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PRESENTATION

Meredith Burns - *Cimpress N.V. - VP of IR*

Okay. I think we are ready to get started. How's everybody doing today? Great. All right. Hello, and welcome to Cimpress' 2016 investor day. My name is Meredith Burns. I'm the Vice President of Investor Relations. I'd like to welcome our guests in attendance here in New York as well as those who are on the webcast who were not able to join us in person today.

Our presentations will begin in just a few minutes after I finish a couple of quick announcements. But, first, I would like to introduce today's presenters.

First, we have Robert Keane, 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 a highly fragmented market and by building a winning company culture. Robert will present twice today: first, to open up the event; and, second, to discuss the components of all of our business unit segments.

Bernie Gracy is here to discuss our mass customization platform. For those of you who have been here in attendance before, John Nelson was unable to join us today due to a long-standing prior commitment. Bernie is on his team, and he is the Senior Vice President of Global Products and Merchant Services. And he is responsible for building our ever-growing product and services catalog and ensuring that specification expectations are aligned between merchants and fulfillers.

Prior to joining Cimpress in 2015, Bernie was an executive at Pitney Bowes for nearly 20 years, where he held various executive roles in strategy, business development, marketing and product development.

Next up is Trynka Shineman. Trynka is the President of the Vistaprint business unit. Trynka joined Vistaprint in 2004 and has been instrumental in helping the Company grow in various marketing and operations roles, including Chief Customer Officer and Executive Vice President of Global Marketing, before assuming her current position. She has been a driving force behind Vistaprint's strategy to improve our customer value proposition.

Kees Arends is next, and Kees oversees the strategic direction and overall performance at Cimpress' upload-and-print business units and our photo products business, Albumprinter. Case works closely with the managing directors of these businesses, supporting them in their continuous growth efforts. A proven entrepreneur with deep sales and marketing experience, Case has founded and built five different companies in the last 25 years. Case first came to Cimpress via our 2011 acquisition of Albumprinter, where he was CEO.

And last but certainly not least, most importantly because he's my direct manager, Sean Quinn is our Chief Financial Officer, responsible for corporate finance and other corporate services. He first joined Cimpress in 2009 and has held various financial roles including Controller and Chief Accounting Officer. Prior to joining Cimpress, Sean was a certified public accountant at KCMG working in the Philadelphia, London and Boston offices. For those here in New York, if you have questions of any of our presenters, please hold them until the Q&A session at the end of today's event.

Just a couple of housekeeping notes -- if you need to use the restroom, they are located outside the room past the stairs, down the hall and to the left. We are going to have a very brief break this year, so those of you who have been here in the past with no break, you can rejoice. It will be short, but it will give you a chance to stretch your legs and also check out the product display that we have out in the lobby. And you can see all of the awesome catalog explosion that Bernie's group has been working on.

Then, the very last thing I would like to remind people of is that we are very likely to talk about ourself from the future today. Obviously, we do not have a crystal ball. And while we know our Company well, there's a lot of uncertainty to investing in a business such as ours and I would invite you to look at all of our risk factors that are included in our SEC filings, including our most recent 10-Q and the upcoming 10-K that is going to be published relatively soon.

With that, I would like to turn the presentation over to Robert Keane.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

Thank you, Meredith, and welcome, everyone. I see a lot of people in the room who have been here multiple years, and it's good to see you back. For those of you who are in the room who are coming for the first time, I really hope that you also will become a regular with us. We have been presenting on an annual basis for several years, and I really believe that if there is one overriding theme that we hope our investors will perceive Vistaprint as representing, it's the term long-term. And our progress against long-term measures really need to be evaluated over multiple years.

Now, nothing that we're going to talk about today should surprise any of our long-term investors. We certainly expect that FY 2017, fiscal year 2017, will be one which Cimpress will continue to build on the strategy, the momentum, the financial themes which we have always been speaking about for the last several years. They will also be very consistent with the letter to shareholders which I published on July 27.

That being said, we do hope that today's presentations will deepen your understanding of how we hope to move forward toward these well-established, high-level priorities.

As Cimpress has advanced in its journey naturally, we have evolved and we have learned from our experience. So today we will also take the opportunity to highlight some of the tactical pivots and the shifts in emphasis which we have made or which we expect to make in the near term.

Meredith just described the agenda for today. And as context for that, I would like to give you some background on what you will be hearing today.

One, I will start off by talking about the top-level priorities we have, our growth opportunity and our strategy. Two, Bernie Gracy is going to discuss our plans for the Cimpress mass customization platform and our progress to date. The Cimpress platform is a major, long-term investment which is only starting to become operational. Over the longer term, if this is successful, we believe that it could lead to many years of opportunity and growth and value creation for Cimpress.

Three, Trynka is going to illustrate how the Vistaprint business unit is successfully moving forward towards our target customer segment that we refer to as higher-expectations customers. Her presentation really highlights how over the past several years she and her team have so successfully repositioned Vistaprint. And, importantly, we will talk about how there are many exciting additional improvements in the pipeline.

The success of Vistaprint is, of course, critical to Cimpress overall, and I hope that one thing you'll take away from today is the sense of optimism we have about Vistaprint's future.

Four, Kees Arends will describe our strong, growing portfolio of brands that constitute the reporting segment which we refer to as upload-and-print. Our move into upload-and-print in that market space overall has been a strong success. We see this portfolio as an important foundational building block for Cimpress' future growth because the upload-and-print team very effectively addressed the customer needs in a large portion of the addressable market, where the key decision-makers are graphics arts professionals.

Five, I will come back to the podium to speak to you about our investment in the reporting segment which we refer to as all other business units. And this all-other-business-unit segment is a diverse set of businesses for which we are investing for long-term expansion into customer segments that lie outside of our traditional focus on small businesses.

Six, as Meredith said, last but not least, Sean will come up and speak about our capital allocation plans, our multi-year trends in ROIC and cash flow, and key elements of the letter to investors which we published on July 27. I think you will hear from Sean that the significant acceleration in investments which we started back in fiscal 2012 is bearing fruit and that we continue to deploy significant amounts of capital in light of our confidence that our overall return rates are creating significant, intrinsic value per share.

As a reminder, our priorities are really quite simple. We have two uppermost priorities, and we subordinate all of our other financial and our strategic objectives to these two priorities. Financially, the priority is to maximize intrinsic value per share. As we've said many times, we define this as the unlevered free cash flow per share that in our best judgment will occur now and into the long-term future, which we appropriately discounted back to reflect our cost of capital. Then we take out our net debt per share.

Strategically, our priority is to extend and to defend our position as a world leader in mass customization. By mass customization, we mean producing with the reliability, the quality, the affordability of mass production, small individual orders where each and every order embodies the personal relevance that is inherent to customized physical products.

Mass customization is a business model that allows companies like Cimpress to deliver major improvements to customer value across a wide variety of product categories. The graph on the screen illustrates how mass customization breaks the traditional trade-off that was traditionally between cost and volume. The horizontal axis represents the volume of production of a given product, and the vertical axis represents the per-unit cost of producing that product. Traditionally, the only way to manufacture at low unit cost was to produce a large volume, so mass-customized products fall in the lower right-hand corner of the chart.

Custom-made products -- in other words, those products which are -- we produce or other people produce -- are traditionally in small volumes for a very specific purpose. Traditionally incurred very high unit costs, so they fall in the upper left-hand side of the chart.

In contrast, mass customization enables low-volume, low-cost production of individually unique products. And companies that master mass customization can automatically direct very large volumes of many different orders that they sort into smaller streams of homogenous process flows that are then sent to specialized production runs.

Because of structured data flows and the digitization of the manufacturing process, the set-up cost becomes very small on a per-order basis. Then small-volume orders become economically feasible.

Other advantages of mass customization include faster speed, more personal relevance, the elimination of obsolete stock that customers would otherwise have because of too high of minimum order quantities, more product choice and high quality.

This chart, which we have shown for years, also illustrates our business model. In other words, how we make money. Because mass customization creates shareholder value by capturing some of the arbitrage opportunity between the relatively low cost of producing in a mass-customized -- mass-produced approach, but selling to customers at a relatively high value which those customers place on customized products.

Now, mass customization delivers a breakthrough in customer value particularly well in markets in which a specific customized application defines the worth of a physical product. For instance, a sign which is the same exact sign that is used by many other businesses, has less value to the business owner than one which is unique to her business. Likewise, product packaging is more relevant if it incorporates the logo for the graphic design elements of the small business' business identity.

Prior to mass customization, producing a high-quality custom product required high per-order set-up costs, so it simply was not economical to produce a customized product in low volume. And because of that, most customers did without.

If you go back 15, 20 years ago, mass customization started to take root in markets where tens of millions of customers used a few standard formats of product, certainly in business cards, but also in flyers, photo prints, T-shirts, photo books and mugs. And this initial success was driven by companies due to multiple factors: the ability to standardize around a limited number of formats; the widespread adoption of the Internet; the development of free, intuitive, browser-based, do-it-yourself software to lay out products; intuitive self-service uploads, websites and software for workflow automation and order aggregation.

Now, if we look to the future, we think that mass customization is going to expand into what we call the mid and long tail of product types and formats, not just those initial very small set of products that came out in the first 15 years. And the images on this slide show the wide diversity of the products to which Cimpress is now applying mass customization. And across these diverse markets, what is common is that traditional competitors require customers to produce in large quantities per order or to pay a very high per-unit price. Mass customization empowers those customers to make an impression for an affordable price.

Now, one question we often get from our investors is how big is the potential market. And over the past year, we have invested in a significant market research project to really understand the total addressable market for mass customization, and this research has confirmed that the opportunity is very large. It's incredibly diverse. And a portion of the market where mass customization can replace traditional business models is, we believe, expanding.

This slide shows the relative size of four major product categories. And for this classification, we are only looking at applications that, relative to high-volume production of the same product type, the quantities per order are either low or mid quantity. In other words, we only want to look here at applications where we believe that the principles of mass customization could provide a meaningful improvement to the economics of us doing this production.

I do want to stress that these market research numbers are approximate. That being said, we estimate that there is over $100 billion of annual customer demand that exists in the categories that are shown here. That number excludes geographic markets outside of North America and Europe, and it also excludes consumer applications which we refer to as home and family applications.

Just over half of the addressable market shown on the slide is for small-format printing. That includes brochures, short-run catalogs or magazines, business cards, stationery and similar products.

The other categories which constitute the second half of the market include large-format products like signs, banners and displays; promotional products, apparel and gifts, which we refer to sometimes as PPAG; low-volume packaging. And across the bottom of each category you will see a bluish-gray portion of the market which has come online or otherwise has incorporated some of the principles to the mass customization business model.

And even as we enter fiscal 2017, which is a year when Cimpress revenues should be plus or minus $2 billion, and even counting all the many other smaller competitors who are also pursuing basically a similar business model, we believe that about 80% of the markets to which mass customization could apply are still served by traditional business models.

The large portion of our addressable market that has not yet shifted online represents one of the last bastions of job-shop production in our economy. By job shop, we mean manufacturing by a small-scale, manual system with labor that handles each job as a custom one-off process. The traditional structure of this market has been and remains highly fragmented. The pie chart at the left illustrates that half of the US commercial printing establishments has fewer than five employees -- four or fewer. And about 90% have fewer than 50 employees.

Similar fragmentation exists for promotional products, signage, apparel, decoration, and the story is very similar in Europe and Australia. The photo at the bottom-left -- I'm sorry, the bottom-right shows a typical small-scale local job shop that produces custom apparel and large-format products like signs and banners. It is very difficult for the majority of these small players to compete with the business model that Cimpress and others are pursuing. And that difficulty is one of the reasons that many small players have started to outsource their production to trade focus suppliers like the Cimpress brands of Tradeprint, Exaprint and Group.AT.

For tens of thousands of traditional competitors, this is a tough industry to be in. The chart on the left shows that the number of North American print service providers has been consistently falling. And, once again, the same thing is true in other parts of the world. But since Cimpress is a large-scale market leader and we operate a fundamentally different business model, these industry dynamics actually play in our favor. One reason why this is the case is the low-cost production that we enable through mass customization. Another reason is that, like so many other aspects of our economy, the Internet is transforming how customers want to interact with their suppliers. And the chart at the right illustrates that e-commerce shipments for printing are growing at about 11% per year.

The chart on the left illustrates just how quickly our revenue has grown for each fiscal year since we went public in September 2005. Beyond the competitive advantages of our business model relative to traditional suppliers, one way which we have grown has been by expanding (technical difficulty) three different dimensions: product type on one axis, geography on another axis, and customer type on the third.

Traditionally, when we were Vistaprint and only Vistaprint several years ago and prior to that, we focused on a small corner of this total addressable market represented by the cube. From a customer perspective, our prior focus was on price-sensitive micro-businesses which we now refer to as primary customers and, to a lesser extent, on price-sensitive consumers. From a product perspective, we offered only a very limited assortment to our customers because we focused on the most popular product formats which we could produce by a highly efficient yet inflexible automated production method. Geographically, we focused primarily on the US and Europe. We reached a very strong competitive position within that specific market space. But as Vistaprint came to hold the dominant share in that intersection of those three dimensions, our growth began to slow significantly. So, since fiscal year 2012, we have expanded across each of these three dimensions into new areas.

On the customer dimension, our Vistaprint business unit is now expanding in these customer segment of higher expectations. Our upload-and-print business units are successfully growing by serving customers with professional graphic arts skills. Many of those graphic professionals use the products that we sell to them to in turn serve other types of businesses of all sizes. And in the past year, we have established a team called corporate solutions whose charter is to serve the commercial midmarket businesses under the Vistaprint brand as well as to develop application programming interfaces which serve third-party merchant partners.

On the second dimension, the vertical dimension of product, our acquisitions over the past several years have brought us a supply chain and production capabilities for a vast array of products and product attributes, which you certainly see in some of the examples that are in the reception area. Our investment in the Columbus project has successfully launched us into the market for decorated apparel, promotional product and for personalized corporate gifts. We have recently launched initial forays into large markets for custom packaging and custom textiles. And as Bernie, Trynka and Case will each speak to, we are now investing in expanding the product offerings of each of our different sets of brands via investments in MTP as well as directly into the business units.

