unidentified Audience Member

(Inaudible - microphone inaccessible)

Unidentified Company Representative

At what percentage rate would you have?

Ernst Teunissen - *Vistaprint - EVP, CFO*

As a percent of revenue, so what you see in the dynamic is that we continue to spend on advertising, our cost of customer acquisition keeps on high levels. We keep acquiring a lot of new customers, but what improves the economics of advertising at that point is not the level of investment we're making.

It is the improvements in the mix between new and repeat retention rates and revenue per customer that is then ultimately bringing that down again. So it's not so much we're ramping up advertising and then we stop spending as much. It is really those second order effects that you see kicking in that impact it.

Unidentified Audience Member

(Inaudible - microphone inaccessible).

Trynka Shineman - *Vistaprint - Chief Customer Officer, President - Vistaprint NA*

Yes. I think you're looking at the total value and the total dollar volume of advertising spend, and the way that we're managing the spend is through a blended COCA as well as a percent of marketing. And so we look at those metrics as we look at -- as we look at the long term.

And I think that even though we have in the model actually COCA increasing over time, which says that we'll continue to find opportunities to improve our spend, it's the percentage goes down. So it's not -- we're not managing it to a total volume. That's not how we think about it. We think about it as COCA overall percent of revenue and the dynamics between those create longer term advertising as a percent of revenue actually coming down a little bit.

Unidentified Audience Member

Hi. I'm a little newer to the Company than I guess most of the people here. I was hoping you could just help me with a couple of things. You said that on the retention rate, 42%, what really happens to the other 58%? Are these people who go out of business? Are these people that go to another customer? Why do they leave?

Robert Keane - *Vistaprint - President, CEO*

All right, so at the highest level in the -- when you look at different studies especially in Europe, North America, roughly 20% plus or minus, 25% depending on the study -- but we think it's closer to 20%, 25% of the 60 million small business go out of business every year. Another 20% are born every year. It can be a ski instructor going back to college. It could be a nail salon shutting down, but there's a very high churn.

So if you're five, six years out, 50% or so of the original small businesses are still in business. Now, within that overall context where second year 80% would be perfect retention -- can I turn it back now to you, Trynka, who's leading our value to customer initiative, and she can talk about what we've learned about where they go.

Trynka Shineman - *Vistaprint - Chief Customer Officer, President - Vistaprint NA*

Yes. So there's two groups within that after you look at the natural churn of small businesses. One of the groups, and it's similar to Rebecca -- I'll bring you back to the customers we talked about before -- might say that they have no need for additional products. And I think for us it's about creating relevant messaging and helping to create the need, which we've been very good at doing historically and believe we can continue to do in the future.

And then the other group are people that have a need or have an existing marketing budget and are looking for specific products and for whatever reason, whether it's the product or the experience or the service, is we're looking at the reasons that we're -- the churn -- are choosing to go elsewhere.

And so it's really those three buckets between natural churn, people that feel like they have no need that we believe is actually addressable, as well as people that have churned for the reasons that we outlined earlier in the presentation.

Robert Keane - *Vistaprint - President, CEO*

And the way I would think about it is some of it's unavoidable. Businesses go out of business. There's some which are choice. We're going to make choices. Our business model will not serve someone well who wants a high touch customer graphic design service, who wants very customized substrates because that's the antithesis of high volume automation.

But for those people that are in the third bucket of people who should fit our model, we have people we're not satisfying them well enough. And I think so we're really focusing on that, that third bucket where we have millions and millions of customers who come back year to year.

But we think we can expand that, and we're not going to try to compete against the local graphic designer, the local printer, the local web designer who can charge $500, $800 minimum to do a design. But some people want that. That's just not Vistaprint's business.

Unidentified Audience Member

What is the conversion rate of those free business card things, Robert?

Robert Keane - *Vistaprint - President, CEO*

What is the conversion rate of the free business card users?

Unidentified Audience Member

Yes.

Robert Keane - *Vistaprint - President, CEO*

Well, free business card users is a little -- and we count anyone who pays us money as a customers -- and in the free business cards offer, if you took purely the people who had free business cards, I don't know what it's recently, but a few years ago it was about a $17 average order on a pure free business card. So in effect it's 100% conversion.

Because it's a physical product you have to buy something. It's the conversion of those into other products we haven't disclosed the exact percentage, but we -- free business cards as a percentage of our revenues are a very, very small percentage.

Unidentified Audience Member

So everyone that touches you becomes a customer? They have to pay something?

