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NOTE: This transcript was edited and amended by Cimpress on August 22, 2017 to clarify a comment (highlighted on page 10).

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Gary Mishuris

PRESENTATION

Meredith Burns

All right. Hello. Hello, and welcome to Cimpress' 2017 Investor Day. My name is Meredith Burns, Vice President of Investor Relations. I'd like to welcome our guests in attendance here at our Waltham, Massachusetts facility as well as those, who are on the webcast, who are unable to join us in person today. We're very excited to host this annual Investor Day in a Cimpress office for the first time, and we hope we deliver an experience that is worthy of the trip to Boston. We'd love to hear your feedback after the event to see how it compares to past events that we've had in New York.

Our presentations will begin in just a few moments after I finish a couple quick announcements. First, I'd like to introduce today's presenters. Oh good, they're all here. Robert Keane is our President and Chief Executive Officer. He founded the company in 1995 and has been the driving force behind our long track record of value creation.

Trynka Shineman is CEO of Vistaprint. Since joining the company in 2004, she has been instrumental in growing the business and transforming Vistaprint's customer value proposition.

Kees Arends, who is over here. Kees Arends is the President of Cimpress' Upload & Print business unit, where he oversees the strategic direction and overall performance of the portfolio. Kees first came to Cimpress via our 2011 acquisition of albumprinter, where he was CEO.

Peter Kelly is the CEO of National Pen, an acquisition that we completed in December of 2016. Peter has a strong operating track record at National Pen for over 10 years, managing the business in Europe and Asia before coming -- becoming CEO in 2016.

Maarten Wensveen is our Chief Technology Officer, and he is responsible, with his team, for the creation of micro services and standards for our mass customization platform. Maarten also joined the company in 2011 with our acquisition of albumprinter.

And finally, Sean Quinn is our Chief Financial Officer, responsible for central Cimpress services such as corporate finance, legal and procurement. He first joined Cimpress in 2009 and has held various operating and financial roles, including Global Controller and Chief Accounting Officer.

For those of you here in Waltham, if you have any questions for any of our presenters, please hold them until the Q&A session at the end of the meeting.

Okay, moving on. I would like to make a couple of housekeeping notes for the people that are here in the room. There's 2 sets of restrooms in the building. They're marked on this map in green. They flank the main lobby where you came in to the building this morning.

We're going to have a brief break in the middle of the presentations in order to give you a chance to stretch your legs. Please make sure that you turn your mobile devices to silent mode. And then finally, we hope if you haven't already had a chance to look at our product displays in the lobby that you have a chance to do that after the event is over.

So before we get started, I would like everybody to note that during today's event, we will make statements about our expectations for the future. Our actual results may differ materially from these statements due to risk factors that are outlined in detail in our SEC filings and also here on this slide. We invite you to read them.

With that, I'd like to turn the presentation over to Robert Keane. Robert?

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

So thank you, Meredith, and thanks to all of you, as Meredith said, for making the trip, if you're not from Boston. I also want to welcome everyone who is here via the webcast. I hope you all also had time to digest our earnings materials that we put out on July 26, and very importantly, the letter -- this is the third year in which I've written a letter to investors that we published on the same day as our most recent earnings.

What I'd like to do today is to walk through our -- the presentation in 2 ways. You've all heard I'm sure about our top priorities. Our priority from a strategic perspective, to be the leader in mass customization; from a financial perspective, to drive the free cash flow, which eventually drives the intrinsic value per share.

I'd like to change the use of this a little bit today to organize my presentation. So I am going to spend the first few moments of the presentation about the strategy and talking about how we're organizationally setting ourselves up. And then secondarily, come back and touch on driving intrinsic value per share through capital allocation. Sean, who'll be coming up at the end, will go through this in a little bit more detail.

So we have a very long track record of market disruption. The company, as Meredith said, was founded 22 years ago. That long history of revenue growth, be it organic or via merger and acquisitions, reflects the success we've had so far in disrupting via mass customization very large traditional markets, and example markets certainly are the short-run printing space, the signage space, decorated apparel, promotional products. And we really believe that we are in the -- we remain in the early stages of a broad market transformation in these and other industries.

Our share in these markets remains quite small compared to the overall market. The aggregate size of tens of thousands of competitors, who still produce and sell via very traditional methods. And that means for us that we foresee strong opportunity for future growth as we move forward.

So again, this is not new to any of you who follow the company, but just to make sure those of you who are new to the company understand this. Our focus, as we speak about, is mass customization. That is a business model that delivers really strong major improvements to customer value across this wide variety of product categories. And the graph here, which we've shown for years, illustrates how mass customization breaks the traditional trade-off between cost and volume.

So the horizontal axis you all see in front of you represents the cost of production -- I'm sorry, the volume of production, and the vertical axis represents the per unit cost of producing that product.

Companies that master mass customization can automatically direct very, very large volumes of many different orders. They sort algorithmically into smaller streams of very homogeneous, repetitive process flows. And that repetition, that volume allows them to amortize, us to amortize the cost of setup and other costs related to taking an order. Those setup costs become very small on a per order basis, and that allows mass customization to operate in the lower left-hand corner, where small volume orders become economically feasible.

There are -- it's not just cost. There are a lot of other advantages to mass customization. It includes faster speed, more personal relevance, the elimination of obsolete stock that customers would otherwise have to purchase because of minimum order quantities that are too high for their needs, more product choice and higher quality.

Now many of our customers buy around the theme of something related to marketing their business. But mass customization is the common theme that ties those different products together. And these photos that you see show the many varied applications, which in each one of these applications, whether it is a sign or a banner or a custom balloon, the customization just helps add to the value to the customer of that physical product.

Now obviously, a sign that a small business purchases for his or her needs, if it was exactly the same sign as other people, has less value to the business owner than one which is unique to his or her business. Likewise, apparel or product packaging are much more relevant, if they can incorporate the logo or the graphic design element of the business' identity.

And when you look across these images across these very diverse markets, what is common is the competitors and the traditional competitors, when they want to produce these, they typically have to do large quantities per order or ask the customer to pay these high setup costs. And mass customization empowers these customers to make these impressions to represent themselves for a much, much more affordable price.

So our opportunity is really quite significant. We believe that as shown on this slide that 4 major categories in which we currently operate: Small Format Printing, Large Format Printing, Promotional Products and Apparel, and Packaging, are all relevant to this approach of doing small quantities or low quantities per order where it's traditionally it's in high quantities.

And another way to say this is we only want to look to play where there are applications, where we believe the principles of mass customization can provide this meaningful improvement to our economics as a business, but also to the customer value. When we look at those markets, and we exclude markets of high volume that we do not believe is appropriate for mass customization, we estimate there's more than $100 billion of annual customer demand that exists in the categories, which are ripe for moving towards the mass customization, but only 20% or so has actually moved that way in the biggest markets. So well over 80% of the market, which this could apply, still remain served by very traditional business methods.

So the market dynamics here are quite interesting. The large 80% portion, which I just referred to, is addressed through one of the last bastions of Job Shop production and Job Shop operations that exist in our economy. When we say Job Shop, we're talking about small-scale manual operations in sales, service, production where the individual order requires specialized labor and focused labor to handle each job as this one-off process. And the traditional Job Shop structure of this market has been and it remains highly, highly fragmented.

The pie chart on the left of the screen shows that over half of the U.S. commercial printing establishment have less than 5 employees 4 -- typically 4, fewer -- often 1 or 2. And about 90% of those premium establishments have less than 50 employees.

The same type of fragmentation exists if you look into promotional products, signage, apparel, decoration, and the same type of story remains true whether you're talking about Europe or Australia or other parts of the world.

The photos on this screen, for instance, the one on the bottom right shows a typical small-scale local Job Shop that in this case, produces custom apparel and large-format products like signs and banners, which are some of the fastest growing parts of our business. It's very difficult for the majority of these small Job Shop players to compete with our business model, and that's one of the reasons why many of the small players have started actually to outsource their production to trade-focused suppliers like some of the Cimpress brands, for instance, Tradeprint and Exaprint and our brand in Austria, druck.at.

Another part of market dynamics is that for tens of thousands of traditional competitors this is, as I said, a very tough market to be in. And the chart on the left shows that the number of North American print service providers have been consistently falling. And once again, that same thing is true in other parts of the world.

But since Cimpress is a large-scale market leader, and we operate in a fundamentally -- with a fundamentally different business model, these industry dynamics actually play in our favor. One reason for this is because the low cost production we enable of mass customization drives the advantages I just spoke to, but another reason is simply the tailwinds of the Internet and the move to e-commerce.

Like so many other aspects of our economy, Internet is transforming how customers want to interact with their suppliers. And the chart on the right looks at the e-commerce shipments for printing, which has been growing at about 11% annual growth rate every year.

Now each business in the Cimpress portfolio brings a unique value proposition. Each of our businesses differ in terms of their customer focus, their geography, their product focus areas. There are some overlaps, some significant overlap, but the focus is unique. And we believe that by having a variety of these businesses, it helps us tap into this huge fragmented market by that type of specialization.

And there's significant opportunity despite our business-by-business focus to drive scale advantage.

I'll talk about that because we do have some areas of commonality. But we -- as a business, we've -- and this is going to be one of the things that I'd like to talk to you about today, we do see the need to switch back towards a business-by-business focus that really celebrates and enhances that specialization.

So before I get into the focus of each business and how we see the differences operating organizationally, I'm going to bring up another slide that I've shown for multiple investor days in the past, and this is speaking about scale-based competitive moats. I've described this in past using images like this because scale does matter in our market. It matters in Vistaprint and National Pen, at Pixartprinting and most of our businesses. And we have successfully used our scale advantages to create value, to improve our effectiveness and our efficiency relative to competitors over time.

However, while scale-based advantage is good, we see that we went, I think, a little bit too far. Ironically, our experience and our success in seeing so many scale-based advantages for 2 decades, every time we got bigger, we saw advantages, and those advantages remain very real. That led -- that experience led us to bias, we believe, too far towards trying to centralize and exploit centralization more than in retrospect we think is the best approach. And we'll speak about that today.

So if you think about in a very simplistic approach how we came to be in the business, there was the Vistaprint organic growth. But our businesses -- our business today is a collection of autonomous businesses that, before we acquired them, created unique value for their customers and operated, obviously, before acquisition as integrated businesses in and of themselves.

And when we acquired them, we did it because of their attributes of being focused, fast-moving and highly competitive in their specialty. About 2, 3, 4 years ago, we really started accelerating change organizationally where we, in retrospect, erroneously in the name of creating scale advantages integrated large parts of these business into a central structure, and that central structure we believe slowed us down too much.

This became apparent to us as we moved through fiscal '16, but especially fiscal '17. And by January, we announced our reorganization to deeply decentralize our operations. And really what we've done is come full circle back in many ways to these unique businesses. The significant side effects and issues of centralization we saw outweigh the benefits, and not to say we didn't see benefits, but in the balance, we felt that we needed to come back this way.

Now our goal in doing so in this decentralization is very much we say, stay small as we get big. By this, we want -- what we mean is we really want to retain the benefits of highly focused, customer-centric, cross-functional businesses and the teams in those businesses, but also recognize there's an enormous opportunity that we want to exploit that in certain cases, as we've seen in our history, there are clearly additional scale-based advantages that we want to develop, and we can develop.

So we've intentionally crafted our strategy and the evolution of our strategy to convey where and how we want our corporate center to operate. And if you look at this slide, we speak about how we want to invest in and build customer-focused, entrepreneurial mass customization businesses for the long term. And that being said, we want to manage those in a decentralized, autonomous manager -- manner.

Where we will centralize is the center portion of the slide. We want to drive competitive advantage across Cimpress by investing in only a few select areas that have the greatest ability to create that company-wide value. And then we are strictly limiting much more so than in the past all other central activities other than those which absolutely must be done centrally and Investor Relations -- investor presentation being a great example of something we'd like to do centrally.

So what's the benefit of decentralization? In the relatively short period of time since we announced this change on January 26, we've experienced change in business -- in all the businesses for the better. We have much more work to do here, but we're confident that we will achieve the intended benefits of the change, and that includes faster execution, better cross-functional coordination, accountability for customer satisfaction and investments, increased entrepreneurial energy, development of our general managers. And very importantly, from a cash perspective next year relative to what we spent in the past year, we see $35 million of year-over-year reduction in central costs.

So what remains central? Compared to 6 or 7 months ago and the several years before that, Cimpress now manages only these few select capabilities centrally. And the teams who are responsible for these activities are quite limited, and the following areas are what we are putting that effort into.

So one, we are doing the things I just spoke about, those things which can only be accomplished centrally besides Investor Relations. That includes very, very importantly, capital allocation and multiple other areas, Treasury, SEC compliance and the like.

In the center, global procurement for major categories of commodity, shipping and other types -- and capital equipment. So these are plates, paper, UPS or FedEx contracts or the like, energy. And these are commodities where today, we buy about $0.5 billion worth of these commodity centrally, and we can extract some significant advantages and scale there.

That doesn't mean that all procurement is centralized. About half of our procurement, very roughly speaking, remains decentralized or has been decentralized into the businesses, and only those commoditized areas are what we are doing centrally.

And then Maarten is going to speak later on about our mass customization platform, just like in the area of supply chain where we-- today, we only retain the procurement component. There was a central component of the previous mass customization vision, which was the technology micro services, which we refer to and a nontechnical term, as the LEGO blocks that are available to all our businesses. And those we are continuing to develop in our central technology team.

But other parts of the mass customization platform organization, which several years ago included the manufacturing and supply chain, included some graphics, quite a few people in graphic services in places like India or Tunisia, it included our product management teams. All those nontechnology services components of MCP still largely exist, but they've been decentralized into the businesses.

So stepping back to my presentation, I've just discussed how we aim to achieve strategically and organizationally our uppermost strategic objective of extending our position as the world leader in mass customization. What I'd like to do now is to shift to the right-hand side of the slide and speak for a few moments about how we intend to go about our second objective, which is the financial aspect of maximizing our intrinsic value per share.

So the big question is capital allocation, and I've said this in the letter to the shareholders that we're entering our fourth year of capital allocation, and IVPS is the real core focus. We're learning a lot. But at the highest level, as you all know, it's how do we want to place our bets, in what proportions? And so the next slide is a reconfiguring data, which already has been released. There's nothing new in this data, but it's a different view on it.

So let me just walk you through how this chart is organized, and then I'll speak to how we interpret it. So there are 3 columns on this chart. On the left-hand side, there's an average of FY '15 through FY '17. So there's 3 fiscal years, if you were multiply the $615 million times 3, you'd get our total expenditure and capital deployment over those 3 years.

One minor thing because of what I'm going to be speaking about, we took the acquisitions that we did in the very end of fiscal '14 for Pixartprinting and Printdeal, we included that here. So if you wanted to get to this math, you'd have to add in -- you take the last 3 years of capital that we speak of, add in the late fiscal '14 acquisitions of Pixart and Printdeal and you divide by 3, that would be the $615 million.