The third dimension of geography is also some place we've expanded. Vistaprint's business unit has accelerated growth in Australia, and changed Canada from what was previously a small niche market for us to a very strongly growing part of our business. Our most-of-world teams have entered Japan, India and Brazil and are preparing to reenter China. And our upload-and-print businesses have brought us brands that have very strong geographic focus in most of the major markets across Western Europe.

Over time, we expect to continue this type of multi-dimensional growth strategy. And, importantly, at any given intersection of product, geography and customer type where we play, we see opportunities to gain more market share by both increasing the number of customers which we have in each of those intersection points and by increasing the share of wallet for any given type of product or customer.

Now, as you can imagine, at a scale of plus or minus $2 billion in annual revenues for the coming fiscal year, as we continue to grow in many different directions, that larger size in growth could mean significant amounts of complexity and variety in our business. Which leads us to the strategic question of how do you create leverage across something which is so diverse and across so many of these different markets.

Our answer to that question is to build a shared mass-customization platform that serves our many different brands and which connects our production operations and our outsourced fulfillment partners. Bernie is going to speak about this in more detail in a few moments. And I will also talk about the progress to date with the platform. But in summary, we see what we call MCP, for mass-customization platform, as an important contributor to our future growth.

If you look at what this will bring relative to the capability with any single participant in the marketplace, we believe our cross-brand scale will enable us to develop competitive advantages in areas like -- across multiple different areas. I'll give you a few examples. We think we can significantly expand product line and breadth and depth. We think we can increased purchasing power with our materials and equipment suppliers. We can specialize production lines, both those production lines which we own and those which are owned by third parties. We can amortize software development expenses across a much bigger base. We have increasingly large volumes of production, even for products that are in the mid and long tail because of our large scale. And we can -- have global fulfillment operations and, in larger markets, have multiple production sites.

Now, one of the most common misperceptions about Cimpress and about the mass-customization platform strategy that I have heard is some people think we seek to produce everything for all of our brands just like we did when we were only Vistaprint in the past, using highly automated inflexible production lines that are super cost-efficient for a small set of products.

And the photo of the deep-water offshore oil drilling platform which is shown on the left-hand side of the screen illustrates that misconception. That is a highly engineered, capital-intensive platform that is super-efficient but inflexible and monolithic. That is not what Cimpress seeks to build.

Instead, our vision for MCP is to be a constellation of modular, reusable and independently functioning software components and related services which is analogous to a well-organized set of interchangeable Lego blocks. This platform will sort millions of heterogeneous incoming orders into homogeneous specialized production streams which, thanks to the automated workflow and the regular repetitive production steps we can enable, will embody the principles of mass customization. Yet, the overall platform needs to remain reconfigurable and modular to ensure the relevance to a wide variety of applications.

Our experience with an increasingly large number of customer-facing brands has reinforced our commitment to make the MCP modular and configurable because we can see just how focused each brand experience needs to be in order to win in a given market space. And within the three-dimensional market space I described, there are many different opportunities.

This screen illustrates the portfolio brands which we currently use to go to market. And for each of our brands, we essentially assign a target area of customer focus and value positioning. But within those position guidelines, we then very explicitly delegate responsibility to the business unit leaders who manage these brands and encourage autonomy so that they can be focused on serving their target customers with what is, in effect, a set of very different combinations of service levels, design approaches, pricing, merchandising, geographic focus and other elements of a customer value proposition.

Those of you who have followed us for many years know that I have often shown a slide like this which speaks to the importance of scale-based competitive advantage. And by pursuing a platform strategy that embraces partnerships with many fulfillers, which uses many different merchants, by taking a portfolio approach with brands so we can cover many different parts of the large addressable market, and by continuing to invest for the long term, we believe we can continue to grow Cimpress for years to come. That will, we believe, allow us to continue to build skill-based advantages that we see as important in our competitive moat and deepening and widening that moat.

There are many examples of investment that you're going to hear about today, as well as other areas which are detailed in our July 27 letter. But to highlight the investments that we hope to leverage across many different business units, I'll just name a few that we plan to make in FY 2017. In terms of reduction in free cash flow, we plan to invest about $55 million in the mass-customization platform, $20 million for Columbus and $20 million for expansion into product attributes. Just those three items are $95 million in one year. Those are large investments in the aggregate level. But thanks our scale, these investments become very small when amortized down to a per-order basis, which gives us a competitive advantage.

Given the central role that we believe the platform will play in our future for those scale advantages, I would like to now turn the presentation over to Bernie Gracy, who will go into quite a bit of detail to provide you a deeper understanding of what we are doing to bring the platform to life.

Bernie Gracy - *Cimpress N.V. - SVP of Global Products*

Morning. Again, my name is Bernie Gracy, and I lead the product management and merchant services organization for MCP. And I'm pleased to report out the progress that we have made with our mass-customization platform.

Think it's important to remember the journey that we began with the business model that tightly cut the Vistaprint front-end website with a single manufacturing supply chain back end. We excelled at optimizing our manufacturing supply chain to produce relatively high volumes at a limited number of core products for Vistaprint at our Windsor, Venlo and Deer Park facilities.

After we evolved our M&A strategy, we acquired businesses with different customer value propositions and different products. These companies have broader and deeper product offerings; in some cases, deeper production and product knowledge in the areas that we did not. They were more nimble when it came to new product introduction. This created an opportunity for us to learn from our newly acquired companies and apply those best practices across the breadth of the network and begin the concept of creating a global mass customization platform.

This is a journey that we refer to as a transition from what was single use. Built by one company for the exclusive use of one company into a multi-tenant platform, which is the concept where we build something once to support many different business units and many different customer-facing needs.

In assessing our multi-business-unit future, we need to be both highly automated and highly flexible. We also need to have an ability to serve a wide variety of customer needs from micro-businesses using template-driven design to graphics professionals and value-added resellers with deep design and deep product knowledge. We also needed to be able to move from a very small number of highly optimized products to a very large number of highly customized products.

Last year, we introduced to you the mass-customization platform, connecting distinct merchants and fulfillers. We communicated that we are on a multi-year journey to fully deliver its potential. But as you will see, we are focused on delivering value all along the way and to build competitive advantage as we go.

In FY 2016, we invested heavily to understand the unique competitive landscapes, products and service needs of the portfolio of our business units. As such, we have adapted our mass customization platform to meet each BU's unique demands while we optimize to provide the lowest cost through insourced and outsourced production. In doing this, we create competitive advantage that is greater than any one business unit could have created on their own. And it gives us the ability to respond more rapidly to customer needs and changing market dynamics while driving leverage.

One of the key areas of value that MCP can provide our business unit partners is around increased selection and lower costs at our network scale versus what they could've achieved on their own. As I will discuss later on, our aggregate product range made available through the platform to our merchants is vastly larger than they have achieved on their own.

If you look within Europe, we have a constellation of in-house and third-party outsourced fulfillment options. As a point of reference, our largest production facility, in Venlo in the Netherlands, represents just 18% of our European COGS.

Our acquired scale provides access to a range of fulfillers across size and specialty, each with different comparative and geographic advantages. As our scale increases, we are yielding increases in product synergies, system synergies and buying power. These include materials expense, shipping and more leverage with equipment suppliers within and across plants and regions. We have also yielded increases in capacity.

Those of you who have been here for several years have heard us talk in the past about significant ramp-up that we have around holiday across a range of products. Our ability to leverage outsourced providers allows us to create swing capacity during this period. That allows us to minimize the amount of capital that we need to deploy in order to purchase production equipment for what would be for a very short number of weeks.

For beyond holiday, this has been a big area of focus for us as we think about the future and the balance of what we choose to produce ourselves internally with our owned and operated plants, and in partnership with third-party fulfillers during peak season. And maybe what can and should be manufactured by a third-party specialty provider in the longer term. And we've also been thinking about the success of all the stakeholders in the ecosystem, both merchant and fulfiller.

As such, the Cimpress corporate strategy is to build a mass-customization platform and the related ecosystem of merchants and fulfillers. We intend that the Cimpress platform will consist of a robust collection of software micro-services that enable mass customization, providing merchants with a cost-advantaged selection, tools and services; and fulfillers with tools, services and opportunities to enable both communities of businesses to grow and to expand.

By merchants, we mean organizations that sell mass-customized products to customers. By fulfillers, we mean organizations that produce mass-customized products. These include both our own production facilities and those third-party outsourcers.

As of July 2016, the Cimpress mass-customization platform is still under development and functionally only in small initial increments. However, we anticipate that in the future, when the mass-customization platform is more established, we will accelerate significant value by the platform. As more fulfillers join the platform, merchants will get access to more products, more delivery options, more finishing options and lower cost. As new merchants join, fulfillers will gain access to markets and production volumes that would have otherwise been inaccessible to them.

Both fulfillers and merchants would get access to a robust set of software services that they can assemble into solutions according to their needs. We intend the mass-customization platform to sort individual orders from many different merchants to homogeneous streams of production workflow that are routed to specialized production lines all around the world.

Because there are multiple acquisitions in Europe, the European market is a very good illustration of the potential of this strategy. It's important to note that we are not building out the platform from a standing start. We have over 20 brands, nine owned and operated plants in the region, and nearly 200 existing third-party fulfiller relationships from our acquisition. We actually start from a foundation of strength.

Again, by the term platform we mean a constellation of software services, application programming interfaces, plus related technology, services, and management operations which match fulfiller capabilities and capacity, which is our manufacturing supply chain network, with the demand from our merchants -- our brands.

In a few moments, I will give some examples of the progress we've made over the past year in building the foundation for this mass-customization platform.

Looking forward, we expect to shift a significant portion of the activity to this platform by the end of that fiscal year 2017. Once functional in this manner, we expect that we will continue to improve and further develop the platform for years to come. Once the mass-customization platform is in operation, on behalf of multiple brands, we plan to route production jobs through the production node in the fulfiller network that is best suited and cost-efficient to the type of product ordered, inclusive of (inaudible).

We believe that we can generate significant future customer and shareholder value from an increased specialization and production facilities, aggregated scale for multiple brands, increased product offerings and shared technology development costs.

As we showed you last year, our gauge for success has not changed. MCP will succeed -- the mass-customization platform will succeed when merchants can fully leverage our cost-advantaged platform and a hugely expanded production offering and can deliver those products on time and to specification across all the geographies we serve.

We recently held an event for Cimpress leadership -- for our Cimpress leadership team that we called the product [exflow], which is kind of a riff off the term expo, to demonstrate what products we have in the portfolio, what we're introducing in FY 2017 and what we are actually thinking about beyond. You have seen some of the examples of that in -- outside of this event.

This expo took up to about 3,000 square feet with all of our expanded selection. What struck many of the attendees -- that our core products, making up over $1 billion of revenue at Cimpress fit in only a 30-square-foot section. Our opportunity to explode product selection beyond that core for our millions of customers organically and for our acquisitions and partnering with third-party fulfillers represents a great opportunity.

The graph on the right is the corresponding fulfiller deal, where we anticipate an expanding portfolio of third-party fulfillers with attractive products, capacity, scale, geography and specialization. What's important, this is a proven, capitally efficient business model as shown through our acquisitions of WIRmachenDRUCK and Exaprint.

For our core products, we will continue to optimize our network of plants and products that they make to provide customers with the best costs, quality and delivery times. We're going to continue to grow merchant and customer value by providing access to an ever-growing catalog of products from third-party fulfillers. And through the MCP, the mass-customization platform, we're going to connect those merchants to our plants and those third-party fulfillers to enable the best outcome across the network.

We have been actually getting some leverage through these investments. This includes the production of products for (inaudible) and our plant in Quarto d'Altino, Italy. The production of promotional products, decorative apparel and gifts for Exaprint in our Venlo plant in the Netherlands. And the use of new partners to support large-format product expansion in North America for two merchants, as well as to support holiday peak in North America and in Europe. And as I discussed earlier, our ability to capture lower material purchase prices by leveraging our global scale.

We have made significant progress in FY 2016 on MCP. We now have 21 active merchant fulfiller connections through the platform. Last quarter, we processed over 43,000 orders spanning small-format print, large-format print and promotional products. I will give you insight into our product portfolio in just a few minutes. Much of the volume over the platform today represents revenue synergies for Cimpress. For example, Exaprint and Easyflyer leveraging the Columbus platform for promotional products, and other merchants getting access to the large-format products introduced to the platform by Pixartprinting and our third-party fulfiller relationships. However, this order flow represents less than 1% of Cimpress' fourth-quarter revenue and therefore represents significant upside potential for the future.

We achieved $7 million of cost synergy in FY 2016 due to the platform. The contribution of these synergies came from the leveraging of our spend with our suppliers for our materials and logistics, CapEx avoidance -- excuse me, CapEx avoidance from synergies in our fulfillment network, and productivity improvement.

Underpinning the platform is a rapid expansion and maturation of our software micro-services portfolio to help merchants and fulfillers connect and leverage each other's customer base, marketing, products, geography and fulfillment capacity. We have published many, many dozens of services, but I wanted to highlight four key software domains for the platform.

Catalog services is a repository for platform stakeholders to register and discover our ever-expanded selection. Design customization and pre-press services, which is a broad spectrum of services from basic manual review of files to fixing pre-flight issues to reinterpreting customer designs to make them work for an expanding portfolio -- an ever-expanding portfolio of decoration technologies.

And finally, shipping and cross-border logistics to get orders to our customers across a growing array of delivery and fulfillment options.

I am also really pleased with our velocity in partnering in FY 2016. We have implemented a number of fast and flexible integration options now available to lower barriers to expanding production capacity and product selection, from both our owned and operated plants and from third-party fulfillers.

Our near-term category focus is in primarily three areas. Expanding the depth and breadth of our core products in small-format print. These include brochures, inserts, calendars, business cards, flyers, stationery, calendars, greeting cards, photo books, posters, books, catalogs and magazines.

Secondly, we are aggressively expanding our product portfolio of large-format products. These include banners, trade show materials, flags, decals, posters, bridges, car door magnets, point-of-sale applications and many others.

And finally, we're building off of our Columbus investment to expand the portfolio of promotional products, decorative apparel and gifts through an expanding array of soft goods, hard goods and decorating technologies.

One thing that our team is very proud of is our ability to explode selection for our merchants through our micro-services technology, through our private category domain expertise, through our past acquisitions and developing key third-party relationships.

