

Shutterfly, Inc.
Consolidated GAAP Statements of Operations
(\$ in thousands, except EPS)
(Unaudited)
March 31, 2018

	Year ended Dec. 31, 2014	Year ended Dec. 31, 2015	Year ended Dec. 31, 2016	Quarter ended				Year ended Dec. 31, 2017	Quarter ended Mar. 31, 2018
				Mar. 31, 2017	Jun. 30, 2017	Sept. 30, 2017	Dec. 31, 2017		
Net Revenues	\$921,580	\$1,059,429	\$1,134,224	\$191,972	\$209,032	\$195,443	\$593,755	\$1,190,202	\$199,725
Consumer	870,959	961,418	997,556	160,645	179,090	135,418	521,809	996,963	152,059
SBS	50,621	98,011	136,668	31,327	29,942	60,025	71,946	193,239	47,666
Cost of Net Revenues	452,720	528,078	566,117	116,119	118,205	131,108	254,218	619,650	126,046
Restructuring	-	-	-	1,240	196	39	-	1,475	-
Gross Profit	\$468,860	\$531,351	\$568,107	\$74,613	\$90,631	\$64,296	\$339,537	\$569,077	\$73,679
Operating Expenses									
Technology and Development	133,623	155,318	166,909	45,955	39,398	39,614	43,415	168,383	38,504
Sales and Marketing	216,035	236,749	233,585	42,887	42,987	33,331	78,503	197,708	37,720
General and Administrative	112,957	121,019	118,503	27,795	27,511	23,894	38,597	117,797	31,565
Capital Lease Termination	-	-	-	-	8,098	-	-	8,098	-
Restructuring	-	-	-	7,736	4,477	3,278	-	15,491	-
Total Operating Expenses	462,615	513,086	518,997	124,373	122,471	100,117	160,515	\$507,477	107,789
Income/(Loss) from Operations	\$6,245	\$18,265	\$49,110	(\$49,760)	(\$31,840)	(\$35,821)	\$179,022	\$61,600	(\$34,110)
Interest Expense	(16,732)	(20,998)	(23,023)	(5,964)	(5,955)	(6,699)	(9,219)	(27,836)	(9,633)
Interest and Other Income, net	508	744	501	189	244	253	794	1,481	1,749
Income/(Loss) before Income Taxes	(\$9,979)	(\$1,989)	\$26,588	(\$55,535)	(\$37,551)	(\$42,267)	\$170,597	\$35,245	(\$41,994)
Provision for Income Benefit / (Taxes)	2,119	1,146	(10,682)	22,341	14,713	16,660	(58,873)	(5,160)	14,829
Net Income / (Loss)	(\$7,860)	(\$843)	\$15,906	(\$33,194)	(\$22,838)	(\$25,607)	\$111,724	\$30,085	(\$27,165)
Net income (loss) per share:									
Basic	(\$0.20)	(\$0.02)	\$0.47	(\$0.98)	(\$0.68)	(\$0.78)	\$3.45	\$0.91	(\$0.83)
Diluted	(\$0.20)	(\$0.02)	\$0.45	(\$0.98)	(\$0.68)	(\$0.78)	\$3.37	\$0.88	(\$0.83)
Weighted average shares outstanding:									
Basic	38,452	36,761	34,097	33,712	33,579	32,878	32,372	33,113	32,702
Diluted	38,452	36,761	35,190	33,712	33,579	32,878	33,114	34,106	32,702
Stock-based compensation is allocated as follows:									
Cost of Net Revenues	\$3,657	\$4,134	\$4,579	\$1,169	\$1,074	\$1,041	\$1,055	\$4,339	\$999
Technology and Development	9,236	10,840	8,550	2,696	2,179	2,512	2,391	9,778	2,429
Sales and Marketing	22,670	21,512	15,445	3,173	2,980	2,864	3,211	12,229	3,504
General and Administrative	26,199	23,972	17,118	4,467	4,236	4,319	4,206	17,227	4,760
Restructuring	-	-	-	814	-	-	-	814	-
	\$61,762	\$60,458	\$45,692	\$12,319	\$10,469	\$10,736	\$10,863	\$44,387	\$11,692

Shutterfly, Inc.
Consolidated Balance Sheets
(\$ in thousands)
(Unaudited)
March 31, 2018

