SHUTTERFLY INC
Form 10-Q
November 07, 2018
SHUTTERFLY INC--12-31Large Accelerated Filer2018Q310-QFALSESeptember 30,
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

(Mark One)

ý **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2018

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to
Commission file number 001-33031

SHUTTERFLY, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**94-3330068**
(State or Other Jurisdiction of Incorporation or Organization)	*(IRS Employer Identification No.)*

2800 Bridge Parkway Redwood City, California	**94065**
(Address of Principal Executive Offices)	*(Zip Code)*

Registrant's Telephone Number, Including Area Code
(650) 610-5200

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $0.0001 Par Value Per Share	The Nasdaq Global Select Market

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No o

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).
Yes ý No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definition of "accelerated filer," "large accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated Filer x	Accelerated Filer o
Non-accelerated Filer o	Smaller reporting company o
	Emerging

growth
company o

(Do not check if a
smaller reporting
company)

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ý

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	**Outstanding as of November 5, 2018**
Common stock, $0.0001 par value per share	33,604,472

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report, including the following Management's Discussion and Analysis of Financial Condition and Results of Operations, 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 are based upon our current expectations. These forward-looking statements include statements related to expanding our product range to Lifetouch customers; accelerating the development of Lifetouch's online order-taking platform; the impact on us of general economic conditions, trends in key metrics such as total number of customers, total number of orders and average order value; our business strategy and plans; the seasonality of and growth of our business; growing and strengthening our talented leadership team; realizing significant supply chain, manufacturing and fulfillment synergies over time; technology initiatives; expected SBS gross margins in the short and longer term; our capital expenditures for 2018; the sufficiency of our cash and cash equivalents and cash generated from operations for the next twelve months; our manufacturing capabilities; effective tax rates; the incremental term loan; continued expansion of reliance on public cloud services; our intention to net settle warrants; anticipation of paying down our acquisition debt and maintaining a BB rating profile; continued focus on optimizing capital allocation; as well as other statements regarding our future operations, financial condition and prospects and business strategies. In some cases, you can identify forward-looking statements by terminology such as "guidance," "believe," "anticipate," "expect," "estimate," "intend," "seek," "continue," "should," "would," "could," "will," or "may," or the negative of these terms or o terminology. Forward-looking statements involve risks and uncertainties. Our actual results and the timing of events could differ materially from those anticipated in our forward-looking statements as a result of many factors, including but not limited to, 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 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; failure to realize the anticipated benefits of our 2017 restructuring activities; the retention of Lifetouch employees and our ability to successfully integrate the Lifetouch businesses; consumer acceptance of our products and services; our ability to develop additional adjacent lines of business and successfully launch new product categories; successfully acquire businesses and technologies and to successfully integrate and operate these acquired businesses and technologies; unforeseen changes in expense levels; refinement of our promotional strategy; competition and the pricing strategies of our competitors, which could lead to pricing pressure; the anticipated benefits of expanding the portions of our public cloud infrastructure; risks inherent in the achievement of anticipated synergies from the Lifetouch acquisition and the timing thereof; changes in laws and regulations and the other risks set forth below under "Risk Factors" in Part II, Item 1A of this report. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We assume no obligation to update any of the forward-looking statements after the date of this report or to compare these forward-looking statements to actual results.

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
SHUTTERFLY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except par value amounts)
(Unaudited)

	September 30, 2018		December 31, 2017	
ASSETS				
Current assets:				
Cash and cash equivalents	$	165,929	$	489,894
Short-term investments	38,915		178,021	
Accounts receivable, net	75,224		82,317	
Inventories	18,081		11,019	
Prepaid expenses and other current assets	144,853		41,383	
Total current assets	443,002		802,634	
Long-term investments	18,626		9,242	
Property and equipment, net	388,862		266,860	
Intangible assets, net	328,756		29,671	
Goodwill	842,917		408,975	
Other assets	24,253		17,418	
Total assets	$	2,046,416	$	1,534,800
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Current portion of long-term debt	$	14,407	$	297,054
Accounts payable	33,271		91,473	
Accrued liabilities	159,783		159,248	
Deferred revenue	110,736		24,649	
Total current liabilities	318,197		572,424	
Long-term debt	1,092,084		292,457	
Other liabilities	148,932		119,195	
Total liabilities	1,559,213		984,076	