Robert Keane - *Vistaprint - President, CEO*

Anyone -- we don't count them as a customer unless they pay us something.

Unidentified Audience Member

How do you determine when someone's no longer a customer?

Robert Keane - *Vistaprint - President, CEO*

They stop paying us.

Unidentified Audience Member

Well, obviously, but they could do it up to two years, three years.

Robert Keane - *Vistaprint - President, CEO*

Okay.

Unidentified Audience Member

I mean people don't come back every year.

Trynka Shineman - *Vistaprint - Chief Customer Officer, President - Vistaprint NA*

Active.

Robert Keane - *Vistaprint - President, CEO*

Oh, the active number. Okay, do you want to address that Trynka?

Trynka Shineman - *Vistaprint - Chief Customer Officer, President - Vistaprint NA*

We're using a 12-month active number. Of course we see people that haven't purchased in 12 to 24 months or even longer than that sometimes coming back that really the 12-month active is the primary measure that we're using as an organization to look at churn.

Robert Keane - *Vistaprint - President, CEO*

The reality is that some --

Unidentified Audience Member

And if you believe retention --

Robert Keane - *Vistaprint - President, CEO*

I'm sorry. If someone doesn't come back in 12 months they probably are. If they don't come back within 24 months they're definitely -- and we consider them as lost and it's very, very single, low single-digits whoever come back after that.

Unidentified Audience Member

Okay, thanks.

Unidentified Audience Member

In terms of the CapEx, I think the first couple quarters are coming a little bit lighter than expected, and certainly for the full year we're expecting you guys are expecting to do a little bit less than you had initially planned for. Is that a function of you guys have acquired capacity through the acquisitions that you don't need to go build now? Or managing the cash flow a little bit more and --

Robert Keane - *Vistaprint - President, CEO*

Wendy, do you --

Unidentified Audience Member

-- to that point in terms of the print bell capacity that you guys have in India, is there going to be any spending that's associated with getting that online at the beginning of the financial year?

Robert Keane - *Vistaprint - President, CEO*

India will be in the scheme of things de minimis CapEx. There'll be some but it certainly will not be a major amount. Wendy, do you want to talk about where some of the CapEx pushback has come from?

Wendy Cebula - *Vistaprint - COO*

Yes. A lot of the CapEx is just timing whether it's quarter to quarter timing or for example I think some of the cash from our Jamaica facility might push out of that fiscal year, which adjusts the numbers. But largely there's been some efficiency in spend and more movement in timing, but I would say not strategic shifts in CapEx due to other acquisitions.

Don Nelson - *Vistaprint - EVP, Chief Information Officer*

We did -- and I agree it's not a strategic shift, but we had though that we would need to expand our European production this year, and we've made some great efficiency gains. If you look on the chart which compares the square meters of space in The Netherlands versus Canada, you see it's a very efficient plant. We were able to push that out one more year through these efficiency improvements so we originally thought we would be building in The Netherlands this year. We'll probably be building next year so that --

Unidentified Audience Member

Yes, thanks.

Unidentified Audience Member

Just a quick question, are your products culturally -- are they good cultural fit for Japan, China, India?

Robert Keane - *Vistaprint - President, CEO*

Well, as you know they are radically different cultures in and of themselves, so I think that the core need that we looked at mostly in India and Japan, not as much in China, is fundamentally the same now.

What we need to do is -- and how we get to market will be different. Without going into details, we know from Webs that a material percentage of their website users are in emerging markets, especially English-speaking emerging markets like India.

So we think that the core need exists there, and the value proposition has to be modified. The cost structures of competitors is very different. So we don't see it as a -- the emerging markets of India and China as being the same business model in all respect, but having the core need. And we think we have a couple years of learning there before we really start seeing traction.

Japan's a different thing. We've been testing there and growing slowly for multiple years. It's a very good growth market. It's been at the top of the range of our spectrum of growth rates. We upgraded our products. We did quite a bit to make it more relevant to the Japanese market there.

It's just a -- it's obviously not a Western market, but in terms of the expectations of quality, the service levels, the infrastructure, the e-commerce penetration levels, it's a first world market. And so we are growing very well in Japan right now.

Unidentified Audience Member

Hi. Can you separate the attrition numbers for new versus repeat customers? I mean you have a 42% blended attrition, but I assume the attrition was much higher in the first year, right? So have you seen is there a difference in the attrition between the first year and the second year and third year and so on?