	2014	2015	2016	2017			2018	
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sept. 30, 2017	Dec. 31, 2017	Mar. 31, 2018
Assets								
Current Assets								
Cash and cash equivalents	\$380,543	\$288,863	\$289,224	\$161,515	\$126,081	\$55,959	\$489,894	\$419,371
Short-term investments	64,866	22,918	26,352	45,005	44,550	44,977	178,021	120,107
Accounts receivable, net	31,105	55,222	57,365	33,243	30,079	61,468	82,317	54,142
Inventories	13,016	13,466	11,751	9,664	8,900	12,057	11,019	10,150
Deferred tax asset, current portion	34,645	-	-	-	-	-	-	-
Prepaid expenses and other current assets	23,736	31,828	48,084	59,941	76,370	81,322	41,383	56,351
Total current assets	547,911	412,297	432,776	309,368	285,980	255,783	802,634	660,121
Long-term investments	29,928	29,005	14,479	15,903	17,015	11,739	9,242	4,941
Property and equipment, net	241,742	281,779	284,110	266,844	252,485	269,145	266,860	259,951
Intangible assets, net	87,950	62,323	43,420	39,378	35,816	32,544	29,671	27,618
Goodwill	408,975	408,975	408,975	408,975	408,975	408,975	408,975	408,975
Deferred tax asset, net of current portion	549	1,710	780	1,139	10,606	11,559	3,647	527
Other assets	10,719	9,238	11,036	10,458	11,190	17,192	13,771	17,095
Total Assets	1,327,774	\$1,205,327	\$1,195,576	\$1,052,065	\$1,022,067	\$1,006,937	\$1,534,800	\$1,379,228
Liabilities and Stockholders' Equity								
Current Liabilities								
Current portion of long-term debt	-	-	-	-	\$286,316	\$290,157	297,054	\$301,004
Accounts payable	\$30,086	\$35,329	\$58,790	\$14,067	20,270	25,098	91,473	17,210
Accrued liabilities	126,580	135,044	122,777	63,049	63,015	73,872	142,389	59,862
Deferred revenue	31,415	27,329	22,929	22,225	22,747	22,794	24,649	22,049
Current portion of capital lease obligations	8,905	14,090	16,092	16,168	14,512	16,724	16,859	17,019
Total current liabilities	196,986	211,792	220,588	115,509	406,860	428,645	572,424	417,144
Long-term debt	250,714	264,361	278,792	282,527	-	-	292,457	291,879
Deferred tax liability	48,090	12,447	20,446	-	-	-	-	-
Other liabilities	41,881	66,237	66,376	66,053	74,191	69,883	70,575	67,433
Capital lease obligations, less current portion	32,297	44,428	50,213	46,164	40,679	51,639	48,620	47,174
Total Liabilities	569,968	599,265	636,415	510,253	521,730	550,167	984,076	823,630
Total Stockholders' Equity	757,806	606,062	559,161	541,812	500,337	456,770	550,724	555,598
Total Liabilities & Stockholders' Equity	\$1,327,774	\$1,205,327	\$1,195,576	\$1,052,065	\$1,022,067	\$1,006,937	\$1,534,800	\$1,379,228

Shutterfly, Inc.
Consolidated Statements of Cash Flows
(\$ in thousands)
(Unaudited)
March 31, 2018