Commitments and contingencies (Note 11)				
Stockholders’ equity:				
Common stock, $0.0001 par value; 100,000 shares authorized; 33,534 and 32,297 shares issued and outstanding on September 30, 2018 and December 31, 2017, respectively	3		3	
Additional paid-in capital	1,052,383		996,301	
Accumulated other comprehensive income	5,193		1,778	
Accumulated deficit	(570,376)		(447,358)	
Total stockholders' equity	487,203		550,724	
Total liabilities and stockholders' equity	$	2,046,416	$	1,534,800

The accompanying notes are an integral part of these condensed consolidated financial statements.
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SHUTTERFLY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	**2017**	**2018**	**2017**
Net revenue	$ 368,757	$ 195,443	$ 1,011,853	$ 596,447
Cost of net revenue	224,738	131,108	584,012	365,432
Restructuring	—	39	—	1,475
Gross profit	144,019	64,296	427,841	229,540
Operating expenses:				
Technology and development	44,735	39,614	127,659	124,968
Sales and marketing	135,375	33,331	303,737	119,205
General and administrative	50,445	23,894	137,050	79,200
Capital lease termination	—	—	—	8,098
Restructuring	—	3,278	2,952	15,491
Total operating expenses	230,555	100,117	571,398	346,962
Loss from operations	(86,536)	(35,821)	(143,557)	(117,422)
Interest expense	(16,660)	(6,699)	(44,063)	(18,617)
Interest and other income, net	856	253	4,166	687
Loss before income taxes	(102,340)	(42,267)	(183,454)	(135,352)
Benefit from income taxes	28,797	16,660	56,234	53,713
Net loss	$ (73,543)	$ (25,607)	$ (127,220)	$ (81,639)
Net loss per share - basic and diluted	$ (2.20)	$ (0.78)	$ (3.84)	$ (2.45)
Weighted-average shares outstanding - basic and diluted	33,470	32,878	33,139	33,363
Stock-based compensation expense is				

allocated as follows (Note 4):				
Cost of net revenue	$ 909	$ 1,041	$ 2,851	$ 3,284
Technology and development	2,545	2,512	7,546	7,388
Sales and marketing	3,057	2,864	9,502	9,017
General and administrative	5,420	4,319	15,422	13,021
Restructuring	—	—	—	814

The accompanying notes are an integral part of these condensed consolidated financial statements.

SHUTTERFLY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(In thousands)
(Unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		**2017**		**2018**		**2017**	
Net loss	$	(73,543)	$	(25,607)	$	(127,220)	$	(81,639)
Other comprehensive income, net of reclassification adjustments:								
Foreign currency translation gains (losses)	363		—		(38)		—	
Unrealized gains (losses) on investments, net	9		21		(37)		(7)	
Tax benefit on unrealized gains (losses) on investments, net	(2)		(8)		9		8	
Unrealized gains on cash flow hedges	867		1,402		4,637		1,402	
Tax expense on unrealized gains on cash flow hedges	(208)		(543)		(1,156)		(543)	
Other comprehensive income, net of tax	1,029		872		3,415		860	
Comprehensive loss	$	(72,514)	$	(24,735)	$	(123,805)	$	(80,779)

The accompanying notes are an integral part of these condensed consolidated financial statements.

