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PRESENTATION

Meredith Mendola - *Vistaprint - VP - IR*

Hello, everyone. I'd like to welcome you to Vistaprint 2013 Investor Day. My name is Meredith Mendola, Vice President of Investor Relations. I'd like to welcome our guests that are in attendance here in New York as well as those on the webcast. Our presentation will begin in just a few moments after I finish a couple of quick comments.

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

Trynka Shineman is our Chief Customer Officer and EVP of Global Marketing. Trynka joined Vistaprint in 2004 and has been instrumental in helping the company grow in various marketing role including president of our North America business unit before assuming her current position. She has taken a lead role in crafting Vistaprint strategy to improve our customer value proposition.

Hauka Hanson is our Chief Manufacturing Officer and Senior Vice President of our Global Manufacturing Supply Chain organization. Hauka has made a significant impact on quality, efficiency and innovation since joining Vistaprint in 2010 as the head of our Venlo production facility. He has a broad background in manufacturing as well as consulting and a PhD in Physics.

Mark Inkster is Senior Vice President of our Most of World business which includes Australia, New Zealand, Japan, India and China. Mark joined Vistaprint in 2012 to help us drive a long-term growth strategy in the world's developing market. He has over 20 years of experience driving Asia Pacific initiatives and leading technology companies like Microsoft, eBay and Yahoo.

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

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

For those of you here in New York, if you have questions for any of the presenters, I'd like to ask you to please hold them until the end of the session and we'll have a Q&A session.

So, just a couple of quick housekeeping items for those in the room, the restrooms are located down the hall to the right and if you need to leave the room during the session, I'd like to ask you to please use the rear door of the room so that you don't interrupt the presenters up here. And then finally, please make sure that your mobile devices are turned to silent mode.

And before we get started, probably the most important thing, I'd like everybody to note that during our event, we will make statements about our future and our expectations for the timeframe and our actual results might differ materially. And everybody should check out our SEC filings where we outlined all of the risks to investing in our stock.

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

Robert Keane - *Vistaprint - President, CEO*

So, thank you, Meredith. And welcome to all of you to today's investor presentations. We prepared the event to give you an in-depth look at how Vistaprint works and what our strategy is and I'd like to start by taking a few minutes to review the fundamentals of how we make money or in other words, our business model.

For more than a decade, I've used graphs like the one you see up on the screen behind me to describe how our business model works. And you see, on the vertical axis, we measure the unit cost of producing a product and on the horizontal axis, the volume of production. The graph is intended to represent a relationship that exists in most industries. At very low volumes, the unit cost is much, much higher than at high production volumes. And the blue line represents the traditional tradeoff that must be struck between these two different dimensions.

Prior to Vistaprint, this curve defined the competitive reality with the products we produced today and that's a broad product range that varies from signage to decorated apparel to printing products to photo merchandise to promotional products.

But over the past 15 years, Vistaprint has disrupted the traditional rules of our market by offering customized products that for any given single customer, are produced in volume at the left hand side of the horizontal axis but which nevertheless have a production cost that is more akin to high volume production.

We refer to the ability to play (technical difficulty) hand corner of this graph as mass customization. Vistaprint achieves the cost advantages of production in high volume of mass production even as we customized every single order for each and every customer. This capability means that we are able not only to greatly reduce the prices that we charged our customers, but also to generate high gross margins that this year are approximately 65%.

There are three different pillars to Vistaprint's business model that working together, enable mass customization capabilities. One is marketing. Trynka is going to touch on a number of aspects of our sales and marketing approaches. Two is technology development. Don Nelson will speak to you about some of the very impressive sophisticated proprietary technology and software that drives Vistaprint's business. The next section is manufacturing and supply chain. Hauka Hansen will provide you with that overview.

With all these three different pillars which actually are very, very different domains, we need to invest a lot of money. And in aggregate, we spend huge amounts of investment relative to most competitors on each and every one of these. So it's only with the enormous volume that we have that we can amortize these investments down to Vistaprint's very low per unit cost. In other words, our business model relies on economies and scale.

And in the fiscal year just ended, we executed on some pretty impressive numbers to illustrate how no other competitor matches us in terms of the scale of mass customization. To put this scale into perspective, last fiscal year, almost 16 million customers ordered a total of 29 million times. On average, each order had two to three product types per order. This means that we processed well over 60 million individual production jobs last year alone.

Vistaprint's heavy investment and our three pillar of competitive advantage which are amortize over our huge volumes to drive these economies scale, create a very unique and very sustainable, dependable competitive advantage. And on top of our competitive advantage, Vistaprint has built what we offer to our actual customers, what we call our customer value proposition.

Later today, in fact, much of the presentation, we're going to be talking about how that customer value proposition has evolved in the last few years and where it's going into the future. But in combination, all of the elements of our strategy that are shown on the screen have enabled Vistaprint to have very high growth. We started from a small startup and grew organically to more than $800 million of revenue in our fiscal year ending June 2011.

Just two years ago, however, at the end of July 2011, we announced that we would be making major investments into our business which we would fund through reduced year term profitability. In the context of the diagram on the screen, Vistaprint's investment program had been, and still today, has multiple objectives, first, to improve our customer value proposition; second, to reinforce a strength of each of the three competitive pillars; and third, to develop into market adjacent fees where we could apply our competitive advantages to different customer value propositions and in doing so reach new and different market opportunities.

Probably the biggest single change and the biggest area of investment we've made was to our customer value proposition. For many of you in the audience who followed Vistaprint for years, I'd like to ask you to think back to the period from our IPO which is on our fiscal 2006 through fiscal 2011 when we announced the change to the way we have fund these improvements.

If you recall, Vistaprint's customer value proposition was when viewed through the eyes of the customer, a brand that, in fact, was remarkably consistent but it was a consistency that was a deal driven brand of free offers and deep discounts sold via intensive email marketing and heavy cross-selling.

The images that are now appearing on the screen are our actual advertisements from that period. This would go to market approach that was highly scalable. We were able to hire really intelligent passionate people at early stages in their career and we gave them access to great software tools and processes that allow them to conduct iterative split run test that optimized for short-term profits in any given transaction. And because of these systems, our decision making models could be decentralized which allowed us to enter more than a dozen new geographic markets with the same basic approach.

But by 2011, we recognized that even though we had major competitive advantages to manufacturing, add in technology and very strong talent in our marketing team, our growth was nevertheless slowing. We had a hypothesis that part of the issue that we had painted ourselves into a corner of deep discounting and free everything.

The email advertising which I just put up on the center screen was one of the, in fact, all time best performing campaigns under the old model of free-based marketing. And in email, we proudly proclaimed that we were giving away the farm. And in retrospect, these advertisement also serves as pretty ironic summary of how we now see what we're doing with our free-based customer value proposition and where that was leading us strategically.

This slide is a conceptual diagram. It speaks to why I believe we would have been giving away not just the farm but the promise of our future if we had not committed ourselves to improving our customer value proposition.

In the past two years, we've conducted an enormous amount of market and customer research in all of our major geographic markets. Based on that in-depth research, we now have a much better understanding of customer behavior and their needs, what drives their purchasing. And that market-based understanding validates our decision two years ago to begin to evolve our value proposition.

I cannot stress enough that really, this is a conceptual diagram. It's not literal in its dimensions. But with that caveat in mind, it is meant to illustrate the approximate relative sizes of customer segments within the market for small business marketing services in our major geographic markets. And please note, this is also meant to represent only the market for businesses with less than 10 employees.

Using the market research for the past two years, we now internally categorized our customers into segments based on the criteria which they used to define who they will purchase from and we see three major segments. On the left hand side of the screen are price primary customers who first and foremost seek low prices. In the middle, higher expectation customers for whom there are a whole series of criteria which really matter to them. This includes convenience, supplier reputation and quality. Price is certainly one of those criteria but it is not the only one.

And finally, on the right hand side of the screen are locally focused customers. These are small businesses whose purchase decisions are driven first and foremost by the desire to have high touch in-person service typically from a local provider.

Most of Vistaprint's small business revenue come from the first two categories on the left. But our market penetration in the very first category price primary is very high, whereas it is relatively low in the market for customers with higher expectations.

On the screen now, I'm showing one of Vistaprint's customers who we have featured in our broadcast advertising in the US over the past year and she's a classic example of a higher expectations customer segment. She has a small pastry shop with just a few employees and she founded this company herself. She owns it herself and she manage it by herself.

We already have a lot of customers in this higher expectation segment, but we believe that we'll have many more. In helping understand why, Trynka is going to focus most of her discussion on how we're evolving our value proposition to address specifically this higher expectations segment.

We believe we have at least two or three more years of work still remaining before this transition is complete. This is a long process and because making the shift requires us to change many aspects of how we do all parts of our business from product packaging to substrate quality, to the user experience on a site, to the expansion of our customer service operations. From a sales and marketing perspective, we need to overcome significant revenue headwinds as we dialed down the discount driven advertising and the in-session cross-sell intensity.

Much of that revenue headwind that we are facing in Europe, we believe it's because we have not made this shift as effectively in Europe as we have in the North American markets. But despite the length of that journey and the turbulence that we have encountered on the way, we are continuing forward because we honestly believe that doing so will not only solidify our position as the market leader, but it will help open up a large market and additional growth opportunities.

As much as we like, the small business market, our mass customized products and our traditional geographies of Europe and North America, we continue to see opportunity in adjacent markets that we have targeted for the past several years and we really believe what we can do is we can leverage the competencies that we have built up in our primary businesses.

These opportunities shown on the screen start with digital marketing solutions for small businesses. Today, in the fiscal year that just ended, we have more than $80 million in annual revenues in the digital marketing sector, second, home and family products, which account for 20% of our revenue under our Vistaprint brand and inclusive of the album printer subsidiary, over 25% of our consolidated revenues. And finally, as Mark Inkster will be talking to you about today, continued geographic expansion.

From a financial perspective, we are putting a lot of investment into our strategic initiatives. We have a technology and development, manufacturing and supply chain, the transformation of our small business value proposition or our expansion into adjacent markets. We believe that each of these investments will drive strong financial returns for both Vistaprint and out shareholders but also strong competitive value -- strong customer value for our customers.

Over the long-term, we understand that cash flow per share is, of course, most important. And our investments are designed will get long-term objective in mind. The investments serve a variety of objectives towards that ultimate cash flow goal, some are design to drive revenue growth, others seek to expand our margins, others to fortify our competitive advantage.

Things don't always go to plan. For instance, given the challenges we faced in Europe, we no longer expect to grow 20% as we expected to grow in when we started this project two years ago. And we do acknowledge that the revenue growth makes our previously stated net income targets less likely to be achieved.

That being said as we exit the most intensive investment period of our multi-year strategy, we are at a beginning of what we believe would be a consistent, sustained and multi-year ramp of both our net income margins and our earnings per share.

Finally, let me describe at the highest level what you'll be hearing from the team today. First, we still have a large market opportunity that lays in front of us albeit with a lot of work to unlock that. Second, of all the strategic steps that we have made since 2011 and the greatest strategic steps that we will be making over the coming years, we believe that our move towards a more customer centric culture will be that which will drive the most shareholder long-term value.

Third, we have adjusted our plan in light of the reality of our lower revenue growth relative to our prior aspirations. But we do that even as we continue to believe that these investments could eventually turn around our growth rates. And fourth, we are driving our up our earnings per share, our margins and our cash flow and we believe that there is an opportunity to do so well into the future.

So what I'd like to do now is move the presentation to the other Vistaprint team members starting with Trynka Shineman, our chief customer officer. Trynka?

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Thank you, Robert. I'm Trynka Shineman and I'll be spending the bulk of my time today talking about the evolution of the Vistaprint value proposition. But before I get into that, I just want to give you a view of what is marketing at Vistaprint. You're going to see a chart like this in all of our presentations of what is a roughly proportional chart of the cost in the P&L.

So when you see the sales and marketing, about one-third of the cost are fixed marketing cost and about two-thirds are advertising which I'll also be talking about today. Within marketing, we have 1,500 people working across 10 locations around the globe. About a thousand of these people are in customer service.

So from an agenda perspective, as I said, I'll be spending the bulk of my time talking about the customer value proposition. I'm going to give you some specific examples of some of the changes that we're making in the area of products, pricing and customer service and talk about the impact these changes are having. I'm also going to talk about our lifetime value advertising evolution and then discuss the combined results to-date.

As you know, we've been seeing inconsistent results across North America and Europe, so I'll take a few minutes to talk about where we are with our assessment of the European business performance and what our plans are moving forward and then I'll close with the view of what's next as we move forward.

So starting with the customer value proposition. Two years ago, we announced our strategy to take a longer-term view as we think about the customer value proposition to move from optimizing transactions to really thinking about optimizing relationships over the long term. We've spent the last two years getting feedback from our customers and evaluating the end-to-end experience that we're offering then to understand where we need to change and what evolutions we need to make.

We're moving broadly in the following direction from free and low price to really focusing more on affordability and value for our customers. Moving from basic quality products to looking at professional quality products and making investments to ensure that we're position where we want to be from a competitive perspective.

We want to move from being known for business cards and more specifically free business cards to being known for a broader set of marketing products. And we want to move from focusing on really the design process or elements of our process to really optimizing the end-to-end experience for our customers. So, in short, it's really about moving from this transaction, as I say, looking at the multi-year impact of the changes that we're making to the value proposition.

As I said, I'll walk through a few examples and I'm going to start with the product evolution that we're doing, that we're moving. Now, as you look at where we've been, we really want to move away from basic quality across our products to maintaining a low cost position, but in addition, becoming the quality leader, and as we like to say, the products.

We also want to match quality for the direct competition of the other products to all the products that we offer and so we want to set a minimum bar across the products that we offer to ensure that we're delivering the best value looking at best quality and price as we move forward. A specific example of this are the changes that we've made to our business card product over the past year and some changes that are coming in the next couple of months.

