

Shutterfly

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BL  
BORROWLENSES

# SHUTTERFLY INC

2016

*“Helping people share life’s joy.”*



# Safe Harbor Disclaimer

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This presentation contains "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. These forward-looking statements include statements about our plans for 2016 and beyond and our business outlook and statements about historical results that may suggest trends for our business. You can identify these statements by the use of terminology such as "guidance," "believe," "expect," "will," "should," "could," "estimate," "anticipate" or similar forward-looking terms. You should not rely on these forward-looking statements as they involve risks and uncertainties that may cause actual results to vary materially from the forward-looking statements. Factors that might contribute to such differences include, among others, decreased consumer discretionary spending as a result of general economic conditions; our ability to expand our customer base and increase sales to existing customers; our ability to meet production requirements; our ability to successfully integrate acquired businesses and assets; our ability to retain and hire necessary employees, including seasonal personnel, and appropriately staff our operations; the impact of seasonality on our business; our ability to develop innovative, new products and services on a timely and cost-effective basis, including our next generation Shutterfly platform; unforeseen difficulties executing on planned strategic restructuring activities; consumer acceptance of our products and services; our ability to develop additional adjacent lines of business; unforeseen changes in expense levels; and competition and the pricing strategies of our competitors, which could lead to pricing pressure. For more information regarding the risks and uncertainties that could cause actual results to differ materially from those expressed or implied in these forward-looking statements, as well as risks relating to our business in general, we refer you to the "Risk Factors" section of our SEC filings, including our most recent Form 10-K and 10-Q, which are available on the Securities and Exchange Commission's Web site at [www.sec.gov](http://www.sec.gov). These forward-looking statements are based on current expectations and the company assumes no obligation to update this information.

This presentation may include non-GAAP financial measures, including Adjusted EBITDA, non-GAAP profits/margins, non-GAAP net loss and non-GAAP net loss per share. We define Adjusted EBITDA as earnings before interest, taxes, depreciation, amortization and stock-based compensation. We define Free Cash Flows as Adjusted EBITDA less purchases of property, plant and equipment and capitalization of software and website development costs. The method we use to produce non-GAAP financial measures is not computed according to GAAP and may differ from the methods used by other companies. To supplement our consolidated financial statements presented on a GAAP basis, we believe that these non-GAAP measures provide useful information about our core operating results and thus are appropriate to enhance the overall understanding of our past financial performance and our prospects for the future. These adjustments to our GAAP results are made with the intent of providing both management and investors a more complete understanding of our underlying operational results and trends and performance. Management uses these non-GAAP measures to evaluate our financial results, develop budgets, manage expenditures, and determine employee compensation. The presentation of additional information is not meant to be considered in isolation or as a substitute for, or superior to, gross profit, net income (loss) or net income (loss) per share determined in accordance with GAAP. Management strongly encourages review of our financial statements and publicly-filed reports in their entirety and to not rely on any single financial measure.

# Investment Highlights

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**Innovative, category-leading digital retailer** of personalized photo products and memory management services

**One-of-a-kind, personalized products** not available in marketplaces

**Family of premium brands with high awareness** appeals to customers across life stages

Loyal, demographically **attractive core customer base** with high lifetime value and low customer acquisition cost

Scale combined with vertically integrated business model drives **industry leading profit margins**

**Growth opportunity** in ~\$30B photo- and personalized product-related U.S. market

Strong track record and **clear vision for future growth** via modernized technology platforms and new markets