If you go to the right, we simply took out all, but the organic investments. We took out the share repurchases, and we took out the acquisitions. And then on the right, we have the plan going forward. All these numbers are expressed in free cash flow impact. We described our investments in 2 ways, the impact to net operating profit, and the impact to free cash flow. This is a free cash flow version of that.

So what does this show? If we step back and look to the left, the last 3 years, we've been very investing very heavily in the business. And you basically see the Vistaprint remains the single biggest focus of our investment going forward. In the last several years, you can see that we've expended significant capital to expand into our Upload and Print market and to acquire National Pen. Now obviously, there's an average. For a moment, I'll just step back and say, we bought National Pen the last fiscal year. This shows up as 1/3, and we're intentionally trying to look at the totality of the 3 years. So what we spent on National Pen was 3x this.

But be it National Pen or Upload and Print, these are directly adjacent markets to Vistaprint, where Cimpress is now the strong leader in the market. And that position of leadership in direct adjacencies does several things. First of all, I believe, it helps protect and extend the Vistaprint territory from adjacent competitors, who also eye the Vistaprint opportunity. But in and of themselves, we believe these 2 investments are and have been good investments from a pure capital allocation perspective.

Now as we're investing in this, if you look at those 2 -- I'm sorry on the left-hand side, you see 3 large components, the blue being Vistaprint, the gray being the Upload and Print, and the red just above that being the National Pen. Above that, you see 2 other internal or organic investments. You see our investment in All Other businesses and Central Investments.

So this represents a wide variety of more speculative, more innovative categories. It includes MCP in the Central Investments. It includes India in the All Other business component. The green color here includes MCP, India, Brazil, Japan. I'm sorry, it does not include MCP. It includes India, Brazil, Japan, China, Vistaprint Corporate, Cimpress Open.

Now we don't know which of those investments are going to be great successes and which ones are going to be failures. We know we will certainly have some of both, so we historically have had that. And if I were to paraphrase something I think was recently written by Jeff Bezos in his annual report, he said, as a company one of the biggest problems people do is to get bigger if they -- they want to have the innovation, but they're afraid to take the failure that comes with it. And we recognize that we have to be able to take these risks.

Now we believe that the amount of money we're putting into this is relevant -- relative to where we are investing elsewhere in the business, an appropriate amount of the business investment to be dedicated to these more speculative areas. If and when some of these investments work out, we think they can be game-changing for the business, but some of them won't work out. And I think that's just inherent in an allocation, I would say, just like I assume some of you invest in some stocks, which eventually don't work out, but overall have a good track record. And we look at it the same way.

We take it very seriously, our need to make these investments in a way which is responsible, but being responsible for us doesn't mean taking away the embracing of risk that goes with innovation.

Now if you look forward on this same slide, you'll see that going forward, we are slightly reducing the investment in Vistaprint this year versus what we did last year. And we are, in this slide on the right-hand side, in no way making comments on whether or not we'll do share buybacks or acquisitions. We're just looking on the right-hand column of our organic investment. But you'll see that today and the last 3 years that organic investment has been predominantly reinvesting back into our biggest single and most profitable business, Vistaprint, and will remain so going forward.

So I'd also like to speak a little bit about how do we drive intrinsic value per share. Obviously, through capital allocation. I mentioned before, we're entering our fourth year of focus here. And several of you or multiple of you in the room have either called or e-mailed me or Sean or Meredith and others with ideas on an input. And I want to say really authentically and honestly, we really appreciate that input from our long-term investors.

Ironically sometimes, I've heard from different long-term investors diametrically oppose views on what we should be doing, but we do take that seriously and we debate that both at the executive team and at the board. And we believe that going forward, we are going to only improve how we do our capital allocation as we get more and more experienced in this.

Repurchases remain a very significant capital allocation opportunity. That's something I've had a lot of requests or questions from some of the investors in this room or some of you who may be watching via the webcast.

Another thing that I wrote very explicitly and intentionally in the investor letter, if you go back and read the investor letter that came out on July 26 is that, yes, we talked about hurdle rates. And we have hurdle rates, which are the minimal acceptable returns of any investment in a given category of investment, and Sean will speak to that.

But we very much are understanding and appreciating the fact that if you have a similar risk profile for a launch, assuming that, and you have a return opportunity of 25% and something at 15%, it doesn't matter that the 15% -- it can still be bad capital allocation to go to the lower returning amount. So we do increasingly, as we get into this, look at opportunity costs, whether it's buybacks or acquisitions or organic investments.

And finally, we have and thank you for your support. About 1.5 years ago, we went out to the investors and the shareholders, and you approved a material change to our incentive programs. So today, we really believe that management incentives are very directly aligned to increasing the per share value over the long term.

So as I shift out of my presentation and into the introduction for the upcoming presentations, I'd like to say a couple of things. In the context of both the strategy that I just spoke about, but also the context of capital allocation, you're going to see today and hear about our most significant investments, not all of them, but a very large percentage of them.

Trynka is going to speak about Vistaprint, which is now 6 years into a shift from where we were very successful in 2011, but a very different company than we are today. We believe where we are today is a strong foundation for future growth inside Vistaprint.

The 2 adjacent markets I referred to, Kees is going to get up and speak about the Upload and Print. Peter, National Pen. Again, if you go back to that graph I showed, those are 2 big areas of capital allocation over the last 3 years.

Maarten is going to speak about our biggest central investment in capital allocation in the mass customization platform. We have materially narrowed the focus, and we are focusing increasingly on moving from development into value delivery, and you'll hear a lot about that. And then Sean will come back and tie this together and the overview of our capital allocation as well as a couple of other important topics from a financial perspective.

So as I close up today, I just want to say once again, welcome. We remain steadfast in our commitment to moving towards our uppermost objectives. We think we're consistently improving how we do that. We're excited about the future. And hopefully, after you hear from the teams presenting today and have a chance to ask and hear responses to questions, you'll join us in our enthusiasm for the future of the business.

So thank you very much. And I'd like to welcome Trynka Shineman, the CEO of Vistaprint, up.

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

Thank you, Robert. So for those of you that don't know me, I'm Trynka Shineman, CEO of Vistaprint, and I'm really excited to be here with all of you today to share what we've learned over the last year, the impact that we're having and our view on the future.

Specifically, what I'm going to talk to is I'm going to start by talking about Vistaprint and what makes us unique and how that drives our strategy. I'll then talk about a strategy -- our strategy and give you an update on what we've accomplished over the past 12 months, what we've learned and what's next. And then I'll close by touching upon some of the performance metrics that we see underlying the top line metrics that you see on a quarterly basis.

So to start, I'd like to start by talking about Vistaprint. And I think many leaders and many folks around the world start by talking about their businesses in terms of the numbers. And certainly, the numbers for Vistaprint are impressive and a really important part of who we are and the role that we play within Cimpress. But I think what really makes Vistaprint unique is not the size and scale at which we operate, but it's the focus of the market that we have and that focus on our micro business owner.

Last year, I talked to you about our focus and our passion on that business owner and our focus on really understanding more about who they are and what's important to them. And I think if there's one thing I'd ask you to take away around what we're doing at Vistaprint right now is we are listening to our customers, better understanding them and really focus on building a value proposition, a brand and a business that truly caters to their needs.

So what I want to do, by way of introduction, is to start by bringing you behind the numbers and to share with you a video of some of our business owners talking about their businesses, why they're in business and what's most important to them.

(presentation)

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

So I think you and I look at that video, and I think about this customer, I'm struck by the personal pride, I mean, how much of themselves and their time and their energy and their passion they put into that business day to day. I spent a lot of time really learning and better understanding this market and a few things that I want to share with you today is just to remind you about the size and scope and importance of this market as it relates to the global economy.

85% of businesses in finance, insurance and real estate industry are micro businesses, businesses of less than 10 employees. That's true in these industries, but really true in industries at large as well. So the vast majority of businesses are these micro businesses that's a really important part of the fabric of the economy and the world in which we operate.

We know from our customers that more than 50% of their business is conducted in the local economy. So they're really focused on these local markets. It's in the communities in which we live and operate.

We know, and you can hear a bit of this in the video that I shared, that 75% or 3/4 of our business owners actually don't have any experience in marketing. They have no education. They have no experience, and they really feel like this is a source of stress. It's something they're uncertain about, and they really need help in this area.

Also, interestingly, as we think about an area of stress, I think these businesses, also 2 out of 3 of them say, it's actually more important how I spend my time than the money that I make. So it's really about that kind of lifestyle, that pride in their business. And I think if you think about the role that Vistaprint has to play, it's supporting these businesses and something that they find really difficult to do, helping them save them time and make that experience a little less difficult as they move forward.

If you think about Vistaprint, I'd say you think about how unique we are, and we believe that our relationship and our focus really solely on this micro business market is what makes us truly differentiated. It's what is behind the success of the business. It's what makes us unique, and it's really how we drive all of the decisions that we're making from a strategy perspective.

You'll hear later from Kees describing the businesses that the Upload and Print team is focused on. And I think while they're focused on the small business market, what makes Vistaprint unique is really that focus on that micro business owner, these businesses of less than 10 employees, often a sole proprietor, maybe a business with 2 employees. And the reason that many businesses don't focus on this segment is because they're actually a pretty difficult segment to serve.

It's a very broad-based group of customers across many different industries with many unique needs. There's a lot of kind of personal pride in what they're doing as a business, but there's not a lot of expertise in things like marketing or design or finance or these areas where they need help, which can make them more expensive and a little more difficult to serve.

Vistaprint, because of our sole focus on this customer, is really uniquely positioned to serve them and serve them well. We spend lots of time getting to know them and really leveraging the scale at which we operate to invest in the services, the capabilities and the technology to be able to serve them at scale in a way that works for them in the right budget, saving them time with the right level of expertise. And we really use this as a way -- primary way in which we drive our strategy.

One of the things that we focus on as we get to know them better and insights that I'll share with you is that many business owners say that they choose to work with companies that treat them the way they treat their own customers. So it's really important that they're working with a company that they trust, that they feel like it has that passion that really truly cares about them. That take that personal pride in what they're doing.

From a Vistaprint perspective, at the very highest level, we measure our ability to do that with a metric. It's our metric of customer satisfaction, which is Net Promoter Score. Net Promoter Score is an industry metric about customer satisfaction that essentially measures how likely a customer is to recommend that product or brand. And it's well-known to be really both a very simple measure of success, but also very much tied to financial results over time.

And what you could see is that our quarterly Net Promoter Score, which we measure as the topmost measure of our strategy, has been growing and has been growing consistently over the last 5 years. You can also notice from this chart that, of course, our Net Promoter Score is higher in North America than it is in our top markets in Europe. But that, that gap is decreasing as we continue to invest and learn more about our European customer and ensure that we're making the decisions to better serve them in the future.

As a specific example, I'll talk about shipping in a few minutes, but we've made a disproportionate investment in shipping in Europe to help to close that gap over the past 12 months.

So this is who Vistaprint is. What makes us unique is that focus on the micro business owner, and we leverage that focus, these insights and our continued passion for them to drive our strategy and the decisions that we're making. So what I want to do is give you an overview of our strategy, what we've learned and how we've evolved and really touch upon as well what's next.

I'll start by bringing you back, actually, to 2011. At that time, when we talked about the strategy, we had some realizations. We were seeing our growth slow. We were seeing a number of customers come to Vistaprint, but come and purchase with us only once before leaving and making a different choice. And what we realized at the time as we got into the strategy is that we were focused on a very narrow segment of the market, a segment of the market we talk to as price primary. These were customers that focused and were making their buying decision essentially on the lowest price product. And you could see from the graphic on the left that oftentimes, the products that we sold were actually for free.

And at the time, we were focused on very single products like a postcard, a business card at the lowest quality, so that we could offer it for free. But [the vast majority] (sic), a lot of our revenue was coming from shipping and processing as customers went through the checkout process.[1] We had a lower lifetime value. We were seeing high churn. And what we were finding is that to be able to sustainably grow the business, it really relied, first and foremost, on our acquisition engine. So our ability to acquire more and more customers into this kind of machine that we had developed, and we believe that, that was not sustainable.

So we took a step back to really reinvest in the business and to ensure that we were building a really strong long-term foundation upon which we could grow for many years to come. And I'll give you an update on some of the investments that we've made. First, if you think about this broadly over the last 5 years, there's a bunch of investments that have created headwinds for our business. It's things like less aggressive cross-selling, lowering our shipping prices most recently, lower promotionality across the business to create a more trusting relationship with customers and more authentic communication with them.

Really taking away some of these areas that were destroying trust with our customers ensuring that we had a strong foundation. And these are important -- and they were important to ensure that people saw us as a legitimate provider for a micro business owner, a company that treated customers the way they treat their own customers, a company that was authentic and really setting that foundation and treating their customers with respect.

But in addition to these changes that we've made over the last 5 years, as we've continued to deepen our insight and understanding into business owners, we've also made some very proactive investment in expanding the value that we're providing to them. I talk about this in 4 areas as I think

[1] This sentence should be read without the bracketed phrase. Ms. Blake corrected herself by stating "a lot of our revenue" rather than "the vast majority." As previously disclosed, revenue from shipping and handling fees has consistently decreased since 2004, and even in that year, it was not the majority of Vistaprint revenue.

about the pillars of our strategy. We talk about value and really broadening our definition of value from free products into something that's much more.

We talk about experience, helping to save our customers time, which we know is so important for them, helping to make marketing easier. We talk about graphic design, which is part and parcel of marketing, but also really a key component of mass customization and our ability to create designs for customers in the way that they want to work. And we talk about the scale advantage and our need to continue to drive scale in this business and to reinvest the way we reinvest to continue to extend our advantage and to better serve our customers.

So from a value perspective, if we used to define value as a product we could offer for free, now we think about value as high-quality products at competitive prices in quantities that make sense for micro business owners. A key part of the way in which we deliver for customers the value we delivered is that low quantity product.

So you think about a small business buying a brochure, and they might be okay with 5,000 brochures or flyers for their business, but a business owner well, they might need 25 or 50. So really bringing that quantity down and making it accessible and kind of ripe for small business quantities is a key way in which we see the definition of value, and that value we provide to our business owners.

Over the last year we've -- over the last 5 years, we've broadened our definition of value, and we continue to make progress. Specifically this year, we continued to lower our promotionality. We've reinvested in shipping prices, and we continue to launch more products at those low quantities that are right for business owners, and I'll give you a little bit more update on each of these in just a minute.

First, from a discounting perspective, you could see that our average discount from fiscal year '11 through to this year has continued to decline. As we've reduced the discounting, we're also many times reducing our list pricing because our goal is to make it easy for customers to actually access the great product value that we have, the great prices that we have, as opposed to having a list price promoting it at 60% or 70% and making them work harder to actually realize that kind of net price. So we focus on the net price as we make these changes, and we've lowered that promotionality to create a more straightforward, direct and authentic communication with our customers.