If you look at our business card, we have examples in the back and I encourage you to look at them after the presentation, but we started with an investment in upgrading our material paper quality, so the substrate that we used to print business cards on. We introduced a thicker, smoother substrate that also produces a better print quality for our customers.

Other changes that are coming soon are change towards the size of the business card in Europe. So although we've been marketing in Europe for 10 years online, we've been actually marketing with the small size business card, our US-size business card which is not standard for the market. And in the next quarter, this quarter, we'll be introducing the European right size business card which, as you can imagine, is a great improvement for our customers and you can see an example of that in the back of the room.

In addition, we'll be introducing a new unique finish for our customers, so it is a spot varnish metallic print and raised print. You can also see examples of this and will be coming to the market at the same time of the new size business card. This is a great and distinct offering for our customer to choose to differentiate themselves and to really stand out from their competitors in the market place.

We also found from our customers that design content is something that they value. This is a key element of the Vista Print value proposition that we've had and invested in over time and we continue to expand our investments there to ensure that the product designs that we're creating are good representations for our small businesses as they brand themselves in the marketplace.

For each of these examples, I want to take a minute and to talk to you the impact that we're seeing. We are seeing impact in customer satisfaction. The graph to the right shows the satisfaction with material quality from our customers when we increased and improved the substrate of the business card. You can see that we saw a 6% increase on average since the introduction of the new business card paper.

In addition and more broadly, we're seeing our net promoter score go up. Of course, we're also seeing our cost go up to produce these products and we see fixed marketing expenses go up some as well with the continued investment in our product design team.

We believe that these investments and intended that these investments will then correspond to increase revenue, customer retention and customer lifetime value. And as you think about examples like the right size business card in Europe, I hope that you see the impact that we desire.

The next example I want to walk you through is pricing. So pricing is by far the things that our customers talk about most. It's a really important element of our value proposition. And while customers love the low cost and the low price that Vistaprint brings, they were frustrated and a little confused about the process to get there. And so if you see here, this is a picture of how we've really gone to market in that traditionally and historically. We would go out with the free offer and then to drive a lot of people to the site and then we would optimize the value of that transaction through a multitude of cross-sells and up-sells.

Now, we're looking much more at pricing as a way to but deliver value but also to deliver long-term royalty. You could see an example of the offer that we used in our broadcast advertisement. Hopefully, you've seen that. It's that 250 business cards for $10 and this includes shipping. You can see that this is a much more cohesive and simpler experience for our customers.

We're making a lot of changes on pricing. We're making a lot of changes from a test to learn approach and incrementally in some of our markets. But in addition, what we've done over the past year is we have made some step function changes in Canada which we've made at this strategic market a year ago.

I want to walk you through what we did in Canada and the impact that we're seeing there. Specifically, we took a look at Canada and we said, you know, instead of incrementally improving and incrementally changing and moving in the direction of this new pricing model, we want to make a step function change in Canada.

So we took a look at the market and we lowered the list price, first of all, of our products. We brought the list price down. We lowered the shipping prices as well and eliminated many of the fees and options that we were charging customers incrementally in our more a la carte model.

We then evolved also our go-to-market approach where we said, okay, when you go out to market with these lower list price, we often need to have more discount controls in place. So instead of saying a lot of free offers and 80% off or 90% percent off or giving away the farm, we have offers that were more rational to customers like 25% off or free shipping with an order.

So we really managed and pulled back on the discounts to make sure that we're really looking at a good rational price so that our price was not a bad price, but how we were getting there was hard. So we wanted to change that formula.

We also looked at pricing consistency across channels. So in the past, what we did is we enabled any marketing managers, so any of these, you know, hundred or so people that are really frontline revenue to choose the price the discount or the campaign that they were using in a channel. So if you think about a customer coming to the Vistaprint site, the price that you could get for a business card to paid search versus the price you can get on direct type-in versus the price you could get in an email or affiliate or online marketing were all very different. And this is a confusing experience.

And so we're really looking at managing pricing at market level. This was a big change. And we're very happy with the results that we've seen. First we've seen that we've been able to pull down the average discount percent. We think this is more rational for customers and it creates a better experience.

We've also pulled down the percent of revenue from shipping over time. And you can see the graph there in the middle. At the same time, we were able to reaccelerate bookings growth in the Canadian market. And not only were we able to reaccelerate bookings growth, but we were able to make these changes with a neutral to positive impact on our growth margin. In addition, our net promoter score in Canada was up in this period.

So if you look at the impact of the pricing evolution that we're having, it's, we're essentially narrowing the funnel. So we're optimizing more for these higher expectation customers and a little bit less for these priced primary customers, especially those in that segment that are most promotion-sensitive that really like these free offers.

And so what you see with that is we are seeing a decrease in our new customer ads. We're seeing some decrease in order rate. But we're seeing this more than offset in the markets where we're making these changes with an increase in AOV. And in the long-term, we believe that this will lead to higher customer retention and higher customer lifetime value.

The third example I'd like to walk you through is customer service and the evolutions that we're making there. In customer service, if you look back two and a half years ago, we were really limiting the investments in our customer service offering due to in-year profit constraints and we were managing it really from an in-year profit perspective.

Now what we want to do is we're benchmarking our customer service against e-commerce norms. So what is it that a customer expects when they're shopping online, what accessibility, what channels, what service level, how quick do they expect us to answer the phone, and we're making sure that our value proposition and our customer service offering is at least matching that and then differentiating from there.

So if you look at some specific example to the changes made in the past year, this continue to expand our accessibility of service, so how easy it is to find a customer service agent. We have the customer phone number visible throughout all of our sites and introduced weekend service in North America. We've improved our training and tool to make sure that as we were expanding, we were also keeping a high bar in the quality and consistency of service.

We introduced programs to ensure that we were looking at proactive service, not just reactive service. So looking at social media for example and then ensuring if a customer had a problem or is tweeting about a problem that we were following up with that and making it right for them, and also following up, if we identified a problem or an error in our document, to ensure that we were fixing it before it went to production. And we've been testing into some differentiated service for our higher value customers with higher expectations. And we're rolling that out now globally.

This is an example of the satisfaction rate that we've seen from customers around accessibility of service as a very small, a narrow metric within the customer service area, but it really matters, so how accessible is customer service, and we've seen a really big increase in that over the past few years.

We're also seeing an increase in site conversion rate in the net promoter score which is correlated with accessibility of service. We also, as you expect, would expect are seeing an increase in the marketing expenses as we invested more in our customer service function. But we believe that these investments will lead to increased revenue and increased customer retention over time.

So, I've talked about three aspects of our value proposition, our product quality, our pricing, and our customer service. We're also making a number of improvements to the website experience and our communications. And Don Nelson in his presentation in a few minutes will talk about and give some specific examples of that.

I'm going to turn to this and to say, to talk about our lifetime advertising evolution. So as we've taken a longer-term view of our value proposition, we also have taken a longer-term view in how we look at our lifetime value advertising. We're moving from a role that we were looking at channel by channel investments that must pay back within 12 months to a much more holistic and long-term view of our external marketing.

We're looking across the portfolio of external marketing and making sure that we're looking in investments from an NPV perspective, the net present value. This has helped us both open up new channels, but also think about communications in a way that we think is leading towards a stronger brand in the market.

So I want to just talk about two specific examples. On the left, you see an example of a new channels and how we're scaling globally. Some of the new channels we've able to open up are broadcast advertising and online display versus some of our more traditional channels like paid search and affiliate marketing, we believe these channels both work from a direct response perspective, but also are setting a stronger foundation for the brand moving forward. They're highly scalable and we believe, give us a strong ability to build the brand in the future. In fact, more than 30% of Vistaprint's advertising spend is through broadcast and online display today.

The other thing we're doing if we're able to take a global approach on these and over the last year, we've learned a lot about where we can standardize and create a global approach. I think you're familiar with the US ads and the changes that we've made over time to be more, to build more of our brand image as we're investing in these channels.

And I just want to show you an example of the UK ad which I think will feel familiar to you that's just recently launched.

(VIDEO PLAYING)

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

You could see that the approach is rolling out in UK and we're also rolling this ad in other European markets. And we believe this is very good for the company for the long-term. As we've been spending more, we've also been taking -- improving our measurements, so taking a more granular view of how we measure our advertising and this is letting us both spend more in these channels that matter, but also look at optimizing across all of the channels to ensure that we're delivering the best return for the company.

In addition to change in the advertising and change in the channels in which we spend, we're also changing our communications approach and the broadcast advertising is one example of that. I wanted to also share an example of the direction that we're heading in email. This is very different from the giving away the farm created that Robert shared earlier.

If you take a look at this, you could see that we're really focused on more of the value of the message, thinking about the tone and thinking about more relationship building through the communications that we have. And while there's still a promotion, and we believe promotions are important for our customers both for those primary and higher expectations, you could see that the emphasis in the leading of that has changed. And we believe that this sets us up to have a better relationship with customers over time.

So when you think about the lifetime advertising in this longer-view that we're taking, the impact is clear. We're seeing an increase in new customer growth. You see this every quarter as we announce our earnings. We're also seeing an increase in our COCA and an increase in advertising as a percent of revenue.

But what I'm most excited about is as we're seeing these increases; we're also able to move some of the brand metrics like aided and unaided awareness. This is data from the North American brand survey. And then the long-term, what we have to do is continue to move our brand metrics; while also moving revenue and continuing to get more efficient in our advertising as we continue to improve our measurement approaches.

So I went ahead and pulled this together and take a look at the combined results to date. As you know, our results have been mixed. And a lot of the mixed results is due to the big differences that we're seeing in the performance in North America and the performance in Europe. In both markets, we're seeing an increase in brand awareness and increase in new customers and an increase in the net promoter score.

However, in North America, we are also seeing an increase in the lifetime value for customers. AOV is up, although, repeat orders are down. But the net effect is positive from a customer perspective as we continue to focus and reorient our value proposition to these higher expectation customers.

In Europe, we're seeing AOV repeat orders and customer LPV all down. And I want to talk a little bit more about the European results and the plan moving forward. You could see in North America, the stability of the growth rates that we've been able to maintain as the business is getting bigger. We believe that this is an indication that the strategy is working all in all.

In Europe, over the past three years, we've seen the dramatic decline in the revenue growth, and you could see that on the pink line on the chart. I've spent the last 12 months getting more hands on with the European team to try to understand what the strategy means, but also what we can do moving forward and how to change that trajectory.

There's a couple of things and I want to share with you a little bit of my diagnosis. There's a couple of things that I want to highlight. The first is that the strategy that we're moving towards is more complicated to execute. It takes more top-down management. It's a big change in the culture and how we look in every -- and the decisions that we're making are not black and white decisions. They're more nuance. They require more seniority, more management, judgment.

And that's a difficult change to make in North America, but an even more difficult change to make in Europe for the 18 markets that we operate in. On top of that, the team in Europe is less senior and less tenured at Vistaprint than their counterparts in North America which creates a more complex challenge.

The other thing that happened in Europe is that we had our expectations for the growth rate of the business, were higher than the team was able to produce. And as the team begin missing numbers and missing the internal forecast, it created a short-term bias and they've reverted to some of the short-term tactics that we were trying to get away from by discounting more, pulling on promotional levers, finding lots of small partners and micro partners to try to catch up. And so, this miss in expectation that we had in this forecast in expectations that we had created a short-term bias which is really at odds towards the strategy.

To be successful with this strategy, it requires that we take a long-term view. And so what are we doing? There's four things I'm going to share with you or manner of plan to improve European performance. The first thing is we do operate in 18 markets. However, the top three markets in Europe drive the vast majority of the revenue in Europe. And so what we're doing is we're focusing really to make these changes in our top three European markets.

What we're doing in the rest of the market is we're actually pulling back, so we're pulling back in some of the small channels and campaigns to create more room and create a capacity to move the brand communication. We're pulling back in our advertising. We're focused on automating where we can to make sure that we can really create the focus on the top three markets that really matter and manage the complexity of this change just in those markets.

The second thing we're doing is we're now 12 months into our global functional structure and we're focused on working as a global team. We've reoriented the team to better leverage the North American experience and approach. The teams are now working together on the brand communications, the changes in pricing and making sure that we're really leveraging the best practices and things that have worked in North America and bringing them to Europe. As a specific example, we'll be rolling out the Canada pricing model in the UK later this month.

For focusing on processes and system, as I've mentioned earlier, we're doing things like automating email and campaigns in some of the smaller markets and as you're pulling away from those, to simplify the business. But we've importantly focused on our forecasting process to ensure that the expectations that we have are aligned with what the business is able to do and that we're creating a space to the long-term view.

I'm going to talk a minute about the long-term view, so in earnings last week, we talked about our guidance for the European business, and as you know our expectation is that topline growth will be flat to low single digit growth. We believe that this is very important for the European business to be able to make these long-term changes. We need to pull back further than we did in North America on the promotions given the actions that have been taken over the past few years.

We need to also pull back on our advertising until our lifetime value metrics improve. And we need to ensure that we're keeping that in line with the business and building a healthy and profitable business. While these do create healthy profit growth in Europe for this year, we are most importantly what we believe is we're building a strong foundation for the European business to be able to compete in the top three markets moving into the future.

So I'm going to close more broadly with what's next. We're two years into a five-year strategy. We've made a lot of investments and we've learned a lot over the last few years. And as we move forward, we're continuing on the same path and what you can see is more of the same. So we're going to be continuing with our focus on pricing clarity and simplicity. We'll be rolling out the Canada model globally over time. And then we'll probably bring it up a notch from there.

We're like be able to run that on our differentiated customer service support and continued product quality improvement based on feedback that we've received from customers and we have a roadmap that extends out over the new few years.

We're focusing on improving our customer communication and also transforming our user experience which Don will give you some specific examples of in just one minute. We're continuing to focus on optimizing our advertising to ensure that we're delivering the best returns and able to free-up investment or free-up profit as we move forward.

And importantly, we're building a foundation in Europe and we're building a foundation that we expect will position us well to capture the market opportunity in the long-term. The strategy that we have is setting us up well to capture the big market opportunity in front of us and really position the company for this higher expectations customer in the future.