**Generating strong free cash flow** and returning capital to shareholders via repurchases

# Shutterfly Snapshot

**\$1B+**

Revenues

**7.9M**

Share Sites

**28B**

Hosted Photos

**11.3M**

Mobile app downloads

**9.8M**

Customers

**25.8M**

Annual Orders

**~\$41**

Average Order Value\*

**~75%**

Returning Customers\*\*

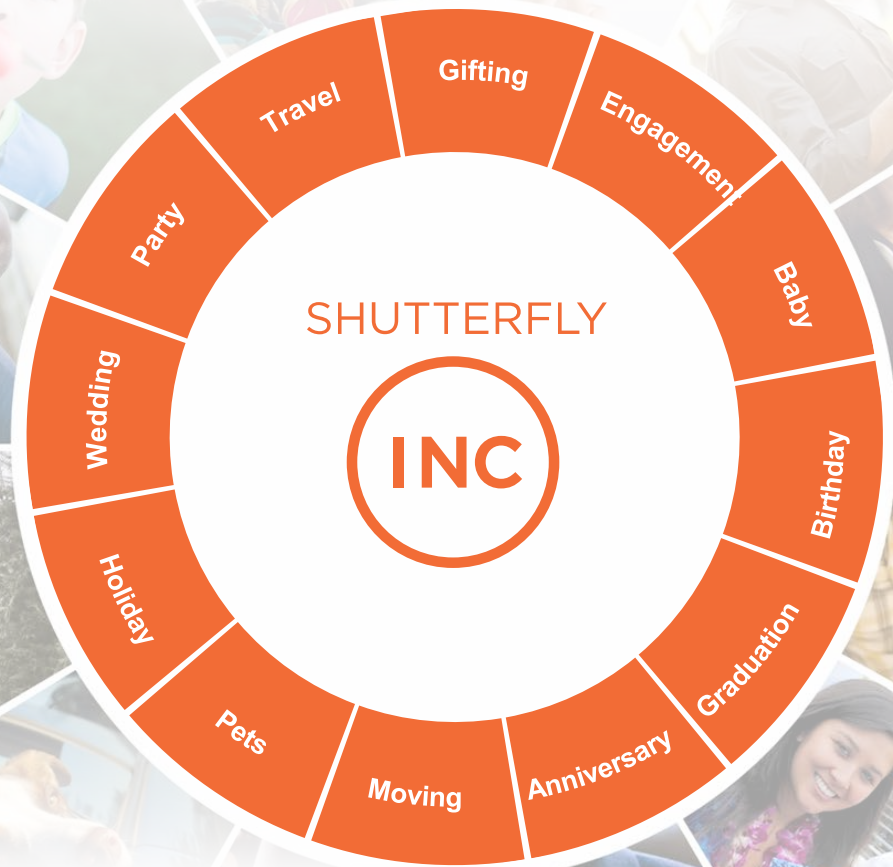
Notes:

Statistics for year ended December 31, 2015.

\*AOV excludes GrooveBook, which was acquired in October 2014.

\*\*Customers who purchased from Shutterfly in 2015 and were also prior customers.