This past year, we've continued on the path, and we're moving away from things like site-wide sales and 30% off everything to really focusing on more on single products and really seeing the role of promotion and discounting to help customers be comfortable trying new products and adopting new categories. We'll continue to evolve and learn in this area, but just wanted to give an update of how -- the progress that we've made.

From a shipping perspective, you've all seen the significant amount of money that we invested in shipping and continue to invest in this area, about $20 million over the past year. A couple of the ways that we look at these as we thought about shipping is one, we wanted to save our customers time. We wanted them to be able to get the products that we were offering faster. And so one of the things that we did is we disproportionately reduced the shipping costs for our faster speeds of shipping. You could see here that 2 years ago, 2/3 of our customers would receive a package in more than 8 days. That's down to now 1/3. So customers are receiving packages much more quickly, which we're getting great feedback on.

In addition, we've -- of course, as we reduced our shipping prices, we reduced our reliance on revenue generated from shipping, and this is a really long-term chart. You could see that kind of steady decline starting in 2004. So we continue to see that shipping as a percent of revenue continues to decline.

And from a performance perspective, as we reduce shipping, you could see that we are improving our conversion rates. So this shows the percent of customers who see the shipping price, which is on the billing page, who drop off, and you could see that, that's decreased, so that increases our conversion rate. And you could see that increase, that difference is more pronounced in Europe as we made more of a proportional investment in that area.

In addition to the immediate benefit we saw on conversion rate, we're also seeing great feedback from a customer satisfaction perspective, which you could see reflected in our Net Promoter Score, and overall we're seeing higher repeat rates, which I'll give you an update on in just a few minutes.

Finally, from a value perspective, one of the things that we heard most from customers is they really appreciate the pricing and the experience we were offering, but that we were not offering enough of an assortment to meet their needs. So we invested in last year, I spoke about the investments that we've made in our infrastructure and the architecture on the technology side to improve our ability to bring those products to market more quickly.

What you could see here is we used -- it used to take us almost 20 weeks, almost 6 months to launch a new product for our customers. We've brought that down now to 2.5 weeks. So really a significant improvement. And this past year, what that meant for our customers is we launched over 60 products over the past year, thousands of SKUs and generated $30 million of incremental revenue. So we're getting great feedback from that and customers are engaging with these products. And this is an area that we'll continue to leverage as we move forward.

One of the reductions that Robert talked about in terms of the beyond 12-month investment in Vistaprint is actually how we see our investment in new products. As we look at our investment in new products now, we see that the vast majority of that actually pays off within the 12-month period of time because of the investments that we've made. So it's big improvement on the returns in the business as well.

The next area in our strategy that I talk about is experience. And for us, our goal is to make marketing easy and maybe a little fun for business owners. So to take that mindset of, well, this is really hard, I'm not sure what I'm doing and really remove that barrier, engage with them, help to support them in that area. So we're really focused a lot on that end-to-end experience to help our customers engage and be able to really drive the lead and tell their story and their business.

We invested and are continuing to invest here in our technology infrastructure, like we did in our capability of introducing new products and making sure that we have the capability to more rapidly innovate on the front-end experience for our customers. We implemented a new content management system that's going to enable us to respond and react to customer feedback more quickly and continue to test and iterate on that experience to ensure that we're delivering on our vision in this area.

We also importantly launched a retail pilot, which I think is an interesting way, an illustration of how we're listening to our customers, and I'll talk about that in a little more detail.

First, I just want to show one of the ways in which we measure how we're doing on experience is conversion rate. And you could see that over time, this continues to grow. This is important because ultimately, as we make investments in areas like shipping, as we improve the end-to-end experience when customers are coming to the site, we want to make it easy for them to be able to create the product that they want, and we're seeing some progress in this area.

But we also continue to innovate. And I think what's interesting about retail is, it actually came out of a conversation that we had with about a dozen customers actually here in this room about 18 months now. We were talking to customers and trying to understand how we could create the best experience for them. Was it investing in being flawless across our experience? Was it more investment in advice? And across the board resoundingly, what we heard from customers is sometimes they want the ability to touch and feel products. So we launched a retail store to understand a bit about how customers engage in that experience offline, and this is in the Toronto market, I encourage you all to make a visit.

But what it does is it helps customers see and understand the breadth of what we had to offer, let them talk and engage with the marketing coach, who helps them understand what options might be right for them. And then you can see on the right, they can actually sit down at a design station and cocreate a graphic design that tells their stories with one of our designers in Montego Bay.

We're not sure where retail will go. Our goal right now is to really learn, take that customer insight and learn about how to best deliver for them, but I think it's interesting to test our first kind of omnichannel experience and see what this channel does for us. But more interestingly, we see this as a bit of laboratory, an ability to really test and understand different types of services, different ways of delivering for customers that we can then extend and emulate back online on our site. So we'll be sure to keep you updated on the progress.

So that's experience. The other area that I talk about is the area of design, which is obviously one of the areas in terms of creating a marketing campaign that our customers find most difficult. They're not graphic designers, they're not very technical. And one of the things that they want to do is to tell their unique story, make sure that where and how they're differentiated as getting out to the world.

And our goal is to do that, but to do that in a way -- in the way in which they want to work. So do-it-yourself, which is where we initially started, but do it with help, adding services, do it for you, and we continue to expand and innovate.

This year, we launched a new platform to provide inspiration and advice. We've extended design services across our top 6 markets in which we operate, and we're testing into a lot of different areas that help to inform our end state vision.

To bring this down one level from an ideas and advice perspective, we learned from customers that the process of design and marketing really starts around inspiration. They're not coming to Vistaprint knowing exactly what they want to create. Sometimes they're coming to really explore, understanding, get that help and support. And we launched a new resource center. We continue to focus on the community we're creating a help to provide that for customers. As we think about services, we are focused on graphic designs and full do-it-for-you design, logo creation, website design, layout services, and we continue to launch new services and expand and we're getting great feedback from our customers.

As we think about the innovation, we're testing new ways of delivering do-it-yourself design, so LogoMaker. For those of you that are here in the room with us, you can experience and interact with a LogoMaker in our lobby area and get a sense of what it might be like to be a small business, creating something that represents who you uniquely are.

We're getting great feedback. This is also available online for those of you on the webcast, and we encourage you to play around with this and get a sense of the value that we're creating.

We're testing new ways of delivering content. My Card is a mobile app, you can find us on the App Store, that lets customers take the business card they've created and actually distribute it through a text message in a very easy to use way that creates good trackability. This just launched in the last 6 weeks.

So my point on design is that we continue to scale what we have. We continue to learn from customers and we continue to test. [It is a] best way for us to innovate and continue to deliver and meet their needs on an ongoing basis.

So the last part of the strategy I'd like to just touch upon is scale. Robert talked about the importance of scale and the mass customization model. It's really important for us to have a lot of customers, so we can aggregate and really create that market dynamic.

But in addition, I would say scale is arguably more important for Vistaprint than any of the other businesses that we operate, given the small order values that we get from customers and the needs that they have that are beyond to support that mass customization, so areas like graphic design and our ability to invest in templates, areas like usability and more experience and our ability to invest in technology. And so we really focus a lot on the growth of the business. We think that's really important, so we can continue to build those competitive moats, but more importantly, serve our customers now and in the future.

We continue to make it easier to realize the benefits of our scale. Of course, we're growing. We'll talk about performance in a minute. But specifically one of the ways in which we were growing, that we are excited about is that we're seeing an increase in new customers again as we've come through the changing of our business model.

We're also very excited about the decentralization that's happened in January, and we're starting already to realize the benefit of really that integration of manufacturing and that ability to really find those very specific scale benefits within Vistaprint for Vistaprint customers, whether it's new product introductions, processes to check orders for our customers and things like that. So this integration, we believe, will let us leverage and create more scale benefits over time.

To touch on acquisitions for a second. What you can see is that when we change and evolve the business model, as we moved away from free products and talking to customers about everything is free, and we saw a decline in customer acquisition. We saw that in 2014 and 2015. Last year, we started to see an increase in new customer acquisitions, in numbers of customers acquired. And importantly, they're much higher value customer than we had ever seen in the past. We saw that continue into 2017 with an acceleration in this area. And as we did that, we're able to maintain our ad spend as a percent of bookings even with the investment that we made in shipping.

So we believe that we're finding more efficient ways and continuing to improve how we're buying media, how we're talking to customers, how we're bringing new products to market to continue to create this trend as we move forward.

So if you put it all together from a customer perspective, the value, the experience, the design, the leverage of the scale benefits that we have, our customers are engaging in any one of these, but it's really the collection of these that is helping them to put something that's really difficult for them, which is to market their business, to create a design and to tell their story.

So we'll continue to focus on these areas in the next fiscal year. We continue to hyperfocus on the customer and really bring them into the conversation to leverage their insights and deepen our understanding of what they need as we continue to invest. I think you may have seen that last year, we took an RV around the country and had 300 of our employees actually go out to 22 markets around the U.S. and sit down with customers to better understand how we can best serve them.

50% of our marketing campaigns or almost half of our marketing campaigns are actually created with customers in the rooms, who are helping us understand is this relevant? Does this make sense to me? So we continue that hyperfocus, and with that, we're going to start to realize the benefits of the infrastructure investments that we've made over the last 2 years.

We're going to be innovating and continuing to innovate our customer experience, continuing to expand our product assortment, and we're going to start to introduce more relevancy really leveraging more of our customer data because we know for these business owners, while they appreciate the benefits of scale, they do want to make sure that they're working with a company that also truly knows them. And we want to demonstrate that more and more as we move forward. So that's a bit about what we'll be focusing on for fiscal year '18.

So now what I'd like to do in closing is just talk about some of the underlying performance metrics that we're seeing in the business. I think it's a great testament to the strategy in how it's coming together. And I can give you an update on what we've learned and how we think about it.

I'll start by talking about the leaky bathtub. For those of you that have been -- that have known us for a number of years, you'll remembered the leaky bathtub analogy that we introduced in 2011. We talked about the fact that we had a lot of new customers coming in the bathtub, but a lot of them also going out the drain, so a lot of them not repeating. And we're really focused more on the quality of customers and the ability to kind of stem the leak of the bathtub.

You saw earlier that we're seeing an acceleration in the customers coming in, but I want to talk a little bit about the impact that we're seeing on churn and the net result that has on the total number of buyers, which is now growing.

So after years of headwind from repositioning, we're achieving record levels of retention. And we believe that we can keep improving. You could see, in 2011, when we saw this leaky bathtub, about only 30% of customers that purchased in one year would come back the year after.

We saw this actually decline as we repositioned the brand and were no longer serving that very price-oriented customer, but rather focused on a higher segment of the market. And as we made these changes across our different markets, we saw actually an increase in churn as we really repositioned the brand towards a higher segment of the market.

Now for the last 3 years, we're seeing -- we've stemmed that decline and we're starting to see that increase from 28% to 30%, now to 31%. And we feel confident now that we're on the track to continue to increase this as we move into the future. So as you think about that combination of customers coming in and accelerating that with more customers retained, you can see the cumulative impacts of that beginning to show on the growth rates of the business.

We also focus on -- as we think about this strategy, we measure where is our growth coming from, and so why are we able to retain more customers, how are they engaging with us? And what we're seeing is we're seeing really good traction in key product categories beyond business cards.

Business cards continues to grow, you could see that on the right. But importantly, as we expand our selection and the amount that we're talking about and communicating products beyond business cards, the marketing materials, promotional products, apparel and gifts, that's PPAG, and signage, that all of those are growing well into the double digits. And that's important, because it says to me that our customers are really open to buying a much broader assortment from Vistaprint, a really positive feedback as we continue to invest across the business.

We look as well as at the value of the customers that are in our base. And not just are they are repeating, but how much are they spending with us, there's a bit of share of wallet, are we continuing to grow over time?

What we've shown here this year is actually the revenue per customer and how that's growing, but also our gross profit per customer, which is ultimately what we're focused on. You can see in the past 12 months that our revenue per customer continued to grow, but our gross profit per customer flattened.

I want to note that last year, we showed this by cohort. We put -- I'm not going to show the cohort data today, because we're in the midst of a data migration. But you can imagine with the flattening of the gross profit here that the cohort would look pretty similar this year to what it looked like last year. And we'll plan on updating that in the future years.

We've gotten some questions on gross margin and while ultimately our focus is on gross profit, obviously, we've seen this margin compression, which means that the revenue in that increase we're seeing per customer on the top line isn't flowing through to the bottom line. And want to talk a little bit about how we see that and how we see that evolving over time.

Some of the reason our gross margin is coming -- is reducing is the structural changes and deliberate changes that we're making in our strategy. It's things like lower shipping prices. It's things like investing in design services. And it's the changing product mix, some of which have different margin profiles.

And so we do think that if the margin rate in the past was something in the high 60% that it's not going to be at that level in the future, but we think it'll be higher than last year for some of the reasons I'll talk about in a minute. And ultimately, we think these structural changes are good. We are focused on, one, gross profit than on gross margin, but obviously, we want to see that gross profit grow.

So some of the things that we're doing as we think about the pressure that we've seen, some of the ways they can address that are the following. First, as we prioritize our capability of creating and launching products rapidly, we focused a lot in doing that through third parties. And these third parties have a lower margin rate. As we've now learned from customers, what products they like and how they're engaging with us, we plan to bring more of that in-house, especially where we have the capital -- CapEx already and we have a higher margin profile.

We are rebuilding our data systems, as I said a minute ago. So as a result of decentralization, 6 months ago, lots of teams were looking at different segments of the data. But the teams -- my teams making decisions on pricing and on marketing, weren't seeing the full picture. And we're reintegrating that data source to ensure that they can reoptimize the business with that improved visibility.

We have a lot of new products that we're introducing. And with that introduction and that expansion and acceleration of new products, we have a greater proportion that have not yet realized the scale advantages that you see as the products continue to mature and grow. So as you think about growing into these products, we'll see the natural evolution of margin that you see with that scale advantage, both in terms of leveraging the equipment and the overhead that we have, but also improving the processes as we continue to mature.

And finally, of course, there's price optimization, which we always look as a lever for driving margin. And we'll continue to evaluate as we think about how we promote, how we discount and reoptimizing our pricing as we look at the data in a little bit of a different way. So we believe that this margin -- the gross margin, and therefore, the gross profit per customer will be increasing as we move forward.

And finally, I want to touch on top line revenues. So you could see the top line year-over-year growth of bookings, so this is a volume growth number for U.S. and Canada and then our other 4 focus market, U.K, France, Germany and Australia. And what you could see is that this is growing and expanding. We're seeing more of that in North America right now and Europe. But in each of our major markets, we're seeing an acceleration in that year-over-year growth rate. So we're seeing progress in each of those markets and much more focus.

As we think about our focus markets, we're seeing double-digit growth across all of our major markets, and we're seeing strong growth across the whole portfolio.

We talk about Vistaprint being able to achieve this double-digit growth. And we certainly believe that we've built the foundations and the infrastructure and we're seeing the fundamental metrics in the business where we'll be able to do that for many years to come.