	Year ended	Year ended	Year ended	Quarter Ended				Year ended	Quarter
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sept. 30, 2017	Dec. 31, 2017	Dec. 31, 2017	Mar. 31, 2018
Net Income/(Loss)	(\$7,860)	(\$843)	\$15,906	(\$33,194)	(\$22,838)	(\$25,607)	\$111,724	\$30,085	(\$27,165)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities									
Depreciation and amortization	64,885	86,290	93,531	23,024	22,097	21,246	22,579	88,946	22,564
Amortization of intangible assets	33,867	26,987	20,120	4,340	3,860	3,570	3,146	14,916	2,334
Amortization of debt discount and transaction costs	12,905	13,647	14,432	3,735	3,789	3,841	4,143	15,508	4,122
Stock-based compensation, net of forfeitures	61,762	60,458	45,692	11,505	10,469	10,736	10,863	43,573	11,692
Loss on disposal of property and equipment and rental assets	361	1,755	738	172	295	238	436	1,141	225
Deferred income taxes	(2,604)	(2,149)	8,899	2,358	(9,461)	(1,504)	8,446	(161)	4,264
Tax benefit (shortfall) from stock-based compensation	(163)	98	290	-	-	-	-	-	-
Excess tax benefit from stock options	(1,025)	(1,813)	(2,413)	-	-	-	-	-	-
Restructuring	-	-	-	7,868	2,896	872	(754)	10,882	-
Changes in operating assets and liabilities, net of effects of acquisition:									
Accounts receivable, net	(9,464)	(24,117)	(2,142)	24,122	3,164	(31,389)	(20,849)	(24,952)	28,174
Inventories	(3,388)	(450)	1,715	847	568	(3,197)	1,039	(743)	869
Prepaid expenses and other current assets	(3,958)	(8,163)	(16,259)	(11,857)	(7,178)	(14,201)	39,937	6,701	(15,557)
Other assets	(1,442)	727	(2,881)	280	(1,021)	(87)	(270)	(1,098)	(85)
Accounts payable	(1,275)	3,139	27,128	(44,655)	4,706	4,130	68,008	32,189	(73,773)
Accrued and other liabilities	16,586	13,556	(6,933)	(60,227)	1,804	9,360	69,880	20,817	(85,638)
Deferred revenue	7,301	(4,085)	(4,400)	(704)	522	47	1,855	1,720	3,642
Net cash provided by (used in) operating activities	166,488	165,037	193,423	(72,386)	13,672	(21,945)	320,183	239,524	(124,332)
Cash Flows from Investment Activities									
Acquisition of business and intangible assets, net of cash	(12,000)	(127)	-	-	-	-	-	-	-
Purchases of property and equipment	(71,169)	(55,448)	(56,264)	(3,517)	(4,659)	(14,784)	(13,785)	(36,745)	(8,075)
Capitalization of software and website development costs	(21,032)	(21,221)	(33,423)	(7,602)	(9,456)	(8,919)	(8,029)	(34,006)	(8,584)
Purchases of investments	(124,111)	(31,073)	(29,422)	(26,304)	(13,501)	(4,576)	(161,085)	(205,466)	(9,523)
Proceeds from the maturities of investments	29,980	73,454	40,447	6,214	12,819	9,423	30,675	59,131	72,068
Proceeds from sale of equipment and rental assets	904	1,298	14,261	70	11,608	9,554	492	21,724	649
Net cash provided by (used in) investing activities	(197,428)	(33,117)	(64,401)	(31,139)	(3,189)	(9,302)	(151,732)	(195,362)	46,535
Cash Flows from Financing Activities									
Proceeds from issuance of common stock upon exercise of stock options	3,243	3,221	2,104	117	403	106	51	677	13,775
Repurchases of common stock	(88,815)	(179,090)	(112,488)	(20,000)	(30,000)	(30,000)	(30,000)	(110,000)	-
Refund of accelerated share repurchase	-	38,179	-	-	-	-	-	-	-
Prepayment of accelerated share repurchase	-	(75,000)	-	-	-	-	-	-	-
Excess tax benefit of stock based compensation	1,025	1,813	2,413	-	-	-	-	-	-
Principal payments of capital lease and financing obligations	(3,054)	(12,723)	(19,377)	(4,301)	(16,320)	(4,192)	(4,567)	(29,380)	(4,643)
Principal payments of borrowings	-	-	-	-	-	-	-	-	(750)
Proceedings from borrowing, net of issuance costs	-	-	-	-	-	(4,789)	300,000	295,211	-
Payment for contingent consideration liabilities ¹	-	-	(1,313)	-	-	-	-	-	-
Payment of debt issuance costs	-	-	-	-	-	-	-	-	(1,108)
Net cash provided by (used in) financing activities	(87,601)	(223,600)	(128,661)	(24,184)	(45,917)	(38,875)	265,484	156,508	7,274
Net increase (decrease) in cash and cash equivalents	(118,541)	(91,680)	361	(127,709)	(35,434)	(70,122)	433,935	200,670	(70,523)
Cash and cash equivalents, beginning of period	499,084	380,543	288,863	289,224	161,515	126,081	55,959	289,224	489,894
Cash and cash equivalents, end of period	\$380,543	\$288,863	\$289,224	\$161,515	\$126,081	\$55,959	\$489,894	\$489,894	\$419,371
Supplemental disclosures of cash flow information									
Net change in accrued purchases of property & equipment	(2,674)	3,818	(4,013)	(1,848)	2,593	3,518	(1,570)	2,693	(3,780)
Net change in accrued capitalized software and website development costs	716	892	(319)	124	146	(431)	(235)	(396)	357
Amount due from adjustment of net working capital from acquired business	253	-	-	-	-	-	-	-	-
Stock-based compensation capitalized with software and website development costs	1,597	1,248	1,560	258	500	326	289	1,373	323
Estimated fair market value of building under build-to suit lease	22,855	17,161	-	-	-	-	-	-	-
Property and equipment acquired under capital leases	37,728	29,097	23,946	-	6,228	11,996	921	19,145	2,969
Increase to amount due for acquisition of business	1,673	-	-	-	-	-	-	-	-
Net increase in receivable proceeds from the sale of property and equipment	-	-	3,765	-	9,250	(9,250)	-	-	-