In the beginning of FY 2016, the only products in the MCP product catalog were actually our Columbus promotional products. While we continue to add in that category, we continue to add a growing number of both large-format and small-format products. And, therefore, over the course of this fiscal year, we have grown our SKU portfolio by 10 times.

Another view of this growing expansion of selection is to look at this through the sources of that selection. The first is what we would call our traditional new-product introduction process where we introduced about 30,000 SKUs last year. However, by leveraging our acquisitions, we were able to greatly explode selection by making each of their individual products available to the platform.

And finally, by creating new partners, we are now not only creating leverage from what we had with Vistaprint and through these acquisitions; we are now expanding our product portfolio through these third-party relationships and, again, introducing SKUs by 10x.

I think it's important to note that our growing SKU counts belie an even greater acceleration in product variants. Literally millions of combinations. For example, we recently introduced a range of book, booklet and catalog products in the small-format category. As part of that, we introduced 5,800 SKUs to represent the different binding types, sizes, page counts, inside paper types, cover paper types, lamination and printing. These 5,800 SKUs can actually generate 2.2 million unique product variants. That's the power of the platform.

In FY 2017, we're going to continue this rapid expansion selection. Underpinning that will be an acceleration of the deployment of additional software micro services that will allow us to expand the depth and breadth of products, decorating technologies, as well as a portfolio of value-added services to enable merchants and fulfillers to leverage the mass-customization platform and provide outstanding service and support to their customers and their channels.

Most importantly in FY 2017, the majority of orders from our merchants will flow through the platform as they connect to it for their selection.

In aggregate, as Robert said, these activities represent $55 million of investment in FY 2017 to achieve these objectives and further our corporate strategy.

We have built the initial foundation of the platform. 21 fulfiller -- merchant-fulfiller connections have been made. Revenue and cost synergies are being achieved. But the potential for these results is much larger. In FY 2017, we will continue to build out the platform, especially our merchant-fulfiller services portfolio, and to get a majority of the order flow through it exiting this year. We should expand our revenue and cost synergies through the resulting scale.

It is in FY 2018 that we anticipate having the ability to realize the platform's full economic potential as we optimize production costs across the network of owned and third-party plants.

I appreciate your time. Next, I would like to introduce the President of Vistaprint, Trynka Shineman.

Trynka Shineman - *Cimpress N.V. - EVP and President, Vistaprint Business Unit, Director, Management Board*

Thank you, Bernie. I'm Trynka Shineman. I am President of Vistaprint, and I'm excited to talk to you today about the progress that we've made on the Vistaprint strategy and the momentum that we're building in the business.

As we look at the agenda, what I'm going to do is a brief reminder of our focus and our strategy. I'm going to talk about the progress that we've made in fiscal year 2016. I'll touch on our (inaudible) priorities. And I will close, as I always do, by recapping some of the financial results and metrics that we look at to measure our success.

As you think about our focus, we often describe our strategy in terms of where we will play. As you think about that for Vistaprint, there's lots of ways of segmenting the market. We have talked in prior years about primary and higher-expectation customers as an example. But the fact of the matter is where Vistaprint plays is in the unique and important customer segment of the micro business.

Many companies talk about a focus on small business. And when they talk about a focus on small business, they're often referring to businesses of 10 or more employees. When you think about Vistaprint's focus, our focus is unique and different than that small business focus. We are focused on the micro business. 90% of our customers are either a sole proprietor or have just one employee, so it's a very distinct and unique segment of the market. While each of these customers are very small, in total they're big contributors to the economy, employing over 60 million people and contributing over $3 trillion to the global economy. And that's a number that's growing every year.

I thought it would be fun to introduce you to our segments by way of a video. It's a video of a couple of business owners. And they will talk a little bit about what they do and what it feels like to be a business owner. I'll play that for you now.

(video playing)

The heart of everything that we do for Vistaprint is to help that business owner do business. That's not a change in strategy or a change in direction, but just a reminder of where our focus is and what guides our priorities and our decisions as we move forward in the business.

As we think about what we do now, is we're helping these business owners market their business. We're trying to make it easy for them to do what they need to do and to provide them the services that meet their needs. The reason that we're doing that is we're looking to create loyalty.

Four elements that we think are important as we think about the strategy and how we're moving forward, the first is that we are creating value. We know that business owners are looking for a good-quality product at a fair price in quantities that are right for them. This is the foundation of the Vistaprint value proposition, and it's something that the Company has been founded upon and built upon as we've grown.

The second area is simplicity. As you can hear from the video, it is very stressful to be a business owner. It's a lot of hard work with a lot of unexpected complexity and ups and downs. Our goal is to make it as easy as possible for them to accomplish what they need to do from a marketing perspective. It's the way that we can best serve them.

The third area is help. Our customers need help. They are not graphic professionals, they are not professional marketers and they need help finding the right product. They need help with their graphic design, and sometimes they need help just making the product just right. And we wanted to provide the help that they need in the way that they want to use us.

And finally is innovation. Vistaprint is very unique in our focus on the micro business owner. Not a lot of companies, if any, really focus distinctly on this segment. That means that we need to really innovate and think about how to create unique solutions that uniquely meet their needs.

These are the keys to our strategy. You'll see this underlying all of the progress that we're making and all of actions that we are taking as we look to build loyalty with this segment.

At the highest level, as you look at our measure of loyalty of Net Promoter Score, you could see that we've been successful. We've increased our Net Promoter Score over the last four years. This past year, we've seen a particular increase with the focus that we've had in Europe. You could see a particular increase in the UK, Germany and France markets. While we have maintained our high Net Promoter Score in the US and Canada, where we are industry-leading, we know that these increases and contracts chasten back to changes that we're making and improvements that we're making in the value proposition. Overall, this is resulting -- is a result of our industry-leading customer service. It's about the improvements that we're making in product quality, the changes that we're making in our go-to-market and our pricing approaches to ensure that we are creating a relevant and easy experience for our customers.

That's just a recap of where we play and our strategy. What I want to do now is talk a little bit about our fiscal year 2016 progress. To put that in context, we just wrapped up the third year of what I see as a five-year strategy. This is a strategy that we laid out with a couple components. The first is the move to a higher-expectation customer. The second is a repositioning from single products to product categories in four key categories that we describe now as business cards, marketing materials, signage, and promotional products, apparel and gifts. And the third has been a focus on our top six markets, which is the US, Canada, UK, France, Germany and Australia.

So, what I want to talk about is the particular progress where we have seen significant changes over the past year. The four areas that I will be highlighting today are improvements that we have made in technology with the transformation of our infrastructure, improvements that we've made in advancing our product strategy as we move to product categories, how we continue to evolve our vision and execution on our design services as well as our do-it-yourself capabilities, and also in areas in which we are innovating to create unique solutions that meet the needs of our micro-businesses.

I'll start with technology. A year ago, we recognized that the technology platform that we had was not going to enable us to get to where we wanted to go. It was too slow to make the changes that we needed to make on our product catalog and our customer experience, and it was really holding us back. Historically, Vistaprint has made the decision to build all of our technology in-house to make sure that we were meeting the unique needs of our businesses. But as we took a step back, what we recognized is that there was third-party technology available to power many of the basic aspects of our website. So over the past year, we've taken a step back, we have identified some third parties, we have integrated them into our website, and what this will enable us to do is to lay the foundation for growth. What you should know is that our effort is nearly complete.

As you think about laying the foundation for growth, what it enables us to do is to move faster. We will be able to increase this rate of new-product introduction, which I'll talk about in a minute, but also increase the speed in which we can make changes to the user experience and react to customer needs and changing demand.

What this will also enable is it is a platform that will scale with us as we grow. And it enables our engineering and technical resources to pivot to focus more in areas of differentiation. Areas like design, which I will talk about. Areas of innovation and trying new business models and developing unique solutions, focusing more on personalization. So I will talk about some of these areas in a few minutes.

The second area where we've made significant progress is in the area of products. A year ago, we talked about the need to focus on signage or promotional product category. This year, as we look at our strategy, what we realize is that while we have been introducing new products in new categories, the rate and introduction was just too slow to accomplish our needs. With the change in our technology infrastructure, that paradigm has shifted.

So using signage as a pilot, we took a look at our end-to-end new-product introduction process, and we introduced and engineered a process that will enable us to move to massive product selection, leveraging the benefits that Bernie talked about on the MCP platform. We have looked at everything from our photography, merchandising, our site experience, pricing, and we think that we are poised to really accelerate the rate of product introduction this year.

As you think about this, in June, we launched four products. In July, this quarter, we will launch 150. Over the course of this year, we expect to launch 20,000 products for our customers, curating -- still curating, but massively expanding our selection, which we think will lead to growth and continuing to build on the positive trends that we're seeing in the business.

More specifically, as you look at the results of the product focus that we've had, we are seeing strong growth in our chosen categories with close to 20% growth this past year in marketing materials, signage, and Columbus and promotional products, apparel, and gifts as a combination of those businesses. We are also seeing strong, high-single-digit growth in business cards, which is the area where we are the definitive market leader today. As we continue to massively expand our product selection, we expect to continue to build on this momentum and the positive trends that we are seeing in the business.

The third area I want to talk about is design. Design is an area where Vistaprint is uniquely differentiated and one of the key services that we provide to our business owners. As you think about Vistaprint historically, we would always focus on the area of template-based design for these micro businesses. But as we move to a higher-expectation customer, what we learned is that they needed help in different ways. They wanted to have -- sometimes they wanted to be hands-on and look at the -- leverage our do-it-yourself template. But sometimes they needed more help, and sometimes they wanted us to do it for them. And we have made progress in all of these areas over the past 12 months. I'm going to share a couple examples.

As you think about the do-it-yourself area, what we've heard from customers is that they really like the templates. They like to start with them for inspiration and ideas. But the reality is that they needed the flexibility to make these templates uniquely represent -- uniquely their own to represent their unique business and brand. So what we're moving forward with is making all of our templates more configurable.

If you look at this and you see a template on the left, this would be a typical business card template that we are developing now. What we've done is we think each of these design elements able to be edited. The logo space, you can see the text divider, the design elements. And what you can see on the right is by removing or changing colors or changing the logo, this one template now can result in many, many unique designs. And what this means moving forward is that while we have 2,000 templates or thousands of templates, it will result in an infinite number of possibilities that help our customers represent their unique brand.

We've also made progress in our do-it-for-you services. There's three areas that we are primarily focusing on today, and we're just getting started. We are focused on logo design, design recreation, which is something that I introduced about a year ago, as well as design edit. Over the past year, we have successfully scaled these services and now have doubled the amount of customers that are experiencing them on a daily basis. We are just starting to scratch the surface of the do-it-for-you services.

The third area where we've made significant progress is in the area of support. We talk about this as do it with help. The customers that want to be hands-on but need a little help through the process. One of the things that we are piloting right now is a secure co-browsing tool that enables the customer and an agent to look at the screen together, and together make edits and modifications to a document. I'm going to play a brief video which I will voice over as you look at it here.

What you can see here is the screen of the website. You will see two cursors on the screen. One, which is the right cursor, is a customer's cursor, and the one with the yellow box is the one with a customer service agent. So, what they are able to do is they are able to co-browse to look at the same screen, and the agent can direct the customer to where they might need to click and they can explore the website together. The agent also has the ability if needed to take control, if the customer desires, to actually do the design for them. You can see that -- an example of that in just a minute.

I just want to -- I'm going to read a quote from a customer that I just recently received who was experiencing this service. He said, I struggled four times to create my business card. This guy took over my screen, did exactly what I wanted him to do, and even took time to make improvements I didn't think of -- and he did it all very quickly. He was helpful and encouraging even though I struggle with computers. He was amazing and got my business cards to look great. This is a service that right now 70 of our agents are using, but it will be rolled out to over 1,000 agents over the course of this year.

This is great as a significant benefit for our customers. It's also much easier for our customer service agents to do what they need to do to help customers in the way that they need help.

So, as we think about design, there's a lot more progress to make, but a lot of that centers also around our focus on innovation. So, I want to talk about innovation, and innovation is really important because of Vistaprint's distinct focus in the market. The reality is that a lot of the ways in which our customers need to be served simply don't exist. And so we are focusing more and more on experimenting and continuing to understand how we can go to market and how we can define solutions that are right for them.

There are three illustrative examples that I want to share with you today: Promoboxx, Owner Nation, and our move to big data. I'm going to start with Promoboxx.

We have a small team that's about five people (inaudible) looking at industry trends and understanding what is happening in the industry as well as the capabilities that we uniquely offer from the Vistaprint perspective. Promoboxx is something that leverages a trend of obviously subscription boxes. Many of you have an example of the Promoboxx that customers receive on the -- received that on your way in today.

What this does is it also takes into account or leverages our unique skill set in graphic design and our ability to produce in very small quantities. So a customer comes to our website, they subscribe to a subscription box of this Promoboxx, and every month they will receive a set of marketing products that they can try. This is great because it gives them the ability to touch and feel different types of products. It gives them inspiration and ideas, and things that they can practice and think about as they think about their micro-business.

This is something that has been in pilot for six months. We are really excited about the results. We're getting a lot of positive feedback. If any of you guys have some time, you can look at some of the unboxing videos that we see on YouTube; they are great. Customers really love the idea of the quality and the designs that they're getting. And this is something that we will be taking out of pilot and starting to roll out this year.

The second area that I want to talk about is Owner Nation, which is something that is about to move into a beta test. What we hear from customers is that they really need inspiration and ideas. Promoboxx is one way we deliver on that. But as we look at this marketing inspiration and marketing ideas, we found that there's lots of websites and lots of material on the Internet that people can find, but the reality is none of it is targeted to the micro-business owner. It's too complicated; it's too in-depth; it doesn't really work with their unique needs.

We also know that our businesses are happy to engage with us. We have over 2 million Facebook fans, which is a point of illustration. So with everything, there's a unique opportunity to create a community just for business owners where they can go and get ideas from us but also from each other on how they can market their business. This is just an illustration of one of the tests that's coming out in the next month. And we will be excited to hear and update you on the progress in the future.

The other area that we focus on from an innovation perspective is just how we are operating and how do we leverage and create capabilities that we can continue to expand in the future. A good point of illustration is our move and improvement in business intelligence and big data. This is something that we have implemented in the last year. What this enables us to do is to access -- create, store and access many more data points than we've had in the past. This improves our ability to get insights, and now we're using this also to create more relevant communications for customers with relevant product recommendations, with replenishment ideas and campaigns at the right point in time, but also to use behavioral targeting across the Web to ensure that as they're interacting with Vistaprint, we are creating the foundation for a very personal relationship, which we think is important for the future.