And the second question is when you calculate COCA you basically use -- you assume that all the expense is for new customers. What is the spend that you need to do for I guess repeat customers to keep them keep coming?

Ernst Teunissen - *Vistaprint - EVP, CFO*

So if I understand your first question right, are you asking how many customers do we retain after the first year, second year, third year? So what's that?

Unidentified Audience Member

Yes, from second to third year. I mean that should be a bit higher than first to second I'm assuming?

Ernst Teunissen - *Vistaprint - EVP, CFO*

Yes. It is. The largest drop off is actually in -- after the first year, in the first year after the first year. So you see a large drop off, the largest drop off happening then, a smaller drop off in year one, two. And then after that it's actually fairly stable, so customers that have gone through that first year, two years and have basically decided that they like us tend to stick with us. So there's some churn after that, but it's not as large as that.

So it's as Trynka really said is there are a lot of customers that try us out. So they try an offer from us and try us out and then decide if we are right for them or not right for them. And that moment, that first moment, that first year is really, really important. So you're absolutely right. You see a drop there.

Robert Keane - *Vistaprint - President, CEO*

And to understand that dynamic, I prefer personally to think of 100 or 1,000 customers rather than one customer because what really happens is a large percentage drop off in the first year and into the second year. And then the people that stay to the third year are spending much more.

Then the fourth year more have dropped out, but not as many, but they're really -- they're very loyal customers. And then they stay for a very long time. And so you see in the chart for the first time that Ernst showed today where the lifetime value is broken out between the first year, the second year and into the future, we have a large -- from a cohort or a group of 1,000 customers, a lot of that value. In fact, some of them never come back after the first order. Some stay, the Spa La La customer you saw up here who buy everything from us. So on average you see those numbers.

As to your second question, Trynka, do you want to --?

Trynka Shineman - *Vistaprint - Chief Customer Officer, President - Vistaprint NA*

Sure. So you were asking about the spend for repeat customers and how we think about that as it relates to marketing expense, and I will tell a little bit about how we go to market for repeat or how we market to customers. And the reality is it's just a very -- it's a small fraction of our external marketing.

And example of that is emailing customers who are opted in to receive our email who are customers of ours. Of course w do that. There's a very small cost of doing that, but it's not substantial. Or we may market to people by putting an insert or a promotion in a package that they receive. And again, you can imagine that the cost of that is quite different than other marketing channels that we use for new customer acquisition.

We do do some direct mailing catalog, but again, just the percent of marketing spend given the channels that we have with existing customers is quite small.

Unidentified Audience Member

Good morning. Perhaps you could give a view of -- there's a company called Apple that has pretty strong ability to change the way that people think about how we communicate. And maybe just from a vision point of view in acquiring Webs are you thinking about where print ends up five years from now if you want to take a five-year view?

And then maybe more specifically in your current business what percent of revenue comes from products like you showed today, the shirt example and designing the embroidery on it or other non-printed products? And then finally, on an apples-to-apples basis, pricing over the last several years, how has pricing changed? And then implicit in your guidance going forward what are you assuming about pricing? Thank you.

Robert Keane - *Vistaprint - President, CEO*

Sure. The first thing is I do think the world will change. We all think the world will change in that the share of the pie used in digital will grow. But we do not believe even the most basic of physical print will go away. So for instance, business cards, we don't believe everyone is going to be going around bumping only. We think there's a lot.

And if you think about business card that is combined with a Facebook page with a mobile website and where they -- a traditional website for $10, -- that's a phenomenally powerful business identity to give someone. You have 250 cards. You give one out for pennies, and that marketing value I think will be there for a very long time.

That being said, to your second question, we sell a lot of products ranging from pens and hats and embroidered shirts to notepads to signage, which we just don't think are going to go digital. We are not going to be wearing digital polo shirts in our time. So those are great growth areas for us, and I think they're relatively protected.

And a customer who goes to a trade show in theory could have an LCD in front of their booth, but they could pay us $14 and have a banner in their booth. And so those we feel quite comfortable are going to be stable product categories. Today business cards are well under a third of our business, and they're very profitable. We like them. We think they will stay a material part of our business.

We don't break out in detail, but what is different product lines, but things like embroidery which it was two years ago December we acquired a small technology company. You saw two of the founders in that video there. That was a non-revenue company. Today it is a very rapidly growing and without going into details, it is well, well over $10 million. It's not $100 million business for us, but we see that we have dozens of product lines like that that we think become part of the value proposition.