So in closing, as you think about Vistaprint and the role that we play, a couple things to remember, which is the positioning that we have around micro businesses is very unique and it's what differentiates us. I mean, that's the competitive mode that we're building. That is the focus that we have as we think about the strategy and the choices that we make.

With that, with that closeness and that sole focus on that very special segment, it helps us create a really differentiated customer experience. And as we build and continue to build loyalty to customers, as we improve that Net Promoter Score, what we're seeing is that our customers are really, really willing to work with us in a broader way. It's opening doors to new opportunities, new products, new services, new ways of working, which we believe expands the growth that we'll be able to deliver for many years.

So with that, what I want to do is turn it now to Kees to talk about Upload and Print.

Cornelis David Arends - *Cimpress N.V. - Executive VP and President of Upload & Print Business Units*

Thank you, Trynka. Good morning, ladies and gentlemen. My name is Kees Arends. I'm, in Cimpress, responsible for the Upload and Print businesses. And I first joined Cimpress in those days called Vistaprint in 2011 when Vistaprint bought albumprinter, where I was CEO and one of the shareholders. And then after some entrepreneurial ventures, I rejoined Cimpress in 2015 to head up the Upload and Print businesses that I currently still do with a lot of pleasure.

So I'm very happy today to give you an update about the Upload and Print business portfolio. And let me start by sharing the agenda of my presentation with you.

To start, I would like to help you understand a bit more the Upload and Print market opportunity. Then, and this is where I want to spend most of our time today, explain Cimpress approach to this opportunity and what gives us the right to win. And then finally, I want to share with you where we have decided to focus and accelerate in fiscal year '18.

At the end of this presentation, I would like you to understand what makes an Upload and Print business so specific and how we plan to continue revenue and free cash flow growth looking forward.

And those of you that have attended our Investor Day last year, you will recognize some of the next slide. And by using these slides and by using these, it should confirm to you that our views remain consistent.

Now let me start by describing to you the opportunity for our Upload and Print businesses. Industry movement from traditional printing to Internet-based order aggregation is ongoing and our business-to-business focus Upload and Print brands are very well positioned to capture this. Like Vistaprint began to do 15 years ago, our Upload and Print businesses are more and more using an e-commerce model to aggregate high volumes of individually small orders and centralize production and our production flow, thus lowering the total cost of production and passing the savings on to our customers.

Therefore, we see this space and the individual needs of our customers within it as a strong fit for our mass customization approach.

Now let's have a look at the typical Upload and Print customers. The Upload and Print customer is in many aspects different from the typical do-it-yourself Vistaprint customer that Trynka just explained to you. First, they are graphic professionals. The print is an extension and an output of their own created work. They are proud of this work, and they do not want to put quality in jeopardy.

Second, they are all experienced print buyers. Being it for internal company customers or external clients, they are responsible for delivery and quality of the product and face significant client relationship risks. Our typical customer therefore uses 3 to 4 different print providers, looking for service-level efficiency and consistency.

All of our customers have a deep understanding of the details and techniques of printing, and they want to choose rather than be guided when purchasing an order. They often want to be able to select from and work with, for instance, large variances of substrates, for instance, different paper types and varieties in finishing options, for instance, various uses of varnishing or folding options.

And looking further into the user characteristics, we see that from an end-user standpoint, the users that normally use the services of a graphic designer are mainly small- and medium-sized businesses or government agencies. Larger businesses normally have sufficient in-house graphical experience and either place their orders directly themselves or with the support of a communication agency. Our Upload and Print businesses serve these different needs.

What we also learn from this slide is that Vistaprint and Upload and Print businesses are, in principle, [not] only very slightly addressing the same demand space.

As previously explained, our customers trust our Upload and Print businesses to deliver a wide and sometimes even infinite variety of products and variances at competitive prices that in case of our wholesaler customers can then be marked up to their end customers. To illustrate the fact that choice is of a great importance in our business, let me explain and quantify this for you.

Before we acquired our Upload and Print businesses, we had about 600 stock-keeping units between Vistaprint and albumprinter brands together. Since then, because of the addition of our Upload and Print acquisitions, we have multiplied our number of SKUs by at least 300x.

In fact, within Upload and Print businesses, counting SKUs is a challenge, because many of our businesses offer completely custom product sizes for certain product categories along with large substrate choices and finishing options, like I just showed some examples to you.

In fiscal year '17, we continued to significantly increase our product choice as well as depth. And for fiscal year '18, we will continue to do so.

The next slide highlight some of the key differences in customer economics between Vistaprint and Upload and Print. Looking closer, even within Upload and Print businesses, profiles can be distinct from each other. We've therefore provided 2 examples, contrasted against each other and compared against Vistaprint Europe.

In general, you see that the Upload and Print businesses each generate their turnover with a much smaller group of active customers, a rather different customer orientation with a way higher number of orders per year resulting in a substantially higher average annual turnover per customer than is the case within Vistaprint Europe.

And more in detail you see that the first model servicing Upload and Print resellers is focused on selling through resellers, for instance, our French company, Exaprint or the Austrian druck.at. Customer economics with this model are distinguished by the number of orders that a customer places on average within a year, being over 20, driving annual revenue per customer to over EUR 2,000.

And the second model servicing direct customers like, for instance, the Italian Pixartprinting, has only about 30% to maximum 50% of revenue through resellers. And while the average order values are similar to the Upload and Print reseller model, the number of orders per year in this case is most of the times only about 5. Finally, in here, you can see the big contrast, the Vistaprint model targets millions of direct using customers with a lower number of orders per year and with a lower average order value.

These economics reflecting different customer types leads to different cost structures, as you can see on the next slide.

This illustrative profile shows the key differences in cost and marketing expenditure as a percentage of revenue. And all these numbers are for the fiscal year 2017. Vistaprint targets millions of customers via broad-based advertising programs, configurable design templates and technology that supports the micro business economics that I just described. Total marketing customer service and technology spend as a percentage of revenue amounts there to 45%. The Upload and Print portfolio typically spent around 14% only of revenue on marketing, customer service and technology in fiscal year 2017. And we already mentioned a much higher per customer revenue drives per customer cost of marketing lower as a percentage of revenue.

Meanwhile, because our customer upload press ready files, Upload and Print businesses do not spend as much as Vistaprint on design templates or technology. As a result of the vast choice of sizes, substrates and finishing and even distribution options, COGS percentages are higher in the Upload and Print business than in the Vistaprint business. This leads to lower gross margins, less than half, but it does not translate into lower overall margins, as you can see on the chart.

The P&Ls for these businesses reflect once again the very different customer types. We don't see nor aim at converging the business models into similar structures like Vistaprint. Over time, in fact, we think it's even counterproductive to try to make the brands more similar by, for instance, limiting product choice or commoditizing service offerings. It is these distinctions that our customers value and love and that we believe will be better help us to meet the needs of our large markets.

I would now like to share with you how we are thinking of the drivers of the market opportunity for our Upload and Print portfolio. Our strategy is to leverage the portfolio of brands. We are convinced this is the best way to benefit from both economies of scope and economies of scale.

The portfolio logic allows us to position brands differently, maximize value capture in each markets and limit investment risk. It also helps us achieve an overall objective, which is to be and stay the partner of choice by creating focus in each brand and building lasting customer intimacy.

Sharing procurement, technology and manufacturing capabilities allows us to create economies of scale and deliver for our customers the best overall experience at the best cost.

We have summarized this approach under 5 themes: portfolio of businesses, customer centricity, global procurement, shared platform and specialized production.

In the next slide and following these 5 themes, I will illustrate how we are building this competitive advantage further. So since April 2014, collectively, we have spent over EUR 449 million to acquire and build a portfolio of differentiated brands in Europe. Each of these businesses have different geographic focus areas, target audiences and value propositions, allowing better success in each of the brands individually versus one-version-fits-all and a solid European position as a group.

This allows us to reduce risk while betting on several winning value propositions versus betting on all one single go-to-market and/or segment.

Listening and understanding our customer needs is something we do a lot. We use, for example, third-party vendor companies such as Trustpilot and Trusted Shops to provide independent measures of our customer satisfaction. Across our brands, customer satisfaction generally scores above 9 out of 10, and our businesses are proud to make this actively visible on their websites as a guarantee of their commitment to their customers.

The strong customer-centric mindset is reinforced by the organizational changes we introduced earlier this year. The Upload and Print business units -- or the Upload and Print businesses are now decentralized, operating fully integrated and have regained the identity of one cross-functional team again. And so far, the early dynamics we have been observing are promising.

We see that these changes bring back the entrepreneurial spirit and the speed of decision-making that we see Cimpress-wide. We are returning to the success of individual and complete businesses. The portfolio of brands, together with our customer-centric DNA, allows us to best cater and target our relevant different customer segments. And these answer our focused strategy.

We will now talk about our scale advantage and how we leverage global procurement, our shared platforms and manufacturing specialization approach to always deliver greater value to our customers. And let me start by explaining to you the benefits of our global procurement advantage. Aggregating the scale of each of our plants, both Upload and Print and non-Upload and Print, drives material leverage and cost advantages that could not be achieved individually.

Upload and Print is the second biggest spend unit within Cimpress, and global procurement is a key performance improvement lever. We are already seeing significant savings in commonly used commodities such as paper plates, shipping and energy and also in CapEx like, for instance, the procurement for large equipment.

Next we see significant opportunity for our Upload and Print business to use the Cimpress mass customization platform. Each individual connection to the mass customization platform means a new product registered and visible to all of our other businesses. This enables faster product introduction, smarter make-or-buy decisions and dynamic adjustments when needed.

Without having to heavily invest themselves, our businesses can test and adopt all available cutting-edge technology through micro-services and APIs. These technologies and tools address operational performance, e-commerce and UX, and more generally, use of data. For a brand, for a business, this means faster technology access, more nimble market strategy, exchanges and strongly reduced development cost. Our businesses this way spend less and get more.

Supported by our central Upload and Print team, cross-business unit synergy-driven initiatives are conducted across the portfolio in the field of best practice sharing benchmarking, operational efficiency and talent rotation. We have made a strong progress in understanding the business unit ingredients of success and transferring them successfully amongst the others.

And finally, how do we make use of manufacturing specialization? Offering the wide, often limitless, production selection we discussed earlier in my presentation requires a different set of skills and capabilities. We have strong expertise in print manufacturing across the network and leverage both our internal production capabilities and our network of third party fulfillers to offer the flexibility, cost and quality that our customers are expecting.

Driving homogeneous product volumes to specialized hubs, internally and through third parties, enables us to deliver high-quality products at great costs, resulting in attractive prices for our customers, all leading to the following financial results.

Financially speaking, our portfolio of businesses is already performing very well and growing at double-digit rates. Fiscal year 2017 bookings for the portfolio was about $589 million, and adjusted net operating profit was about $64 million. Our adjusted net operating profit grew versus fiscal year '16 with the benefit of a full year of German WIRmachenDRUCK results as well as the growth in several of the other businesses.

Our increased investment in 2017 created a partial offset, but as we've described, these are investments that are intended to improve longer-term cash flows.

Looking deeper into the investment returns. So far, we feel comfortable that the capital we deployed for our Upload and Print portfolio will drive strong returns. In this slide, you can see fiscal year 2017 unlevered free cash flow yield of 12% of the total consideration paid to date, adjusted for the 30% noncontrolling interest in Exagroup.

On a steady-state free cash flow basis, we estimate that the yield increases to about 16%, since many of the investments we made in this segment in fiscal year 2017 were aimed at discretionary growth. Even when looking at the unlevered free cash flow yield, we are confident that we will improve our returns further over the long term, because the portfolio is growing.

Now let me run this up and summarize. In the coming year, we will continue to invest to expand and further professionalize our manufacturing capabilities, to strengthen our marketing and sales and to optimize the development and use of technology to further help drive our growth.

As far as our priorities for fiscal year '18 are concerned, we will be completely focused on operationalizing and executing our plan with a very strong emphasis on regaining autonomy and speed of decision-making in the businesses themselves, connecting and leveraging further the mass customization platform, introducing new products and making them available easily to all, improving technology across the portfolio.

These priorities together with the strategic investments will support our uppermost objective, which is to create value to our customers and continue both revenue and steady-state free cash flow growth.

I hope I've been able to show you that the Upload and Print portfolio is a very strong collection of assets and that managing them as a portfolio provides us with a great platform for continued future growth.

I want to thank you very much for your attention. And I'll take over part of the role of Meredith to announce to you that we'll have a 15-minute coffee break. So we'll be expecting you all back in this room around 10:10. Thank you very much.

(Break)

Meredith Burns

We are going to get started again. Welcome back, everyone. Thank you. Thank you for coming back from the break. Hopefully, you're caffeinated again. You won't need the caffeine, though, for our next presentation. It's Peter Kelly from National Pen.

Peter Kelly - *Cimpress N.V. - EVP*

Thanks, Meredith, and thanks, Kees, for a great presentation on Upload and Print. Good morning, everybody. My name is Peter Kelly, and I'm the CEO of National Pen, Cimpress' most recent acquisition.

During the presentation today, I hope to help you understand more about National Pen and why Cimpress was excited to add us to the portfolio of businesses. I hope you'll come away with an understanding of the excitement National Pen has about becoming part of the Cimpress family also.

First, we like Cimpress' long-term focus on capital allocation approach. We can already see areas where Cimpress is willing to support us, making growth-oriented investments where our prior owners may have been disinclined to the more fixed investment horizon of private equity.

Next, National Pen is now part of a broader group of business within the mass customization space. We don't focus on exactly the same thing, but we are excited about learning from and sharing with our new colleagues different ideas about manufacturing, marketing technology know-how.

Next global fulfillment abilities in operations are not just possible, but we are being leveraged. I've had a chance to meet people from all around Cimpress, and I have experienced both [pull on our] offering as well as offers to help National Pen. I'll get into some specific examples of this in a few minutes. And finally, there are talent benefits, both in terms of rotation from other parts of Cimpress, for example, National Pen's new CTO came from Cimpress' technology organization. But also from a recruiting perspective, we believe our value proposition for top talent has only improved now that we're part of a multifaceted business.

So who is National Pen? This is a slide that we used at our introductory investor presentation about National Pen on February 2, 2017. I'll go into some detail on many of the points later in the deck, so I'll not spend too much time on this slide at this point. However, some key things to remember about us are: firstly, that National Pen is the largest provider of customized writing instruments in the small to medium B2B markets.

Our revenue over the period [kind of laps] to Cimpress' fiscal year 2017 with $270 million. And roughly 70% of that comes from writing instruments.

Our customers are predominantly small- and medium-sized businesses, and we sell our products in small quantities and are rightsized for this particular customer segment. National Pen mostly through direct mail -- National Pen markets mostly through direct mail and is provisioned in serving about 1 million costumers annually across 24 countries in North America, Canada, Western and Central Europe, Australia, New Zealand and Japan.