And so with that, I'm going to turn this into Don Nelson to get through the technology and development. Thank you.

Don Nelson - *Vistaprint - Chief Information Officer, EVP - Technology & Development*

Thank you, Trynka. So I lead the capabilities organization globally. And within our technology and development span globally, we have over 700 people that are delivering capabilities worldwide. And these range in areas from software development to quality engineering, to project management, support and operations, and then manufacturing technology and development as well.

One of the challenges that we faced when we come here to talk about the things that we're working on today is so much of it happens below the water line. So much of it is done in such a way that we try to make it as easy as possible for our customers to use the technology and to be able to achieve what they want to achieve for their business, for their families, for themselves. And that we work very hard to make sure that technology falls away and that it becomes a non-issue for them to be able to accomplish what they want to accomplish.

There's so many barriers for people in small business and home and family that there is from technology where they don't know the product, the technology product. They might not know the method through which to create great photographic design and things of that nature. They don't know the knowledge about the particular products and the substrates that it's on.

And our goal is to make that look easy. Our goal is to make them powerful and achieving what they want to achieve for their business. And in order to make that happen, we have to do a lot on the back end from a technology perspective. And what we've done is we've pulled together a short video here to give you some insight as to what happens, what in the way that I referred to below the water line in order to make sure that we can deliver for our customers. And so I have a brief video here that will give you that insight.

(VIDEO PLAYING)

Don Nelson - *Vistaprint - Chief Information Officer, EVP - Technology & Development*

I get excited every time I see that video because I think it really portrays what it is that we're doing behind the scene as I say to empower our customers and help them achieve their end result. Within capabilities, our mission is to combine people, process and technology to deliver strategic business outcomes. And hopefully, that video gives some insight as to how we go about doing that in the breadth of which across Vistaprint we have to deliver.

In the capabilities organization, we have three key strategic themes that we're focusing on right now -- enabling the strategic priorities of Vistaprint, increasing he effectiveness with which we deliver our solutions, and improving and increasing the investment that we have for our overall technology platform. These three themes underlie in everything that we do today.

The combinations of these themes have powerful outcomes. So the combination of enabling strategic priorities and our effective deliver together create more and better outcomes for Vistaprint today. And the combination of effective delivery and our continued investment in our scalable platform continues to be able to open up new markets and new products for us as we move forward as a company.

By increasing the speed to market through a new software development practices, we're enabling a faster time-to-market and new customer insights. We're learning what our customers want and delivering it faster to them than ever we have in the past.

In addition, our focus on continuous improvement can help us, above the waterline to drive improvements in our site and our products. In addition to improving the speed-to-market, our increased alignment with manufacturing and with marketing is reducing the rework that might have to take place in ensuring that the most impactful capabilities that we can deliver are delivered first into the market.

Our platform development is at the core of this strategy. We're working very hard to decouple our code base and create modulized services that can be used to quickly go to market with new businesses and products. These decrease the overall integration cost and the cost of creating these individual capabilities, and allow us to get to market faster. Our challenge is that we're doing this while we're serving our customers every day, and for us, this is a little bit like refueling a jet plain in midair at 30,000 feet.

While working on our platform, our delivery is becoming more and more effective, also as we begin to start the path towards using industry-standard development practices such as agile and lean software. By developing more and better outcomes, and enabling the growth under the waterline, we improve our customer experience and will continue to develop new products and open new markets above the waterline. I'm going to walk through three examples of how we're making this a reality with the products and services that we provide.

On our new site, we made great leaps forward for how we actually interact with our customers. This is, in fact, our old site. And what we did when we looked at our previous site is we realized that we were really lagging the industry with regards to industry best practices for e-commerce and overall site design.

We now believe that we're leading the market with regards to what we've developed. And here's our old site right here. And one of the challenges that we had with our old site was that it was essentially a long list of products, and if you remember this site, you would just scroll down and just see product after product after product.

And part of the other challenge that we had is we often as our users when they came to our site, what their intent was for using Vistaprint, whether or not they are home and family or whether or not they were there for their business. And the challenge was, as they came to their site and we were trying to figure out what their appropriate usage was, the net result is we duplicated, and sometimes even worse, our products across the site. And it became a very confusing challenge for our customers to be able to navigate through our site, to be able to find what it is that they wanted to accomplish.

We kept this feedback in mind when we redesigned our site in this past year. And as you can see, on this new site, we no longer categorize our customers by type. Instead, we present our product offerings in the way that we expect our customers to use it. This site redesigned as an example of our ability to provide a fully integrated experience on our website.

Like we did in the past, this time we developed a best-in-class site using the most current standards. We provide multiple entry points which enable the customer to very quickly see what we can do for them and how we can help them. We provide a cleaner user interface overall, making it easier for the customer to find what they want, and quickly be able to accomplish their task. And we provide consistent experience for the customer throughout the overall website.

The website is now divided into three parts. The header, allows us to communicate with our customers prominently. The central marquee, in the middle, presents our products in a fashion that supports our brand proposition and features our destination products. Category gateways are listed below, and these are smartly proven from our other Tier 1 type products and specifically chosen by region and locale, and can vary by seasonality.

We make it easy for our customers to navigate the website. By making all the technical complexities easy for the customer and making sure that they have a uniform experience. The home page and the category page could function very differently, but our customers have said that they want consistency. They want a category page to something that the main page, only simpler based on the choices that they've made, and the new page designs here provide a much more consistent design on the category pages that accomplish just that.

Within this, as we dig further into the site, we maintain a standard definition of the taxonomy across the site, which aids in navigation. This page also has similar styling with our homepages. And in the middle section here, we're able to feature the category of products to go beyond just showing the business card but show business cardholders and all the other variation of cards and card products that we have.

We have a consistent header across the top of the site that provides standard categories and also provides for specialized categories such as holidays. The All Products in the upper left-hand corner categories, consistent globally, but the remainder of the header can vary by region and other categories.

One way that we can drive a consistent experience for customers is through the use of this header. With so many SKUs that we have, we've actually grouped all of our product in the categories and subcategories so that customers can, very quickly, find what it is that they want.

For example, here, as we walk down the navigation tree, we can move very quickly from all products into websites and Internet marketing, and down directly into Internet packages that we can sell to our customers. Our customers have the ability to quickly either go to the category, select a category, they'll go to a category page or they can select a direct product and go to directly to that product itself.

We've done extensive usability testing around this navigation technique and the overall taxonomy, and we know now that we can provide that experience for our customers so that they can quickly find out what it is that they're actually looking to accomplish on the site.

So as I talked about a bit in the introduction, above the waterline, our customers can navigate the site more easily and find out what it is that they need in a very quick and a prompt fashion. Below the waterline, this is the result of a constant focus on the challenges of utilizing different languages and images across many locations and many devices.

Numerous contexts are involved in determining what merchandising a customer sees. These can vary by locale, channel promotion, customer segment, region, language, product feature and more. The new infrastructure we build allows marketers to quickly change which products and offers that are featured on the homepage and the supporting pages, and they can do this based on a wide variety of attributes, some of the ones I just mentioned.

For example, one of our marketers could change the actual mix of products on the homepage and they have the full control over the imagery, the copy and the pricing to enable to do this quickly and allow them to target more effectively the customers that are coming to the site. These changes can be made easily, and multiple times throughout the course of the day, without the need for software engineering and interaction, which rapidly increases the ability to make these changes as well as reduces the level of effort within Vistaprint in order to get these changes made.

They now have the tools that they need in order to get there campaigns out in a much more agile fashion, and we've proved this on many key days such as Black Friday and Cyber Monday, where our marketers were gradually responding to the performance of the day and very, very quickly changing what our customers would experience on the site, all without the need for any software engineers or any teams to support them.

So these are small examples of how we can make it easy for our customers to understand what we offer and how we can help them. Any one of these features is not enough. It's the thoughtful collection of the combinations of these that enable us to create a rewarding experience for our customers.

The next example I want to speak about is scene rendering. This is a great example of how we're giving consumers better tools to experience and visualize the products that they're actually designing. We've leveraged our technology expertise to develop proprietary technology that we call dynamic image preview.

This is a concept of an image and a document competition service that allows our designers and marketers to combine the visualization capabilities of tools like Photoshop, and the technology that we've created, to create a personalized impact of live rendering.

As you can see, on the lower right-hand corner, we're no longer just presenting just flat images to our customer, we're actually presenting the images of what it is that they're creating in the context of how you'll actually use it. And this is very powerful imaging concepts, here, because you step out from a pure design technique into, actually, the visualization of your product, almost in the real word. And you can actually try out different concepts and actually understand how it might be experienced before you actually make the purchase.

Above the line, dynamic image preview will better allow our customers to see period product in a real-life setting, often their own hands. This capability allows them to design, also, in one location for one product, and then actually see the impact of that across multiple products and previews across the overall site, as we match their desires to other products.

Previously, adding these types of context were a significant amount of work, often on the part of marketing and the part of software engineering, in order to our accomplish this. We've vastly simplified this by focusing on two key components that we've developed internally.

We've created a working and a composition engine, which is a very technical way of saying that we can vary the aspect, the size, the shape. We can then bend these shapes around our various products and the like, in order to create very realistic examples of how these products might look like in the real word. And in some of these examples you can actually see that we take the customer design, we've rotated at some, we shifted, we changed the aspect ratio and how you visualize it and we've shown it, to the extent possible, that we can in a real-life setting.

We've also created an intuitive document format that we use internally, that allows our designers and our marketing team to very rapidly create new contacts without the need for significant software engineering. So this, overall, has resulted in a substantial decrease in the level of effort that it takes for us to be able to do this from a software perspective, and it has also increased the ability for marketing to get more of these to market more quickly. We're seeing a very positive impact from this, from a conversion rate perspective.

Moving onto mobile, for mobile and for tablets we're making a significant investment in what we referred to as touch-oriented interfaces, to bring us up to par with the industry standards and beyond. In order to continue to enhance the customer experience, all of our initiatives now, as we move forward, have a touch to their design, which will eventually move us towards a fully optimized customer experience, regardless of the device type that they come to us on.

Above the waterline, for our customers, the photos here represent the first phase that we've just rolled out. And this is an optimized site for the business card creation process on a mobile phone. We're also rolling out the ability for you to actually create holiday cards via mobile phone and that'll roll out in the second quarter.

Customers will be able to design products in a very rich environment. In fact, the mobile studio, which is featured in the two middle photos right here, is one of the most advanced in the industry at this point, allowing extreme amounts of customization, which are required for the types of product that we are actually selling.

And this has been a challenge for us to actually work through how this might actually operate because, in many cases or in most cases, we're not in a pick, pack and ship business, where your see a flat image of a product that somebody will pick off the shelf, put in a box and sell to you. We're actually in the custom-design business. And how you actually custom design, how you're actually involved in mass customization in very, very different devices that people can use, from very small form factors to midsized form factors, to full screen, how you can actually be able to scale down from a full screen down to a mobile device and potentially backed up with the customer is a big challenge for us to be able to solve. And we're really excited to see this as we begin to roll this out.

It's currently live. We have it in our MSR split runs right now. So it's live to about 60% of our customers, thereabouts, and then in the next about four weeks or so we'll be rolling this out to 100% of our customers globally.

Below the line, as we talk about what we need to accomplish here, technically, it has required us to do a significant amount of re-factoring for our code base. So we've got over 10 years of development that have been oriented around optimizing an experience for your computer screen. And so now what we want to be able to do is be able to leverage a lot of those features, that functionality and the technology that we've developed across multiple device types.

And we don't want to just replicate it, right, we want to be able to create, in a platform sense, where we can build the core functionality once and then leverage it across any front end that we want to have in the future. And that's been a bit of a big dig for us as we've rolled through this, but the good news is that as we continue to process this re-factoring, it's opening up the ability for us to go further along into our product set, and we're starting to mobile-enable things such as our image upload process, our checkout process, and we're starting to roll it out across many of our other products.

We believe that we're about 20% of the way through the overall touch enablement of our overall functionality, and we will continue to focus on this. This will be a regular focus for us as we move forward, continuing at the highest priority products and functionality as we move forward.

As you can see, we're making investments in some new technologies. But this is only a fraction of what we're building across all off technology and development in the capabilities organization. On average, we probably have north of 100 projects that are in flight at anyone in particular time.

All of our initiatives that we're working on right now will improve the customer experience and result in Vistaprint's launch of new products and the opening of new markets. In the near term, this means that we'll see an increase in conversion rate. We have also seen an increase in our technology development spend over the past few years. This has been delivered and we talked about this in our prior sessions. We're anticipating that out of these investment that we're making will result in longer-term benefit, such as increased revenue and greater customer retention above the line.

And below the line, we expect to see faster speed-to-market, with added features products and functionality on our site, and an overall decrease in the cost of what it takes for us to develop the capability internally.

We have a multitude of efforts underway to ensure that our code is more modulized and that our developers are more effective, and that our platform is more serviceable across wider areas of our business. And we're still at the beginning of unleashing the power of our technology and we look forward to the positive impact that we can have landed Vistaprint and our customers. Thank you.

So, introduce Hauke Hansen, who will come and talk about manufacturing and supply chain.

Hauke Hansen - *Vistaprint - Chief Manufacturing Officer, SVP - Manufacturing & Supply Chain*

Thanks, Don. My name is Hauke Hansen, and in his intro Robert has already introduced the three pillars of competitive advantage for Vistaprint, one, being marketing, second being technology, third one being manufacturing. I'm here today to open the hood for you on the third of those pillars, the manufacturing and supply-chain side.

What are you going to hear during this presentation? I'm going to talk about how, on the manufacturing and supply-chain side, we are supporting the overall Vistaprint strategy, how we derive operational excellence and how that contributes value to our customers, to the company and to our shareholders.

As every one of us, I give you a quick view of my organization and how it affects our financials. On the left side, you see a bigger box, which is our cost of revenues, starting with the first item, material cost, which are things like substrate costs, whether that's paper or textiles or mugs, but also including things like printing materials, plates for the offset printing or other consumables in our plants.