Shutterfly, Inc.
Reconciliation of GAAP to Non-GAAP Balances
(In thousands)
(Unaudited)
March 31, 2018

	Year ended	Year ended	Year ended	Quarter Ended				Year ended	Quarter Ended
	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017	Sept. 30, 2017	Dec. 31, 2017	Dec. 31, 2017	Mar. 31, 2018
Reconciliation of Net Income (Loss) to Non-GAAP Adjusted EBITDA									
GAAP net income (loss)	(\$7,860)	(\$843)	\$15,906	(\$33,194)	(\$22,838)	(\$25,607)	\$111,724	\$30,085	(\$27,165)
Add back:									
Interest expense	16,732	20,998	23,023	5,964	5,955	6,699	9,219	\$27,836	9,633
Interest and other income, net	(508)	(744)	(501)	(189)	(244)	(253)	(794)	(1,481)	(1,749)
Tax (benefit) provision	(2,119)	(1,146)	10,682	(22,341)	(14,713)	(16,660)	58,873	\$5,160	(14,829)
Depreciation and amortization	64,885	86,290	93,531	23,024	22,097	21,246	22,579	\$88,946	22,564
Amortization of intangible assets	33,867	26,987	20,120	4,340	3,860	3,569	3,145	\$14,916	2,334
Stock-based compensation expense	61,762	60,458	45,692	11,505	10,469	10,736	10,863	\$43,573	11,692
Capital lease termination	-	-	-	-	8,098	-	-	\$8,098	-
Restructuring	-	-	-	8,976	4,673	3,317	-	\$16,966	-
Acquisition-related costs	-	-	-	-	-	-	-	-	4,585
Non-GAAP Adjusted EBITDA	\$166,759	\$192,000	\$208,453	(\$1,915)	\$17,357	\$3,047	\$215,609	\$234,099	\$7,065
Reconciliation of Cash Flow from Operating Activities to Non-GAAP Adjusted EBITDA and Adjusted EBITDA minus Capital Expenditures									
Net cash provided by (used in) operating activities	\$166,488	\$165,037	\$193,423	(\$72,386)	\$13,672	(\$21,945)	\$320,183	\$239,524	(\$124,332)
Interest expense	16,732	20,998	23,023	5,964	5,955	6,699	9,219	27,836	9,633
Interest and other income, net	(508)	(744)	(501)	(189)	(244)	(253)	(794)	(1,481)	(1,749)
Tax (benefit) provision	(2,119)	(1,146)	10,682	(22,341)	(14,713)	(16,660)	58,873	5,160	(14,829)
Changes in operating assets and liabilities	(4,360)	19,393	3,772	92,194	(2,565)	35,336	(159,600)	(34,634)	142,368
Other adjustments	(9,474)	(11,538)	(21,946)	(6,265)	5,377	(2,575)	(13,026)	(16,488)	(8,611)
Capital lease termination	-	-	-	-	8,098	-	-	8,098	-
Restructuring	-	-	-	1,108	1,777	2,445	754	6,084	-
Acquisition-related costs	-	-	-	-	-	-	-	-	4,585
Non-GAAP Adjusted EBITDA	\$166,759	\$192,000	\$208,453	(\$1,915)	\$17,357	\$3,047	\$215,609	\$234,099	\$7,065

Shutterfly, Inc.
Key Metrics and Income Statement Analysis
(Unaudited)
March 31, 2018