SHUTTERFLY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Nine Months Ended September 30, 2018		2017	
Cash flows from operating activities:				
Net loss	$	(127,220)	$	(81,639)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation and amortization	79,522		66,367	
Amortization of intangible assets	27,723		11,770	
Amortization of debt discount and issuance costs	7,901		11,365	
Repayment of convertible senior notes attributable to debt discount	(63,510)		—	
Stock-based compensation	35,321		32,710	
(Gain) loss on disposal of property and equipment	(175)		705	
Deferred income taxes	17,656		(8,607)	
Restructuring	752		11,636	
Other	208		—	
Changes in operating assets and liabilities, net of acquisition:				
Accounts receivable	14,121		(4,103)	
Inventories	12,795		(1,782)	
Prepaid expenses and other assets	(73,462)		(34,064)	

Accounts payable	(68,060)	(35,819)
Accrued and other liabilities	(36,096)	(49,198)
Net cash used in operating activities	(172,524)	(80,659)
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	(889,587)	—
Purchases of property and equipment	(28,984)	(22,960)
Capitalization of software and website development costs	(34,602)	(25,977)
Purchases of investments	(9,523)	(44,381)
Proceeds from the maturities of investments	193,399	28,456
Proceeds from the sales of investments	46,879	—
Proceeds from sale of property and equipment	2,088	21,232
Net cash used in investing activities	(720,330)	(43,630)
Cash flows from financing activities:		
Proceeds from issuance of common stock upon exercise of stock options	19,698	626
Repurchases of common stock	—	(80,000)
Principal payments of capital lease and financing obligations	(14,222)	(24,813)
Principal payments of borrowings	(243,018)	—
Payment of debt issuance costs	—	(4,789)

Proceeds from borrowings, net of issuance costs	806,652		—	
Net cash provided by (used in) financing activities	569,110		(108,976)	
Effect of exchange rate changes on cash and cash equivalents	(221)		—	
Net decrease in cash and cash equivalents	(323,965)		(233,265)	
Cash and cash equivalents, beginning of period	489,894		289,224	
Cash and cash equivalents, end of period	$	165,929	$	55,959
Supplemental schedule of non-cash investing / financing activities:				
Net (decrease) increase in accrued purchases of property and equipment	$	(1,450)	$	4,263
Net increase (decrease) in accrued capitalized software and website development costs	241		(161)	
Stock-based compensation capitalized with software and website development costs	1,065		1,084	
Property and equipment acquired under capital leases	5,611		18,224	

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SHUTTERFLY, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
Note 1 — The Company and Summary of Significant Accounting Policies

On April 2, 2018, the Company completed its acquisition of Lifetouch Inc. ("Lifetouch"). As a result of the acquisition, the Company has a new operating segment for the Lifetouch business (refer to Note 10 - *Segment Reporting* for further details).

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and, accordingly, do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The accompanying unaudited condensed consolidated financial statements include the accounts of Shutterfly, Inc. and its wholly owned subsidiaries including the financial results of Lifetouch which are included prospectively from the acquisition date of April 2, 2018. In the opinion of management, all adjustments, consisting primarily of normal recurring accruals, considered necessary for a fair statement of the Company's results of operations for the interim periods reported and of its financial condition as of the date of the interim balance sheet have been included. Operating results for the three and nine months ended September 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018, or for any other period.

The December 31, 2017 condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by U.S. GAAP. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2017 included in the Company's Annual Report on Form 10-K.

Revision of Prior Period Amounts

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SHUTTERFLY, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Six Months Ended June 30, 2018					
	As previously reported		Adjustment		As revised	
Condensed Consolidated Statement of Cash Flows:						
Repayment of convertible senior notes attributable to debt discount	$	—	$	(63,510)	$	(63,510)
Net cash used in operating activities	(136,055)		(63,510)		(199,565)	
Principal payments of borrowings	(302,608)		63,510		(239,098)	
Net cash provided by financing activities	$	511,225	$	63,510	$	574,735

There was no impact of the above matter on the Company's Condensed Consolidated Balance Sheets, Statements of Operations or Statements of Comprehensive Income (Loss).