The second cost item is shipping. We work together with a multitude of partners, be it on the postal or on the express side globally. The third one is labor, and actually, that is one that has been decreasing over the last years. We have reduced the labor cost by 30% and more productivity gain over the last three years.

The last item on the left box is the overhead cost. This includes depreciation for equipment, technology, our facilities and infrastructure. We also incur operational expenses in the areas of research and development, engineering and technology, supply chain, and efficiency and quality. These are investments that we make, globally, into our manufacturing and supply chain capabilities, and they enable us, for example, to deliver proprietary production platforms to procure and qualify substrates as well as to run a number of global projects across our global delivery network.

Let me give you, first, a bit of a view of what we are doing in manufacturing. And I'll start with a couple of numbers. On the left-hand side, you see some numbers on products, 5.5 billion business cards printed per year, that's a little less than one per human being on earth. What made a little less know to you is that we also produce millions of other marketing products such as signs and garments. If you now take a look further into our plans, what you see is that we are focusing on efficiency.

In just two examples out of many are, we take less than 10 seconds to finish a single business card pack, and we take less than two minutes to finish a total order and ship it. This internal efficiency allows us to ship more than 90,000 orders on an average business day and to, in total, enable a production volume of more than $1 billion.

That's all a little dry, so if you want to get a more visual view of how this looks in our plans, here we go. Excuse me.

(VIDEO PLAYING)

Hauke Hansen - *Vistaprint - Chief Manufacturing Officer, SVP - Manufacturing & Supply Chain*

Thank you very much. I hope you enjoy this little two-hour facilities. These were pictures taken of three main facilities in Canada, the Netherlands, and Australia.

Let me talk next about our aspirations and our strategy in the manufacturing and supply chain area. We aspire to be the best mass-customization manufacturer in the world. With that, we mean that we offer industrial solutions that allow our customers to order from a quantity of one and upward and we deliver to our customers globally.

Operational excellence does not come for free. It's the result of a lot of work and dedication over the years. Here are three items that we are using in order to get the job done. First, we are creating a clear vision of the future state and we maintain and update a five-year roadmap that takes us from the today into the tomorrow.

Secondly, we set ourselves aspirational targets and keep monitoring our performance against those targets. And thirdly, we build unique world-class capabilities and do not compromise on the quality of the talent that we hire.

How do we measure our success? We take a customer and a company view. From a customer perspective, we deliver what the customer wants at the time the customer wants it in the quality that he values. From a company perspective, we drive down unit manufacturing cost and click-to-doorstep throughput time to offer great product at a low price.

At Vistaprint, we do not see manufacturing as a cost center alone. We see manufacturing as a value contributor. And this all starts with how you measure and incentivize your people. On the left you see that what we employ is value-based metrics in manufacturing, such as Economic Value Add or Production Value Add for the production environment.

We also take a look at our projects and prioritize them by NPV and return on invest. The graph on the right gives you an example of how this Value Add for manufacturing actually breaks down. And if you take a look at the middle box, that's probably the one that is best known to all of us. It has things and levers in it such as reducing the labor costs, reducing material costs, reducing shipping costs.

Often less in focus, but if you do the math, the factor of three to five times more important is the contributions to the revenue side in terms of increasing quality, improving on-time delivery or enabling and empowering the manufacturing implication implementation of new products.

Not to forget, the asset side where we try to divide up asset utilization and drive down our inventory costs. This is not just a nice framework on the screen, it's also a mathematical model that we use and a management tool that drives our decision taking on a strategic and tactical level.

That you make sales all good and well in theory, but how does it look like in practice? So I brought along five examples from our work for you to share with you today.

The first one is on industrialization. And Robert, in his presentation, has already shown this downward sloping curve and our positioning in the top left -- in the bottom left corner of that graph. This is how we aggregate the demand of millions of customers and give them access to industrial scale production for great value at low cost.

If we open the hood and ask how are we delivering on this promise, there's three levels that we distinguish in general. The first one, and I'm using offset as an example here, the first one is we're buying the best commercially available print equipment in the market and use it in new ways. An example which already is a couple of years back is how we've employed UV ink on our offset process to allow much faster drying time than with other technologies.

The second level of industrialization is by combining more than one equipment into an integrated production flow. And the third level, our size and scale allows us to invest, design, and deploy custom-tailored engineering solutions in our plans.

The second example is that of operational efficiency. If you look -- take a look at the graph on the left foot, you see is the total time it takes us to produce an order in one of our plants. And as you can see over the left four years or the less, we have been able to reduce that time on average by more than 70%.

This has not only allowed us to improve our process efficiency, it also has led to very tangible business results. Just aside three, it has allowed us to increase throughput from the same square meter by 40%. It has allowed us to increase our labor productivity by more than 30% in three years. And by freeing up the space, we have been able to postpone heavy capital investments by more than three years into new plant expansions.

All good and well internally, how does the customer actually benefit from the improvements that we are doing in manufacturing and supply chain? The first example I would like to bring to your attention here is the area of quality while we have started to take a very systematic approach to quality and we are rolling that out across our global network.

Together with our colleagues in marketing, we have introduced a number of quality enhancement over the last year. And just a few examples here are enhanced color, improved packaging or better substrates on the paper and textile side.

As you can see on the left, this has led to a reduction in quality complaints as we receive from our customers by more than 30% in less than three years. This already is on a quite low base that we've started from.

Another thing that our customers care about is on-time delivery. If you order, you want to receive the goods not too late but as we've promised it to you. And as you can see, over the last two and a half years, our on-time delivery has improved by two-thirds. This has been an effect of significant in-house investments where we, for example, invested in [e-owned] pre-sorting equipment.

This not only has the advantage of being much more effective in sorting our materials before we ship them, it has also allowed us access to much more effective rates with our carrier partners. We are continuously working with our carrier partners postal and express to increase trackability, traceability, and the overall service level of our delivery.

Lastly, I want to show you an example of how manufacturing and supply chain is supporting Vistaprint's growth initiatives. And again, there's three small examples here.

The first one is in helping new product introductions. And if you look at the desk in front of you, you'll see that we've brought two examples for you today, a USB stick and a little flashlight. Those are promotional goods which -- of which we've launched more than 10 over the last year. In the first six months, we've already sold more than 1.5 million units. We've also, in this area, achieved a record concept-to-launch time of less than three months when we introduced custom-made iPhone covers.

As many of you are aware, we have acquired Albumprinter and we are now working together as one team and jointly also working on their operational excellence. This, in a single year, has driven down the average throughput time through a plant in Ypenburg in Albumprinter by more than 50% and also has helped us to provide a contribution to the significant step up in gross margin percentage in Albumprinter.

Last but not least, and Mark is going to speak more about that in just a minute, we are supporting our global growth. And one of the recent example is how we have established a new plant in India, close to Mumbai. It actually took us less than seven months from the concept of the plant to it being operational and ramping up. For those of you who ever have done business in India, you may appreciate that that is not a small feat.

With that, I'd like to come to the summary and conclusions. And looking back at what we've achieved over the last year, we actually believe that we are already revolutionizing the world of mass-customized print. We also believe that through our improvements, we have been able to provide significant contributions to our gross margin, while at the same time enhancing our product quality and enhancing our delivery services.

Going forward, when we look at manufacturing and supply chain, we continue to see good opportunities for investments, which based on a diligent business planning, should allow us to have great return on investment in the manufacturing and supply chain area.

In summary and what's next, we believe we have a very capable and engaged team that is able to go much further than today. And we are on our way to execute a multi-year strategy to become the top mass-customization manufacturing organization in the world.

Thank you very much. And with that, I would like to hand over to you Mark.

Mark Inkster - *Vistaprint - SVP - Most of World*

Hi, I'm Mark Inkster, and I'll talk today about our geographic expansion into China, Japan, and India.

Vistaprint had great success expanding geographically in the past, and we have truly global ambitions. The next big geographic opportunity that we see is in Asia. The region has some of the biggest economies in the world and these are growing rapidly.

Most of the world's GDP growth is expected to come from Asia. Most of the growth in internet usage and most of the growth in e-commerce, all is expected to come out of Asia in the next decade. Now there, of course, are many countries in the region. And over the next couple of years, we're going to focus our Asian aspirations on the three biggest opportunities which are China, Japan, and India.

We believe we can succeed in the region. Our senior executive team sitting here has focused a lot of effort on Asia with trips by almost everybody on the table, including Robert and a lot of energy to think through our knowledge and experience, find the things that are applicable to Asia and transmit that to the teams on the ground and then help us refine and adjust our strategy.

We found many of the strengths that we have as a company, including the marketing practices, the technology, the products, the manufacturing expertise, the systems that we have developed are all highly applicable as we go into these markets, unique as these markets are. And then finally, the industry structure itself in these countries is highly fragmented which gives us a great opportunity to lead.

So the opportunity is big, but so is the complexity of doing business. Making a business succeed in China is hard and different from making a business succeed in Japan, and that's different from making it succeed in India. So -- and all of those are quite different from North America. So you've got differences from North America and huge differences country to country within Asia.

And what that really means is that we need to adjust our model and adapt it for each market. So, as an example of that, we're positioning our offering from the very beginning in these markets around quality and service as well as around price. We're also introducing some new products in these countries. So for example, in India, we now have dress shirts that have embroidery on them that we think are going to be very applicable to that market.

And finally, our mindset needs to be different. Because our operations in China, India, and Japan are still startups, we really need to approach these markets with a very entrepreneurial outlook and a mindset.

In order to win, we fundamentally are taking a very long-term view. We strive to be domestic from the very beginning with most of the people in country and only a very, very small headquarters in Asia and continue to expand that way and have the team in India thinking about winning in India, team in China on the ground winning in China, and eventually Japan as well. And we're finding a balance between customizing our model to the -- to each market and also leveraging our strengths.

So now let me take you a little bit deeper into each of these three markets. We entered India by acquiring the assets and recruiting the leader of an Indian startup in 2011. So a year and a half ago, we had three people on the ground there. And now we have over 50 engaged Vistaprinters on the ground readying to go, building our business.

We've developed local designs. And those designs already account for over half of our orders. We produced these in a local factory that Hauke describe a moment ago using our India website built on our technology. And altogether, this enables us to marry great quality with reasonable prices in a very scalable way.

We launched with a strong customer support team on the ground which has helped us stay very close to our competitors, not only do we -- to our customers. Not only do we take inbound calls, but we also have done outbound calls, asking people what they like, what they don't like and adjusting our product offering, adjusting our side, adjusting our marketing on the way to be much -- to be very customer-centric from the very beginning.

So, it's still a startup in India. In FY14, what we're focused on mostly is expanding the product portfolio which will help us meet the local preferences for a one-stop shop.

In China, we entered by making minority interest investment in a leading Chinese player, Namex, almost exactly a year ago. This company has been operating for several years, so they're bigger than our India operations and they now have about 450 people in multiple cities across China launching our second factory there.

China is the biggest opportunity that we have in Asia. Over time, it's expected to be the biggest economy in the world. So, we really want to make sure we're investing appropriately to win in this market and we expect to have continued investment in China.

Japan is currently our biggest market of the three countries that I'm highlighting today. It's a very sophisticated market with high quality expectations and one where our fundamental mass-customization model that Robert described in the very beginning works very, very well.

We entered the market organically and we built up about a $8 million business, which is small. But we've done that by operating out of Australia, Sydney and Melbourne, Australia running the Japan market there. And there's a lot of challenges that we face because of that and with only very basic localization.

We see this -- again, it's one of the biggest economies of the world, so there's massive potential there. And we're looking at a number of ways to accelerate our growth and build a significant business in Japan.

Growing these markets requires a significant investment. Currently, it's around $15 million to $20 million per year, which takes the form of a reduction to our net income. The way we think about this is analogous to a portfolio of well-funded VC backed startups in each of these countries. And then we have the added benefit of being able to leverage the core assets of Vistaprint and the knowledge and experience of this executive team and their teams across the world.

We're building a foundation for long-term growth by establishing now strong teams on the ground, a variety of organizational capabilities and also gaining market share today. We don't expect to break even for approximately five years. But in the meantime, what we're really focusing on is creating enterprise value. We're seeking to create enterprise value in excess of our cumulative investment amounts.

So as I said earlier in this conversation, we're taking a multi-decade approach to the opportunity in Asia and we see a very big potential there. But the revenues are small today, especially in India. We're targeting high growth rates for the next five plus years. And over the next decade, we seek to create a big profitable business with sustained high growth rates across these major markets.

In summary, Asia represents a key long-term growth opportunity. It will contribute meaningful revenue, profit and enterprise value over time, but it remains a long-term play.

Thank you. And with that, I will pass over to Ernst.

Ernst Teunissen - *Vistaprint - EVP, CFO*

Thank you, Mark, and good morning, everyone. You've heard a lot of information in the last six presentations about our strategy, and I'd like to talk to you about how we translate that strategy into a five-year, a long-term financial view. And this is an update from a very similar presentation I gave to you 18 months ago in this same room when we were half year into our two-year strategy.

Now two years ago, we introduced our five-year financial targets that accompanied our strategy. In our five-year financial targets, targets for fiscal year '16 were to reach $2 billion of revenue and to reach $5 of GAAP earnings per share. And we said that we would achieve this by investing significantly in fiscal year '12 and '13, front loading a lot of investment that you actually heard Hauke and Don and Trynka and Mark talk about today.

We internally call that our J curve. So after a period of sustained growth of our earnings per share up to fiscal year '11, we were planning to take a significant hits to our earnings per share, decrease in earnings per share, in fiscal year '12 and '13 to fund these investments and then for earnings per share to start growing again and to go up in fiscal year '14, '15, '16 and beyond.