In terms of pricing, Trynka, do you want to address that, or Wendy?

Trynka Shineman - *Vistaprint - Chief Customer Officer, President - Vistaprint NA*

Yes. So we have not seen pricing pressure over the last few years. And in the model we're expecting pricing to stay relatively stable as we move forward.

Unidentified Audience Member

I have two questions. Have you queried your customers and determine that a high percentage of them are using some sort of service to build or maintain their own websites? And then two, how do you plan to effectively communicate the quality and the ease by which you can create a website or a Facebook page with Webs and Pagemodo?

Robert Keane - *Vistaprint - President, CEO*

Sure. I'd love to have maybe both Trynka and Haroon answer it from two different customer bases. We both have millions of customers, but do you want to start from your side, Trynka and then?

Trynka Shineman - *Vistaprint - Chief Customer Officer, President - Vistaprint NA*

Sure. We know that there's actually a large percentage of small businesses that still don't have websites. We know that when customers come to us they're very early in starting their business and oftentimes the business card is their first purchase. So we know that they are likely to get a website, but at the point at which we start acquiring them or start communicating to them or with them websites for a large portion of them are not the move that they [felt].

We also know that there are some customers who are now starting with the website, which is one of the reasons that we're so excited about Webs and the premium model. We think that that's another path or a gateway into the overall Vistaprint value proposition that we offer to small businesses.

We do know from looking at our customers and where they're buying websites that some of them were buying them from Webs as well as other do it yourself providers, which is one of the reasons that we so like the company.

So I don't know, Haroon, you can talk more about that.

Haroon Mokhtarzada - *Vistaprint - CEO - Webs Inc.*

Yes. The way people find out about how easy and great we are is through our users. And that's how the premium model works. You have a lot of free customers, and we've had over 40 million sign up with the service. We sign up over 0.5 million people each month to Webs with again very little advertising. So where are those people coming from?

Well, we've been around for a while, done a lot on SEO, and so we dominate search. If you search Google for free website we're the first result. But actually the majority of our users comes from word of mouth. So either people will see one of our websites and say this looks great, wow. They built it on Webs. There might be a link at the bottom.

But primarily it's by people who are just telling other people, oh, you need a website you should go to Webs and do it. And that's how they find out and that's how we've grown over the years is when people have a positive product experience that ends up driving that, and that's the way the premium model works.

Robert Keane - *Vistaprint - President, CEO*

And I'd say that's exactly what drove Vistaprint in 2000 when we came out with free business cards. We drove -- it was a very viral approach. It still is. People told other people. Yes, on the back of the card there was a link back to us, a physical link with our URL, but that drove a viral snowball.

And it's one of the -- another reason we were interested in Webs is it's very hard for companies to catch up to that viral snowball because the thousands and thousands of people who are already publishing on a regular basis their websites or Facebook business pages every day, for us to -- even if we had identical technology, which we didn't think we would develop ourselves if we could. Even if we could, catching up to that viral snowball is very difficult.

Unidentified Audience Member

In the long range planning model is there any expectation that the monthly churn of 2.5% to 3% will decline either because you go upstream and you go after somewhat larger small businesses or because of the improvements in either user experience or customer service levels?

Robert Keane - *Vistaprint - President, CEO*

I'm sorry, the 1% to 2% churn? Can you repeat that?

Unidentified Audience Member

No, 2.5% to 3% monthly churn you have today, is there expectation that over the planning horizon the churn will fall because you go upstream in terms of company size?

Robert Keane - *Vistaprint - President, CEO*

Oh, sure. Okay. I'll turn that over to Wendy or Trynka actually from a V2C perspective. We don't consider churn. We're a company -- we don't -- we have a very small number of subscriptions, 300,000, 400,000 people subscribe. We have millions of people so we actually are -- we call it -- we speak of retention. That is someone who bought last year did they come by and buy again? So I just want to be clear, it's not an ARPU churn model, but --

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Trynka Shineman - *Vistaprint - Chief Customer Officer, President - Vistaprint NA*

Yes. So I think that if I understand the question it's are we assuming that we will have higher retention moving forward? And we are. We believe that we, as we've identified customer needs and what's happening through research we believe it's very addressable and that we can improve customer retention over time.

That assumption is not based on an assumption that we'll be going up market per se, so we do target customers in the spectrum of 0 to 10 employees, that we are successful across that spectrum.