So, this is a foundation that has been built in an area where we're just getting started that illustrates another category of innovation that we are pushing across the business.

If you think about fiscal year 2016, I think we've made incredible progress, and we are really building momentum in the business. When you think about the coming year, what are we going to do? Well, we're going to continue the momentum and finish what we started.

There's three areas in particular that I would like to touch upon. The first is the significant expansion of our product offer. We've invested in rebuilding our technology infrastructure. The MCP platform is ready for us to start using it. We've invested in our business processes, and, with that, we expect by the end of the year that we will have 3 times the amount of products that we have today on the site. So, a really significant, massive expansion, and it will be a key driver of our growth this year.

The second is to realize our vision on design. We're making a lot of progress around do it yourself, do it with help and do it for you, but, again, we are focused on scaling while continuing to innovate here as we move forward.

As another specific example, we expect it will have a -- we doubled the amount of customers using our design services this past year. We expect to triple that in the coming year.

And finally, you've all heard about the investments that we are planning to make in shipping. And what I want to do is just double-click on that for a minute.

If you talk about shipping, shipping is an area that is the biggest dissatisfier of customers today. This is the area that they are most dissatisfied with in the Vistaprint experience. And our goal is to make this so that it's no longer a barrier to purchase. If you look at shipping over time, we have made progress on shipping over the last decade, bringing our shipping as a percent of revenue down by half. So we've certainly made progress, but as we look at the industry and what's happened, we realized that we haven't made progress fast enough.

I just want to humor -- ask you to humor me for a second and put yourself in the shoes of a small-business owner. You come to the Vistaprint website and you decide that you're going to order a T-shirt for a promotional event or maybe for a store opening or something that you're doing. You pick a design and you spend time customizing it. Perhaps you run it by your business partner, your spouse or friend. You get feedback, you edit it and you create a design that you really like. You go to check out, and you are encountered with this.

If you look at this -- it's -- this is for our standard shipping, almost $10. And you look at this relative to the product price, and it really just -- it's a barrier to purchase. The reality is, what do you do in this situation. Really what you do is you purchase the product. You've invested a lot of time creating this product. You are really excited about the product that you're going to get. But how do you feel about this? You feel a shade of doubt. You wonder is this a Company that I want to be loyal to. As we think about building loyalty, is this a Company that is really looking out for my best interest? And so as we look at shipping, we think that we need to -- and we think about our goal of customer loyalty, we need to responsibly lower our shipping prices this year.

We have started in Europe -- in the UK, France and Germany. And when we do this well, our customers take note. We know this because we see an increase in conversion rate, we see an increase in Net Promoter Score and we see an increase in our 30-day repeat rate. We are currently testing our prices in the US market. And while it's difficult to project a long-term impact of these changes, we think this is a necessary change to be the type of Company we want to be and build the loyalty that we need to build with our customers.

So with that, as you think about where we are in this strategy, we see this progress from an operational perspective. We feel like the team is executing well. But we can also see this in the results that we look at. And what I want to do is just close with a few minutes of reviewing some of the results and the metrics that I look at with the team as we are reviewing our progress on our strategy and the momentum we are building in the business.

The first is we look at our top-line growth. And you can see that we're seeing acceleration in growth in all of our top markets. What I want to do is actually just double-click for a minute on Europe. And you can see over the course of the year that the UK, Germany, France and the (inaudible) Australia here -- this acceleration in growth that we have seen, particularly in the back half of the year. Europe is a market that we have struggled a little bit with as we have repositioned the brand.

As we have gotten into this, what we have realized is that we have really deep-rooted brand perception that we've needed to change. And so we've made a lot of progress. And as we make progress, we are seeing that we're getting positive feedback from customers. You saw that earlier with the increase in our Net Promoter Score. We continue to make progress. We are focused on local -- that are localizing our messaging, improving our product quality and leading in the European markets with things like lower shipping prices. We are excited to see the recent trends. We think we are on the right track, and we think we have some more work to do, and we will continue to focus here as we move forward.

The other way -- as you level that up to business overall, the two ways we look at the growth of the business are really about the quality of the customers that we are acquiring and the lifetime value of those customers as they move through the year, so the loyalty of those customers. As you can look at the -- as you look at the number of customers -- the percent of customers coming in, we've been more focused in the past few years on the quality of customers as opposed to the quantity of customers. And you can see that the quality of customers has improved dramatically over the last four years. We use a proxy of high-value new customers, and you can see that the percent of customers who are high-value has increased from 18% to 25%.

At the same time, our ad spend as a percent of bookings has significantly -- has shown significant leverage, demonstrating that we are improving our effectiveness as we move forward.

That said, while we have improved the quality, we know the quantity of customers has been reduced, that quantity of customers acquired has been going down. This is a long year trend -- longtime trend. And you can look at fiscal year 2014, where we saw this precipitous decline in new customer acquisitions, declining 16%. This was really a result of the changes that we made to the business model, moving away from free offers and re-optimizing our media spend and our channel strategy to ensure that we are targeting a higher-value customer segment. We are pleased that we've seen this number stabilize and most recently grow in the last quarter. But moving forward, I just want to reiterate that we are focused more on the quality than the quantity of customers, so we will expect to see a little volatility here more or less maintaining the current acquisition numbers that we see.

The other measure that we look at in terms of the health of the business is the value of acquired cohorts. I showed you the value of customers coming in, but this is a longer-term view and the first time that we are sharing this metric with you. What this metric shows is a cumulative gross profit per customer for each of the cohorts we've acquired by fiscal year. If you look at this figure 9, this line that goes all the way out to the right, what you can see is in year one, that cohort generated $28. Cumulatively by year, eight, we generated $81.

I think this graph tells a really interesting story about the journey that we've been on from a Vistaprint perspective. You can see that we were -- you can see an improvement from fiscal year 2009 to fiscal year 2010 in terms of the value of the acquired cohorts. In fiscal year 2011, you can see the business starting to come down, and that's the time at which we announced the need to focus on improving our customer value proposition. We were seeing some weakness in some of the underlying trends, and we knew that we needed to reinvest and ensure that we are creating the right value for a long-term relationship.

As we made those investments in fiscal year 2012 and 2013, we reduced our cross-selling, we reduced our promotionality. And with this we saw a reduction in the value of acquired cohorts. Now that we've gotten through those changes in 2014, 2015 and 2016, each year we are seeing an increase in the value of the cohorts that we are acquiring, and we are really pleased to see that.

So, we look at this in terms of the quality of the customers coming in. But we also look at the quality of the overall customer base, which are metric we call gross profit per customer. What this is is it looks at the gross profit generated in-year of any active customer over the last two years. And what we've seen is over the last four years, we have seen continued growth in this metric. This metric is growing at an overall level, but it was actually a little softer in Europe into the most recent year, where we are starting to seeing an acceleration. This is a great metric to understand the health of our customer base and the health of the overall business, and it's something that we look at quite a bit.

One of the underlying metrics of this is actually repeat rate. And repeat rate, we think, is an ultimate measure of loyalty. It's great that we see a Net Promoter Score improving, but it wasn't until this year that at an overall level we saw a rebound in our repeat rate with a growth of 5%. Last year, I shared that we were starting to see some improvement in repeat rate in some of our markets, particularly Canada, that were the earliest to go through the reinvent. Now we see this across our market, and globally we see this improvement, which I think indicates that we are really accomplishing our goal of increasing a brand that our customers are loyal to.

So in summary, we are three years into a five-year strategy, and we are really pleased with the progress and momentum that we are building. We think we are positioned well to capture more of the $40 billion market in which Vistaprint plays. We have strengthened our brand, our offer, our relationships. We are building loyalty, and we're confident we are on the right path as we move forward.

With that, I'm going to turn it to Meredith, who is going to introduce the break, and after which Case will go through the upload-and-print business.

Meredith Burns - *Cimpress N.V. - VP of IR*

Thanks, Trynka. Introducing a short break. Please only take 10 minutes. Stretch your legs. There is coffee still outside. I would also like to make a little announcement. I know that you all know this, but our product displays are actual displays for you to look at our products. They are not for you to take. So, thank you very much. I appreciate that. We'll see you back here in 10 minutes.

PRESENTATION

Meredith Burns - *Cimpress N.V. - VP of IR*

All right, everybody, if you could just take a seat. We are going to start in just a minute. Let's start moving back into the room, coffee people. We are going to get started. Nobody wanted to come back in the room until Robert was in here. So now we really are starting again.

Okay, I'm going to turn things over to Kees Arends, the EVP and President of our Upload and Print business unit.

Kees Arends - *Cimpress N.V. - EVP and President of Upload and Print Business Units*

Thank you, Meredith. Good morning, ladies and gentlemen. Let me introduce myself. My name is Kees Arends.

I first joined Cimpress in 2011 as the CEO of Albumprinter, which was acquired in those days by Vistaprint, as it was called in those days. And I joined again in 2015, excited by the huge opportunities combined with the ambitions that this Company has, and moreover the entrepreneurial approach that we tend to take. I'm very happy to be here this morning and try to help you understand a bit more about our upload and print businesses.

At this moment, we own seven different companies in the upload and print domain. And with those seven brands, they serve a customer base of well over 500,000 customers, mainly in Europe and almost in all instances in a business-to-business relationship. Though I will spend much of this presentation speaking about these companies as a group, and I will contrast these businesses with a Vistaprint brand that is more familiar to you, it's very important to remember that the upload and print businesses are and will remain distinct.

They all have different geographic focus areas, target audiences and value propositions. Since April 2014, collectively we have spent over $520 million to acquire these companies. And that's a substantial allocation of capital for what we believe has given us a strong European presence with footholds in almost all main markets, and which will allow us to take advantage of the large market opportunities that Robert earlier described in his presentation.

Financially speaking, the $520 million spend has given us a portfolio of businesses that is already performing very, very financially well and growing at a strong double-digit rate. If you take our Q4 2016 results and if you annualize them, the run rate entering fiscal year 2017 is nearly $600 million in annual revenue, and roughly $70 million in adjusted net operating profits.

I'll come back later to our plans for fiscal year 2017, but first, I'd like to take some time to discuss the businesses and their target customers a bit better. And those of you who have attended our Investor Day last year will recognize some of the next slides, and they -- by using the same slides, it should confirm to you that our view on these businesses remains consistent.

The customers served by the upload and print businesses are in many aspects very different from the typical do-it-yourself Vistaprint customer. In general, they are all professionals, not consumers, and can be roughly divided into local printers, copy shops, graphic designers, agencies, resellers, and medium to large-sized organizations where graphically savvy employees have responsibility for the domain.

All of our upload and print customers tend to have a professional understanding of the details and techniques of printing, and want to be able to choose from and work with, for instance, large variances of substrates, like things like different paper types, and many choices for finishing their order products. Therefore, one of the important differences between a typical Vistaprint customer and an upload and print customer is both the desire and the ability to create proprietary designs for their order products.

And the end-users in our upload and print business that normally use the service of some type of graphical support are mainly small and medium-sized businesses or government agencies. Larger businesses normally place their orders direct themselves as they often have sufficient in-house graphical experience to do so.

And in the area where we see some but little overlap with Vistaprint end-users is in the domain of the macro businesses, and especially moreover in the micro-businesses where the customers are with their higher expectations. However, the print businesses are organizing their marketing and sales efforts towards their different customer groups, trying to find ways to also benefit from more and more from an eCommerce approach than they used to do before.

In general, these customer types, as just described, account for larger sized orders than the typical Vistaprint customer does. But, with average order variance of between [EUR100 and EUR140 -- EUR150], we still consider these amounts to be relatively small. Comparable to Vistaprint, though, is the fact that our upload and print businesses are using their marketing efforts to aggregate higher volumes of individual orders, and decentralized -- and centralized production and/or production flow to lower the total cost of production and passing savings on to their customers and finally their end-users.

And therefore we see this space and the individual needs of our customers within it as a strong fit for our mass customization approach. Our customers trust our upload and print businesses to deliver a wide, sometimes even infinite, variety of products and variances at competitive prices that, in case of our wholesale customers, can be marked up to the end customer.

To illustrate the fact that product choice is of great importance in our business, let me quantify this for you. Before we acquired our upload and print businesses, we had about 600 stock-keeping units between Vistaprint and Albumprinter brands together. Since then, because of the addition of our upload and print acquisitions, we have multiplied the number of stock-keeping unit count by at least 300 times. We significantly increased our product choice as well as depth, with large substrate choice and finishing options. And we even acquired the ability to produce with fully variable and customized sizing and costing.

The upload and print space is competitive. We believe that winners in our markets will be those companies that can provide strong value to targeted customer groups. And to be able to do so, we need to constantly listen to our customers to always better understand their changing needs which go beyond just a broad and deep product selection -- although, I said before, that still is clearly very important.

And as we think about customer acquisition, the way we market and merchandise is important, as is our ability to help our customers understand our value proposition, our presence at tradeshows and other means like well-trained and specialized customer service departments. For production and delivery, we must provide ever-faster delivery speeds; the ability, for instance, to split orders to multiple recipients -- think of agencies or graphic designers reselling these products to various of their customers; and be able to guarantee constant quality.

Just like a permanent effort to introduce, as much as possible, relevant new products to our customers, as this is one of our main drivers for growth. It's about those product expansions that I would like to share with you a couple of successes from fiscal year 2016. And they help illustrate how we have improved our customer value proposition.

The first, on the left-hand is a story in which an upload and print brand, in this case Exaprint from France, is starting to benefit from being a part of Cimpress. MCP has recently enabled Exaprint to show Columbus product -- Columbus product being the PPAG category. They were the promotional products, apparel, and gifts. And therefore, Exaprint has recently gained access to more than 32,000 additional stock-keeping units to sell to their customers in this year.

And while it is still very early in the rollout of these products, Exaprint is excited about this offering because it gets them into lines of business they were not in beforehand, which allows them to create an even bigger and more relevant product offering to their mainly reseller customer audience. We believe the revenue opportunity that exists here is significant and should not cannibalize other parts of Exaprint's offering.

We therefore consider this to be a distinct advantage relative to the offering of Exaprint's competitors. And the opportunity to sell the Columbus products does not only exist for Exaprint, but it exists across all of the European upload and print brands.