Now since then, we've experienced a setback to those plans, and Robert mentioned this in his introduction. Particularly, our revenue trajectory in Europe has set us back versus these targets. So we're currently acknowledging that we're not expecting to actually hit that original $2 billion revenue goal by fiscal year '16 that we laid out two years ago. It's going to take us a bit longer to reach $2 billion. We're also saying it's possible but it's less likely now than before that we're going to hit that $220 million net income target by fiscal year '16, plus or minus 10%. This $220 million number, incidentally, is given the share repurchases that we made in the last two years, a much higher number than the original $5 of earnings per share.

Now today, I'm not going to be providing you with new specific revenue or profit targets for fiscal year '16. As we are getting closer to fiscal year '16, we're going forward, going to be giving you specific targets only for the fiscal year ahead, in this case, fiscal year '14.

But I am going to talk about and we are continuing to say that we're targeting the general shape of the J curve that we had and specifically, we're targeting to get back to our fiscal year '11 net income levels that was, in GAAP terms, was 10% net income margin in fiscal year '11 in the next few years. So although we have experienced a setback to those absolute targets for fiscal year '16, we are reiterating that we are going to well up that J curve over the next years.

So let's start with net income and in this case, GAAP net income. This curve is a description over the last three years and then the implied guidance that we have provided for fiscal year '14. So what you see here is that we had 10% net income GAAP net income margin in fiscal year '11, which was roughly the same in fiscal year '10 and fiscal year '09 before.

We have fairly consistent net income margins, and you see here the representation of that downward part of the J curve that I was talking about. We decreased our GAAP net income margin to 2.5% in the fiscal year that we just completed, and we're currently guiding -- implied guiding of the midpoint of our revenue guidance and the GAAP EPS guidance that we've given implies we're going back up again to 3.7% to 4.6% of revenue.

Now the path from 10% to 2.5% was through a lot of investments in the core that we talked about today and announced two years ago, but also from dilution from subsequent acquisitions that we made in Webs and Albumprinter and from investing more in Asia than we anticipated two years ago, and Mark has been describing that.

So in combination, all these new growth areas, the part excluding our core North American, European Vistaprint and Australian Vistaprint growth, in fiscal year '13, we invested close to $35 million of negative net income in those markets.

Now a lot of that is GAAP-ed out and the non-GAAP impact is a lot less larger than that because a lot of these are nonoperational. So some of these nonoperational expenses is, for the Webs transaction, we had a tax charge related to the IP transfer that we get from the United States -- outside of the United States.

We have amortization of intangibles, both in Webs and in Albumprinter, and we have share-based comp related to the acquisition of Webs as well that's impacted as. But in combination, this has been an important impact. So in fiscal year '14, as you see in this chart, we're expecting to start the expansion of the margins and with the goal to, in a few years, get back to that 10% net income again.

If you should roughly would look at what that net income guidance for '14 would've been just for the core business, North America, Australia, Europe Vistaprint, so excluding the acquisitions, excluding the additional investments in Asia, we would've been roughly been at 6% to 7% guidance for GAAP net income. So you can see in the core already getting closer to where we're trying to move to.

Now let's have a look at how we have invested this reduced margin. This chart is looking at operating income margin, not net income margin, so slightly different from the numbers that you've seen in the previous chart. You see that our operating income margin between '11 and '13 decreased by 740 basis points, from 11.4% to 4%. Now what were the key divers of that?

So starting at the bottom with the blue, our COGS as a percent of revenue actually decreased over the period, by 90 basis points. And this has been through all these improvements in productivity that Hauke has been talking about. They were partly offset by the many investments in product quality that both Trynka and Hauke had talked about, but the improvements in our manufacturing were -- outweigh these investments. And so we had a 90 basis points improvement of COGS as a percent of revenue.

A substantial investment you can see here of 490 basis points went into the combined marketing and selling expense, which is the internal marketing, as well as the advertising that Trynka presented in her presentation. So this was investment in customer service and in these new advertising channels, such as online display and TV advertising.

And as Trynka mentioned, currently 30% of our advertising budget is in new channels like TV and online display. And in fiscal year '11, these were test budgets. These were very small budgets. So you see, a significant driver of this advertising as a percent of revenue has been investment in these new channels.

Customer service, which is also part of marketing and selling, increased by over 50% in absolute costs between fiscal year '11 and '13, well ahead of revenue and also underlining the investment that we've made there.

Now tech and dev has increased by 260 basis points. This is partly in software engineering, the capabilities that Don talked about and partly in manufacturing engineering, the capabilities that Hauke has talked about. And then G&A, went up by 80 basis points over the period, supporting our strategy in those areas as well.

So what does the midpoint of our guidance imply for how we see our P&L evolving in fiscal year '14? So obviously, we're seeing an improvement of the net income margin in our guidance. The midpoint of our revenue guidance and the midpoint of our EPS guidance implies a 4.2% GAAP net income margin for fiscal year '14, which is up from 2.5% in '13.

Now we see neutral to slightly higher gross margin development. This is through increased manufacturing productivity that we target and then partially offset by increased investments in product quality in '14. Trynka talked about prints and these right-size business cards in Europe, which is going to have an impact back here as well.

Advertising for '14 we see ending lower as a percent of revenue at this midpoint guidance than in fiscal year '13, and it is very largely driven by higher efficiency that we are expecting in Europe. And Trynka that talked about how we are picking about a bit of a reset in Europe and focusing on top three markets more than on other markets. And this is going to translate into a higher advertising efficiency in Europe.

Operating expenses, we're also targeting slower headcount growth in fiscal year '13 after -- '14 after two years of significant investment in headcount in '12 and '13. We now believe we can grow at a slower-than-revenue clip in hiring and that will have a positive impact, even though there is a headwind from the full annual impact of hiring that we -- progressive hiring that we have done in fiscal year '13.

So that's '14. If we look beyond '14 and really look at the, really, the future outlook and see where our P&L might go in the future, we see at the bottom that we can achieve this 10% GAAP net income margin in the next few years, as I have said before. And in the future beyond that, we see even potential to grow it beyond that 10% level, especially if in the future beyond the few years, we see growth slowing. That could mean more margin in our business rather than less margin.

So where is that going to come from, that margin expansion over the next years beyond fiscal year '14? We see opportunities. I'm going to talk about most of these in a little bit more detail in gross margin, in advertising, in general OpEx, in tech dev, but also in general OpEx. And these new growth areas that I talked about that are currently a drag on our short-term earnings will, over time, start to contribute to OI as well. So we target a decreasing dilution from these new growth areas.

And in tax, our effective tax rate has increased significantly during our investment phase. And as our pretax profits margins are targeted to expand, we also expect our effective tax rate to reduce again.

So let's look at some of these drivers and let's start with COGS as a percent of revenue or its inverse, gross margin as a percent of revenue. This is a chart here which is a chart that we haven't shown before. It gives you some insight in the composition of our cost of goods sold, and the most important components of cost of goods sold are materials that go into our products, the labor that is required to produce the products, the shipping costs and the overhead costs in our manufacturing plant.

And you see that those cost components are roughly equal in size for us as a percent of revenue. And we are targeting, over the next years and into the future, to see this improvement in cost of goods sold, as I saw before. And we see that really across these four categories of cost of goods sold.

There's also some opportunity we see in pricing optimization. Trynka talked in her presentation that we have a general reallocating of the pricing elements, but we also believe that as we are targeting new segments -- higher-expectation segments and getting the benefit of a lot of the improvements that we've made, we might see some pricing favorability in the future as well. But more important are these manufacturing-driven savings.

So let's take them in turn. Materials, we're leveraging a global network. We have a lot of scale in our sourcing, scale and volume, but also scope in how many markets we are able to access, and we see this as a big opportunity. We also see process improvements leading to better material costs, and we've seen that in the last years. Think, for instance, about reducing scrap in the manufacturing process.

Now labor, Hauke has talked about some impressive statistics about how we have been improving labor productivity in terms of labor per pack, for instance. And we continue to target that, and we think we have opportunities ahead of us in terms of automation and scaling effects here.

Shipping, we have big scale in shipping, and we are targeting to use that to contain inflationary impacts and through planning improvements and leveraging our network in pockets, improve that versus our competition. And then we have continued volume absorption, which positively impacts plant overheads as a percent of revenue as we move forward as well. That's gross margin.

The next block is advertising. Now advertising has been an important driver of the margin compression that we've seen. I showed you the 490 basis points of total selling and marketing between fiscal year '11 and '13, and as Trynka said in her presentation, advertising is roughly two-thirds of that. And so what you see on this chart on the right-hand side is that we're in fiscal year '10 and '11, advertising as a percent of revenue was in the low 20s, close to 20%. That has gone through the mid-20s in fiscal year '12 and '13 as a percent of revenue.

Now this was directly driven by these investments that we've talked about in TV advertising, other channels. And these are all channels that we believe are very important sources of future advantage and also of scale and of leverage. Trynka talked about brand and the importance of brand, and we think our advertisement in these channels are very scalable. And also at scale, not easy to replicate for our competitors given their relative size to us.

So as we look forward, beyond fiscal year '13 and look at advertising as a percent of revenue, we see a potential there, and the potential comes from a few areas, just general improvement in how we spend advertising. Trynka talked about that we've become more and more sophisticated with the level of detail that we can manage individual campaigns, individual partners and that we've learned a lot over the last two years. So there is just an improvement of doing better campaigns and managing our spend in a better way.

But then there's underlying improvement that will help in our business that will help advertising as a percent of revenue as well. So as we, going forward, increase our revenue per customer, which we're targeting, and as we improve revenues from our retained customers, improve the mix of retained and new customers over time and improve our brand awareness and the pull we get from our brand awareness, we see an opportunity to see advertising as a percent of revenue come down over time from the levels where we have seen them in '12 and '13.

Then OpEx and the three categories of OpEx -- tech and development, fixed marketing and G&A. So we expect to see leverage in OpEx as well as we go forward. We have now come out of two years of very significant investment across all of these areas of OpEx. And we believe we have front-loaded with that a lot of our investment and we can afford to grow at a lower rate than revenue as we move forward.

So our OpEx was 29.8% across these three categories in fiscal year '11. It's gone up to 34.5% in fiscal year '13, and we target to lower each of these categories over time beyond fiscal year '14 as a percent of revenue.

So starting with tech and dev, we're continuing to invest, we'll continue to expand our investment in tech and dev, which is growing at a slower rate as a percent of revenue over time. The same goes for fixed marketing, we'll continue to invest in customer service, continue to invest in product and channel marketing, but we do expect that over time to be at a lower percentage of revenue. And the same goes for general expense as well.

Now this chart shows you the shape of that J curve that I talked earlier before, at least the shape through fiscal year '14, our guidance for fiscal year '14. And this chart shows the red line is non-GAAP EPS, and the blue line is GAAP EPS.

So what you see is that on a non-GAAP basis, you're already seeing that the guidance that we're providing for fiscal year '14 gets us out of that initial valley and at least above the levels that we were in fiscal year '11. On a GAAP basis, this is not the case, and that is largely driven by these many non-operational expense I talked about related to our acquisitions.

If you would exclude our acquisitions and if you would exclude the additional investment in Asia GAAP EPS, it would also be significant above fiscal year '11.

So going forward, we are with that margin expansion that I talked about beyond fiscal year '14 combined with revenue growth beyond fiscal year '14. We would see GAAP as well as non-GAAP EPS go up from these levels that we're guiding for '14 and closer to the right hand top of this chart.

Capital expenditures, our midpoint guidance for fiscal year '14 if you translate that as a percent of revenue, the midpoint is actually the same 7% that we also had for fiscal year '13 which was above the levels, the low levels we've had in fiscal year '11 and '12, but well below the levels we had in fiscal year '07 and '10.

In absolute terms, the guidance is higher. We're guiding $85 million to $100 million of CapEx where we spend 79 million in the fiscal year '13. Those are few reasons why CapEx is going up in our guidance with this amount. The first is that we had some CapEx expenses that we plan for fiscal year '13 that are now actually pushed into fiscal year '14. We came in at the low end of our CapEx guidance for fiscal year '13 and part of the reason there was a push out part of this.

But also what you can see is, if you look at the yellow bar, the yellow part of the bar of our guidance for fiscal year '14, you see that there's a significant increase in manufacturing in automation equipment more than you would expect if it was just related to the revenue growth.

And there's a few reasons for that, is we're making some significant CapEx investment into new capabilities, new products. And some of these products we actually did not talk about today, but are planned for introduction throughout fiscal year '14. And that's the important driver of this elevated level of CapEx. We're also making some CapEx investment in process improvements in our plans that will hopefully translate into long-term productivity there as well.

So if you really look at the long-term model for CapEx, we are anticipating sort of this mid-single digit CapEx number with fluctuations around it depending on the year, specifics of the year. But in general terms, we expect CapEx to be growing below revenue over the next multiple years where clearly we believe that EBITDA will be growing ahead of revenue growth over the next years leading ultimately to -- as we help the cash flow expansion.

I want to talk about how we are investing for long term shareholder value by repurchasing some of our shares. We're using our balance sheet to do that.

This chart shows you what we have been doing in terms of share repurchases over the last three years, fiscal year '11, '12 and '13. We have reduced our share count by 25% through share repurchases and we've done that in three years in fiscal year '11, more heavily in fiscal year '12 and then in fiscal year '13.

So we spent a total of $430 million repurchasing shares, and you see here that they were at average cost per share which are substantially lower as our current share price, and lower than our own estimation of the value of our shares.

And by doing that, we have obviously created leverage to earnings per share as well. That was about $0.24 in fiscal year '13 on GAAP. As EPS expands, obvious the absolute leverage where you have created will increase on non-GAAP. Obviously, the absolute leverage that we have created was already higher.

We will continue to balance the opportunity for share repurchases with trading environment, but also the room in our accredited facility that we have and other investment opportunities that we see on our path. So in summary about our long-term model, the key messages I hope you take away from this presentation is firstly we continue to feel that we have an opportunity to drive long-term profit and to drive long-term cash flow growth.

Despite the sit back in our revenue growth that we've encountered over the last year, I hope as you takeaway we're focused on margin expansion starting this year and continuing thereafter with the target to get back to fiscal year '11 margin profile in the next few years. I hope you take away with that. We believe that we are using our balance sheet well to support our EPS objectives.