	Year ended Dec. 31, 2014	Year ended Dec. 31, 2015	Year ended Dec. 31, 2016	Quarter Ended				Year ended Dec. 31, 2017	Quarter Ended Mar. 31, 2018
				Mar. 31, 2017	Jun. 30, 2017	Sept. 30, 2017	Dec. 31, 2017		
Consumer Key Metrics^[1]									
Customers				3,364,799	3,350,434	2,969,451	6,110,833		3,220,881
Orders				5,535,344	5,467,763	4,861,262	10,463,752		5,076,150
Average order value				\$ 29.02	\$ 32.75	\$ 27.86	\$ 49.87		\$ 29.96
Margin Analysis									
Gross Profit margin	50.9%	50.2%	50.1%	38.9%	43.4%	32.9%	57.2%	47.8%	36.9%
Adjusted EBITDA margin	18.1%	18.1%	18.4%	(1.0%)	8.3%	1.6%	36.3%	19.7%	3.5%
Operating margin	0.7%	1.7%	4.3%	(25.9%)	(15.2%)	(18.3%)	30.2%	5.2%	(17.1%)
Pre-tax margin	(1.1%)	(0.2%)	2.3%	(28.9%)	(18.0%)	(21.6%)	28.7%	3.0%	(21.0%)
Net margin	(0.9%)	(0.1%)	1.4%	(17.3%)	(10.9%)	(13.1%)	18.8%	2.5%	(13.6%)
Effective Tax Rate	21.2%	57.6%	40.2%	40.2%	39.2%	39.4%	34.5%	14.6%	35.3%
Y/Y Revenue Growth Rates									
Net Revenues	18%	15%	7%	6%	2%	4%	6%	5%	4%
Consumer	17%	10%	4%	3%	1%	(6%)	0%	(0%)	(5%)
SBS	34%	94%	39%	19%	10%	39%	81%	41%	52%
Y/Y Consumer Key Metrics Growth Rates									
Customers				1%	3%	(6%)	(2%)		(4%)
Orders				(0%)	3%	(10%)	(4%)		(8%)
Average order value				3%	(2%)	4%	4%		3%
Revenue Mix									
Consumer	95%	91%	88%	84%	86%	69%	88%	84%	76%
SBS	5%	9%	12%	16%	14%	31%	12%	16%	24%
	100%	100%	100%	100%	100%	100%	100%	100%	100%

[1] Historical metrics aggregated across Shutterfly's lifestyle brands

Shutterfly, Inc.
Segment Disclosure
(Unaudited)
March 31, 2018

	Year ended Dec. 31, 2014	Year ended Dec. 31, 2015	Year ended Dec. 31, 2016	Quarter Ended				Year ended Dec. 31, 2017	Quarter Ended Mar. 31, 2018
				Mar. 31, 2017	Jun. 30, 2017	Sep. 30, 2017	Dec. 31, 2017		
Consumer									
Net revenues	\$870,959	\$961,418	\$997,556	\$160,645	\$179,090	135,418	521,809	996,963	152,059
Cost of net revenues	394,265	436,050	455,387	89,854	92,049	81,439	193,320	456,665	84,845
Restructuring	-	-	-	1,240	196	39	-	1,475	-
Gross margin	476,694	525,368	542,169	69,551	86,845	53,940	328,489	538,823	67,214
	54.7%	54.6%	54.3%	43.3%	48.5%	39.8%	63.0%	54.0%	44.2%
Shutterfly Business Solutions									
Net revenues	50,621	98,011	136,668	31,327	29,942	60,025	71,946	193,239	47,666
Cost of net revenues	43,456	79,789	100,582	23,838	23,900	47,520	58,812	154,068	39,910
Gross margin	7,165	18,222	36,086	7,489	6,042	12,505	13,134	39,171	7,756
	14.2%	18.6%	26.4%	23.9%	20.2%	20.8%	18.3%	20.3%	16.3%
Corporate^[1]									
Net revenues	-	-	-	-	-	-	-	-	-
Cost of net revenues	14,999	12,239	10,148	2,427	2,256	2,149	2,086	8,917	1,291
Gross margin	(14,999)	(12,239)	(10,148)	(2,427)	(2,256)	(2,149)	(2,086)	(8,917)	(1,291)
Consolidated									
Net revenues	921,580	1,059,429	1,134,224	191,972	209,032	195,443	593,755	1,190,202	199,725
Cost of net revenues	452,720	528,078	566,117	116,119	118,205	131,108	254,218	619,650	126,046
Restructuring	-	-	-	1,240	196	39	-	1,475	-
Gross margin	\$468,860	\$531,351	\$568,107	74,613	90,631	64,296	339,537	569,077	73,679
GAAP Gross Margin	50.9%	50.2%	50.1%	38.9%	43.4%	32.9%	57.2%	47.8%	36.9%

[1] Corporate category includes activities that are not directly attributable or allocable to a specific segment. This category consists of stock-based compensation and amortization of intangible assets.