The second example at the right of the slide shows how one of our upload and print companies -- separate from its relationship, by the way, with MCP, and this is as an example -- recently significantly expanded its product offering from nine categories, almost doubled into 19, really focused on introducing a complete new range of products being large-format products like roller banners and rigid materials.

This allows the UK-based company Tradeprint in this example to serve their existing customers even better, thus getting a bigger share of their wallet, but also it allows the Company to tap into new user groups that they were unable to serve before. And, again, once Tradeprint is connected to our platform, their expanded product line will become part of the platform as well and become available to order for all of our other brands and merchants.

All characteristics described before result in some clear differences in customer economics between Vistaprint and the upload and print businesses. But even our upload and print businesses themselves, the profiles can be very distinct from each other. I've already provided two upload and print examples in this slide, contrasted against each other and it does compare against Vistaprint Europe.

In general, you see that the upload and print businesses generated turnover with a much smaller group of active customers. They have a rather differentiated customer orientation with a way higher number of orders per year, resulting in a substantially higher average annual turnover per customer than in the case of Vistaprint Europe.

More in detail, you see that the first model, an upload and print reseller like, for instance, Exaprint or Druck, is focused on selling through resellers. Customer economics with this model are distinguished by the relatively large number of orders that a customer places on average within a year, which on average is over [20], and driving annual bookings per customer of over EUR2000 per year.

The second model, illustrative for upload and print businesses that sell more directly to end-users, like for instance our Italy-based company Pixartprinting, has about 40% of revenues through resellers and 60% direct. While the average order volumes are similar to the upload and print reseller model, the number of orders per year on average is only about five.

And finally, the Vistaprint model, which you are more familiar with, targets millions of direct customers with a lower number of orders per year combined with a lower average order value. And these economics lead to different cost structures which I will illustrate on the next slide.

So, this brings me -- so this illustrative profile show the key differences in cost and marketing expenditure as a percentage of revenue. The upload and print cost and marketing cost as a percentage of revenue are from Q4 fiscal year 2016, and incorporate some increased investment levels relative to earlier this year, as well as the WIRmachenDRUCK acquisition, which has lower gross margins than the other upload and print businesses, but at the same time has lower capital intensity.

The Vistaprint COGS you see in the slide in the marketing expenses as a percentage of revenue are from fiscal year 2016. While Vistaprint targets millions of customers via broad-based advertising programs, marketing spend as a percentage of revenue months to 24%, including payment processing. The upload and print portfolio typically spends around 5% of revenue on marketing and payment processing.

The acquisition of upload and print customers typically requires activities like PR, events sponsorships, and the trade presence at tradeshows. Another substantial part of marketing budget is invested in the production and distribution of sample boxes like these. And they allow printing professionals to make their specific choices based upon the tangible and then literally tangible options that we can offer them to choose from.

As a result of the vast choice of sizes, substrates and finishing and even distribution options, COGS percentages are higher than in the Vistaprint business unit. This leads to lower gross margins, roughly half, but it doesn't necessarily translate into lower overall margins, depending again on the business type and customer focus. The P&L for these businesses therefore reflect the very different customer dynamics. And we don't see a convergence happening towards a similar structure like Vistaprint.

Over time, in fact, we think it is even counterproductive to try to make the brands more similar by, for instance, limiting product choice or commoditizing service offerings. It is their distinction that our customers value and love and that we believe will better help us meet the needs of our large markets. This does, by the way, not mean that there are no opportunities for profit growth.

Over time, as the brands connect to our mass customization platform, we see a strong potential for both revenue and costs synergies. But today, we are first investing in the ability of each business to scale. And this brings me to explaining a bit more on how we operate our businesses.

Each of the upload and print businesses used to be vertically integrated plans and customer-facing merchants combined in one company. They have now all been separated into front-end merchants and back-end production operations. The back-end production operations in supporting functions have become part of our manufacturing and supply chain network.

And all of the individual merchants will ultimately benefit from connecting to the services by our mass customization platform that Bernie Gracie talked about earlier. These merchants operate autonomously in terms of defining their target markets and how they capitalize on their opportunities.

They have, up until now, operated relatively autonomous even before we acquired them. And as we move forward, you will see us do more to, for instance, share some best practices while respecting their autonomous choices. We will also combine some of the investments in resources and technology, but only where it makes really either financial sense or where it helps us to increase our speed of go-to-market -- this, again, without hurting the distinct value proposition of each brand.

We want to keep and preserve the uniqueness of our brands because they represent a great value to their current and potential target customers. If we would move all of the value propositions and marketing approaches to be common, we think we would lose out on our ability to address the enormous amounts of micro-needs that, summed up, account for the large market opportunity we see.

In Robert Keane's letter to the investors published two weeks ago, we outlined our capital allocation plans for fiscal year 2017. Now I'll spend some time explaining our investments -- our investment plans for the upload and print businesses.

We estimate we will make a total free cash flow investment of about $13 million in mainly marketing and technology. A little less than a third of this is capital expense and the rest is operating expense. And these investments overall are to, A, help our businesses prepare for a world in which they will be powered by the platform, and it's a vast product catalog and efficient production networks, and to become able to scale and grow the businesses further by professionally -- professionalizing both IT and eCommerce infrastructure, as well as by attracting more and more talented IT and marketing professionals into our organizations.

Our fiscal year 2017 investments fit in the long-term development roadmap for the upload and print businesses. Looking backwards, in fiscal year 2015 and 2016, we were focused on acquiring these businesses with a strong country focus and looking at specific manufacturing capabilities. We have not been focused on driving cost synergies but have taken advantage of some of the low-hanging fruit like sharing the unique large-format manufacturing capabilities of one of our plants into some of the merchants who sell to their customers.

In fiscal year 2017, we have two main things we're focused on. First, connecting each and every brand onto the MCP platform. And secondly, like I mentioned to you before, invest in areas of relevant shared services and technologies, such as combined business intelligence initiatives; the development of a state-of-the-art new merchant-wide usable eCommerce platform, including easily scalable product management systems or CRM tools. Besides those examples mentioned, in fiscal year 2017, again, our focus will be more on revenue growth than on finding synergies.

In summary, I hope that I have been able to show you that the upload and print portfolio is a strong collection of brands today. We have a solid and relevant geographical presence in Europe's main markets, combined with a promising organic growth initiative in the United States. And this makes us the clear market leader in this domain and provides us with a great platform to our future growth.

We allow and expect our businesses to operate autonomously, thus giving them the entrepreneurial freedom to operate and stay close to their markets. And meanwhile, we provide them with the necessary support to strengthen their basis and further professionalize their market approach. And then, by leveraging the simplest capabilities, and by focus on investment in both shared and specific merchant capabilities, we expect to be able to take advantage of huge growth potential that the markets in which we operate provides to us.

It should not be a surprise to you any more that we are thrilled and professionally excited by the huge opportunities that are ahead of us. Thank you very much. And I'll now turn the floor to Robert Keane.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

Thank you, Kees. As I turn to this next presentation, the term "all other" clearly indicates that this reporting segment consists of a diverse set of different business units. So, each business unit I'll speak about is unique. And if I look for what is common across them, it is that each represents an entrepreneurial effort that we are making to move into new market spaces within that three-dimensional cube or the addressable market, which I spoke about earlier.

We are moving into new products like photo books; into new geographic markets like Brazil, India, Japan, and China. We are moving into new customer targets such as midsized corporate customers or third-party merchants.

From a revenue perspective, this graph illustrates that our revenue in this reportable segment last quarter was just under $28 million, across all the component business units in this segment. I would ask you to please recognize that there are many moving pieces to this revenue picture and I'd like to name a few of those.

First, Albumprinter is quite seasonal, with roughly 40% of revenues expected to be in the December quarter. Second, Corporate Solutions has ended its prior strategic partnership with Staples, which still had some remnant revenues in this last quarter. And Corporate Solutions now includes several startup initiatives, which I'll speak about, that are very small but expected to grow quickly. And the Most of World group consists of three revenue-producing business units plus a pre-revenue startup in China.

I'll start my review with Albumprinter. And Albumprinter is the clear market leader in photo products for Belgium, the Netherlands, and Scandinavia. The majority of Albumprinter revenues come from photo books, with significant additional revenues from photo merchandise such as wall decor, calendars, or cards.

Now we do not sell anything under the name Albumprinter; rather customers know us by brands like Albelli, Onskefoto and Fotoknudsen. At the time of our acquisition of Albumprinter, about 45% of their revenues were from partnership with third parties like Hama. But today, virtually 100% of our business is from our own B2C or business-to-consumer brands.

Last fiscal year, Albumprinter grew those B2C businesses by about 12%, and we expect this growth rate to accelerate a bit in the coming year, thanks to investments we've been making in the business, for instance improving the user experience. We're also improving our rate of customer acquisition and we are expanding product lines.

Most of World is the name we use to refer to geographies other than North America, Western Europe, and Australia/New Zealand. And we use that term Most of World in recognition that these are geographies which account for most of the world's population and the majority of the world's economic growth.

These are very large diverse markets where, if we are successful, we can create major growth opportunities for decades to come. But, of course, these are also difficult markets for foreign companies to win in.

With that challenge in mind, our objective is to focus on foundation-building. We've hired and we continue to recruit strong local leadership and teams who embrace entrepreneurial risk and innovation. And we are focusing first and foremost on building an incredible customer experience that is differentiated from whatever is available in the various markets.

We are leveraging software and the knowledge of MCP, but each team in each country is adopting that core set of components in function of their local markets. And we treat each of the four countries as part of a portfolio, and we take a long-term view and commitment towards that portfolio.

As I mentioned, it's a difficult market and we do recognize that these are high-risk investments. In that light, in retrospect, we have clearly spent more and invested much more in this portfolio than we would've imagined when we set off on our MOW effort five years ago. By the end of this coming fiscal year 2017, we expect to have invested approximately $140 million, inclusive of the total write-off of our first investment in China.

Fortunately, we've learned a lot of valuable lessons about how to approach these markets, and we are comfortable that we are now on the right track to build a significant, fast-growing and eventually profitable portfolio of Most of World business units that, over time, will become a growth and a value driver for Cimpress overall.

Revenues are growing fast, but our expected $140 million cumulative investment -- which we would do by the end of this coming fiscal year -- will remain a significant multiple of the revenue which we expect to generate in this fiscal 2017. And we don't expect to break even in Most of World for at least several more years.

India was our first foray into Most of World, starting in late 2011 calendar year. In India, we go to market under the Vistaprint brand name, and we leverage the Vistaprint technologies; but in contrast to our market positioning for Vistaprint in the West, in India, we position as an aspirational brand which is never discounted -- or very rarely discounted. Instead, we are competing on price -- instead of competing on price, excuse me -- we are competing on incredible service levels, great quality, guaranteed on-time delivery, and the ability to purchase customized products in very small quantities, typically starting at just one unit per order.

We had, as a company, participated superficially in the Japanese market for more than a decade. But because, up until a few years ago, we had tried to serve Japan from Australia, we never met the Japanese level of expectations for speed of delivery, for service levels, for locally-relevant products and content, or for Japanese-centric management.

So, in fiscal 2014, we invested in a joint venture in Japan of which Cimpress owns 51%. And we, today, have spent two years making radical improvements to the customer value proposition. And that includes building domestic production facilities that now we are able to provide leadtimes as fast as next day delivery, inclusive of both production and delivery times.

Our joint venture partner in Japan is a firm with about 600 stores throughout the country who is known for excellent customer service, and we expect to leverage those stores especially for our home and family product lines.

In Brazil, we've invested in a company called Printi, where our equity ownership is just under 50%, with a call option to go to majority ownership in fiscal 2019. This team is laser-focused on bringing the European-style upload and print business model, which Kees just spoke about, to Brazil. Of course, Brazil is, in many ways, a troubled economy. But because Printi is a low-cost alternative to traditional sources, it is doing very well.

And, secondly, given the extent of Cimpress experience and operations in the upload and print space, which we've acquired over the last several years, the Printi team has also been able to leverage significant amounts of domain knowledge, purchasing contracts and technology assistance. And, because of that, the Company is growing fast with a very clear path to profitability.

In China, during 2016, the past year, we recruited our initial team members there and we've taken our first operational steps back into that market. Our investment last year was relatively small with less than $2 million invested. We intend to go into China in fiscal 2017 on a small scale beta test basis.

And we are incorporating lessons that we learned from our prior experience in China by avoiding price-focused, low-end markets; by investing first and foremost in the value proposition rather than expensive marketing spend; and by leveraging Cimpress's global technology, especially the mass customization platform, software components and know-how we have. Likewise, we are taking lessons from what we have successfully applied in India in which we avoid the lower end of the market and rather build an aspirational brand, which is differentiated by quality, by service, and by reliability.

So, in summary, our Most of World business units have a great potential, but they are a long-term investment with significant risk. And they will remain a large investment for FY17 when we expect to invest roughly $25 million in reduced net operating profits because of the MOW investments.

We've learned a lot, and we are gaining traction, and we are focusing on building that great customer experience I spoke about. We have very high customer satisfaction rates across MOW. And, as a result, these business units are growing rapidly. We have to recognize, of course, that this growth is coming off of a small base.

By meeting our current objectives in MOW, we believe that we can build a portfolio of high-growth differentiated and defensible businesses with significant revenues in the five-year time horizon. And if you move to a time beyond that five years, build a solid foundation and have a foundation and momentum for long-term growth beyond that.

Finally, I'd like to talk about corporate solutions, which forms part of this reporting segment.

Team members from our Vistaprint business unit under Trynka formed the core of this, starting last autumn when we broke that team out. And since then, we've augmented the team with a deliberate infusion of resources.

The Corporate Solutions team has responsibility for the legacy strategic partnership as well as legacy private label solutions for distributed organizations like direct sales or franchise systems. But we are replacing the vast majority of our investment here in two new areas.

On the right side of the screen you see these. First, we are using APIs or Application Programming Interfaces and related services that will allow third-party merchants to easily connect to our platform, and we refer to this team as Cimpress Open Merchant Services. The difference there versus maybe what we've done in the past with, say, a Staples or FedEx office is, because we are using these components of these Lego blocks they spoke about.