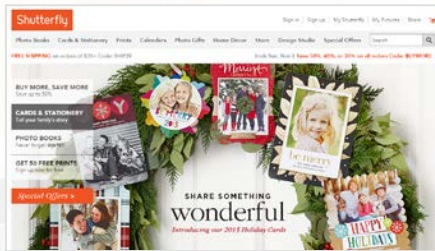
# Capturing Life's Most Important Memories



# We are a Category Leader with a Portfolio of Premium Lifestyle Brands

## SHUTTERFLY INC

Shutterfly



GROOVEBOOK

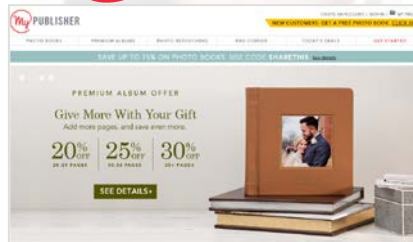


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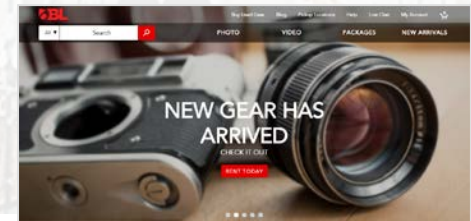
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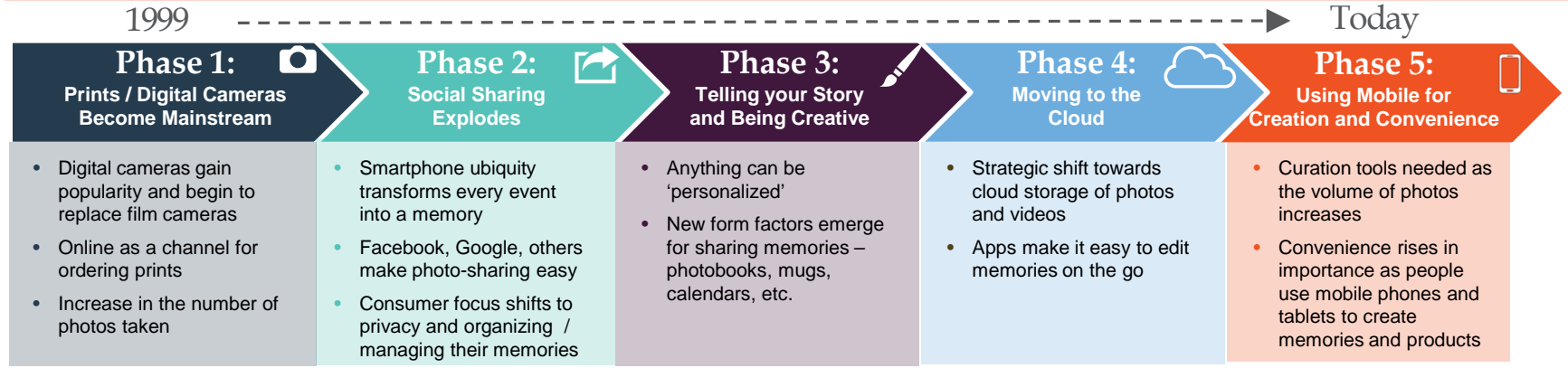
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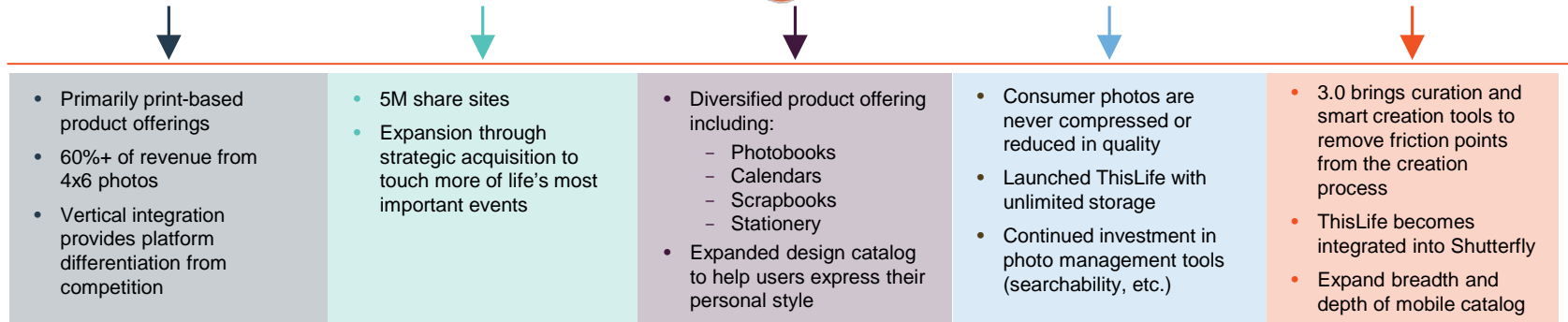
BORROWLENSES  
ONLINE CAMERA GEAR RENTAL