At this point in the presentation, those who are new to the story may ask, what's so exciting about Pen? If you're familiar with Vistaprint, I can only use an analogy to help you understand the excitement we have about Pen and I think the reason why Cimpress chose National Pen to be part of its investment portfolio.

Many people are familiar with the competitive advantages that Vistaprint has in the business card space. Robert spoke earlier about the concept of mass customization and the advantage that you can drive by aggregating enormous volumes of small orders to mimic the economics of mass production as well as the quality, reliability and fast delivery speeds. Vistaprint's advantages in the business card space are impressive, and they've been able to leverage that advantage over many years to grow a strong customer value proposition in business cards and beyond.

National Pen's scale in writing instruments has allowed us to do a very similar thing in our space with more than 10x the revenue in writing instruments versus the rest of Cimpress. We've driven vertical integration across the supply chain, leading to significant customer value advantages relative to both Cimpress' prior position and to the competition. This advantage ranges from markets -- marketing and customer service to the sourcing of products and materials and decorating technology and processes.

Now if you look at the right-hand side of the slide, we show that there's a very large and relatively untapped market within the promotional products, apparel and gift space. So even though National Pen has significant scale here, there's a lot of room for future growth within writing instruments and beyond.

Now I'd like to tell you about the National Pen's value proposition for its customers. I read an article recently in Bon Appétit and another in Zagat.com that pens are the new matchbooks for restaurants. The title of the Bon Appétit article was The Best Way to Remember a Meal is to Steal the Pen.

Think about that from a restaurant's point of view that our customers perceive such a value in the writing instrument that they are willing to steal it. The restaurant meanwhile sees it as one of the most cost effective ways that they can delight their customers, keep top of mind and most likely spread the word to friends and family. These marketing materials stay in circulation and for -- sometimes for 6 and 7 times changing hands, creating lasting impressions and higher return for the business enthusiasm.

Our decorating technologies allow great flexibility and a beautiful end product for customers. And our multichannel marketing and customer service give us multiple ways to reach these hard-to-find small customers in ways that are convenient for them.

So what does the market landscape look like? Here, we've plotted on to a chart our view of the players in the market in the writing instrument space. The Y axis shows the price a customer is willing to pay to purchase the minimum order quantity of pens. The X axis shows the average minimum order quantities.

The size of the market participant bubbles reflect the variety of writing instruments each players offers that you can see in the right top corner. So the players in the upper right of the chart where most direct B2B players who have higher minimum order quantities and higher entry price points. National Pen, by contrast, has lower minimum order quantities, a lower entry price point and a good product selection, but not the broadest. Remember the standardization is one of the things that has historically driven our competitive advantage. For small business customers, it's not necessarily a good thing to have an infinite variety of product choice.

The lower left corner in this chart represents potential opportunity for Vistaprint or other Cimpress brands to push even further into low quantities and enter price points to enable even the smallest micro business to reflect their brand values and aspirations via pens, a portable inexpensive promotional product with a significant perceived value for the end user.

Moving on to operations. Here we show a map of our offices and target geographic markets. Our vertically-integrated operations offer high efficiency, low cost, small batch personalization. We have strategically located our marketing teams with local market knowledge and capabilities. And our continued focus on operational excellence and sourcing efforts reduces our cost and supports growth.

On this slide, you will see that we have been busy since we were acquired by Cimpress at the end of December. In addition to constantly optimizing our own business, we've accomplished merchant partnership with Cimpress and other Cimpress businesses.

One example of an integration synergy that we were able to realize very quickly was in the area of shipping costs. We have already been able to drive annualized savings of roughly $2 million by leveraging Cimpress' greater overall scale and its contract with shipping carriers. These savings are in all areas of shipping, which include shipping to customers, our reduction in freight cost from suppliers, and additionally, shipping between our varying locations.

The next example I'd like to share is the near-term cost savings with the potential for longer-term revenue synergies over time. We have shifted our decoration capability for the Japanese market to the existing Cimpress production facility in Japan. Compared to our prior practice of shipping finished goods to Japanese customers in North America, we are able to save up to $1 million annually on customer delivery cost and import duties and also improve our customer responsiveness and delivery times.

Longer term, now that we have the technology in our Japanese production facility, it will also enable our products to be sold by other Cimpress brands in Japan.

And our last example of an integration synergy is our support for expanding Vistaprint's customer value proposition. The first step in this process was to enable Vistaprint to offer National Pen products, whereby National Pen will act as a fulfiller and ship directly to customers. To date, we've launched 36 products under promotional products tab on Vistaprint's website. The next step is to implement production cells in Windsor and Venlo to enable Vistaprint to offer micro-quantities of a variety of products as a cross-sell to customers within their order flow.

As you can imagine, the cost of adding 1, 2 or 10 pens to a package of business cards, banners, our [part] is very low. The new production cells will enable Vistaprint to replace their current standing pen offering with higher-quality, higher-variety options that would enable them to increase customer satisfaction and augment their revenue and cash flows over time. So as you can see, we've been busy in the 7 months since our acquisition with a lot more to do.

Now I'll close with a glimpse into what we are working on and we're investing in for the fiscal year 2018. Firstly, since becoming CEO a year ago, we as a company have made a number of organizational-related changes within our business within the goal of further improving our performance. The focus has been on 2 core areas: cost reduction to allow us to become even more competitive in the future; and on the other hand, strengthening of our marketing teams to grow our revenues. With the exception of the marketing restructure, which will be complete by October 1, the rest of the restructuring is complete.

In relation to our direct mail performance, our business in Europe operates very well and has driven consistent strong results over many years. In other parts of the business, I believe, we aren't living up to our full potential, and therefore, have made some changes to the offline marketing teams.

We're currently relocating all our offline marketing resources to our high-performing Bordeaux marketing group, but it will take some time for the team structure to bed in fully. We're already seeing much improved prospecting and customer campaign results in U.S. and Canada over the past 3 months. Realizing the benefits of our changes is a big area of focus for us in 2018.

Next we plan to pursue additional revenue synergies between Cimpress and National Pen. We plan to expand their offering of products to both Cimpress brands, in addition to seeing where National Pen can sell products from other Cimpress brands.

THOMSON REUTERS

Next we want to further focus on cost reduction in all areas of the business. These savings may come as a result of further synergies with Cimpress, for example, sourcing opportunities or internally, example, efficiency gains through the technological advances, our contract renegotiations, et cetera.

And finally, we've mentioned in the past that National Pen's primary marketing channels are offline and that we have a small but rapidly growing e-commerce channel. We've also mentioned that relatively speaking, National Pen's e-commerce technology and online marketing capabilities have much room for improvement.

Throughout 2018, we will be rearchitecting our e-commerce sites by leveraging Cimpress' platform technologies. We believe that some of the work that has been done by the Upload and Print businesses have done in this area as well as some of the mass customization platform technologies are directly relevant to our effort. And we will ultimately invest less and have much higher return on investment.

We believe we can benefit greatly from the work of others in the Cimpress family as we build out our online value proposition for our target customers. This is an exciting opportunity for our future in the area that National Pen has traditionally been -- has not been strong. We are very optimistic about the bright future of online sales now that we part of Cimpress family.

Thank you for your attention today. I'll now pass you over to Maarten.

Maarten Wensveen - *Cimpress N.V. - Senior VP & CTO*

Thank you. Hello? Thank you, Peter. My name is Maarten Wensveen. I'm the Chief Technology Officer for Cimpress. And I'm currently tasked with building the mass customization platform bridge many people have already referred to today.

But before we dive into it, I want to talk a little bit about a slide that was shown last year in Investor Day. It's a little bit the progress where our platformization efforts are going and what was also our focus on it. So we've been still very much focused on building the platform foundation, but we're really seeing the first activation signs of the platform currently.

And today in the presentation, I'm basically going to go through many of those different signs and from different angles that we're activating the platform. But also dive a little bit into what has changed and how we definitely at the highest level have still these -- the highest level goals are still the same, but very much the approach has changed a little bit towards how we're building this platform.

So maybe the first thing, which has also been a slide that Robert has once shown in Investor Day, is a little bit his analogy. At platform, what we're trying to build is more like the LEGO bricks on the right. It's not what's on the left, a full solid platform, which is actually a little bit more fixed in its way. MCP in its form as we have changed since January and the rework that we announced also was a little bit from a technical perspective, all the foundational work that we have built was very much in this LEGO brick kind of a way.

So technically, we build micro-services, we set standards between the different technology teams across the Cimpress group to make sure we can reuse all the technology efforts and all the software development that we knew we can reduce it. But organizationally, from a work perspective, MCP was very much we will tell the different businesses how they should operate and should use it.

And that was actually in hindsight not maybe the best thing in how we could save the entrepreneurial spirit within the different businesses. So that's a big change for it.

So definitely the technology perspective we're setting forward with that path. But as we have talked about, the actual businesses have been reunited to recapture their entrepreneurial spirit, but can still use MCP from a technical perspective.

So Cimpress technology isn't -- centrally, as an organization, does not equal MCP. MCP is a Cimpress-wide initiative where we are building collectively the best-of-breed technology and sharing collectively the best-of-breed technologies amongst each other, which saves us a lot of effort, a lot of cost, but actually also accelerates some of the entrepreneurialship that businesses can tap into. And we're going to go in a few examples of that.

So what is mass customization -- basically, a mass customization platform today? MCP basically provides a rich set of all these services. It's collectively owned by Cimpress. So all of the different business units can actually contribute to it. We'll talk about that in a minute.

MCP is fully used within our -- within the internal businesses. They can basically tap and immediately start using it themselves without any effort most of the times from Cimpress technology. They can just self-serve and start integrating this into different parts of their businesses.

And it continues to evolve, because it's not only the people in my department and Cimpress technology are actually building these components. Actually, we see already more of the business themselves starting to build components and recontributing them to that MCP sort of ecosystem throughout the Cimpress group, which sort of creates an accelerating function.

So what we're basically doing is, Cimpress technology, the central department is bootstrapping the technology for across the mass customization platform. And again, we use the analogous LEGO bricks over here to sort of give the title to the different components that are out there for the different businesses to actually make use of.

Let's dive a little bit into how we can sort of group them. This is not even complete, but these are some of the major, major software services that we have. So on the 'help of business sell their products better' and actually help the end consumers better, we, for instance, have things like scene rendering, which we'll dive in a little bit later, which is how do you get the image of an artwork of the customer on top of a product digitally. So how can you see it in a browser that it actually looks like a product with your stuff on it.

The Cimpress designer, which is basically the framework of how can you create the products online, all the way to product catalog, how do you actually model. We talk about SKUs. But of course, we make these products still. So this is how do you create this product where there's lots of different components actually in our product catalog to model how -- what is the difference between a mug or a business card and what are the different attributes of such products.

On the sides of actually customizing them, some of them actually -- that's also like how can we help the end customers, be it in Upload and Print or in Vistaprint, to actually get their documents, the artwork that they send us better prepared. So full bleed helper, how do we know where you actually cut off on a piece of paper and what artwork goes, what artwork stays.

Or again, the Cimpress designer, the framework of maybe the professional graphic artist actually uploads something to us, but we can then give them at least a visual representation. So we might not -- they might not create the artwork at the site, which they don't want to, because they used their professional tools. So at least there are some verification that some of the Upload and Print services businesses use. So instead of investing in such software, they can better just use that, because we share those software across the Cimpress group.

All the way to production, things like how do -- when you're a smaller business and you want to expand to different countries that have different texts situation, border crossing and what kind of text manifest do I then have to create, building that from scratch or going to other third-party companies and trying to figure out how to do it or is readily available to immediately expand your business and manage actually your operations.

So lots of tools to give you more data insights, all kinds of Big Data, all kinds of order flow, all kinds of customer carrying integration tools to quickly professionalize your business up to the level where Vistaprint is operating at.

So I already mentioned, any business can actually contribute even some of these software components. And luckily, that's starting to happen. Like Upload and Print has been investing in the Upload and Print portfolio, they've been investing a lot in professionalizing actually their e-commerce stack and getting much more state-of-the-art e-commerce components into it.

And with MCP resources from Cimpress technology, but also Upload and Print already collectively, there's a whole rich stack coming out of that where the Upload and Print businesses can tap into and professionalize their e-commerce experience. And actually, National Pen, Peter just mentioned too, is looking into this year also with their e-commerce experience professionalization.

So MCP is delivering value in many ways. I mean, I have just showed a bunch of LEGO bricks, and they're all over the map to some perspective in terms of what you can do with it. But they're all together part of an ecosystem, which makes us massive -- it makes us in display in the space of mass customization.

And so while our main goal was, last year, when we sort of said get orders and transactions over the platform, that's definitely, beside the Vistaprint orders, been happening.

This is anonymized, but the actual graph is correct. There are lots of -- our different business units are interacting and ordering orders from each other. So there -- and the connection speed to actually get these different businesses connecting to each other went down from months in some of the business units to actually weeks or sometimes even days. Where that used to be a huge project with lots of software engineers involved, now it only takes a matter of days and not software engineering to actually get these connections established between the -- within the Cimpress group. So that's very powerful. I'm super-excited about that.

For instance, Vistaprint offering National Pen's went into a matter of weeks instead of months to get both Vistaprint and National Pen actually connected to each other and starts -- so that Vistaprint is now selling the National Pen in their assortment.

Let's dive in a few of those LEGO bricks and other services that are out there, which is more of a vast array of like we got it from this, we got a flavor like this and we've got a different flavor on it. So take, for instance, some of our manufacturing LEGO bricks that we have available for the different businesses, all the way from your vanilla shipping API, I want to ship this particular product to that end, adverse (sic) [inverse].

And again, to at the bottom there, border cross brokers who is somebody that can calculate the actual tax implication of sending from America to Canada or vice versa. This is already being adapted by more and more of the businesses, because this is sort of hard work to do in the beginning and it's not immediately adding to the customer. You just need to do all these things. And we see more and more adoption coming from the different businesses now actually actively integrating these APIs and starting to use these different APIs.

Another thing, which is what everybody needs in our mass customization industry is uploads, be it Vistaprint, be it Upload and Print, it's -- that artwork that comes from the end consumer and customer and goes all the way into some sort of a back-end system where you need to store that image and the data that it takes and how can you quickly get that to factories. Building that once as a central system is actually -- saves a lot of money and effort on the different businesses. So while that is really helping them to say, I'm not going to focus on this spender thing that everybody needs to do, I'm going to focus on what really makes me different in my particular customer segment.

And I'm happy that picture has just been integrating and is already uploading a vast amount of their order volume now over the central system.

And let's go all the way to a much more advanced kind of a feature that we have been breaking away from already in Vistaprint as a service that they have, but actually making available to the other businesses is, for instance, the way how we do cross-sell and we call this scene rendering. So this imagine that -- of the rocket ships flying on a -- for instance, done by a customer and here we display it on this particular banner that you can buy.

And actually, the amount of request that are currently already hitting the [servers], just to give a nice fact on how many of these hits are actually going to these APIs, how many of these scenes we are rendering, we're in the 3.5 billion range of the amount of images that we have to render with a product where the customer aren't on it. That's a pretty impressive number towards it.