And that we are internally very focused on achieving this financial model and this set of financial goal as we execute our strategy. With that, I'll give it back to you Robert.

Robert Keane - *Vistaprint - President, CEO*

Thank you Ernst, and thanks for the rest of the team for presenting. So I'm not sure if my microphone is on. Okay. Great. One last slide before we go to question and answer, I just want to summarize by saying something, those of you in the audience who've known Vistaprint for a long time have heard many times before, which is we very much do believe that we can and will build an enduring business institution for the long-term. And that's the lens by which we make these investments.

We understand that US investors, of course, are interested in us creating shareholder value and we believe we'll do that by a dual-pronged approach. One is creating much more customer value for all the types of things that you've heard spoken out today. But also by reinvesting in things which drive our competitive advantage below the waterline to use downturn, bet in the way we have manufacturing capabilities, technologies or marketing capabilities.

And we do believe that both the customer facing investments and the customer value proposition improvement as well as those below the waterline improvement and competitive advantage, will over the long term, drive the best cash flow per share which in turn will come back to you and us as investors.

QUESTIONS AND ANSWERS

Robert Keane - *Vistaprint - President, CEO*

With that, we'd like to go question-and-answer. We are a little bit ahead of time, so we have a time to get a number of them. I would like to ask you given the time and given the hour on a publicly broadcast webcast, we want to make sure that you ask your questions, you ask in the microphone. So, Meredith and Angela have the microphones. If you could wait until someone gets to you.

Meredith Mendola - *Vistaprint - VP - IR*

And we're ready.

Youssef Squali - *Cantor Fitzgerald & - Analyst*

All right. Thank you very much. Youssef Squali at Cantor Fitzgerald. Either for Trynka or for Robert, can you isolate for us North America for a second and talk about customer net ads repeat rates that we've seen, et cetera? I know your customer satisfaction has increased in North America. And Trynka, you gave the example of Canada where we've actually seen all the metrics going the right direction.

I was wonder if you can focus on the US in particular, arguably the largest market and where you've made those changes the earliest. Thanks.

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Yes. So I'll talk about it conceptually and then Robert maybe if there's specific numbers you want to share. But in North America, what we're measuring right now is an increase in lifetime value. And if you look at some of the changes that we're making to things like pricing, what we're finding is that we're narrowing the tunnel and we are seeing a decline in repeat rate.

We also see with less free offers in our acquisition channel and our new customer acquisition lower customer ads but higher AOV of those customers coming in, and so in that, this is positive in the US as well as in North America overall. But it's certainly a negative impact on repeat rates.

Conceptually maybe one of the things I'll point out is that Robert talked about the relative side of post primary and high expectation customers in his introduction today. And although higher expectations have higher -- is a higher opportunity for Vistaprint, the number of customers in that segment is much fewer than the number of customers in post primary.

And so if you look at that, a proportional view of a number of customers, you would see that those are more than reversed in terms of the proportion of the market. And so what we're doing is we're targeting more of value preposition to higher expectation.

And with that, we're letting more of these primary customers kind of fall out of the tunnel to make sure that we're retaining and developing the value proposition for them, which is why we're seeing this dynamic of repeat rates down on new customer ads down, but actually lifetime value and revenue growth up.

Robert Keane - *Vistaprint - President, CEO*

And just one bit of color in that, in summary I'd say that Canada has been a wonderful test for us. We were able to segregate it from other market and change multiple things more quickly than we did in other market to see what would happen over an extended period of time.

But it's far too small of the market relative to the United States where we move the North American numbers by itself. So the US market is very healthy and the numbers in Canada is certainly pulling it up a little bit. But relatively speaking, the US is so much bigger that attest to the success we have in the US We just have not gone as far as we have in Canada yet in the US

Youssef Squali - *Cantor Fitzgerald & - Analyst*

And just on the repeat orders rate being down, is there a -- I mean obviously you can't put out a timeline out there. But based on all the changes and all the intelligence that you're gathering from the market, is there an idea, a hope that you'll see within the next 12 months or is it more of a longer term kind of thing that you don't really have a new visibility necessarily?

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Yes, we are and we do expect over the long term that repeat rates will increase and will go up. They are a big component of lifetime value. Right now they're very volatile as we're making a number of changes through our overall model to focus on the long-term. So we're not giving a specific timeframe, but we do believe that we're heading in that direction.

Robert Keane - *Vistaprint - President, CEO*

There's a question at your back, Angela.

Unidentified Audience Member

I think in the past investment presentation you focus a lot the attention of how much you value that. That could drive -- just going through this presentation that has not been talked about as much. But just kind of -- given all the changes that are going on in the United States and Canada, are there sort of cohorts in the state or Canada or certain regions in Europe where you do see an improvement accentuate as a result of all the changes you've made over the past year or two?

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

In the US, we are seeing an improvement in lifetime value, so we're seeing this in Canada but also in the US It's not in the form of repeat rate. It's actually in either market. It's in the form of short-term value improvement and we're now picking that model and we're bringing it into Europe market by market.

So we're just at the beginning in the European foundation building and pulling back and recounting a little bit in Europe. But we believe that we -- and targeting similar impact in those markets.

Robert Keane - *Vistaprint - President, CEO*

I would add to that. We have been in retrospect the price by the lack of increase in retention rate. When we look back, North America is doing at the topline and the bottom line as we expect it. But we've gotten there via a different path than we would have envisioned two years ago.

And specifically, we're getting higher gross profit per customer. We're getting higher average order values. And again as Trynka said, that it's a higher and lifetime cash flow per customer.

When we try to understand what's going on there and why the actual history is not matching up with the original hypothesis two years ago, I think that a big part of that is we underestimated how much impulse driven, discount driven, repeat purchases we were driving.

We had a very material percentage of our repeat purchases where we call "same day repeat." At the time we actually break this out, the same day repeat means you've just bought your first order and you get one or two popups or e-mails following an hour follow up, "Oh by the way, if you come back there's one more great discount. We can give you x, y and z or 90% off."

And those were very effective at driving in-day repeat orders and counted as a repeat order. Those are radically reduced. And that's just one example of moving away from heavy discount, heavy marketing approach that we think is healthy for the cash flow per customer but does create a material headwind in the repeat rates that we had expected to go up.

We will come through that eventually. I agree with Trynka. But that's a little bit of detail why we had not seen that.

Meredith Mendola - *Vistaprint - VP - IR*

I'm going to come over to Kevin.

Unidentified Audience Member

Thanks. You've talked about in the past as you improve your customer value proposition that you would be able to perhaps capture a larger size customer, still below the 10 employees. But perhaps larger than the typical one employee person business that you've been so successful in targeting.

So even though the number of high expectation customers is smaller than the number of price primary customers, the higher expectation customers that you're targeting, do they have potentially much higher revenue per customer and number of employee?

Robert Keane - *Vistaprint - President, CEO*

Yes, and I would turn this to Trynka. I would say there's a correlation, but a loose correlation as you go from left to right on that chart I showed. There are many four, five person primary customers and there are many one person locally focused customers and everything in between.

There is a broad correlation across that, but it's really the degree to which our customer is willing to invest based on the various purchasing criteria.

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

So one part of your question, there's a couple of elements there. One, our higher expectation on customers, do they have a higher lifetime value or possible lifetime value? And the answer is yes. So they are spending more in marketing and then more serious about marketing products and marketing their business. They're buying a wider variety of marketing products.

So they're choosing specifically on the price promotion that they're seeing that day. So they're a little bit more sophisticated buyer. But they are one person businesses and four person businesses. They really go across that spectrum of size of company under this kind of employee.

We are seeing and we're caging our new customer as this offer some new offers into offers like $10 business part. So lots of these are really strong value offers. So we are seeing an increase in new customer AOV. We think that we're targeting in that.

We're reorienting a little bit to be higher expertise in customers and leaving some of these primary customers behind that will solve only on the impulse side or the very, very free offer, sort of very mostly sensitive of that segment.

And so we're starting to see this shift. We could this in the AOV and the new customer count which are flattening a little bit year over year versus a significant growth we've seen before. And a lot of that is because with the reorientation of the offers and we're targeting in the marketplace.

Unidentified Audience Member

Thanks. I had a couple of questions. First of all, you talked a little bit earlier about how you're pulling back a bit on marketing spend in Europe. And I just want to take that together with improvements we're trying to make on customer value. We used to have confidence that you're going to be able to improve the revenue trajectory of that business.

And then secondly, on China, I read in its very early days and you're investing in growth. But longer term, is there anything structurally different about the margin profile for that market as compared to southern group market? Thanks.

Robert Keane - *Vistaprint - President, CEO*

Trynka, do you want to answer that?

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Yes. So I'll address Europe and then turn it to Mark for China.

In Europe we are pulling back in external marketing and the pullbacks are -- the few flavors of pullbacks that we're doing, one of them is we're, as LTV has curated in Europe, the ROI is no longer where it needs to be to investments. So we're pulling back to make sure that we're not investing incentives that don't have the ROI that we're expecting from their marketing.

The other area that we're pulling back in Europe is we're pulling back to simplify the business to make sure that we're not investing in many, many small opportunities but rather putting our focus on the biggest opportunities in the biggest markets in Europe. And this creates a lot of what we're focused and a lot more ability to execute the types of changes that we're looking for.

We do believe that the changes -- that we're targeting these changes to start to grow the market in future. So this is -- we're retrenching and pulling back to put these changes in place to position ourselves to compete and win in these top three markets in Europe. And that's certainly the intent. It's not to drive just a lot of growth but also to get back to topline growth in Europe overtime.

Clearly, we want to see that turnaround before we project or give that guidance on that. But that is the intent of the changes we're making.

Robert Keane - *Vistaprint - President, CEO*

Mark?

Mark Inkster - *Vistaprint - SVP - Most of World*

So in China, it's still very, very early days and we're not providing specific guidance on where expect the margins to go. But what I'll say is that the market dynamics there create a number of opportunities. There's a different competitive profile, a different customer purchase profile. And we think that we can -- the same kind of segmentations apply, but they apply in different amounts. E-commerce is more nascent there. There's more locally focused purchasers there and we've got a multipronged approach to going into those for those different segments to build up a market there.

Robert Keane - *Vistaprint - President, CEO*

And I would say very specifically, fundamentally we believe that in the long-term that can be a strongly profitable market. Different profiles in North America or Europe, but we, from a cash flow perspective, we think it can be a -- or from an earnings contribution perspective, long term, I want to stress that, long term. We believe that market is that potential.

Ernst Teunissen - *Vistaprint - EVP, CFO*

Now, I want to underline for clarity is right now we have a minority investment in China so we are minority accounting for it. So you don't see China actually end up -- see in our revenues, in our costs other than in minority interest below the line. So until we do take a majority or until we have full consolidation, these are numbers that are external from our P&L.

Meredith Mendola - *Vistaprint - VP - IR*

Okay, next question.

Paul Bieber - *Bank of America/Merrill Lynch - Analyst*

Hi, Paul Beiber from B of A Merrill Lynch. I was hoping you could talk about the growth of the core business card market or category in the US, in Europe and are business card that actually is still growing, is that a growth market? And then secondly, can you about the performance characteristics of Home & Family in Europe versus the core and whether when you say your focusing on the top three markets, is that the whole business or just the core business.

Robert Keane - *Vistaprint - President, CEO*

Trynka, I'll leave that to you.

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Yes, the business cards are declining market, has been declining since the Vistaprint started. And Vistaprint has had a track record of growing our business card revenue in a declining market which we are targeting, on-going. So nothing has changed around business card print in general is a declining phase. But with that, we think it actually opens up some opportunities for us dependent on a perspective that maybe Robert can talk about more broadly.

In terms of Home & Family in Europe. I'll talk about it under the Vistaprint brand and then maybe, Ernst, if you want to add anything around Albumprinter. But under the Vistaprint brand, the primary way that we focus on Home & Family is through a hybrid customer.

So we have a lot of small business who participates to print, who are very, very -- and they're zero to part-time, to typical employees that are making their small business decisions and their personal decision really close together and that presents a unique opportunity for Vistaprint, to go into the market and sell a business card and then go back in and talk with these customers about a photo calendar. So we can also blend some of the marketing. And this is how we go to market in Europe. This is how we've grown most of the consumer business in Europe is through this combined approach.

Moving forward in Europe, our goal is to continue to actually emphasize that. Although, we do see some standalone Home & Family sales under the Vistaprint brand. We're directing more of that to Albumprinter in the future to create also more focus with the European team under the Vista brand for small businesses. Ernst, do you want to...

Ernst Teunissen - *Vistaprint - EVP, CFO*

The Albumprinter is slightly differently focused and targeted in the consumers based and the rest of our Vistaprint businesses. So with Albumprinter, we're pursuing what we call a sentimentalist segment customers that are less driven by price or a good offer or a hybrid solution but really are going for the sentimental purchase, the gift purchase of a photo product, which implies a higher price point as well.

We've been very successful with Albumprinter. Albumprinter go slightly ahead of the rest of the Vistaprint business in the last fiscal year, and is very well positioned we believe or in that segment in Europe.

Robert Keane - *Vistaprint - President, CEO*

To be clear, the way we brand Albumprinter to the customer is via the Albelli brand. And we also sell second as well through the retail partnerships that are with companies in a way which is analogous to what we do with FedEx office or Staples in North America. So the brand control we have is on the Albelli component of the Albumprinter business.

Kevin Kopelman - *Cowen & Co. - Analyst*

Thanks. Kevin Kopelman from Cowen, just wanted to ask about your mobile business. Can you give us some more metrics, what percentage or usage and sales you're driving off mobile. And if right now you're at 20% of the site's functionalities, touch enabled. What's the timeline for doing that at a higher number, close to 100%? Thanks.

Robert Keane - *Vistaprint - President, CEO*

So could I get Trynka, to talk about the high level metrics, of what we see in terms of mobile, and then Don, timeline towards moving towards mobile enablement.