Tax Cuts and Jobs Act

As of December 31, 2017, the Company recorded provisional estimates of the tax impacts of the enactment of the Tax Cuts and Jobs Act (the "Tax Act"). The Company provisionally recorded an income tax benefit related to the Tax Act primarily for the impact of the remeasurement of its deferred tax assets and liabilities at the newly enacted 21% tax rate, the enhanced accelerated depreciation deductions available on qualified property, and estimates of other elements of the Tax Act. The Company's accounting for the Tax Act as of December 31, 2017 was incomplete due to the complexity involved and the absence of regulatory guidance, and therefore its provisional accounting was based on reasonable estimates. In accordance with SAB 118, the measurement period extends up to one year from the enactment date. As the Company completes its analysis of regulatory guidance, adjustments to its provisional amounts may have a material impact to the Company's provision for income taxes in the period they are recognized. For the three and nine months ended September 30, 2018, the Company did not record any adjustments to its provisional amounts. The Company expects to complete its analysis by the fourth quarter of 2018.

Foreign Currency Translation Policy

As a result of the acquisition of Lifetouch, the Company has subsidiaries in Canada for which the functional currency is the local currency. As such, exchange rate fluctuations for these subsidiaries are included in stockholders' equity as a component of accumulated other comprehensive income (loss). Prior to the acquisition of Lifetouch, the Company only had one foreign subsidiary in Israel for which the functional currency is the U.S. Dollar and exchange rate fluctuations are recorded as part of earnings.

Recently Adopted Accounting Pronouncements

In 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606*) ("ASC 606"). This new standard replaces all current GAAP guidance on this topic and eliminates all industry-specific guidance. The new revenue recognition guidance provides a unified model to determine when and how revenue is recognized. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration for which the entity expects to be entitled in exchange of those goods or services. The Company adopted ASC 606 as of January 1, 2018 using the modified retrospective transition method. Refer to Note 2 - *Revenue* for further details.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments.* The Company adopted ASU 2016-15 as of January 1, 2018 on a retrospective basis with no material impact to the consolidated statements of cash flows for the nine months ended September 30, 2018 and 2017.

Recent Accounting Pronouncements Pending Adoption

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract* ("ASU 2018-15"), which clarifies the accounting for implementation costs in cloud computing arrangements. ASU 2018-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019, and earlier

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SHUTTERFLY, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

adoption is permitted including adoption in any interim period. The Company is evaluating the impact of adopting this new accounting guidance on the consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement, Reporting Comprehensive Income (Topic 220)*: *Reclassification of Certain Effects from Accumulated Other Comprehensive Income* (“ASU 2018-02”), which allows a reclassification of stranded tax effects from accumulated other comprehensive income to retained earnings, as a result of the Tax Act. ASU 2018-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018, with early adoption permitted and can be applied either in the period of adoption or retrospectively to all applicable periods. The Company does not expect that the pending adoption of ASU 2018-02 will have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350)*. The updated guidance simplifies the measurement of goodwill impairment by removing step two of the goodwill impairment test, which requires the determination of the fair value of individual assets and liabilities of a reporting unit. The new guidance requires goodwill impairment to be measured as the amount by which a reporting unit’s carrying value exceeds its fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The amendments should be applied on a prospective basis. The new standard is effective for annual or any interim goodwill impairment tests performed in fiscal years beginning after December 15, 2019 with early adoption permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is evaluating the impact this new accounting guidance will have on the consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires measurement and recognition of expected credit losses for financial assets held. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Earlier adoption is permitted for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. The Company is evaluating the impact of adopting this new accounting guidance on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842).* The new guidance requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 on a modified retrospective basis, and earlier adoption is permitted. The Company anticipates that most of its operating lease commitments will be subject to the new standard and recognized as lease liabilities and right-of-use assets upon adoption, which will increase the total assets and total liabilities. The Company is currently evaluating the accounting transition and disclosure requirements of this standard, and due to the magnitude of leases assumed in the recent acquisition of Lifetouch, the Company cannot currently estimate the financial statement impact of adoption.

Note 2 — Revenue

Adoption of ASC 606, Revenue from Contracts with Customers

The Company adopted ASC 606 as of January 1, 2018 using the modified retrospective transition method. Under the modified retrospective method, ASC 606 is only applied to contracts that were not complete as of the adoption date. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported in accordance with our historic accounting under ASC 605, *Revenue Recognition*.