But you can see that it quickly goes -- it goes quick when you take a look at these cross-sell or reference. You upload 1x this image, and we immediately within millisecond show it on all these other products to basically entice the customer to say this is a really interesting product, which you can also order with it. And this is available to all the businesses without building these techniques from the ground is very powerful with the MCP.

So what are we then really trying to accomplish with this vast array of it from a financial perspective a little bit? So if you take the point integrations diagram on the left, imagine that A is Vistaprint and B is National Pen, doing the amount of effort, engineering, in the end, it all basically add ups to a certain amount of cost as custom amount of time and effort to actually establish this connection. And [sure] is another business unit where the business case adds out wants to do it. It's a little bit less effort, but still eventually, it trails off for the smaller businesses maybe in our portfolio that it doesn't add up to actually invest the technology, engineering, the time of the organization to actually do those kind of integrations.

What we do with MCP and where Cimpress technology is bootstrapping that middle part is establish standards, fixed set of standard that everybody just know, when I go to over MCP, I just know exactly what this document standards are going to be, what the processes are going to be and how this is going to work. And we established that together among the group how these processes would work, would bring a new acquisition or another business and actually joining MCP and starts selling their products, it becomes extremely low effort for any of the other business to interact with that particular offer.

So what are the priorities for MCP in FY '18. So a couple of key things that we really want to even get better at. We already have the initial success on it, is fulfiller onboarding. So we actually see across all of our businesses, Vistaprint, Upload and Print, everybody is that third-party fulfillers is very interesting. It's a quick way, without a lot of capital expenditures, to get another manufacturing site up and start selling that product.

And making that so easy that there is zero technology necessary. And actually, it's all wizard and super-simple tools to actually get a facility, connect it into MCP and start selling those products is one of the things where we're continuously investing and making that software really good.

Another thing what we see now with its increase volume over the platform is the data and some of the insights that we're actually getting from it. Why are we actually producing that over here and shipping it all the way over there when there is already a facility over there that can make a product that we think is the same. This was one of the things where some of the business is actually seeing we can do this more efficient nowadays. And they can make that choice and quickly switch actually within MCP to actually make a more efficient network topology of how they distribute their products.

And the advanced imagery and documents services, just like the scene rendering that I just showed, there's a whole array of these kind of things that maybe originated in Vistaprint or some of the other more advanced businesses that are actually now modularized in the LEGO brick and basically can be plugged into business that would normally not invest dozens of engineer for a year-long to actually build these kind of things. So these are some of the key focus points for FY '18 that we will keep investing in.

And that brings me a little bit back to the slide that I showed in the beginning. We're definitely activating the platform. And one thing what I do want to note is a little bit that maybe last year in Investor Day, we really were emphasizing on just orders over the platform. At that time, with our best capacity, we just looked at this thing, we just need to get volume and orders over the platform. But what we now also see is more of the businesses actually adopting individual services that might not even be orders, but they're getting a lot of value of that individual service and it has maybe nothing to do with an order over our platform, but it has a lot to do with value for them.

So that is much more to go, just use it and hits on these APIs on our software. That's because that actually makes the businesses more successful and saves them a lot in technology cost, which we collectively basically share on it. And we're seeing the first adoption of it, and I'm getting very excited about that.

So with that, I thank you very much. I hand it over to Sean.

Sean Edward Quinn - *Cimpress N.V. - Executive VP & CFO*

Thank you. Fun? Great. Thanks a lot, Maarten, and good morning, everyone. And I've had the pleasure of meeting most of you over the last few years and even some of you for the first time this morning. For those who I haven't met, my name is Sean Quinn. I'm in the role of Executive Vice President and Chief Financial Officer. I've been in that role for just a little under 2 years now. I do also want to say thank you to everyone who's joined us today, especially for everyone who's joined us in person and invested your time traveling to be here.

So let's get into this last session before we enter into Q&A. So what I want to cover in this session is 4 things: the first one is to give an overview of our capital allocation philosophy and history; the next one is to give an overview of our investments, both looking backwards and also looking ahead to the next year; to give an overview of our steady-state free cash flow that Robert described in his letter to investors on July 26 and talk about kind of what we see in the evolution of the ranges of our steady-state free cash flow and then lastly, to go through a few housekeeping items that I hope will be helpful for you as we enter the new fiscal year.

So let me start with our capital allocation philosophy. And this slide is exactly the same slide that you would have seen last year for those of you who joined us. Our philosophy and approach for assessing investment opportunities and deciding where we allocate our capital remains consistent. We endeavor, as you see on the first pool here, to invest large amounts of capital at returns above our cost of capital in support of our uppermost financial objective of maximizing our intrinsic value per share.

As Robert described earlier, we continue to see a significant opportunity in front of us, which provides us with many potential investments. We define a corporate level allocation of capital as any use of cash that we estimate requires more than 12 months to pay back. And those are the investments that Robert outlined in his letter and he talked a little bit about earlier this morning and I'll talk about in a bit.

For investments that we expect will return within 12 months, we, in general, delegate those decisions to invest to the leaders of each of our businesses. Each year, we complete a review of potential opportunities for organic investments within the context of our strategic objectives in order to evaluate the potential returns. We also consider M&A, share repurchases and the repayment of debt to be allocations of capital. We maintain enough capacity to have the ability to execute on those opportunities that most often arise outside of our annual process.

And it's also important to highlight here that our debt covenants and our operational bandwidth provide guardrails to the extent of the capital that we can allocate. We've said very consistently over the recent years, we take our debt covenants extremely seriously. And over the long term, we want to maintain leverage of approximately 3x trailing 12-month EBIT or below, although we would temporally go above that for the right opportunity with a clear path to delever that below that target. And we actually happen to be in one of those moments in time right now in fiscal 2017 with our organic investment with some share buybacks and also with the acquisition of National Pen, which you just heard about. We brought that leverage up.

At the end of the fiscal year, we ended at 3.4x levered. And you saw on the most recent quarter progress towards what we said is a commitment to delever back to approximately 3x by the end of the calendar year.

So next that Robert referenced hurdle rates through the end of his presentation earlier. And again, this is a slide that you would have seen last year for those of you who attended. I'm not going to go through this in detail, but the point I want to make here is that as we think about our capital allocation, we use differentiated hurdle rates that are a minimum expected return on a given project or an investment. These are varied based on our judgment of the risk and time to payback, in all cases, is above our estimate of our weighted average cost of capital.

As a few example of extensions of our core business with well-known payback characteristics may have a hurdle rate that's just a little bit above our cost of capital. For M&A, we use a hurdle rate of 15%. And for investments with a longer-term payback and more subjective forecast like those at our Most of World countries, we use a hurdle rate of 25%.

Some of our investments that we deem necessary to maintain our competitive position may not fit neatly on the spectrum that you see here, but we make them, because it's clearly the right thing to do for our customers and for the long-term health of the business.

Now as Robert outlined in his letter to investors this year and he spoke about earlier this morning, we're well aware that achieving returns above these hurdle rates or even well above these hurdle rates doesn't necessarily mean that we've made good capital allocation decisions. We do need to compare returns against the opportunity cost of potentially higher returns that might come from deploying that same capital elsewhere.

Robert gave a few examples of this in his letter that I think emphasized some of our learnings from the past. And I'd say that this concept, as Robert said too, that today is much clearer to us that it once was. It's a great example, I think, of where our capital allocation philosophy that I just outlined has gained deeper roots.

So next, let's just spend a moment talking about the capital that we have deployed since fiscal 2011. And fiscal 2011 is often a year we refer back to, because it ended a period of what we believe was in retrospect a period of relative underinvestment in the business. Over the last 7 years, we've allocated, as you see in the title here, $2.6 billion towards a portfolio of organic investments, share repurchases and M&A.

So first, let me talk about our organic investment, which is a large number, $862 million. Remember what we include here is anything that doesn't pay back within 12 months, which is, of course, an estimate and in some cases is very clear and discrete, like the mass customization platform investments that Maarten just spoke about or investments in our Most of World countries or even Columbus. But we didn't think about our capital in this way for fiscal years 2011 through 2014. If we did, this number would be significantly higher.

Now I should emphasize that this is everything that doesn't pay back within 1 year. And so a large portion of this is required for steady-state. We'll talk about our steady-state free cash flow estimates in a bit. But since this concept is a little unique, I think that's something that sometimes gets misunderstood. But it doesn't change the fact that we consider investment, but they're just not all growth investments so that, that's clear.

Next is M&A, and you heard from both Kees and Peter about our most recent M&A in the Upload and Print portfolio and the National Pen. We've allocated just over $1 billion to M&A over this time period, having acquired a portfolio of great brands and capabilities. We purchased or made equity investments in 15 businesses since 2011. And again, you've heard about some of the most significant ones from Kees and Peter.

We believe, as a portfolio, that this has been a good use of capital, both on the expected financial returns and the value of what we've learned from each of the businesses, even our failures. Kees outlined the financial performance of our Upload and Print portfolio earlier, which is a large portion of this capital. We've also recently announced the expected sale of a business that actually Kees joined the company with, which is a company called albumprinter, which we acquired in fiscal 2012. And that decision to divest is highly consistent with the capital allocation philosophy and approach that I just outlined.

Lastly, our share repurchases. We've seen significant opportunities to repurchase our own shares over this time period, often at point of discount for our view of Cimpress' intrinsic value per share. We spent, as you see here, $676 million in this category over the last 7 years, purchasing nearly 17 million shares at an average price of about $40.

So I've just talked about our significant organic investment and also the acquisitions that we've made. So let's look at return on invested capital, which includes all of that investment. Much of the multiyear organic investment, and even the acquisitions that we've done, weigh on our returns on invested capital in the near term with an expectation for returns in future years.

However, you can see here the increasing returns on capital from fiscal 2013 to fiscal 2016. When you remove the low end of the estimated range of our long-term growth investments from the numerator, which here is our net operating profit after tax. These investments include, for example, things like I mentioned before, our mass customization platform, our investments in Most of World, Columbus and Corporate Solutions that are still, today, net investments.

Now I'm not at all suggesting that we should ignore those investments, but you do need to remove them in order to see what's happening in the rest of the business. To make this complete, you could also remove that from the denominator, which is the invested capital, but I haven't done that here. And as we've said over the last few years, we don't expect some of these investments to return for some time, which is why, I think, it's useful to show this with and without view.

For fiscal 2017, you see a bit of a different trend here. So there's a number of things that need to be factored in here outside of just our increased organic investment that do weigh on our return on invested capital, so let me just highlight a few of these.

First is our National Pen acquisition, which is actually slightly negative in the numerator for this year. And when you include our transaction cost for that acquisition since this business earns most of its profit in the part of the fiscal year where we did not own them. But that acquisition and the capital that it took to acquire that is fully in the denominator for this year.

Next, the loss of 2 partner relationships that we've been talking about over the last year had an impact of about $18 million, which is unfavorable, and is now behind us. We've also increased our share-based compensation from our new compensation program that Robert referenced earlier, and that had an impact of about $14 million, primarily because of the accelerated nature of how we expense those awards.

Lastly, prior to our reorganization, we did have inefficiencies of roughly $10 million during our holiday season in Q2 that we highlighted, and that weighs on this as well. And these are, of course, offset by the full year results of WIRmachenDRUCK. So that's what you need to factor in as you look at fiscal 2017.

Now we, of course, need to see the orange line here move upwards over time without all the adjustments. And when I step back from all these details, I think in our new decentralized organization that it's going to be much clearer going forward for us internally and in turn, for all of you, to evaluate the returns on each of these businesses and the significant capital that we're investing.

For Vistaprint, you heard from Trynka earlier about the continued progress being made there in the reintegrated business, whether it's the benefits expected from past infrastructure investments, the strength in our customer metrics like retention after years of headwinds from our repositioning and the many other things that she spoke about, gave us confidence in the future returns there.

For Upload and Print, Kees made referenced to the cash on cash returns we're seeing in that portfolio of businesses. And as he said, combined with the expectations for future growth, we expect strong returns are still ahead of us there as well.

And for National Pen, with the benefit from a full year financial results in fiscal 2018, as well as everything you just heard from Peter, we -- those are some of the reasons we're excited about that business and the returns that, that presents in the future as well.

So let me go through just the summary of our organic investments. Here on the left-hand side, you see the impact on our unlevered free cash flow and on the right-hand side, you see the impact on our adjusted net operating profit. One of the changes that you see, both here as well as in Robert's letter, is that we're showing these investments by reportable segment, rather than categorize them as either major organic or diverse other, since we no longer look at them in that way internally. Now I actually think that this helps us and I think it will help you evaluate the incremental performance of each of these businesses as we go forward.

I'm not going to go through all these investments in detail today. They're highlighted in quite some detail, both in the materials in front of you as well as in Robert's letter to investors, but I will highlight just a few things.

So first, if you look at this -- at the top level, the impact of our investments on unlevered free cash flow, we expect to reduce by roughly $47 million. And from a net operating profit perspective, we expect a reduction of $38 million, which is the slide -- the chart on the right. This still represents significant investment, but it's moderated from last year.

Now let's go through this next level down, and the first view here is Vistaprint. On the top here, you see the free cash flow view and on the bottom, the impact on net operating profit. The first thing you'll note here is that we no longer will be breaking out Columbus, which is a multiyear investment in promotional products, apparel and gifts and decorated apparel and that's because that has been really integrated into the Vistaprint business. And so it's going -- included in the other lines as you look at fiscal '18, so that's just one thing from a trend perspective that changes.

Next, the net investment and product selection is expected to decrease as we exclude -- sorry, execute on some of the topics that Trynka outlined earlier. As a reminder, these investments are all net investments, so it doesn't mean we're necessarily investing less. It just means that the net investment decreases as we gain more and more gross profit from those investments.

And lastly, as Trynka outlined earlier as well, we expect the impact of our shipping price reductions to be largely consistent with fiscal 2017.

So on this next slide, this really details out everything else, and this is all free cash flow view that we're looking at. Just a few things to highlight here. The first is that our total investments that we expect for Upload and Print, for our mass customization platform and for Corporate Solutions remains largely consistent. The other change that I would highlight here is that there's a decrease in the net investment in our Most of World countries, and that's really driven by 2 things: one is the underlying businesses continuing to grow; and the second is that we have less the capital expenditures that we need to expand our production facilities.

This next slide is in your materials. I'm not going to go through it, but that explains the impact of those investments on our operating profit.

So next I'm going to spend a few minutes talking about our steady-state free cash flow. And this is a concept we introduced to all of you for the first time 2 years ago at this event. It's something that we are definitely still learning and ingraining, but it's something that we've improved over the last few years.

We define steady state as having a sustainable and defensible business that's capable of growing after-tax free cash flow at the rate of U.S. inflation over the long term. Steady-state free cash flow for us is an important concept to help us better understand and evaluate our capital allocation decisions and as a way to hold ourselves accountable to returns over longer periods of time.