# Driving Innovation and Evolving with the Industry

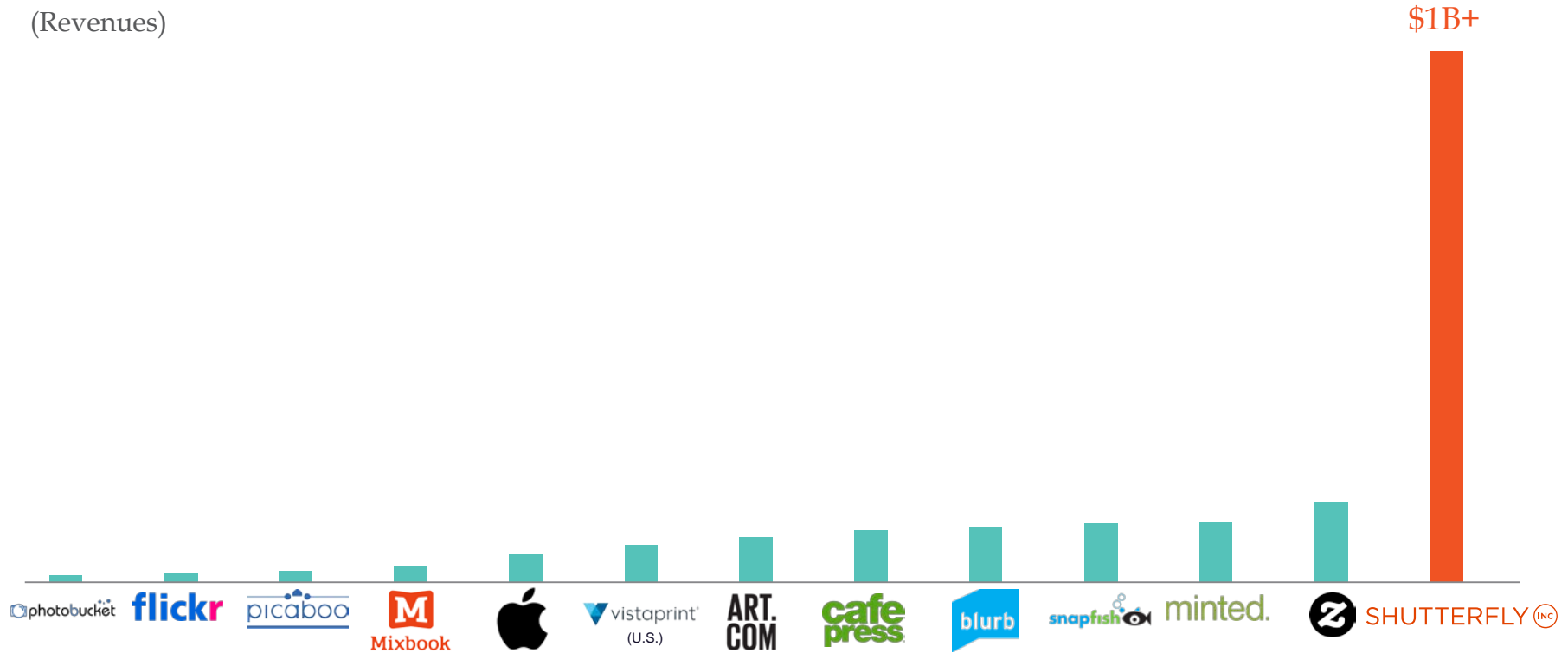


## SHUTTERFLY INITIATIVES



# Operating at a Scale Far Beyond the Field

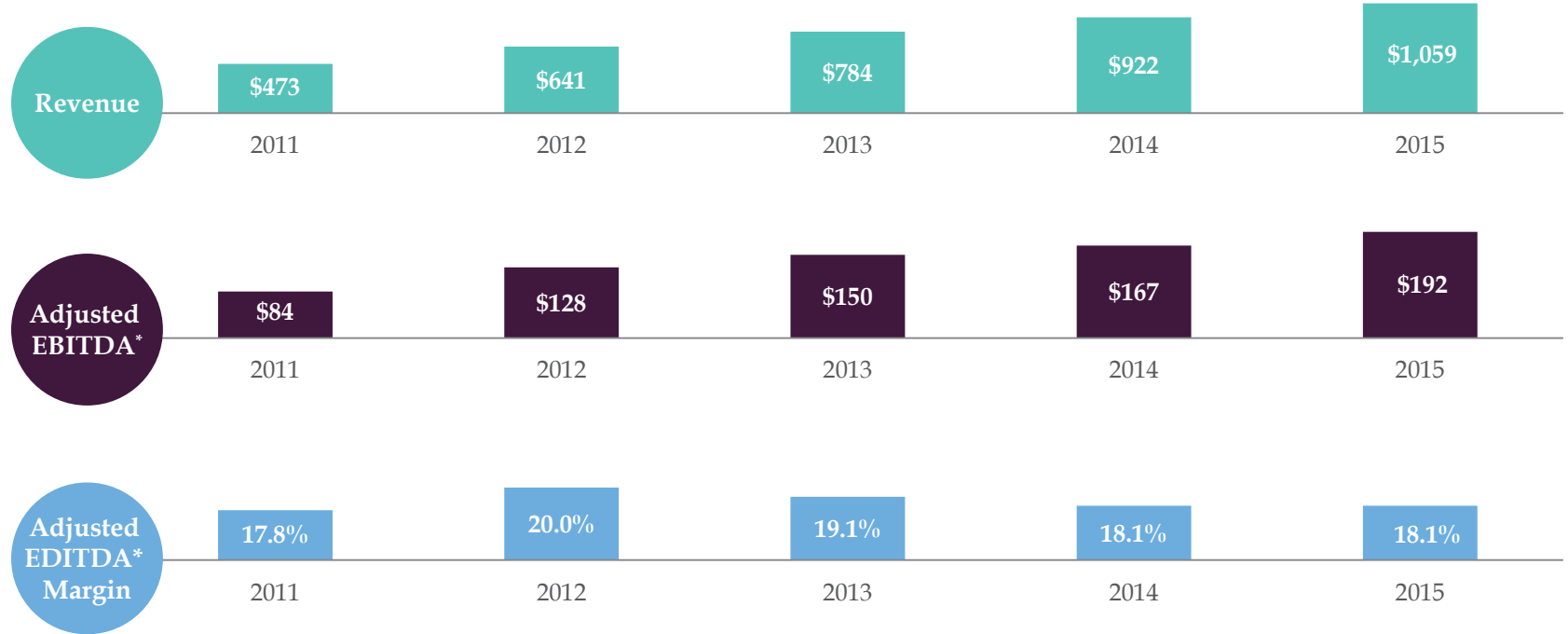
(Revenues)





# \$1B+ Revenue and High Adj. EBITDA Margin E-Commerce Business

(\$ in Millions)



Notes:

\*Adjusted EBITDA is defined as earnings before interest, taxes, depreciation, amortization and stock-based compensation.  
Please see our SEC filings on Form 10-K for reconciliations.

# Driving Future Growth

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1

## New Markets and Categories

- Personalized Home Décor
- Personalized Gifts
- Hispanic Market
- International Markets

2

## SBS: Leaders Across Verticals

- Healthcare
- Technology
- Retail
- Financial
- Packaging
- Franchise
- Loyalty/Rewards
- Higher Education

3

## Technology Innovation

- Shutterfly 3.0
- ThisLife integration
- Automatic product creation
- Faster innovation & new features

4

## Mobile

- Category expansion in apps
- Seamless cross-device experience
- Specialty photo book apps
- New customer acquisition levers (e.g. push)