We're not trying to do customized large-scale integration efforts with strategic partnerships but rather standardized and offer as a service through standard application programming interfaces. The second part of this business is investments on standardized portals, which we sell under the Vistaprint corporate brand, which are targeted at consumers -- at companies which have 10 to 500 employees.

We are taking a quote/unquote clean slate technology approach for Cimpress open and for Vistaprint corporate, which means that these teams are able to leverage the platform investments that have been modularized into software components. And, of course, these teams are leveraging the fulfillment network that MCP is creating.

We will be investing about $10 million into corporate solutions in FY17, up from about $4 million in FY16, and those funds which are using -- well, we are using those funds to build our teams across a broad set of capabilities, ranging from product management to technology, to account management, sales and supporting functions. This team is both growing that new startup businesses for the two of those which I spoke about, at a rapid clip while managing the revenue and profit decline which is associated with the now-ended Staples relationship.

So, that, in summary, describes the high-level overview of the all other business unit segments consisting of Albumprinter, Most of World and Corporate segments. I would like now to turn the microphone back over to Sean so he can come up and go through in detail what we are planning to do in capital allocation, as well as a number of other subjects.

Sean Quinn - *Cimpress N.V. - SVP and CFO*

Thank you, Robert. Good morning, everyone. My name is Sean Quinn, and I have the role of Executive Vice President and Chief Financial Officer. In this last session before we head into Q&A, and certainly not least, as Robert and Meredith reminded us, I'll provide an overview of a few topics.

First, our capital allocation philosophy. I'll discuss our investments over recent years and those that we plan to make in this upcoming year. I'll provide an update on our view of Cimpress's steady-state free cash flow; and lastly, cover a few housekeeping items that I think will help you as you update your models.

So, let's start with our capital allocation philosophy. I think this will be particularly helpful, especially for those that are newer to Cimpress. At this time last year, we provided insight into our process for assessing investment opportunities and how we decide where to allocate capital. Our philosophy and approach remains consistent in support of our uppermost financial objectives of maximizing our intrinsic value per share.

As Robert described earlier, we see a significant opportunity in front of us which provides for many potential investments. We defined a corporate level allocation of capital as any use of cash that we expect requires more than 12 months to pay back. Those are also the investments that Robert outlined in his letter from July 27, and those are the investments that we'll cover in this section today.

For investments that we expect will return within 12 months, we delegate those decisions generally to our business unit leaders. Each year, we complete a review of potential opportunities for organic investment within the context of our strategic objectives in order to compare the potential returns.

We also consider M&A, share repurchases, and the repayment of debt to be allocations of capital. And we aim to maintain enough capacity to have the ability to execute on those opportunities that most often arise outside of our annual process. It's also very important to highlight -- and we've said this many times before -- that our debt covenants and our operational bandwidth provide guardrails to the extent of capital that we can allocate.

We take our debt covenants extremely seriously, and in the long-term, we want to maintain an average of three times or both, although we would temporarily go above that for the right opportunity with a clear path to deliver back below three times.

This next slide is something that we've shown a version of in the past, and I wanted to just go through as a quick reminder. We set hurdle rates for our investments that are higher than our cost of capital and are commensurate with the inherent level of risk and the time to pay back. As a few examples of extensions of our core business with well-known payback characteristics may have a hurdle rate that's just a little bit above our cost of capital.

For M&A, we use a hurdle rate of 15%; and for investments with a longer-term payback and more subjective forecasts, like those in our Most of World businesses that Robert just described, we use a hurdle rate of 25%. Some of our investments that we deem necessary to maintain our competitive position may not fit that neatly on the spectrum, but we make them because it is the right thing to do for our customers and for the long-term health of the business. And our plans to reduce the Vistaprint shipping prices that Trynka spoke about earlier is a good example of that.

Over the last six years, we've allocated more than $2 billion towards the portfolio of organic investments, share repurchases, and M&A. If we included the investments that we now categorize as Diverse Other for fiscal years 2011 through 2014, such as advertising and technology that takes longer than one year to pay back, the total would be significantly larger.

We see many opportunities to repurchase our own shares over this time period, often at a significant discount to our view of Cimpress' intrinsic value per share. And we've spent over $600 million in this category over the last six years, purchasing shares at an average price of about $38. We've allocated over $800 million to M&A, having acquired a portfolio of great brands and capabilities. We purchased or made equity investments in 14 businesses since 2011, many of which you heard about from Kees and Robert just a little bit ago.

We believe as a portfolio, this has been a good use of capital, both in the expected financial returns and the value of what we've learned from each of these businesses, even in our failures. We expect M&A will, over time, continue to play a significant role in the value creation that we seek.

Turning to our organic investments, we've ramped investments significantly over the last six years after what was, in retrospect, a multiyear period of underinvestment in our business. We've provided a lot of transparency into our organic investments and I'll go deeper into these in just a moment.

Internally, the profitability measure that we focus on is adjusted NOPAT. And this is what we use in our earnings material and started to use over the last fiscal year. We define that as essentially our GAAP operating income adjusted for mostly M&A-related activity and the realized gains and losses on our currency hedging program, reduced by cash taxes that are attributable to those operating results. And you can see a full definition in our earnings materials.

In many cases, it's difficult to allocate the tax impact to any specific investment. So here I'm going to simplify the view and just show adjusted net operating profit, which is essentially the same thing, just not inclusive of the tax impact. So I just got done outlining our significant organic investments and M&A that we've done over the last six years, while here, you see a positive trending of our net operating profit.

Representing a CAGR of about 13% certainly doesn't demonstrate returns that are indicative of the hurdle rates that I mentioned earlier, but this performance is depressed by the significant long-term growth investments we're making, which have a negative impact on the near-term. If we were to add back the impact of our major organic investments, which is principally the mass customization platform, our investment in Most of World businesses and Columbus, that are each large discrete and long-term growth projects, to see the improvement is substantially greater with a six-year CAGR of 24%, as well as a substantial margin expansion since we began to reinvest heavily in the Vistaprint business back in 2012.

I think this gives you a much better picture of the underlying profit generation of our businesses. Next, on free cash flow, our free cash flow reflects a fairly similar dynamic. In 2011, our free cash flow was solely generated from our Vistaprint business. In 2012, we started to grow our portfolio with acquisitions, and that was the year that we also started to invest in the Vistaprint business for future growth, bringing free cash flow and margins down for several years.

Although we saw a large increase in absolute dollars in 2015 and 2016, what you see here, the margins are still not back to 2011 levels. However, if again you exclude the impact of our major organic investments, we see the free cash flow trying to amplify here in free cash flow margins that are back to pre-2012 levels. We don't seek to maximize free cash flow in any given quarter or year, but again, I think this gives a better picture of the underlying free cash flow generation.

Of course, we need to evaluate these trends also relative to the significant capital that we are investing. You can see here the increasing returns on capital in particular when you remove the impact of those long-term investments or major long-term investments that way on NOPAT that we did on the previous slides.

I'm not at all suggesting that we should ignore those, but I think you do need to remove them in order to see the performance of the rest of the business. These increased returns are also, combined, I think, very complementary with the higher organic growth topline growth that Robert described at the beginning of our presentation. Just a few other comments here on return on invested capital.

We're making acquisitions in our upload and print space, which Kees talked about earlier. The earliest acquired businesses are returning very nicely. And based on our growth expectation for the portfolio for our businesses, we expect high returns are still ahead of us. And as Trynka described for the Vistaprint business, you see great momentum there, but also expect to continue to make investments such as reduction in shipping prices that could hurt near-term results.

And lastly, we don't expect our major organic investments to return for some time, as Robert described, which is why I think it's useful to take those out in this view.

So now let's turn to a summary of our investments that we plan to make for this upcoming fiscal year, many of which you've heard about early in our presentations. And these have also been outlined in Robert's letter to investors on July 27.

So, looking at the net impact to operating income, or adjusted net operating profit in fiscal year 2017, we expect our major organic long-term investments to be roughly similar to what they were this past year. But we do expect a substantial increase in our total diverse other investments. Combined, we expect these two categories will result in an increase of about [$67 million].

We plan to continue along the path of many of the significant investments that we started in recent years. The largest of the major investments for fiscal 2017 is by far our mass customization platform, which is roughly double the amount it was in 2016. And Bernie gave you some insight into where we'll be investing and what the impact of that is.

Columbus and Most of World continue to be significant investments for us in 2017. But there, you see that revenues are growing faster than costs, and so the net investment has come down. And the last of our major organic investments this year is in our Corporate Solutions organization, which was split out from the Vistaprint business in 2016, as Robert described earlier.

For perspective, Corporate Solutions was about $4 million on an adjusted note basis in fiscal 2016 versus $10 million in 2017. In addition to this investment, keep in mind that the Corporate Solutions group will also be negatively impacted by the year-over-year profit reduction from the wind-down of a retail relationship with Staples that Robert also mentioned. As we don't expect post-merger integration to be as material of a category this year, we've removed it from the breakout.

So let's go to the Diverse Other category. There, we plan to ramp our investments in selection, primarily new products and attributes, which we know is important to our customers, as you've heard earlier today. We also plan to increase investments in technology and advertising spend beyond the Vistaprint business to include our upload and print business units, as you heard from Kees.

While we expect an increase there, we still expect advertising as a percentage of revenue to still remain in single digits. Lastly, we've added a new category for the Vistaprint shipping price reductions that Trynka described. And we expect the impact there to be approximately $20 million, which is an incremental $17 million over this last year.

And finally, lastly, we categorize our replacement CapEx as a corporate level allocation of capital last year. However, given the nature of the spend and the estimated payback period, we've removed it here for this year.

So next, just a free cash flow impact of these investments. Here, we see a similar overall trend, but we estimate the total incremental impact to be just slightly higher at $70 million. The largest difference relates to plant and technology CapEx and capitalized software for the development work of our software engineers.

We also hear back out non-cash compensation related costs such as share-based compensation. So in some of these investments, you'll see that they are actually lower. The other category in both net operating profit and free cash flow, which is still pretty big, includes cost related to customer service and design resources, some of which you also heard about today, and corporate costs, such as the cost of part of our finance and strategy organizations that are needed to support our scaling operations.

So, one thing that I think has been difficult for you all to evaluate is the incremental performance of each of our segments, since the results of the segments are burdened with all these investments that we've talked about. Here, I'm showing the estimated net operating profit impact of our investments for both 2016 and 2017 by segment, so you can see how these are distributed but also, I think importantly, where the incremental investment is.

I'm not going to go through this in detail, as I think most of the impacts are going to be clear from the slides that we've just gone through. But I do hope that this additional detail will better allow you to evaluate our performance as we go through the year.

So, transitioning away from our investments, I want to spend just a few minutes on steady-state free cash flow. This is a concept we introduced to all of you for the first time last year at this event. We defined steady-state as having sustainable and defensible business over the long-term that's capable of growing after-tax free cash flow at the rate of US inflation.

Steady-state free cash flow is an important concept for us to help us better understand and evaluate our discretionary growth spending. We also use it as an input to our estimate of intrinsic value of the Company, and over time, as a way to hold ourselves accountable to returns.

Let me just spend a minute here going through the mechanics, so that it is clear how this is calculated. We calculate steady-state free cash flow by first using our reported free cash flow and adding back cash interest expense to get to unlevered free cash flow. We then normalize that for any large note items that would not be included in our steady-state results.

For fiscal 2016, this adjustment included the pro forma impact of M&A and non-steady-state changes in working capital, just as it did last year. We also adjusted for the anticipated loss of profits from two discontinued partnerships that we've described; the incremental impact of the Vistaprint shipping price reductions; and an $8 million nonrecurring income tax refund that was received in fiscal 2016.

And we do that to get to a normalized pro forma unlevered free cash flow number of $121 million. We then add back our major organic investments, as we view this category very clearly as growth investments that aren't required to maintain steady-state.

And lastly, we add back an estimated range of our diverse other investments that we think are growth investments. This here is the area of which involves the most judgment. When we first shared this analysis with you last year, you may remember that we added back this entire category, which resulted in a rather wide range of $175 million.

Over the past year, our teams have improved our understanding of and confidence in these estimates and, importantly, which ones are required for steady-state and which ones are growth. As a result, we show here an estimated steady-state free cash flow range of $271 million to $351 million. I think the natural tendency here might be to take the midpoint from last year and compare that to the midpoint this year, which would imply a 4% increase.

But steady-state free cash flow remains a fairly new concept to us, and we don't believe we are ready to draw conclusions yet to the implied trend of the ranges. This is also very much a range estimate and not precise. And over time, as we develop a reliable trend and are able to narrow our range of estimates, our steady-state free cash flow should grow at an average rate, which is higher than our cost of capital if our investments are successful.

All right. Next we're going to go into a few housekeeping items. The first one is our revenue outlook. And I'm not going to spend any time going through this here. This is the same commentary that we provided in our earnings materials two weeks ago. And I wanted to have it in your materials so you can refer back to it, but nothing's changed there from what we reported two weeks ago. And so, it's in your materials, but I won't go through that in detail.

So let me go through a couple other housekeeping items. Again, I think that this will be helpful for you as you all update your models. So the first thing is that we have a full-year of WIRmachenDRUCK results for fiscal 2017. That was an acquisition that we completed February 1st of 2016, so we only had five months in fiscal 2015. And that's one of the largest acquisitions, or the largest acquisition, we've made in the upload and print space.

Next, one of the things that sometimes I get questions on is the comparability of our segments, in particular how the Vistaprint segment compares to upload and print, and what is in our group of what we call corporate and global functions, because that is a lot of cost there.

And we continue to look at potentially improving the comparability of the segments and allocating those costs out. In fiscal 2017, we've moved team members in our technology operations, which were previously in our MCP or corporate functions, to the Vistaprint business, which we expect will have an impact -- or the effect of reducing the reported profitability of the Vistaprint business by about $9 million, although obviously there is no consolidated impact to them.

Over time, we'll continue to evaluate areas to improve segment comparability where it makes sense for our management reporting as well. As you've now heard several times, we have the loss of certain partner relationships, which will negatively impact our net operating profit and free cash flow by about $17 million this next year, year-over-year.

And lastly, we expect our GAAP tax rate to be in the 20% to 25% range for 2017. Cash taxes will continue to be higher than our GAAP taxes and significantly higher than 2016, where we benefited from a nonrecurring $8 million tax refund.