We also use this as an input to estimate of intrinsic value per share of Cimpress, which goes into how we think about share repurchases.

So let me just spend a few minutes here going through the mechanics. And this is here -- our calculation of our fiscal 2017 steady-state free cash flow. On the left-hand side, you see our free cash flow as reported. And we then add back our cash interest expense to get to our unlevered -- sorry, to add back our cash interest expense. And then we make certain adjustments to normalize for what needs to be considered for a steady state.

Oftentimes, we'll adjust for M&A, our non-steady-state working capital changes. In addition, for fiscal 2017, we've adjusted for the planned divestiture of albumprinter as well as the full year impact of our January restructuring.

We then get to this normalized pro forma unlevered free cash flow. And we add back all of our organic investments before then subtracting out a range that we think is not needed for steady state, getting us ultimately to our range -- or estimated range of steady-state free cash flow. So that's how it’s calculated for those who aren't familiar with it.

And let me now talk about the evolution of these ranges over the last 3 years. So we're now on our third year providing an estimate of our steady-state free cash flow. And as each year passes, as I said before, understanding of these concepts improves. Over this time, we've improved our confidence in these estimates. And as a result, you'll see that we've narrowed our range of estimates over the last 2 years and for this year, as I said, have a range of $290 million to $340 million.

As we've narrowed this range of estimates over time, the first thing that most people do, and I completely get this, is to look at the midpoint of the range. The midpoint, as we say in Robert's letter, is no better than any other point. And in our first year, which was 2015, you'll see that we intentionally added back all investments and arriving at the high end of our range, which inflates that midpoint. And that said, we've invested significant capital over the recent years and we understand, as well as anyone, that we need to demonstrate growth at a rate that's higher or much higher than our cost of capital over time, if we're doing our jobs with capital allocation.

So with all that said, there are a few things that I wanted to highlight as you digest these ranges. The first thing is that a significant portion of our investments are required to maintain steady state. These investments still need to return above our cost of capital, but they're not growth investments. And a significant portion of our organic long-term growth in investments were not planned to drive meaningful growth on our steady-state free cash flow within this time frame.

Second, the starting point of this calculation is our free cash flow in any given period. And so our range estimate of steady-state free cash flow is impacted, first and foremost, by that. When comparing fiscal 2015 to fiscal 2017, there are quite a few material impacts that I just wanted to highlight for you. The first is that our cash taxes have increased by $35 million over that time period. And of course, part of that comes from the increased profitability of some of the acquisitions that you've heard about this morning. But there's also a number of other factors here, including the impact of our tax restructuring that we did after the National Pen acquisition and some other fairly sizable timing differences. And we do expect, as we said in our earnings materials, that our cash taxes will decrease next year.

The next is the loss of 2 partner relationships that I referred to earlier, which represents about $20 million compared to fiscal 2015. We've also increased our estimate of investment required to maintain steady state, including a reduction in shipping prices that Trynka spoke about, which alone is roughly $20 million of impact relative to 16 -- 2015 as well.

Currency has been unfavorable net of our hedging, which smooths but doesn't eliminate relative volatility. And finally, we did have some efficiencies of about $10 million -- inefficiencies of about $10 million that I highlighted earlier and we mentioned in our second quarter earnings.

We expect that in the coming years, we'll be able to realize attractive returns from our significant past and current growth investments, which are not currently part of our steady state. We'll be focused on driving strong unlevered free cash flow from our reconstituted businesses, which will now be accountable for not just our income statement as they were in the past, but also the totality of their balance sheet and the free cash flow that they generate.

Okay. We're in the home stretch here. Last topic, just some housekeeping items. So the first one is our revenue outlook. And as many of you know, we don't give revenue guidance for a specific year, but what this highlights is how we see revenue trends over time. I'm not going to go through this in detail. This is the same as what you would have seen in Robert's letter on July 26, but it's in your materials for your reference for later.

The next one just a few other items to call out as reminders. The first from an M&A perspective, we will have a full year of National Pen's results in fiscal 2018 versus the 6 months in fiscal 2017. And as I said earlier, most of their profitability is actually in the period -- or the part of the year that we did not own National Pen for fiscal 2017. And next, we do have the sale of albumprinter, which is expected in the first quarter of fiscal 2018.

On restructuring, as we said on our earnings materials, the full year restructuring savings in fiscal '18 is expected to be about $35 million higher year-over-year, so that's the actual year-over-year impact.

Next, from a compensation perspective, at this meeting last year, I outlined some of the impacts of our new compensation program. In year 2 of that program, we do have another step-up in our share-based compensation expense. The estimate for fiscal '18 is about $45 million to $50 million, which will fluctuate depending on some grant date dynamics because our awards for this year haven't yet been granted, but that's a good range. And also as I highlighted last year, we had, in fiscal 2017, a material negative working capital impact from some of those planned design changes that will not repeat next year.

Lastly on taxes, as I mentioned before, we do expect cash taxes to be lower next year than they were in fiscal 2017. And on that topic of cash taxes, there's, of course, a lot of words here on the slide, and I'm not going to go through this in detail. But again, this is here for your reference in your materials.

We often get questions on taxes and how to think about the evolution of our cash taxes over time. We, too, get questions about the impact of the significant investments that we've done on our tax profile. And so here, what we've tried to do, as we've move to this decentralized operating structure, it is much clearer, I think, for us and for our businesses to evaluate the decisions that they make on an after-tax basis. I think it's going to be much easier for all of you, too, to digest that.

And so what this outlines is the way each of our segments -- our reportable segments is impacted from a tax perspective and, in particular, by the investments that they're making. And just to draw out a few comparisons, in Vistaprint, Vistaprint has a complex structure of legal entities that fits their global supply chain and oftentimes, as we make more investments, that actually creates additional cash taxes, rather than creates a tax shield. That said, we do have significant tax amortization that we expect to benefit from, from a cash tax perspective over the years to come as, and if, we're able to execute on the returns of the investments that we're making in the Vistaprint business.

The Upload and Print businesses are subject to generally to the tax and the country -- and their home country, so that's a bit more of a kind of a standard approach. And then just to contrast that, in our MoW countries, because we're operating at losses, generally, those -- they're generating more and more NOLs. And so the cash tax impacts in -- at least in the near term will not be there.

So hopefully, you find that helpful. I'm happy to take any questions offline on this and Meredith as well. But have a read of it and let us know what questions you might have.

We did announce in July that we amended and extended our credit facility to upsize that to just over $1 billion, of which $745 million is a revolver and $300 million is a term loan that is now due July 22 -- or July of 2022, rather than September of 2009, which is the maturity of our old facility. I do -- we do have some of the folks from our banking group here. I do want to just thank you for your participation and continued partnership. We're -- we continue to be very happy with that. And the terms here, in terms of pricing, are unchanged from our previous facility as are most of the other material terms.

So in conclusion, before we turn to Q&A and just to wrap up, capital allocation remains at the heart of executing on our uppermost objectives. We continue to be encouraged by the many opportunities we see to deploy capital to value-creating investments and further strengthen our market position. As Robert talked about at the beginning of the day, we also continue to strengthen our capital allocation muscles and fully embrace this.

As a management team, our incentives are aligned with increasing per-share value over the long term. And as we turn to fiscal 2018, we remain focused on optimizing returns on past and in-flight investments. I hope today's presentations gave you more clarity on how we'll achieve that in each of our businesses.

So thank you, again, for all of your support and, again, for the time you've invested to understand our approach and results. As we've said over the recent couple of quarters, we do know that there's been quite a bit of noise on our financial results. And so that task is not always easy, but we do appreciate your time understanding our results and our approach. We look forward to continued -- to your continued thoughts and feedback, which you've been generous with. And as Robert said, we really do -- we're genuine about that and that does really impact how we think about our business and helps us to improve over time.

So with that, we're now going to shift to Q&A. And all the presenters are going to come up here. Just give us a moment, so we can get some chairs up here and then we'll pass around a few mics. I'm sure Meredith will help with logistically.

Meredith Burns

Excellent. So while we are just reshuffling the stage to bring up our presenters, I just want to let everybody here in the room know that if you have a question, please raise your hands and we are going to bring microphones around to you, so please wait until somebody with a microphone comes over to you. We'll get to everybody's question. And the reason why we need to wait for the microphone is because on the webcast, everybody will be able to get the benefit of hearing the question that you've asked, not just the answer.

So I'm done vamping. And lo and behold, our presenters are on the stage behind me.

QUESTIONS AND ANSWERS

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

Is there one way -- one question I have. Is there any way we can cut the light for the -- if not, don't worry about it, though. I think Trynka and I are being interrogated here, but don't worry about it.

Meredith Burns

I think the projector.

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

Yes, right. Yes. Okay. Don't worry, that's okay.

Meredith Burns

Okay. Who's got a question?

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

We're more truthful under light.

Gary Mishuris

Gary Mishuris from Silver Ring Value Partners. A question is for Trynka on Vistaprint. Can you maybe just review for us the -- how the competitive intensity has changed over time, both by geography and by type of competitor?

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

Yes. So we've talked about competition in the past as being really very diversified, so there's a lot of these Job Shop printers that Robert talked about earlier. We see similar very small competitors online, but it's not a single, big competitor. So I would say it's very similar. Most -- very often, you see these businesses and you think that they compete directly, but I think one thing we've learned as we've started to get into some of these adjacencies is that most of these folks are competing and they're very -- they're really more upmarket than us. They're focused really on that small business, higher order values, more repeat. So we think we're -- really, we focus a lot on our own execution, not so much on the competitive market, although, of course, we keep an eye on it.

Gary Mishuris

Follow-up. I guess, one of the questions, because I'm trying understand a little bit better, is you categorized reduction and shipping cost is an investment. And I guess, one way to think about it is you have a total delivery cost, and part of it is the price of the item and part of it is the shipping cost. So I guess, what in your mind makes it as an investment as opposed to just a response to the competitive dynamics that forces you to essentially reduce the overall price to the customer?

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

Yes. So if you look at shipping, we're not looking at shipping and indexing it versus other online printers. We're indexing it versus customer expectations. So customers, as they shop online and as they interact in the marketplace, in general, have an expectation around what a fair shipping price is. And we were more -- we were charging more than that. And so a lot of what we were trying to do is to really get to something that felt fair, that felt more like what they would expect if they were to ship a product and really meeting that expectation as opposed to a specific benchmark of another online printer. And from a pricing perspective, we do look at pricing versus the industry. We look at that and we certainly compete in the Google marketplace as customers are shopping and understanding even where they get started online. We do -- we take a look at -- we certainly pay attention to that, I mean, total price and also how we position price. As we get to higher quantities, we see more overlap with other competitors. And we tend to be actually a little bit more premium than even the Upload and Print competitors as our customer dynamics are different. And we add a lot more value, we think, through each of the parts of the order process, whether it be design or customer service.

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

I'd just add something to that. Because I agree with you, it's a gray area or a subjective call between what's an investment and what's a response to competitive situations. I think 2 factors make us want to characterize this as a transparent investment. One is the history of Vistaprint, if you look at our hypergrowth years in the early part of the last decade, we sold something free, business cards, return address labels, mugs, plus $6, $10, $12 of shipping and processing. And now we up-sold and cross-sold other physical things. It wasn't 100% of the revenues, but it was a very material portion of our revenues. And so understanding that we're shifting away from that, we do see as part of this overall shift. Secondly, going to your first part of your question, I would say is, of course, we have competition in Vistaprint. But we don't see, today, correct me if I'm wrong, Trynka, head-to-head competition on shipping in the Vistaprint customer space. We see in the general e-commerce trends happening and we want to proactively, before we have customers, addressed what they're most frustrated about. But we don't see people able to compete with Vistaprint in this space, so it's not a direct response to a competitor who reduce prices.

Meredith Burns

It's Meredith. Just also quickly a reminder that because of the way that we define allocation of capital, we define that as anything that takes longer than 12 months to pay back. And so all of those allocations of capital are not purely growth investments. There are mixes of growth investments and investments that take -- or that are necessary for operating in a steady state. In this particular case, from a capital allocation view in our shareholder letter, we've actually completely taken out that out of the mix. We took it out of the mix in FY '16 in the steady-state free cash flow in our office. And we're treating it as if it is purely an investment that's required to operate in a steady state. Even though, as you saw from Trynka's presentation, there are offsets, right? So we're starting to see conversion rate come up and you start to see some offset there. In 2018, you don't have that much of a year-over-year difference in the 2 numbers. And so what's going on there underneath the surface is you see the amount of year-over-year change from new changes coming down. You start to see the net returns coming through in that number. But it is offset by the changes that we made in the middle of FY '17. We still have to lap those changes. So that's why you see that number not moving that much from one year to the next, but there's 2 competing factors there. We would expect that number to come down over time.

Unidentified Participant

If you were to look at the lines on Page 43 representing your distribution of shipping speeds, what do you think those lines will need to look like 5 years from now to conform to your customers' e-commerce expectations?

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

Yes, so I understand. The -- so as we think about the trends on shipping, I think that as a consumer, you all interact online. I think you said the trends, in general, is faster and cheaper. And we think that, that will be true in our category, as well. We feel like we've just got a little out of date on where we were. And so we needed to make this step function improvement in how we were thinking about shipping speeds and shipping price with customers. We don't think it will stay static over time, but we think we can organically just continue to optimize and continue to improve over time versus another step. So I certainly expect it will continue to get faster. We expect it will continue to see that come down, but not at such a steep of a rate.

Unidentified Participant

Just actually on a follow-up to that. Is there an opportunity -- in particular maybe on the Upload and Print side of the business, to offer something similar to what Prime offers where since the retention rate is relatively high and the repeat rate is relatively high, is there an opportunity to actually offer some sort of a subscription offering? The other is around National Pen. Just considering the opportunity in front of you, your cost advantage, the low penetration online, why is growth projected to be in single digits?

Cornelis David Arends - *Cimpress N.V. - Executive VP and President of Upload & Print Business Units*

So let me take the first one. In the portfolio of businesses that we currently have in Upload and Print, we see already a huge variety of shipping options. And in some of the companies, quite successfully, one of the shipping options that we offer to our customers is this premium shipping, 24-hour shipments, 48-hour shipments. So we have a huge, let's say, variety and differentiation in the offerings that we have to our customers.

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

And I'll just add a little bit. I think you're also talking about like the Amazon Prime approach. I think what's different, Kees, correct me if I'm wrong, is that the way we present this to the customers who are in the Upload and Print space, who are sophisticated print buyers, is we explain this as a speed of manufacturing change, how quickly will you produce it. The prices then, say, if you want it the next day, 2 days, 5 days from now, this is the all-inclusive price. And maybe with some very specific exceptions I'm not aware of, the prices there on the Upload and Print sites always include shipping as part of that price. There's no -- isn't that correct?

Cornelis David Arends - *Cimpress N.V. - Executive VP and President of Upload & Print Business Units*

Right.

