

Shutterfly Announces Issuance of \$300M Delayed Draw Term Loan B and Outlines Capital Structure Strategy

REDWOOD CITY, Calif.--(BUSINESS WIRE)-- [Shutterfly](#), Inc. (NASDAQ: SFLY) announced today the pricing of a \$300M Senior Secured Delayed Draw Term Loan B. The term loan carries a margin of LIBOR + 250 basis points and was issued at a discount to par of 50 basis points. The term loan has a maturity of seven years and a delayed draw period providing Shutterfly with flexibility to draw the facility over the next six months. Additional terms of the facility are set forth in the Credit Agreement dated August 17, 2017 by and among Shutterfly, the lenders to the new facility, Morgan Stanley as administrative and collateral agent, and the joint lead arrangers, joint bookrunners and agents.

"This transaction takes advantage of today's attractive debt market to finance the repayment of our \$300M convertible debt due in May 2018, which the company expects to repay at maturity. The Term Loan B structure provides us with very low-cost funding, along with excellent strategic and operational flexibility," said Mike Pope, Chief Financial Officer.

This refinancing of the company's May 2018 debt maturity is part of Shutterfly's overall capital structure strategy. The company seeks to maintain adequate financial capacity to manage its seasonal cash flows, ensure a reasonable degree of operational flexibility, and invest in value-creating growth. The company intends to manage leverage at a level to maintain a minimum of a Ba3/BB- credit rating going forward with low-cost, long-term and prepayable debt financing. Given Shutterfly's strong cash flow generation, the company believes that carrying low-cost debt consistent with this strategy enhances shareholder value. The company currently expects to return cash flows in excess of liquidity, debt service and growth-investment needs to shareholders, subject to market conditions and changing company needs. The company currently anticipates repurchasing approximately \$60.0 million of shares over the second half of 2017, bringing total estimated share repurchases for 2017 to \$110.0 million, which approximates annual cash expected to be generated in the full year 2017, again subject to market conditions and changing company needs.

"Management and the board continue to focus on three important levers of shareholder value creation: increasing our profitability and quality of earnings; re-accelerating growth; and optimizing our capital structure," said Christopher North, President and Chief Executive Officer. "As we substantially complete our restructuring and platform consolidation initiatives in Q3 and head into Q4 we believe we are well positioned to execute on our strategy."

Simultaneous with the pricing of the term loan, the company raised a new \$200M Senior Secured Revolving Credit Facility. The new revolving credit facility replaces Shutterfly's existing \$200M revolving credit facility, and carries a margin of LIBOR + 175 basis points and a maturity date of August 17, 2022.

Notice Regarding Forward-Looking Statements

This media release 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, which involve risks and uncertainties. These forward-looking statements include statements about the company's expectation to repay its convertible debt; the anticipated benefits of the company's capital structure strategy and the term loan B, including operational flexibility and adequate financial capacity to invest in value-creating growth; the intent to manage leverage so as to maintain a specified minimum credit rating; the belief that maintaining low-cost debt enhances shareholder value; the expectation that cash flows that exceed certain needs will be returned to shareholders; the anticipated share repurchase levels over the second half of 2017; and our belief that we are well positioned to execute on the company's strategy. 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 website at www.sec.gov. These forward-looking statements are based on current expectations and the company assumes no obligation to update this information.

About Shutterfly, Inc.

Shutterfly, Inc. is the leading online retailer and manufacturer of high-quality personalized products and services. Founded in 1999, the Shutterfly, Inc. brands includes [Shutterfly](#), where your photos come to life in photo books, gifts, and cards and stationery with premium offerings in its [Tiny Prints](#) boutique; [Wedding Paper Divas](#), wedding invitations and stationery for every step of the planning process; [BorrowLenses](#), the premier online marketplace for photographic and video equipment rentals; and [GrooveBook](#), an iPhone and Android app and subscription service that prints up to 100 mobile phone photos in a GrooveBook and mails it to customers every month. For more information about Shutterfly, Inc. (SFLY), visit <http://www.shutterflyinc.com/>.

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