As a result of the adoption of ASC 606, the Company identified an impact related to timing and measurement of breakage revenue for the Shutterfly consumer and the Lifetouch businesses and for one of the Company's significant multiple-element arrangements in connection with the SBS business. Upon adoption of ASC 606, the Company recognized the expected breakage amounts as revenue in proportion to the pattern of rights exercised by the customer, rather than the previous method of recognizing breakage revenue when the Company believed the redemption was remote. As it relates to timing and measurement of one of the Company's multiple-element arrangements in connection with the SBS business, deferred revenue was previously recognized over the stated term of the contract. Upon adoption of ASC 606, deferred revenue for this particular arrangement is now recognized ratably over a period of time that is shorter than the stated contract term, as this arrangement does not contain substantive termination penalties after a certain initial number of years within the contractual term.

SHUTTERFLY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The cumulative impact of the adoption of ASC 606 resulted in a decrease to opening accumulated deficit of $4.2 million as of January 1, 2018, which consisted of a decrease in total liabilities of $5.1 million primarily related to deferred revenue and a decrease in total assets of $0.9 million primarily related to deferred costs.

Revenue Recognition Policy

The Company derives its revenue from Shutterfly Consumer, Lifetouch and SBS product sales, net of applicable sales tax and allowances for returns. Revenue is recognized when control of the promised products or services is transferred to its customers in an amount that reflects the consideration it expects to be entitled to in exchange for those products or services. Shipping charged to its customers is recognized as revenue upon shipment and the related shipping costs are recognized as cost of net revenue.

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SBS. The Company’s SBS revenue is derived from personalized direct marketing and other end-consumer communications as well as just-in-time, inventory-free printing for its business customers. The services that the Company promises to its SBS customers are typically composed of a series of services that are performed over time. The Company accounts for these series of services as one performance obligation which represents a series of distinct services that are substantially the same and have the same pattern of transfer.

The Company recognizes revenue from the satisfaction of performance obligations when it invoices its customers (that is, when it has the contractual right to bill under the contract). The Company has the contractual right to consideration from its customers in an amount that corresponds directly with the value to the customer of the services it has performed to date. For contracts that do not contain a significant non-refundable up-front fee, the Company applies the “right to invoice” practical expedient as it has the right to consideration from its customers in an amount that corresponds directly with the value to the customer of the services it has performed to date. For contracts that contain a significant non-refundable up-front fee, the Company considers whether these fees are related to the transfer of a promised good or service to the customer, and therefore represent a performance obligation. When the up-front fees do not represent a distinct performance obligation, the Company recognizes revenue ratably over the period for which there is a significant termination contractual penalty.

The Company's incremental direct costs of obtaining a contract consist of Lifetouch and SBS sales commissions. The Company does not defer such incremental direct costs as the related performance obligations are satisfied within a short period of time and the Company elected to apply the practical expedient per ASC 340-40-25-4 related to expensing contract acquisition costs with the amortization period of less than one year. The Company does not provide any financing services to its customers.

Deferred Revenue

Net Revenue by Brand

The following table disaggregates the Company’s net revenue by brand for the three and nine months ended September 30, 2018 and 2017 (in thousands):

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SHUTTERFLY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2018		2017		2018		2017	
Shutterfly consumer net revenue:								
Shutterfly brand	$	115,464	$	115,883	$	412,309	$	379,694
Tiny Prints Boutique(1)	1,490		1,942		4,990		1,942	
Tiny Prints(1)	—		—		—		23,382	
Wedding Paper Divas(2)	—		8,523		—		34,178	
MyPublisher(3)	—		—		—		10,992	
Other	9,934		9,070		26,651		24,965	
Shutterfly consumer net revenue	126,888		135,418		443,950		475,153	
Lifetouch net revenue(4)	183,113		—		411,673		—	
Shutterfly Business Solutions net revenue	58,756							