We believe that we have a lot of opportunity in customers that are 0-1 employee as well as customers that are 9 or 10 employees, but we're not right now planning or suggesting that we're moving specifically up market on skill and ability to acquire these millions of customers drives a lot of advantage for the company and it's -- and we're able to bring the value that we create through that to that whole spectrum of customers. So it's pretty important to us and our business model to keep that broad approach.

Unidentified Audience Member

I'm sorry. What is the expected improvement in retention over the five-year planning horizon?

Robert Keane - *Vistaprint - President, CEO*

I would go to the charts that Ernst showed and we've got the computer locked here. I can't go back to it. But there was a chart where we talked about -- I think it was a 42% and there were some dotted lines indicating broadly up and to the right where they were going.

That was measuring it versus the customers who were there the prior year and there was another measurement which was below that which is slightly different. Look at it. And those are not specific guidance but they certainly give in Ernst's presentation the general tendencies or direction we expect to see.

Unidentified Audience Member

Hi, a two-part question, first, what is the geographic mix of Webs' user base? And then second, do you have any idea what the overlap is between Webs and Vistaprint's customer bases, that is who -- do you know how many have tried both services or used both services?

Robert Keane - *Vistaprint - President, CEO*

So the first -- can you answer the first question, Haroon, and then maybe between Wendy and you? I don't know if you --

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Haroon Mokhtarzada - *Vistaprint - CEO - Webs Inc.*

Yes. So it's about kind of half, roughly speaking, about half kind of North America and then half global. And globally Western Europe and Australia and other English-speaking countries, obviously the UK, are where we're strongest. We don't have the site currently internationalized so we really haven't targeted other markets. But we've had strength in Western Europe in countries like The Netherlands and other places where English is pretty strong across the population.

Wendy Cebula - *Vistaprint - COO*

and I think just to extend on Haroon's answer and then go to the second part of your question is as we think about opportunities, again, to bring the business closer together and leverage our different strengths Vistaprint has reach in these little markets including payment methods and currency support and things like that that should we choose to we can plug into Webs' system in order to be able to enable their growth outside of the US in an even different way than they have before.

And then in terms of customer overlap, I don't think we're going to talk about specifically the numbers, but I think conceptually there's two important things. One is that we believe we serve the same types of customers, and so if you think about the customers that Trynka talked about here today as being Vistaprint customers, I think Haroon would very much say that those are the same, very same types of customers that Webs serves.

And they also serve home and family customers as we do as well. So we've been talking a lot about small business, but they actually acquire a fair amount of home and family customers who are using websites for their families and information sharing and things like that.

Unidentified Audience Member

Just quickly on Webs, when you guys think about the threshold of the Webs active base that needs to be cross sold in order for the customer acquisition channel to be accretive from an efficiency standpoint in terms of dollars or what you're getting, do you think about the cross sell, that first order? Are you thinking about it more from the order values of a $55 first order, first year customers or $72 per unique? Or how do you think about the booking in terms of the cross sell percentage?

Wendy Cebula - *Vistaprint - COO*

Yes, so the way to think about that is we've actually modeled a pretty modest percent we think in the scheme of things of cross sell of our physical products to this large stream of digital subscribers coming in. thinking about who are free subscribers, who are paying subscribers, what are the different volumes and mixes.

But we do think believe because they're the same customer base that once we can acquire that customer through that cross sell engagement that their economics will be more similar than different to the Vistaprint customer base.

We also think that there's advantage of our customers whether it's under the Vistaprint brand or the Webs brand who have this subscription ongoing interaction with the Company. That then keeps them engaged as we continue to talk with them over the lifespan of the Company. And so there's that initial cross sell, but there's actually the ongoing relationship that we have with these customers, whether it's to sell them premium digital products as that space evolves or physical products in another direction.

Robert Keane - *Vistaprint - President, CEO*

And as we were building the models for either before deal negotiation and during due diligence, we did look for analogs and testing of these hypotheses of these cross sells. So we know for instance when we have the very strong graphic matches from a business card into a website we get a much higher take.

We also took our paying websites in the last quarter and did tests here and in Europe of if we strip out all the tollgates and go via the pay gates and go to premium model as Webs has gone in the past, we saw that where we had that -- because that software we had already built in the type matching and adapting our cross sell rates are much better.

So we need to get fingers on keyboards starting to integrate the beautiful websites you see with the beautiful physical products we sell. And we don't assume that's going to happen overnight. We can have just some raw cross sell, but it really takes off when you can do that seamless matching and adapting.