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Yes. So we don't disclose specific session percent or revenue percent coming through mobile devices, but we are seeing an increase in sessions from our customers who both open emails on mobile devices and visit the site on mobile device. So we have seen this increase, and it really it varies by market. And what we see in the UK it's pretty different than what we seen in Germany versus the US And it's not much earlier, we have site and a plan to continue to drive value and increase the value from those sessions coming to the site.

Don Nelson - *Vistaprint - Chief Information Officer, EVP - Technology & Development*

Yes. When I spoke about approximately 20% of the way through, I will vary the path between what our customers actually will go to in order to purchase a product versus the breadth of products that we have actually released.

So in the presentation, I spoke about the fact that we have released business cards and now, we're moving onto holiday cards. We're all aware of the wide number of products that we have. We're going to focus on rolling those out overtime and we'll continue to bring them on. And we've built in such a way that we can do that.

And over the next year or so, we're actually going to be finishing up the remainder of the path. I talked about uploads, and I talked about the checkout path and I talked about those other areas. So I would say we're actually fairly close to finishing getting to the path in a relatively short order for how the customer interacts with the site. And then we will bring on the rest of the products as we go.

If I'm clear, it may as of yet, as to whether or not, every product will make its way in because if you're designing a brochure or a menu for a restaurant that's a rather large product to design on a very, very small format. So that might be an example of something that comes later in a process, but that's essentially how we're thinking about it.

And we spent the time up front in order for us to have the right framework in place so that we can vary by tablet, we can vary by mobile phone, we can vary by device and we can start to bring the products in overtime. So it's very flexible in that regard. So we just see it as a continual process as we refine it as we move forward.

Robert Keane - *Vistaprint - President, CEO*

I would like to add just the way I visualize this, is you can think of two dimensions. There are the products that Don talked about and then there's the depth of the experience in any one of those individual products. And just to be clear, it'll be almost a year before we are fully through, even the business card all the way through the checkout process. We've done the first steps of the business card area.

And I think this is an example of us investing a lot under the waterline because we have had to refactor our code to modularize a lot of our components that in a world of a single screen, a large screen design, we had hardcoded so to speak a lot of the functionality of our business logic, our pricing, our shipping, our production operations, integration into a single user interface. What do we had to go back and redesign that into a series of components which does take quite a bit of time.

Brian Fitzgerald - *Jefferies & Co. - Analyst*

Great, thanks. Brian Fitzgerald from Jeffries. When you guys look at your current manufacturing and IT plans if you will, you mentioned that you're driving on efficiencies out of there. How do you feel you're at on both sides, the IT infrastructure, the plan infrastructure in terms of capacity and do you have, do you think you have leverage to grow more synergies out of that or [efficiencies] out of that. When do you have to start layering in more CapEx for your current IT in plan versus the international expansion?

Robert Keane - *Vistaprint - President, CEO*

So I'll give an overview and then I'll turn it to both Hauke and Don. You're right, we should expand and take out totally new initiatives like new countries or new geography or new product sets. But could you talk to -- the fact that you can see it through our history, there's a pretty continual investment in CapEx and where you feel we are in that spectrum.

Hauke Hansen - *Vistaprint - Chief Manufacturing Officer, SVP - Manufacturing & Supply Chain*

Yes, in general distinguish on the hardware side first, CapEx expansion in an existing side versus the buildup of new sides. If we look at the CapEx expansion in an existing side, we've always adjusted them according to the customers' demand, and especially the seasonal effects are driving our capacity.

Then I can say that I believe that over the last years, we've quite successful in increasing the use of our machines. So that our CapEx investment actually have come in lower than we were planning. We are convinced that we can continue on that path and been very thoughtful about where we put money on the [shop floor].

From a facility capacity perspective, we are well situated with our current facilities. They will give us room for a number of years to grow in our current business model. And we are of course supporting as I said earlier, Mark, the growth in other areas which then of course requires us to look also into changes of our delivery network. Don?

Don Nelson - *Vistaprint - Chief Information Officer, EVP - Technology & Development*

Yes, I want to say on the capital side, from a technology perspective, we're much smaller as an overall percentage of the overall CapEx of the company as compared to what it cost for a plan or a new process and things of that nature. And we focused on getting more leverage about that, over that over the years. So it grows at a smaller rate. And we've had good progress there.

I would say that from my perspective when you think about leverage from a technology perspective, it's around the re-architecture that we're doing that allows us to have much more effective software engineers which translates into ironically building less, right?

So if we can build things and roll things out with less effort, we can do it faster and we can do it with the people that we have. And it can take us off that fly wheel of constantly needing to hire more people to do more work. And so that's how we're focused on it in the presentation I spoke about. That's what we recall, effective delivery and then platform. Those two things come together to help us in that regard.

Meredith Mendola - *Vistaprint - VP - IR*

Right, we have a quick follow up.

Brian Fitzgerald - *Jefferies & Co. - Analyst*

Sure, Brian Fitzgerald, Jeffries. You mentioned the adjacent market entries earlier on in your presentation. Can you talk about competition there that you're seeing and do you have any fear that potentially some of those adjacent market competitors could start targeting your core business, just any thoughts on competition. Thanks.

Robert Keane - *Vistaprint - President, CEO*

Yes. There are three very diverse adjacent markets we've talked about. I'll take that. I think that the way we look at it from a strategic and competitive perspective is that we can take assets or competent fees that we have and use those in a way that gets very unique in that market and it's a leveraging of that which gives us a competitive advantage.

It's sometimes possible for that to work in the reverse for those competitors to come to our markets, but it's often very difficult. I'll give you a few examples. The classic example is we have, as we've mentioned, in the last 12 months, more than $80 million in digital products for small business marketing. Just over 10 of that is from an acquired company, but the vast majority, we grow organically.

And the ability to grow that big of a business is certainly dependent on some intuitive and well-designed software capability to do small business website layout from a browser. But if you look at the competitive landscape, the huge barrier to entry or barrier to success in that market is the cost or customer acquisition relative to the cash flows per customer. And there are many companies who try to get into this market with brilliant software which just can't get at a critical mass because of that ratio.

Vistaprint has entered that market five, six years ago by saying, "Look, we have an asset which traditionally, in the confines of the digital market, wasn't in the traditional competitive portfolio of most of the players." We have a huge customer base. We have millions and millions of small businesses who trust Vistaprint by marketing materials. And a website is the same as a brochure, but it's a digital version of that. That has allowed us to grow with basically a de minimis marketing as opposed to most of the competitors in that space having 30%, 40%, 50% of their revenues spent on advertising.

In the home and family space, we've been able to do the same thing. Most of the competitors in that market are much more akin to our Albelli brand with album printer where they go after -- the only way to make that market really payoff is to avoid what we called are hybrid customers.

If you're an independent home and family business, you want to make sure that you can get the best paying customers, the people who are the sentimentalists that Ernst referred to that we go on after under the Albelli brand. Because once again, the cost of acquiring very a small $15million, $20 million -- $15 or $20 order for baby announcements is hard if not impossible to justify from the cost of customer acquisition.

Because we've amortize the cost of that customer relationship in our small business market. We're able to add that into their marketing and cross sell but importantly leverage all the manufacturing competencies and capacities and investments we've had. And so we've been able to make it a very successful business which I'm convinced that if we hide that off and spun it off, it would be a money-losing business. Inside Vistaprint. It's a very profitable business.

Jed Kelly - *Oppenheimer & Co. - Analyst*

Jed Kelly, Oppenheimer. You talked about how you're combining European markets into your three main markets. Could we also expect some greater efficiency over there in customer service? And then can you also talk about with webs, it's had a nice quarter. Is that coming from existing customers or is that new customers coming to Vistaprint?

Robert Keane - *Vistaprint - President, CEO*

Great. Can you take both of those?

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Sure. For Europe, in terms [of what we see] leverage of customer service. Customer service really, you could think about almost like you'd think about cogs where, we defined the service level that we want to offer and then it varies with the volume of orders coming through the site. And so the degree to which we drive more AOV and lower order rate, we'll some leverage of that line or over time we expect both of those to grow. So we're not expecting leverage. I would think about it like you think about the cost of goods sold.

In terms of the second question, was the second question around how is the website business growing?

Jed Kelly - *Oppenheimer & Co. - Analyst*

Yes. (Inaudible-microphone inaccessible) can you tell me more from your existing customers who already existed prior to the new customers coming up in Vistaprint (inaudible-microphone inaccessible).

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

So if you look at websites under the Vistaprint brand. A lot of what we're doing is cross selling two customers who have purchased print products, although certainly there are customers coming to us directly from websites as well. The vast majority of them are those coming from the print product where they get a business card and they have a business card with a design, another product design that we've selected and we can actually create a starting website for them with that design.

That's very compelling, helps to illustrate how easy it is to create a website yourself and lowers one of the big barriers of purchase for businesses. So this is why we've been effective in growing our digital business, our website business in the Vistaprint brand.

Robert Keane - *Vistaprint - President, CEO*

I want to add, too, precisely. The Webs brand itself is growing without help from the Vistaprint brand. There's not a cross marketing in that direction. So it's the momentum coming from what is known as a premium business model where many, many people try and a few people upgrade and pay. But there is not a cross marketing from Vistaprint that's driving that.

I would want to be clear that -- and we talked about it in our quarterly earnings last week. There is a accounting change, which Ernst, I can let you describe a little more detail which gave a material, onetime adjustment which was not an organic change to the Web's growth, but web is growing strongly well above our overall rate, but it's independent over the Vistraprint band.

I also want to use actually the customer service in Europe question, the term efficiency and from an efficiency perspective, we are seeing increasing efficiencies. We have very efficient processes in general. But as Trynka has taken over a global responsibility for all the marketing operations, she has built a global team that reports directly to her for all of our service operations be it in Jamaica, in Tunisia or Berlin or elsewhere, India, and that is driving improvements in efficiency.

We have a very explicit policy to support the improvements to customer service levels by reinvesting those efficiency gains back into the service levels that our customers see. And we actually, as I believe someone mentioned the presentation today have seen an increase in customer service cost and to percentage of revenues, the leverage which has been negative leverage and we think that will continue for at least another year although the operations themselves are more efficient.

Meredith Mendola - *Vistaprint - VP - IR*

Next question?

Victor Anthony - *Topeka Capital Markets - Analyst*

Thanks, Victor Anthony Question for Trynka. You made a statement earlier in your presentation that the pricing changes you implemented in Canada will be applied to the UK. What gives it the confidence that it's going to work and what are the similarities between the two? And Ernst, maybe you can discuss your longer term -- how you view the capital structure on a longer term. Thanks.

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Yes, so if you look at the first question, the pricing changes. What gives us confidence that applying what we did in Canada to the UK will work. And we've gotten a lot of feedbacks from our customers. We've done a lot of research and we know that these changes in Canada address many of the issues that they were having around the confusion they had around prices and the lack of clarity that they had around the process.

And so, in Canada, when we went to market, we launched a new model and we had to adjust and refine that model over the first few months to make sure that we were getting it right and that it was having the intended effect. So a strategy didn't change when moved things a little bit, learn how to promote it in a pretty different way. And we'll have to get through a similar learning cycle in the UK. So we are confident that it's the right direction.

I'm also confident when we go out that we'll have an adjustment period to make sure that we're really targeting it right for the UK market. And I think that through that process with each market that we launch subsequently, we'll get better and better at that approach.

Ernst Teunissen - *Vistaprint - EVP, CFO*

Your question is about capital structure, right? So we have a current -- we have a, as everyone will know a credit facility in place for up to $500 million. We currently have an ability to draw about an additional $230 million on that based on the end of June. Our leverage total debt over EBITDA is a little under [two], still. We feel very good about our capital structure right now. We also feel good about our capital structure as we potentially draw more on our facility especially in light of the expectation of our EBITDA to grow in the upcoming year as well.

Unidentified Audience Member

Thanks. So first, just a follow up on the UK. Do you expect the pricing rollout to look more aggressive there like in Canada or will it be a little bit less aggressive like in the US? And then a separate question on webs, you're integrating the technology into your Vistaprint website, how meaning full is that upgrade and how is it going? Thanks.

Robert Keane - *Vistaprint - President, CEO*

Trynka?

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Yes. So for the UK, we're making changes more like Canada. So we're going in and we're resetting all the list prices. We're managing the promotions at a market level. Now, leading up to that over the past four months, we've been making changes more like the US to make sure that we're starting to also migrate in that direction. So it's not such a shock when we go into the market with a different model. So it's ultimately in the next month, it'll look more like Canada, but we've been making changes like we have in the US over the past few months just to start gearing towards that [end] state. So we're really excited about that.

(Inaudible) in terms of the technology, so we are close to -- in that technology ready for our customers, the Vistaprint customers who are ordering websites and we believe, I think we shared and did a demonstrated a bit of the technology a year ago, here. We're very excited about the user experience. We think it's a step function improvement for our customers and we give them a lot more flexibility and we think it's just a better overall experience.

So we're excited about that. It's coming in the next month. We think it'll have a good impact from a customer satisfaction perspective and we hope of course, that's correlated to churn in lifetime value of digital customers.

Unidentified Audience Member

Yes, hi. Thank you. It sounds like the greatest validation from your Canada experiment has been an improvement in profit or gross profit per customer. And I'm just wondering if you could help quantify what's the gross profit improvement per customer been, and what are the real drivers or is it pricing, is it leverage on the fulfillment or is it a very different product mix you wind up with?

Robert Keane - *Vistaprint - President, CEO*

I would start say it's depending on geography. We're actually seeing a reduction in value per customer in Europe and an increase in North America. But if we take North America -- Ernst, you want to talk about that at a high level and then Trynka adds color or...

Ernst Teunissen - *Vistaprint - EVP, CFO*

Yes. If you look at gross profit per customer, it starts with average order value. So, there's larger average order values that we're getting in. It's partly pricing related but it's also partly just these customers choosing the higher featured products and the higher featured options that we have. And that net translates into higher gross profit per customers, a higher larger, order value and some neutral to slightly positive potential to gross market percentage, leads to that higher value customer.