The last topic within these housekeeping items I wanted to go through are our compensation changes for this year. Over the past year, we've spent considerable time assessing our compensation structure and the way in which we incentivize our employees to ensure it aligns with our long-term strategic and financial objectives.

Thank you, first of all, to our shareholders for the overwhelming support of our new equity-based incentive compensation plan that was approved in May. We provided significant detail in our SEC filings and on our Investor Relations website on the new compensation design, so I'm not going to go into detail here. But for anyone that's not aware of those, I would suggest that you go to those materials to understand some of the nuances.

At the highest level, I'll just mention a few things. One of which is that the annual bonus program that we previously had has now been rolled into our team members' base salary. Also, our revised long-term incentive program consists now of two vehicles which depends on the employee level.

But those are a cash retention bonus and performance share units that are based on the growth in our three-year moving average share price over a 6 to 10-year period.

So, now let's go through the financial impact of those. Some of this is a little bit detailed but I think it's important for you to understand. So the first is, we expect a material increase in our share-based compensation expense related to the new long-term incentive plan, as a result of the higher percentage of key members that now receive performance share units versus in the past, a cash-based plan as well as the accounting rules, which require the share-based compensation expense to be reported on an accelerated profile.

This is different from our restricted share units that we expense straight-line over four years as they only require service investing, and I'll come back to this in just a moment. As our definition of adjusted EBITDA excludes share-based compensation, we don't expect any adverse impact of this metric for our debt covenants. Over time, if the team members continue to elect a greater portion of their long-term incentive pay in PSU's, this could result in favorability to adjusted EBITDA.

Lastly here, in the first quarter of 2017, we'll be paying out our last part of our 2016 bonus, and we'll also pay out the equivalent of the 2017 bonus for the first quarter because that's now included in base salary. This will result in a negative impact to working capital. However, in the future, all else being equal, we would expect cash savings if employees continued to choose PSU's over cash.

So, this slide demonstrates how the grant under the new plan differs from the old plan, because equity awards with a market condition like our PSUs have are expensed with an accelerated profile, as I mentioned, which is different from time-based RSUs. And these are just the rules. I know this isn't very straightforward. I'm not going to go through this example in detail, but I thought it might be helpful to refer back to in your materials as you leave, because I realize it's not the most intuitive topic.

The summary here is that the expense for PSU's will be recorded based on evaluation of the grant date that involves a number of assumptions, including the current share price and our three-year moving average share price, among other inputs. The accelerated nature of recording the share-based compensation cost will result in more than 50% of the value of the award being expensed in year-one. After four years, the grant is completely vested and expensed.

We expect a total increase in share-based compensation expense in 2017 to be about [$15 million], which is what we mentioned on our earnings call a few weeks ago. This is still subject to a bit of change, because these awards haven't been granted yet. That will happen in the coming weeks. And so, I'll update this in our Q1 earnings commentary if there is any material change.

But it's important to note that roughly two-thirds of that increase is a simply the timing expense of expense recognition because of the dynamics I mentioned earlier. In the event that we don't hit our performance targets -- again, which are 6 to 10 years out -- there won't be a reversal of the expense, just so you are aware. However, obviously if we don't hit our targets and then now shares will be issued. Again, not the most intuitive topic.

So, in conclusion, to wrap up, we're pleased with the performance this past year and are encouraged by the many opportunities we see to deploy capital to value-creating investments and further strengthen our market position. The step up in Diverse Other investments we expect this year is a reflection of the significant opportunities we see before us to maintain our position as the world leader in mass customization.

We continue to work on strengthening our capital allocation muscles in the way that we evaluate investment opportunities and measure our returns. We believe our new compensation plan will help us further this as our leaders are now aligned with the value-creation interest of our long-term shareholders.

Thank you all for your support, especially as we have evolved the way we communicate with our investors and external stakeholders over the last year. I hope you find that we are trying to be transparent about how we see things, and I look forward to your continued thoughts and feedback.

With that, I'll turn it back to you, Robert.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

Thanks, Sean. Before we move to the question-and-answer session, I just wanted to summarize what we hope you've heard from our presentations. One, we remain very consistent in our priorities and our strategy ,and we have a great opportunity in front of us.

Number two, the platform we are building is a major long-term investment which is, in fiscal 2017, starting to become operational in a material sense. Over the longer-term, we really believe that this investment could lead to many years of opportunity, growth, and value-creation for Cimpress.

Three, over the past several years, Trynka and her team have successfully repositioned Vistaprint, and importantly, there are plenty of exciting additional improvements in the pipeline. We are very optimistic about Vistaprint's future.

Four, Cimpress's move into upload and print has been a very strong success so far. This portfolio of business units serves as an important foundation for future growth.

Five, our all other business units' reporting segment consists of a pretty diverse set of startup activities where we are investing for expansion into customer segments that lie outside of our traditional core focus of small businesses.

Six, the significant acceleration in the investment that we began back in 2012 fiscal years beginning to bear fruit and we continue to deploy significant amounts of capital in light of our confidence that the overall return rates we are achieving are creating significant intrinsic value per share.

So, thank you very much for your time, for your attention to today's presentation. We really hope that it helped you deepen your understanding of Cimpress. And we would now like to open up for questions from you.

I would remind you that since we are broadcasting this meeting via the Internet, before asking your question, please wait until we can get you a microphone, so that your question can be heard by everyone who is joining us from online. Thank you.

QUESTIONS AND ANSWERS

Meredith Burns - *Cimpress N.V. - VP of IR*

It's interesting. You guys you are all slackers compared to Youssef, because he always raises his hand first. That was supposed to be a joke.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

It was, just not a good one. (laughter)

Youssef Squali - *Cantor Fitzgerald - Analyst*

And now the question has to be a good one. So, Trynka, I want to go back to the reduced shipping issue. You guys talked about how you've already had a launch in Europe and now you are testing the US. Can you speak about the learnings from what you've seen in Europe? How does that square with 100 bps headwind that you've talked about in your 2017 numbers?

And then any plans -- this is, I guess, really a question for you, Robert -- any plans to reduce delivery times in here? The cost in the delivery times in Amazon. Any plans to have more or any printing facilities located within the continental US, which could help you achieve that? Thank you.

Trynka Shineman - *Cimpress N.V. - EVP and President, Vistaprint Business Unit, Director, Management Board*

So if you think about the dynamics of the shipping price reduction, there's a couple elements that are important to understand. I think the first is that most customers, when they encounter these higher shipping prices, they do purchase. And so, as we lower shipping prices, we're lowering shipping prices for everybody, including those that would've purchased anyways.

So this is what drives the decline in the revenue from a basis point perspective. What offsets that it's like increasing conversion rate when we are successful in moving these for the customers that would not have purchased when encountering those prices, as well as an increase in the near-term repeat rate and an increase in net promoter score, which gives us confidence that it will lead to long-term loyalty.

I just want to make one comment is, as we're doing these shifts in pricing, we are shifting not just the overall pricing, but also changing the difference between our longer and our shorter delivery times actually may incentivize customers to move to faster shipping or make it less of a barrier to move to faster shipping. So we are seeing, with the changes that we're making, that some of what the customer behavior change is a move to faster shipping speeds that are currently available to the platform.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

And Youssef, as to delivery times, first of all, if I step way back, we do believe that there is a constant movement towards faster shipping times. In Brazil, we now offer a service where if you order by something like 11:00 in the morning, we'll deliver via a moped delivery or a motorcycle delivery the same day.

In Japan, we are doing 12-hour delivery; it's still overnight. Those are the two fastest examples we have, but they are in large metropolitan markets where that is a differentiator. I think there will be a consistent move towards that. In Europe, we are able to do that because of our distributed supply chain.

To your question in North America, we do believe that, at some point, we need to -- especially as we look to the American West, the Southwest, that area -- that we would need to have a production facility there. In the near-term, we are using outsourcers in the West Coast, but it wouldn't surprise us if, in the coming 12 months, we were to build organically some type of production operation in, broadly speaking, the American Southwest.

I should just say, as we are waiting for the next question, the decision to invest in production facilities or subcontractors, we make separate from the pricing decisions, which Trynka spoke about, which there, we look at the elasticity of demand. There are two different teams. Of course they speak a lot together.

Naved Khan - *Cantor Fitzgerald - Analyst*

This is Naved Khan, Cantor Fitzgerald. Robert has talked about a $100 million opportunity. I think this is the first time you sort of modified it on a quarter basis (technical difficulty) --?

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

The vast majority of that shift is an expansion of the product offering. And when we looked at -- the second biggest component obviously is the type of customers we are going after there. So when we originally -- we went public and probably five, eight years after that we used a model where we looked at surveys of how much businesses with fewer than 10 employees reported spending on marketing, which was roughly $500, and we multiply that by the census data in North America, Europe, and Australia New Zealand in terms of how many businesses of that size were there. There were about 60 million of them and 60 million times 500 gave us roughly a $30 billion market.

I think that we now understand that there are many products, especially as you get outside of that micro business space that are in that mid and long tail where we believe we can apply and we see with our acquisitions in Europe applying the principles of mass customization to a much broader product set. Even things like catalogs and magazines are obviously a very traditional printing product, but the ability to offer them as we do in Europe in quantities of one, 10, 50 or 500, whereas traditionally, people would need to buy them by the thousands, examples where large other markets are shifting to this mass customization paradigm.

Other large examples of that are if you go to -- it's a startup for us, but if you go to our Pixartprinting website, you'll see textiles, customized textiles, customized packaging products and the like, and that expansion once we get at those products opens up a large product space. The move into a customer set, especially graphic design professionals opens up the ability to do things like the signs you see up to your right here, which has to be made out by a graphic professional who understands the context.

But that could be produced on the same equipment in the same factory as something that might be very standardized in a very small format, a third of the size sold to a small business. And so that's led to this understanding of the much larger TAM than we would have originally would have focused on.

Naved Khan - *Cantor Fitzgerald - Analyst*

Just on the UNP, I think you launched the offering in the US to the Pixartprinting brand. Any update on how that is doing?

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

Pixartprinting in North America is -- there's a question right here on the second row Meredith. The Pixartprinting North America is an early rollout stage, just really transitioning from beta to a more established approach. So it's a very small this time. We do think there's a big opportunity for us here currently. We've not talked about the revenues but I can tell you they are immaterial at this time. Though they are growing very fast but off of a pure startup base, they are immaterial at our global scale. But we certainly are seeing good traction.

Unidentified Audience Member

So there's a lot more talk today around the fulfillment partners and outsourced production facilities. How much of a benefit will we see going forward from a working capital perspective? If you look at the amount of inventories that you guys have on balance sheet as you've been really expanding your production assortment, the inventory levels have been low. Is that a function of having a lot of the inventory off-balance-sheet? Is that a continued opportunity as we continue to layer in more of these fulfillment partners?

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

Yes, it is an opportunity in a certain sense, but it's really an opportunity to avoid bringing in a lot of inventory.

Sean, I'll let you, if you can, describe our days of inventory. Our turns of inventory have always been, by most traditional industrial measures, quite, quite high. Because we had very standardized products that we only kept the raw materials in place, we didn't have to keep the finished goods on hand. So, the value -- and actually could I ask you, Sean, what's our traditional run material inventory?

Sean Quinn - *Cimpress N.V. - SVP and CFO*

It's somewhere between $10 million and $15 million, depending on the time of year. So I think the bigger opportunity, as we are able to move towards a complement of both in-house production as well as outsourced production through the mechanisms that Bernie described, is less so on inventory, which is really right now, as Robert described.

Certainly there may be some opportunities there over time to limit the growth of that, but I think the bigger opportunity, from a capital perspective, is the capital efficiency in terms of property, plant and equipment, which in the past, has been very significant for us. And so we see examples of that.

For examples in WIRmachenDRUCK, which was the acquisition we did in February 2016, they have no in-house production. Exagroup has about 50% of their production, which is outsourced and there, even where you may see margins that are slightly lower, the free cash flow conversion is quite a bit higher. And so we see potentially very favorable economics there.

Now I think I don't expect that, for example, in this fiscal year, we'll see any material shift in our trends. As Bernie described, this is really a year of getting flow over the platform and there's only a small amount of that happening now. So it's really as we look out into the future, fiscal 2018 and 2019, that I think that that opportunity exists.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

I'd like to pick up on that. Reiterating the thing I'm talking about is beyond this current fiscal year. When we talk about using third-party full fillers, we also believe we will bring some of that in-house and we will bring other -- we'll keep other products through third parties. There is a capital savings through the equipment savings, which is material but the real value is the ability to go to very specialized production lines.

So again, I'm using this particular example that you all see up in the right, which is a large product produced for a very specific application. We can -- that might represent a very small percentage of our total revenues. Just by way of example, say it was 0.1%. Well, 0.1% might be $2 million a year if I'm getting my math right. So we have $2 billion of rough revenues, and so you have order of magnitude $2 million.

Well, if we can direct that to a supplier, one each continent who and say we have $1 million of this particular product, which we can send you in a very homogenous stream of products which every day you might make five of these or 10. But the first thing you do when you come into your factory -- that supplier sees us and it's a very, very attractive and profitable distribution point for them, and we can go to a supplier who has exactly that type of equipment, even though it's in the very longtail of our products.

And that ability of using specialized product, so in some cases, products which are produced in a more common format, but much closer geographically to the end customer, ends up saving costs well beyond the working capital aspect.

Naved Khan - *Cantor Fitzgerald - Analyst*

And just using as an example, in that case, are you actually buying the inventory from the reseller and then selling it? Or are you just paying them a fee? What is the economic model when you are sitting in between them?

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

Typically, we do not hold inventory. In some cases, we negotiate frame contracts with commodity suppliers with paper and ink and the like. And we then allow our suppliers to draw off of those frame contracts but it's their working capital and not ours.

Meredith Burns - *Cimpress N.V. - VP of IR*

Great. Here's a question right here.

Unidentified Audience Member

Given the intention to continue deploying a lot of capital as M&A over the next several years, I'd be curious to learn more about how you continue to iterate, evolve, and continuously improve the M&A process with specific reference to any learnings you might have had from Exagroup, which as you kind of laid out in the latter, didn't achieve the expectations you had thought at the time you made the deal?

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

So, one I think we have to accept that we are human and we will make mistakes because we do look at this as a portfolio. And I'll talk specifically about where we have made mistakes and how we want to avoid them in the future. But in order of magnitude, the numbers that Kees described, if you just annualized what we just finished from last quarter, we are coming up toward the $600 million business where the net operating profit is generating something like a 13% return on the total cash deployed.