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

So the idea of having Amazon Prime, where you include shipping, doesn't exist because we already include shipping in Upload and Print and Vista -- what are the -- it's a very transparent price for -- this will arrive on your doorstep on this day for this price. Peter?

Peter Kelly - *Cimpress N.V. - EVP*

Yes. I think one just point of clarification it's in single digit was this is much below 10%. I think the...

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

Well, I may have to disagree with that. We -- I would stick by what we said and I would...

Peter Kelly - *Cimpress N.V. - EVP*

I think the...

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

That's why I tell Peter yes.

Peter Kelly - *Cimpress N.V. - EVP*

I think the -- I mean, one of the -- in National Pen's past, we've been growing in double digits. I think some of the growth we've been doing actually, especially in the North American market, has been not at the high-return investments. But I think our plan really was to be a little bit more discerning in the growth in the North American market, And it's actually more profitable because not -- growth is not necessarily -- acquiring customers at great cost is not necessarily the best focus. So the focus in National Pen is very much about the quality of the campaign, transferring a lot of the knowledge and the learning that we've had in the European market to the U.S. So we've kind of got a year where we're kind of focusing more on the return on the investment. Second thing, I think, is the -- it's going to take time to re-architect the online, so even though our own -- our small but very fast going online business is doing well, I think it's going to take us 12 months minimum to try to re-architect the infrastructure and the e-commerce area to be able to see further growth going forward.

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

I'd also add to this that, Peter, the prior position you've -- he's been with National Pen for 15 years or something, but -- 11 years, but was running the European business until a year ago of becoming CEO of the combined business. And Europe is growing quite nicely for National Pen. But the changes, which you alluded to, Peter, are pretty significant in the U.S. marketing approach. We've cut back nonperforming campaigns, but also made quite a bit of changes in the management structure of the marketing team. And so in the light of all those changes, which are really happening real time, that's one reason, I think, behind the conservativeness in the growth.

Unidentified Participant

Is there anything you can share with us about your partnership with Amazon, how that might be progressing? And then Trynka, on one of the slides, you showed about Vistaprint conversions. I think conversions show a peak happening sometime in 2016. Can you just kind of clarify that? What was it called? Due to -- or was it because of some promotions you're running that year and may not have repeated that?

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

So I'll take the first component that Don LeBlanc, who's presented sometimes, would normally cover that. He runs our Corporate Solutions team. The Vistaprint corporate -- or the team came out of the Vistaprint business now is under him. The Amazon partnership, which we announced a while ago, and we really did try to downplay, was a test on the Amazon site. I still think it's on the site. But frankly, it's, I think, a great example of Amazon trying a lot of things where they don't get traction, pooling resources someplace else. So we do not see that as any -- we take some orders, but it's highly immaterial. And I think Amazon is doing a lot of things in a lot of spaces, but that is not a material component of our business, to say the very least. And I'll turn to you.

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

So on conversion rate, as we -- you can see that as well in this respect. There's a lot of things that impact conversion rate, and I hesitated to pull that graph for you, but what's interesting is it's embedded based on performances, campaigns, channel mix, mix of countries, seasonality, so there's quite a bit of things that makes that a little bit of a noisy metric. What we're looking at there is really that long-term trend. And we know from an underlying perspective that we're seeing really big increases in our mobile conversion rate, which has been a big area of investment. We're seeing increases in things, like our billing page, a drop-off rate. We're seeing more engagement and better conversion and performance from customers in our design process. So in areas where we're focused, where we're making improvements, we see that driving that underlying trend. And the noise really is a lot of -- has a lot of mix impact. So both are interesting, but I think more interesting around the [geo-specific] experience is that longer-term trend.

Unidentified Participant

So investments -- incremental investments in 2018 are expected to be down for the first time in several years. How much of that is due to see, perhaps, less opportunities to deploy capital with high returns versus just wanting to focus on what we have?

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

I think it's much more focusing on what we have. We have a lot of irons in the fire and we see a lot of them coming to fruition. So we believe deploying capital is at above our hurdle rates, and well above our WACC is a very good thing. So as you know, from our history, we don't shy away from making those investments. So we start out with a premise that investing is a good thing. That could be an acquisition. It could be a share buyback. It doesn't come through the P&L. Or it could be the organic, which comes through there. So we start first with a understanding of what's the capital available to us and then what's the set of opportunities. And one of the constraints that comes into that evaluation is the bandwidth and the benefits of focus or nonfocus. We have a lot of -- going back to irons the fire right now, we feel that we're investing next year in everything we would want to. We're not holding investment back because of reasons that are not related to operational bandwidth or opportunity. And again, some of the major investments we've made in the last several years are becoming either less heavy investments, Most of World investments as Sean mentioned. The net impact we're starting to see from other investments have been reducing that, if those are paying out. And that's really what's causing that as opposed to not investing in opportunities we would otherwise see.

Sean Edward Quinn - *Cimpress N.V. - Executive VP & CFO*

Yes. Just to maybe add one thing, and I was going to say what you just said, Robert, which is you see the net investment in some of those areas going down, like Most of World and product selection. The other one is that we intentionally brought our leverage up in fiscal 2017 with a variety of things that I just described. And we are committed to bringing that back down. And so that plays into the overall mix of available capital, but it's certainly not because of any shortage of investment opportunities.

Unidentified Participant

A question for Robert. The topic of opportunity cost has come up several times. And you talked about kind of your growing appreciation for opportunity cost as the relevant hurdle rate. I'd be interested in learning more about kind of how that thinking has evolved over the past few years. And perhaps, if there's any examples you can give that might have been the epiphany for you that opportunity cost really is the more relevant hurdle rate than a specific number.

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

Okay, good question. One, I think it's in the context of our increasing focus on capital allocation over the last 3 or 4 years. I spoke of and tried to focus on capital allocation at the highest level for most of my business career, but it was very much tertiary to the way we would have thought. So the -- one, I would say, all my comments here, I'm just going to make the hypothetical that I'm talking about the risk-equalized comparison. So obviously, investing in China is different than investing in the last decile of advertising for Vistaprint cohorts we know and understand very well. So if you adjust that out, we're -- then I think everyone in this room understands it's better to -- if you have a limited set of capital to put it in the highest-performing capital. I think that is something that -- when we first started rolling out an explicit capital allocation policy to each of our different businesses and started having better numbers around it, if someone came in and said, "Boy, we have a 15% returning or 20%, 25% returning idea," we'd fund it. But then recognizing -- we recognized that, that takes away the capability to invest in other places. Most investments we do from an operational perspective are forecastable for, at least, the next year. We can -- we don't know the specifics. We'd like to be more agile than having a year or 2 year-long plan. But broadly, we know operationally we're going to invest in these different areas.

So the areas that create great variety in terms of the deployment of capital, since we don't do dividends, get down to share repurchases, debt repayment and acquisitions. And those all play a part of that. I think the -- no offense to Youssef who is on the IPO team at Jefferies when we went public. I think the most egregious mistake we made going -- was going public and issuing 11 million shares at 9 -- $11 a share when we didn't need the money. We -- if we had sold [100%] secondary shares of the exiting venture capitalists, we would have, today, 22 million shares. I think that's -- we've talked about more recent examples of buying companies, which are good companies when our share price was at $30. And that was in the last 4, 5, 6 years. So I think because -- opportunity cost, we don't see the impact as much in the operational allocation as much as in more -- other balance sheet-based uses of capital. I just want to add that, that being said, something I've -- a number of you have brought the subject up. And Sean, I encourage you to jump in on this, too, that in theory, we can just say, "Okay, we have a wonderful business. Let's just buy back all our shares and do that." Well, in 2012 -- I started a business in '95. I loved Vistaprint then. I love it now. And we thought it was a great business. But we were in no way certain that Vistaprint had exciting future in front of it, that's why we did all of the investments. And as the river that we needed to cross to go from free everything to where we are going now turned out, in retrospect, to be multiple years wider and deeper in terms of cost and time than we ever thought. In retrospect, some of our things like that worked out well, but it's hard at any given time to say what's going to work out and what's not. So just purely buying back shares, I don't believe, is the use of capital we will be getting to in the near term. I mean, at some point, you may do that. But markets, I believe, are not that static that if we don't reinvest back in the business, we'll be buying back shares in a buggy with manufacturing, which, as that goes out of style, it's -- you may own all shares, but you're still making buggy rates.

Meredith Burns

Other questions? Have we answered all of your questions already? Oh, I have another question.

Unidentified Participant

What happened to -- if you can kind of think backward last 2 or 3 years, what happened to lifetime value to customer acquisition cost across the various businesses? And what are you doing over the next 3 to 5 years to continue bringing them up?

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

So maybe each of you 3 guys can answer? Trynka and then Kees and Peter.

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

Yes. So again, apologies for not having the cohort data this year for you. But the -- we have seen the value of customers in Vistaprint increase as we've continued to leverage external marketing over the multiyear period. So ultimately, that's a great measure of effectiveness, say, acquiring higher-value, higher-returning customers with less kind of -- with some leverage in that area is important. External marketing process is not just about customer acquisition. As we've evolved our strategy, it is also about product adoption and actually also investing in that lifetime value. So as you look at the portfolio, but I think the indicators that we see around that improvement in customer values as we're doing -- we're seeing that effectiveness improve. And we certainly hold our teams to doing that every year.

Cornelis David Arends - *Cimpress N.V. - Executive VP and President of Upload & Print Business Units*

So in Upload and Print, if you, first of all, look at the businesses that sell through resellers, there, we typically see a very high customer retention rate. We have very satisfied and, therefore, also very loyal customers. So the concept of looking at the lifetime value in acquiring those businesses is very much top of mind, especially for these reseller-oriented businesses. On the other hand, the direct -- the businesses that are focusing on the direct customers are also very much, let's say, looking at how to attract the right type of customers, how to create these long and high lifetime value. I can tell you that if you look at the investments that we're going to make in the next couple of years, it's exactly, let's say, looking at retention and retaining those customers, understanding those customers better. It is these data- and fact-based and fact-driven e-commerce approach, where the group of businesses that we have in Upload and Print can benefit from learning from each other, and -- which is an area where I see, on top of where we are today, a potential for improvement.

Peter Kelly - *Cimpress N.V. - EVP*

Yes, I think in National Pen, I mean, the lifetime value of the customer really is, I guess, the value that the customer creates over the lifetime that you're using in terms of what metric and time period. So I guess, in National Pen, we look at it in 2 ways. One is we could either prospect deeper and go for a longer lifetime value, which would be one way of growing the business. But I think the view we take really is a very balanced approach between saying, "Well, how deep do we go? How long do we go in lifetime value." But on the other side, it's -- the lifetime value is a lot determined by the quality aspects of what you do in your prospect than in your customer campaigns. So I think we -- we've changed the strategy especially in National Pen over the last year, certainly to at lifetime value over slightly longer periods right across the business. But we've been even more focused on focusing on quality of aspects or prospecting on a customer. So very much like Trynka's presentation, actually, a lot of what we're doing is trying to have better campaigns, acquiring more customers, very much like the leaking bath story. But on the flip side, we're also working on customer retention, how to expand product portfolio for the customer, so that the customer spend, over time, actually increases. So a very similar story. But I think we balance closely between the quality of aspects in both prospecting and customer with how deep do we go in lifetime value over a period of time.

Unidentified Participant

Just curious to know a little more about your -- thinking about your online -- your offline strategy. I was surprised to know that you actually have a store in Toronto. So does that have a determined -- or a clear ROI associated with it? Or is that really just a test to get people to play with the different offerings and kind of go from there?

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

Yes. So in terms of the retail store for Vistaprint, it's purely a test right now. It's -- when you do one store, it will not have an ROI. It's to really understand how do customers engage with an offline store, do we get higher lifetime value or different type of prospect, but also what can we learn about new services and new ways of interacting with them that we could leverage to the website. I mean, as you think about this year, we have no plans to expand. We're really looking to learn, evolve and iterate in store. I think any -- after that, we might test the store format, but we're very early just to kind of learn and fill the vast majority of businesses still done offline. We just want to learn a little bit about how Vistaprint could expand, but also what we can learn by being more in person with customers. So quite earlier stage.

Unidentified Participant

As I think about the long-term evolution of Vistaprint from selling low-cost business cards to a customer segment, I think it was treated in fairly homogenous manner, micro businesses who needed business cards and similar complimentary product. And now you're moving to treating that customer base, it seems, in a more heterogeneous, diversified, segmented fashion and selling more stuff, frankly, to solve their marketing problems. What do you think your wallet share is of the average micro business customer you serve? And where do you want that to go?

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

Yes. So for customers we serve today, I mean, at ballpark, our wallet share is like 20%, 25% on average. I mean, it's -- and we see a lot of opportunities. So what we hear from customers is until they see so much opportunity to do more with Vistaprint, they really want more products and services because it's so easy to use and the graphic design and the value they appreciate, but the selection hasn't been broad enough. As we broaden selection, it takes some time to get people to know that we have this selection. I think that's one thing we've seen in the retail stores that's quite surprising for customers even just the have today. So we want to make sure that we're expanding that selection to offer those services, but they need to work on how we tell that story to customers, and we've done a lot of work. Over the past year, we even -- how we think about segmentation, looking more about who they are and the verticals they represent, thinking about the stories and the use cases and how they -- what are the problems they're trying to solve. And I think we'll continue to reorient our marketing, more to be solving those problems versus just kind of product orientation, which it will take some time to build. So we're in the midst of a transition around how we talk and communicate to customers, and that's really possible because of the investments we've made in selection and service over time.

Unidentified Participant

And as you think about the central role you want Vistaprint to play in a marketing -- serving the marketing needs of micro businesses, what's the aspirational target for where that 20% to 25% could go?

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

I mean, aspirational. Yes, the -- yes -- and I think, yes...

Unidentified Participant

Some of them always go down the street to John's print shop, right?

Katryn Shineman Blake - *Cimpress N.V. - Executive VP, CEO of Vistaprint Business Unit & Member of Management Board*

Right. And I think that there is -- I mean, there's some things that are really hard for us to address. Think about a complicated -- to give out a sign that wraps a van. It's not just about the selling of the sign. It's actually the installation and that, for me, would be really far out for us. So we talked a little bit about the addressable. We look at companies like Amazon, what share did they have in books versus what share they might have across the portfolio. We think we certainly have room to, at least, kind of, I would say, double share aspirationally. I think we'll look at there before we raise our aspiration beyond that.

Meredith Burns

Any other questions? Going once -- I'm trying not trip here. All right. Well, on behalf of the management team, I would like to thank you all for joining us, whether you're here in the room or on the webcast. We appreciate you traveling all the way here. We would love to get your feedback. We're going to send out a survey. And hopefully, you enjoy this as much as we did. And maybe we'll have it here again next year.

Robert S. Keane - *Cimpress N.V. - Founder, President, CEO & Chairman of the Management Board*

All right. Thank you all.

Sean Edward Quinn - *Cimpress N.V. - Executive VP & CFO*

Thank you. Thank you.