And that's immediate in gross profit per customer and what we hope to affect as Trynka described before is that overtime we can add the other component of gross profit per customer, which is then the rate at which we retain these customers. We will translate that into the lifetime value of the customer itself.

Unidentified Audience Member

Trynka, to give a little more color to that, one question related or similar to what was just asked. I've often been asked, well as we clearly are reducing our discount levels, isn't that in effect a big price increase why doesn't it drive gross profit? And in fact there's so many moving parts and changes to the site experience, uploads and things.

But it's not that simple of a story. And in fact, we've seen a much more stable contribution from pricing. But can you give a little color on what is happening under the covers of the top level pricing line?

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Yes. So our primary goal in making these changes on pricing is actually to improve the customer experience. And so we think that our price, our realized price at the end of the day, across our market, is very competitive and we like more less the position that we're in. So as we're making the move, what we're trying to do is actually change the way in which we get there. So, in Canada lower list prices, lower shipping prices, but then also lower discount as a percent of this list price when we're going to market.

In other markets we're doing things like lowering the shipping prices. Without some of these other areas, where it's increasing conversion rate in gross profit per order, but it might have a negative impact on the gross margin that we're seeing. And so we're really focused on the profitability measure. We're focused on insuring that we're not negatively impacting that. All in all we're seeing a neutral display positive impact, but that the target is much more around the customer value in the long term retention.

Unidentified Audience Member

Got you. That's really helpful. Just to follow up quickly. So much more of the lifetime value improvement is driven by the retention versus the immediate gross profit. Is that fair?

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

No, I think it's specifically more driven around the average order value. So we do see that going up. But sometimes that's because people are picking different options or sometimes it's because of pricing, sometimes it's because of the offer. So we are seeing depending on the market, sometimes the positive impact from a gross margin perspective, but most of this is driven from volume, more coming from AOV than repeat rate today. Is that clear?

Unidentified Audience Member

So staying on the same topic. So we're seeing improvement in lifetime value not through increase in retention, not through increase in repeat rate but through a higher AOV. Doesn't that expose you potentially to competitors that would come in, try to undercut the pricing which in a way would defeat your whole original debt, the reason you guys started in this business to begin with?

Robert Keane - *Vistaprint - President, CEO*

So I'll leave this to Trynka by this thing. I personally, although I do not, I can't say we have actual proof. I believe we are increasing our retention when we look at it three years from now. Even as we very specifically see decreased repeat rates because our net promoter scores are going up very clearly, which is the best indicator of customer loyalty.

I think the difference is we are not driving the impulse purchases through the discount marketing. But I'll let Trynka talk about are we exposing ourselves to someone coming in at a lower price point than we were before.

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

Yes. And so we do you think it's important to keep this in balance. We don't want to go to a point that we're ending up with 10% of the orders we have today with 10x of revenue. We want to make sure that we're really keeping in balance and I think that said we're okay, letting some of these impulse purchases go.

And so, based on what we've seen to date, we believe the purchases that we're losing are probably impulse purchases. We don't think these are customers that have a innate need, but I think it's people that saying, well, I guess I'll get a pen that's, it's a little bit more of a vanity purchase. Sure I'll buy a pen or a spray. Calendar magnet, that's cute. So we say we're losing that type and we're watching that pretty carefully to make sure that we're staying in balance, I think it's possible we could go too farther, but we don't think we've done that to this point.

Unidentified Audience Member

Okay, and then on the buyback. So over the last few years, you have been pretty aggressive buying back your stock, but you also had a much stronger balance sheet as of the last quarter. And I think you had about $15 million in the bank. You still have a line of credit. But what's your view of the buyback going forward.

You still have a lot of it potentially that you could do. Do you see yourself as potentially taken, using your more leverage to buy back stock or do you see your stock buyback is potentially more opportunistic. You'd buy it when the stock goes down in necessarily chasing it up.

Robert Keane - *Vistaprint - President, CEO*

Well we only, we first of all try to buy when we are well below our intrinsic, our internal estimate of the intrinsic value of the shares. And we think we've done that successfully. We also had no problem with using debt within the range that Ernst talked about for buying back shares. I think it's been a great investment. I don't know if Ernst, do you want to add any thoughts?

Ernst Teunissen - *Vistaprint - EVP, CFO*

(Inaudible - microphone inaccessible)

Robert Keane - *Vistaprint - President, CEO*

$138.

Ernst Teunissen - *Vistaprint - EVP, CFO*

So we remain open to further share of purchases, and as I said to my presentation is, we are balancing that with the specific market situation that there is the trading environment in our shares other opportunities that we may have to spend. We're looking at our credit facility, we're looking at our EBITDA multiples, debt over EBITDA multiples.

We have 10b5 program in place which is triggered by different price points and different volumes. And we remain to look at that. We see this as a complimentary interesting way of upgrading value for our shareholders and we will continue to look at it that way.

Unidentified Audience Member

So how would you rate the performance of Webs and Albumprinter so far, have they come below or above expectations. And what do you see as a 5 to 10-year growth opportunity for those two businesses? And perhaps maybe 5 to 10 years our, Webs could be an X, the dollar sales opportunity and Albumprinter can be -- how much dollar sales opportunity.

Robert Keane - *Vistaprint - President, CEO*

So we are pleased with both acquisitions. They're very different acquisitions in the industries they play in or the end-customer segment and in the geographies and in the multiples that we paid for those. So they are very much apples and oranges, in summary we think they were both part of the broad- based strategy of developing a portfolio of areas to move us into these adjacencies.

Trynka mentioned that in the next quarter we'll be rolling out the website builder for websites for small business into this business we have. It is a relatively small business, relative to the big number on the top of Vistaprint's P&L but we still have an $80 million digital business.

We have no problem getting customers to come to Vistaprint because of the number of customers we have. And if we can improve the experience in quality and therefore, reduce turn rates, we think that business can very much be a strong growth business and it punches way above the average weight in terms of contribution to the bottom line because of the gross margin profile of digital. It's a big bet but we think that it is an appropriate one.

Likewise, Albumprinter gets us into a part of the business, which as I mentioned before, really leverages some of our core mass customization capabilities, but in a brand positioning for higher or more emotional or sentimental type purchases for life events in memorializing those events, we think is very useful in the portfolio of Vistaprint's growth opportunities. So net-net, we're very happy with those just like the [summed] portfolios in the Asian investments we're doing. We do see these in a long term investment not in one or two year (inaudible) so far so good.

Ernst Teunissen - *Vistaprint - EVP, CFO*

I think it was a question that someone asked before about the competitive environment in these different growth markets. And if you look at album printer for instance, the competitive environment in photo products in Europe is very different from the competitive environment in North America. And it was one of the reasons why we were attracted by album printer and are attracted by the prospects of that. It's much more market by market, much more fragmented competitive environment there.

And where we can bring actually our skill in photo products but our skill as Vistaprint and our presence in all these markets and our experience with Europe to bear for starting with a relatively small player, but large among a fragmented industry and really help that drive forward. So competitively speaking, we see Albumprinter as a very interesting start, stepping-stone, beachhead for us in this market.

Robert Keane - *Vistaprint - President, CEO*

I know a pick upon what Ernst said. The import thing I don't think we've highlighted. Besides selling on the Albelli brand in through private labels, we very successfully taken the photo book product lines from Albumprinter and white-labeled them under the Vistaprint brand. So if you go to any of the Vistaprint European sites, you'll see this.

And because we're selling these to high-bred customers where we've already paid for the customer acquisition costs through the small business part of our business, we are able to, under the Vistraprint brand, keep a lot of price pressure on those markets in France, in the UK and so on and still be quite profitable.

And we intend to continue to do that which makes it very difficult for other players. We do have the higher-end Albelli brand, but we've intentionally tried to segregate that market both in the sentimentalist or higher value product and keep the price pressure on these smaller players in the various European market. And we are very happy with that and we will continue to do that.

Unidentified Audience Member

So you've pulled back on advertising in Europe this year as you worked to improve the marketing organization which is going to help your overall profitability in fiscal 2014. When you have the marketing organization operating as you would like it in Europe, would you then increase spending on lifetime value advertising which then could have more of a near-term drag on profitability in the future?

Robert Keane - *Vistaprint - President, CEO*

Trynka then Ernst.

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

So, it's important to know in Europe that in some of the areas that we pulled back, it's more on some of the smaller markets that aren't as strategic for us. It's also on some of our Home & Family spend. And so we think that some of these pullbacks are actually better not just in linear term but also in the long term. We want to make sure we're really focusing our spend around the small business and around the big market.

The other thing that we're doing, it's possible as we go in that we'll have some opportunity to expand advertising. I also think that it's very possible that we'll see some expansion from the present activities that we're doing in Europe. And so I think these things could counterbalance, but right now we're just looking to stabilize and build a foundation in the business. Here Ernst.

Ernst Teunissen - *Vistaprint - EVP, CFO*

And I would add to that is what Trynka has also described is that, we partially have by pushing the marketing lever in the last two years in Europe and spending significantly more, attracted more marginal orders, more marginal customers that Trynka was describing. And we may now go back to actually trying to acquire those in the future. We may try to grow those more attractive to the customer segment, which may have a continued advertising return profile. That doesn't necessarily mean have to go back for the levels of spending that we had before.

Robert Keane - *Vistaprint - President, CEO*

I would say the highest level both this year and prior years, although we talked publically about an average advertising as a percentage of revenues. Europe has consistently, last year, the year before, had higher advertising expenditures as percentage of revenues than North America, and North America is growing faster on a more profitable basis.

I think that the highest level that shows that there's not a direct correlation. If we get the fundamentals right of customer value and the cash flow per customer, we can be a strong growth business and actually have a very attractive advertising as a percentage.

Unidentified Audience Member

Just on Webs, how do you think that acquisition is tracking now versus the time you acquired it. And also as you look to cross sell it, would you look to do that in the North American market first or would it be a global effort?

Robert Keane - *Vistaprint - President, CEO*

Similar to the response I gave before. We think so far so good on Web. It was a big investment. It was a bet to make sure that we stayed relevant in an increasing digital world. I'll give you some examples of things that have rolled out already, as our Facebook products which is sold under the page model product independently by Webs. But we also sell it through the Vistaprint site as Facebook small business pages. And that's a very successful product launch for us. It's a relatively small product, but it certainly surpassed expectations.

The integration has required us to go slower than we would've liked initially, we're a quarter or two behind where we would've liked to. The reality is we wanted to be very careful as we change out the core plumbing of the graphic design in website builder experience in what is excluding the webs brand still a $70 million business for Vistaprint and it's a very lucrative business so we wanted to make sure we don't break that business while we're doing that.

So it's taken a little bit longer than we would've liked. We think the biggest near term payoff will be for the new customers that start coming in. After that change over, we will have a better experience. And because this is a churn business, we'll take some time for that to work its way churn figures, but that will be the next step.

As to going the opposite direction, we also in a relatively near term, the next six months or so, we'll some of the Vistaprint digital products that we sell successfully on the Vistaprint brand, site things like email marketing services or SEO for small business which we'll bring into the webs brand. We will be looking at tighter integration of cross-selling into physical products from Webs and vice versa.

And to your question on market outside of the US, we do see the opportunity to take the payment systems, the Vistaprint sales worldwide through -- sells through worldwide and bring the Webs brand into that. Currently you need to have an American credit card or you have to pay US dollars on a Visa or MasterCard in English for Webs. And we think there's a big opportunity there.

We have re-shifted some of the timing of that last invested or integration back because we felt there was some near-term higher payoff opportunities under the Vistaprint brand using the webs technology. But all those things we will continue over the next fiscal year we're working on, and so far so good.

Unidentified Audience Member

And does the revenue guidance for 2014 reflect the cross-sell opportunity from Webs or is that incremental?

Robert Keane - *Vistaprint - President, CEO*

Yes. There's not going to be a -- yes it does.

Unidentified Audience Member

Hi, just follow up on Youssef's question about the share repurchase. If you're putting the credit facility aside, is there a minimum amount of cash on the balance sheet that you need to maintain around the business and that you're comfortable with?

Ernst Teunissen - *Vistaprint - EVP, CFO*

Yes. Roughly upward from $50 million, $50 million to 100 million depending on the seasonality of what we're going through. So if you look at our balance sheet over the last quarters, you see there's $50 million, $60 million of cash on our balance sheet and we've been able to optimize that by paying down on our revolver. So it's a fairly good indication we have seen over the last year, a fairly good indication of what the cash needs a in our business.

Unidentified Audience Member

Hi, I believe at the last analyst day, you had quantified the lifetime value of a customer around a $150. Given what you're saying today about the increase in the AOV despite the lower repeat order rates. What would that number be today if you can give us a ballpark for that and the lift that you're seeing or expecting to see? Thank you.

Robert Keane - *Vistaprint - President, CEO*

I'd say it's gone down in Europe and up in North America. But I don't think North...

Trynka Shineman - *Vistaprint - Chief Customer Officer, EVP - Customer Value Proposition*

And we should say trailing 12-month change in North America is about 8% growth with more than that decline in Europe. And so that's obviously a revenue view not a profit view which would be slightly higher with the improvements we're making in gross margin.

Ernst Teunissen - *Vistaprint - EVP, CFO*

So we haven't specifically updated, we still think it's directly correct. With the side note that were maybe made about the relative direction in Europe and North America.

Meredith Mendola - *Vistaprint - VP - IR*

Any other questions?

Robert Keane - *Vistaprint - President, CEO*

Okay, well I like to thank you all for your time and attention today. We're very excited about the future of the Vistaprint business and we look forward to updating you on that future as we move forward. Thank you very much.

Meredith Mendola - *Vistaprint - VP - IR*

Don't forget to check out the product display in the back of the room. You can see all those business cards with the spot finishes and see the shiny foil. And the European size business cards, it's all good stuff back there.