Unidentified Audience Member

When you think about your long-term vision, I know you've said that your guidance doesn't contemplate any contribution from Webs, but I presume in part of your rationale for making the Webs acquisition was that it's insurance in keeping you relevant to your customers.

And so maybe you could respond to that a little bit? But also are there other major categories you think you need to be successful in over the long term, email marketing or I don't know what it would be, along those lines for maybe it's even longer than the five-year perspective?

Robert Keane - *Vistaprint - President, CEO*

Yes.

Unidentified Audience Member

And among those are there any that you know right now you wouldn't be able to build those capabilities yourself?

Robert Keane - *Vistaprint - President, CEO*

So if you look at the pie chart I showed in my presentation talking about the spend of small business marketing, I think we've been showing that pie chart with investor relations for at least three or four years. And at the time we were very much in the print section when we first showed it and we've worked our way around.

And today we are really across the board in those areas. We're not in search, but we do work very much with people like Bing and Google to offer products, local search products we can get a small advertising fee if we bring in customers to a Google or a Bing. But with that exception we're not going to go into that market obviously. We're across that pie chart.

So there are many sub-products. Within there we think we can improve our value proposition by having different products. Within digital I think that we're going to see many, many new and exciting products coming out that are in the whole digital sphere, and one of the things that we see with the Webs team we certainly have good innovation at Vistaprint.

We've built a good business in that digital space, but we think that having part of our Company that's focused on that innovation I'm aware they're new to market. What was demonstrated here, integrating on Facebook business page to a web page really wasn't even conceived of four years ago and it's very new to market even in the last two years.

Those things will come up in the future, but in terms of existing markets we do not see them. And in terms of how much we see Webs adding to our revenues, we clearly believe we'll make enough, more than enough from a pure DCF perspective to pay back the purchase price.

But you said something which I fully agree with, which is we have to stay relevant in the market and whether or not we bought Webs, Webs is there and they're acquiring millions and millions of small businesses.

Most of them are not paying, but who are doing these wonderful websites, wonderful Facebook pages, and we could either ignore that and hope that it went away or we could be there leading that market. And we felt we needed to be relevant and that that is a major strategic value well beyond the DCF.

Meredith Mendola - *Vistaprint - VP - IR*

Other questions?

Unidentified Audience Member

Sorry, two more Webs questions, one was when you made the acquisition did you look at [Wicks] and some of the other heating products out there? And then is there anything you can disclose about the gross margin around Webs or the cost of serving the large base of free customers on that platform?

Robert Keane - *Vistaprint - President, CEO*

Sure. Obviously we can't go into details, but we know Wicks are a great company. We've spoken -- there are multiple other companies out there and we spoke to multiple people. We really felt as much as we admire who they are and what you mentioned there's others, the overlap with the micro business customer, the very small one-person, two-person business, the core of our business we felt that we were definitely -- that we had the right partner.

And again, we think some of the technology which we have here, which is not Flash-based which is very important our customers, we really felt was the right one. But yes, we did a very comprehensive look, including a build versus buy analysis.

In terms of -- Haroon, do you?

Haroon Mokhtarzada - *Vistaprint - CEO - Webs Inc.*

Could you repeat that?

Robert Keane - *Vistaprint - President, CEO*

Could you repeat the second question for --

Meredith Mendola - *Vistaprint - VP - IR*

He asked about the gross margin for the Webs business and the cost of supporting all the free customers that we have there.

Robert Keane - *Vistaprint - President, CEO*

Okay. Without getting into any details there, it's very high gross margin, and I'll let you --

Haroon Mokhtarzada - *Vistaprint - CEO - Webs Inc.*

Yes. I will just say that -- yes, I'm not going to go into numbers, but the majority of our spend is actually on R&D and developing the new products. The actual, like, we've worked out because we bootstrapped this company in a closet, in my brother's closet, we worked out the costs pretty well, so we could serve the millions of customers without a problem.

And really customer support is kind of you have to dial up and down and choose. We currently don't have phone support. It's something I'd love to potentially test one day now that we're part of a larger company. And then it's R&D. But the server costs and stuff like that are really de minimis for us.

Meredith Mendola - *Vistaprint - VP - IR*

Any other questions? All right, Robert?

Robert Keane - *Vistaprint - President, CEO*

I just want to thank you again for your time. I know this is a long presentation, but we appreciate it and look forward to seeing you again next year. Thank you.