And this is a business growing at very healthy double-digit business rates. So, we wish we could -- like I'm sure a lot of you wish you would only make the right investments in different stock choices, we wish we only made the good investments but we make mistakes. That being said, if we step back and look at a portfolio, we think we are doing pretty well.

Now, frankly, one of the reasons we said this ultimately we look at Exaprint, which is an incredible company. And Kees can certainly take more time to talk about it, but especially the French graphic design community has a huge loyalty to this brand. Because through their distribution, their supply chain into their focus they are able to do breadth and depth of product and a service-level, which is very, very relevant to that customer group. And it's a company which is still growing at a good clip.

The issue frankly, as we got into a competitive situation for that deal, and in retrospect, we think we overpaid for what was otherwise a very good asset. And we are very optimistic about them going forward. So that particular case, I think we learned both before Exaprint and especially after, we have walked away from multiple acquisitions.

And some people ask why we have not bought in the upload and print space in North America because -- there are good companies there but we just realized that the entry point is very important. Secondly, I think we have to realize that synergies take a long time, and we really are looking to be much more hard-nosed about the intrinsic value of a standalone company, assuming we bring those synergies and negotiate based on that.

Chris Merwin - *Barclays Capital - Analyst*

Just a question here -- Chris Merwin from Barclays. I guess as you made a number of investments, and I think you've been really helpful in terms of calling out the impact of those and we've already started to see some of the benefits of the mass customization platform. I guess in the next -- is there a certain timeframe I guess when we'll start to see the reported free cash flow start to converge more with the steady-state as you defined it?

I guess there will always be more opportunities for capital projects. But do you sort of feel like with this round of investments, you are getting to the place where you have the infrastructure necessary to go after that much larger TAM that you've now created?

And then just a second question for Sean. It seems like with some companies, the SEC, as you know, taking a closer look at non-GAAP. Does that in any way kind of influence how you think about reporting in the future? Thanks.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

As to your first question, when we say very explicitly that we seek to drive intrinsic value per share as our uppermost financial objective, we then follow logically down from that, and we believe the financial theory that if we can raise capital and deploy capital at above our cost of capital, the more capital deployed, the more value it will create.

THOMSON REUTERS

And so we are certainly trying to hold ourselves very accountable for those returns. But we do not seek to drive free cash flow or net operating profit after-tax or other near-term measures, which is why we've stepped back and said, of course, we're going to report rigorously on the traditional measures of profitability that we are going to expose our thinking, which we speak about on my executive team with our Supervisory Board of Directors about how do we hold ourselves accountable from a returns to capital deployed perspective, which are things like a steady-state free cash flow analyses.

So we certainly see leverage that's happening underneath the top level of the financial numbers. And Sean's presentation spoke to that. But we think the way to make money over the long-term is to find -- to build capabilities and competencies and teams which are very good at deploying the capital which can mean we will keep consistent or often have downward pressure on near-term free cash flow.

Sean, do you want to talk about the SEC question?

Sean Quinn - *Cimpress N.V. - SVP and CFO*

Yes. So it's a good question. In terms of non-GAAP reporting, the short answer is no. We don't expect any changes. This is a topic that we've always taken very seriously. And Meredith and actually some of the others on the team that spent a lot of time in this area actually here in this room, we did, just so you know, in May, after the SEC issued their clarified guidance, we can re-review everything that we report.

And you do see some small changes in the information that we provided. And I think each of you has a set of non-GAAP reconciliations in front of you which we've always done. So we don't expect there to be any material changes here. The non-GAAP metrics that we used are all things that we very much use in the business.

And so we feel very comfortable with those metrics and the way that we report them. And we also, for example, in our non-GAAP profitability, don't exclude things like share-based compensation, which many companies do, because we believe it's a cost of the business. So anyway, short answer is no. And we certainly don't see as much impact for us as some other companies' experience.

Unidentified Audience Member

As you grow your IR expectation clients within the Vistaprint business, and as well the upload and print businesses as a percentage of total revenue, do you envision a moment where advertising spend would be much lower as a percentage of revenues? And do you have a long-term target for advertising?

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

I'm going to turn it over a bit to Trynka just for clarification. When we talk about higher expectations, that is one of three segments we use to refer to segments within the micro-businesses. So take all the businesses with less than 10 employees. We talk about price primary, higher expectations to locally focused.

The upload and print brands we have, either directly or through third-party resellers, serve primarily with an interest -- if we serve small businesses, they're under 10 employees, it's primarily the locally-focused segment where people want to be face-to-face with one of our resellers. And then into other parts of the market that Kees referred to.

And you really have to look at those two businesses -- again, referring to Kees's presentation -- those two groups have very different P&L's. We spent a very small single-digit percentage of revenues in the upload and print on advertising and we expect it to stay single-digit.

On a per-customer cost of acquisition, the upload and print customers cost more -- materially more -- than the average Vistaprint customer. But because the average spend per customer is roughly 10 times or 20 times the Vistaprint annual spend, and because the retention rates are higher

-- because these tend to be businesses that are more established and stay in business longer than the micro-businesses -- the -- that higher cost of customer acquisition and advertising is amortized down to a very low single-digit percentage, even though it's bigger to start with.

Now, in the Vistaprint brand, I'm going to turn it over to Trynka and see if you have thoughts on trends.

Trynka Shineman - *Cimpress N.V. - EVP and President, Vistaprint Business Unit, Director, Management Board*

Yes. I'll say I think as we improve loyalty and as we acquire a higher value customer, we've seen a little bit of leverage in the external marketing, as I shared earlier. I think it's possible we'll continue to see a little bit there, but we also have a fundamental market dynamic, which is these are micro-businesses who turn in and out of business, and so we need to continue to acquire and bring people in to ensure that we are maintaining market leadership.

So we're continually -- we continue to evaluate the opportunity, the return on investment, but I think, from a P&L perspective, structurally or below is quite important for us.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

And I want to add to that -- if you look at the segment operating profit data we give, Sean has mentioned that there's some overhead costs which are not yet attributed into the Vistaprint business unit, but by any measure, this is a very profitable business. And we have something like 65% gross margins.

That -- in many ways, it's more akin to some consumer products in fast-moving consumer goods or even cosmetics that, hand-in-hand with those higher margins and the millions and millions of individual customers, comes a higher marketing cost. When we look at the long-term business model of Vistaprint, we actually like that model where no one else plays, where the price to play this game is hundreds of millions of dollars of advertising per year. And if you are not the size we are, that's a very difficult game for competitors to play.

Meredith Burns - *Cimpress N.V. - VP of IR*

Any questions? Andrew.

Unidentified Audience Member

I used to obsess about Columbus and now I'm really excited about MCP. Can you talk at all, if you'd like to share something about the revenue synergies, and also the costs synergies on total delivered cost that you think is possible to come out of this investment?

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

So, revenue synergies and costs synergies as it relates to Columbus? Or MCP?

Unidentified Audience Member

MCP. I'm sorry, MCP.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

Okay. All right. Again, reiterating that we only are starting to scratch the surface and we see the coming 12 months fiscal 2017 as a move into operationalization, so if I go beyond that, at the highest level, we see MCP as been monetized in two broad areas.

One is to grow the business faster through product expansion for each of our brands. And there is a flow-through into the bottom line there of incremental revenues. And then secondly, by reducing the cost of goods in an absolute basis, either through getting into more specialized production partners or production facilities we own ourselves, or through procurement synergies and the like.

We are spending -- if you look over a multiyear period, it's going to be hundreds of millions of dollars eventually. And when we announced MCP in November of 2014, I believe, or 2015, we had a press release which talked about that five-year expectation of spending several-hundred-million-dollars. I'm not updating that, but we are spending $50-million-something next year.

So, to pay back, we need returns that are quite material on an annual basis. On the other hand, order of magnitude, we spend $800-million-ish again next year in COGS, and that's growing at a good clip, and we have a roughly plus-or-minus-$2-billion business. I'm not updating our guidance there; I'm just using order of magnitude.

If we look out to the future, where we are at $1 billion in COGS and we can save 5%, or we are a $2 billion or $3 billion business that can be 10% bigger than we otherwise would have, that -- the returns on that investment start becoming very attractive. And that's -- those two -- there are other areas but those are the two primary areas.

A third area I mentioned is the ability to leverage common software components that we don't need to build for multiple parts of our business.

Unidentified Audience Member

And maybe one more if I could. Just in regards to the amount of one-time costs to get MCP fully implemented versus recurring costs two, three, four years down the line?

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

There's a lot of one-time costs, because what we are doing is we are frankly trying to break the businesses which we bought, not just Vistaprint, but each of the individual companies we bought, into the component parts of the merchant, the customer-facing business unit with the brand and the fulfiller, and then to reconfigure all the IT systems so that those can -- the separation layer can act as a routing layer between those.

And each of the companies we bought and the company Vistaprint, which we developed organically, were hardwired in a vertical sense. So there's a lot of painstaking work to pull that apart and keep the engine or the plane flying while we are doing that.

And then secondly, we have to build the software, but importantly, the people and the processes that will support that type of business. So, there's a lot of upfront costs. There will be maintenance costs going forward to that, but the -- we see, without getting into specifics, I'd certainly see us coming up to a peak investment period this year and next where we are -- we certainly hope that we are not spending this amount of money every year going forward.

Meredith Burns - *Cimpress N.V. - VP of IR*

Other questions? Are there other questions? Okay, you're circling going back around. Are you going to flip for it or --?

Naved Khan - *Cantor Fitzgerald - Analyst*

Thanks. As you use more outsourcers, how should we think about the impact on margins over the next few years?

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

As we think of outsourcers, what impact on margins?

Naved Khan - *Cantor Fitzgerald - Analyst*

Yes, the impact on the operating margin as well as EBITDA margins.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

So, the use of outsourcers, depending on what we are doing, can definitely reduce the gross margin, but the -- if the spend per customer goes up materially, that amortizes a lot of the marketing and other costs across a broader base, and so it could be quite accretive to the bottom line from a P&L perspective; even more so when you look at a capital deployed perspective, the returns on invested capital for an outsourcing relationship can be quite significant.

Now, that being said, we are having -- in the numbers here, we are doing a significant amount of organic investment in manufacturing capabilities this year. And we see a lot of opportunity where we do have product production capabilities in the shorter -- the higher volume portion of that longtail graph, which Bernie described, where he had two slides. On the left was the longtail chart; on the right was where we would be going.

And that core internal production is very, very good returns to capital, and we like focusing on that central high-volume product space. And so we will see margins that will be pressured by some of the outsourcing, but we also see the opportunity to take portions of business that we are currently outsourcing and bring those in. And so net-net, I wouldn't be -- I don't want to be very specific, but I think that the positive -- the overall result will be a reduction in COGS, not an increase.

Youssef Squali - *Cantor Fitzgerald - Analyst*

Robert, the upload and print business has been primarily a European affair for you guys. And so, as your tax rate has gone from literally 11% several years back to now 20% to 25%, how big of a role or not does that play in your interest to maybe acquiring upload and print businesses in the US as opposed to just growing it organically?

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

So we have spoken to a lot of people in the US and all over Europe and other places, and we are not averse to M&A in that space. That being said, we won't overpay for assets and so we walked away from many deals. And the tax considerations then come into play there where I mentioned we are considering building in the American Southwest.

We have, we believe, a very -- I'll certainly let you speak to it, Sean -- but we have a very robust tax structure which replicates our operating structure. So we are not concerned from that perspective. The other thing is that this business model really was started in Germany by competitors there and then spread to other parts of Europe. And the price levels in Europe vis-a-vis the American levels are significantly lower.

The direct-to-customer experience is different. And we believe that we should be willing to spend money to develop -- deploy capital internally, even at the expense of reducing near-term operating profits or free cash flow rather than always turning to writing a large check. Another analogous example too that we considered and we wouldn't rule out eventually buying into the promotional products or decorative apparel space.

But we felt that by spending the money on Columbus, we could instead do that organically, certainly take the hit on the near-term profits, but make it a better use of capital. So we are open to opportunities. Those are -- our friends who are listening to this now, if they just lower their price, we'd even talk to them again.

Sean Quinn - *Cimpress N.V. - SVP and CFO*

Robert, I'll just add a little bit more on the tax rate part of that, Youssef. So, as Robert said, tax rate has not played into whether we would or would not do a deal in the US. But as you say, our tax rate over time has gone up from what used to be around 10% to now, as you said, in the 20% to 25% range.

Now, when we think about tax rate, we don't look at that in isolation. So a low tax rate or a high tax rate in and of itself may be a good thing or a bad thing. So what we do is we look at that inclusive of the profit that are causing that tax to evaluate what is the return on that complete set of cash flows, to evaluate what is the return on that complete set of cash flows? And that is really what drives our decision.

So the thing that has driven the tax rate up from where it once was is mostly because we've acquired these very profitable businesses in higher tax rate jurisdictions. But factoring in that higher tax rate, these are still very good returning businesses.

Meredith Burns - *Cimpress N.V. - VP of IR*

Okay. One right over here.

Unidentified Audience Member

Trynka, as you layer in some of these services, both from a design and support perspective, is that something that you will be charging for? Is that going to be part of the product offering? How do we think about how that will flow through both revenues and profits? Thank you.

Trynka Shineman - *Cimpress N.V. - EVP and President, Vistaprint Business Unit, Director, Management Board*

Yes. So right now as we are layering in the services, the vast majority of those are complementary, and essentially we monetize that through the sales of product. We think that's the right way to really go for scale and ensure we are investing in the software, the system and the processes that we need, to ensure that we are creating great value.

Because of the scale that we have, we are able to really bring the cost down and we can do that quite competitively. There are some of those services that we are charging a little bit for, I think as the portfolio evolves, we'll probably see a blend. But I think that we'll continue with the majority of them, just not a part of the price of the product.

Meredith Burns - *Cimpress N.V. - VP of IR*

Okay. I'm going to call it. Thank you very much for spending your mornings with us. Whether you are here in the room or on the webcast, we really do appreciate it, and appreciate your time and the capital that you have invested in our business. Thank you so much.

Robert Keane - *Cimpress N.V. - President and CEO, Chairman of Management Board*

Have a great day, everyone. Thank you.

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