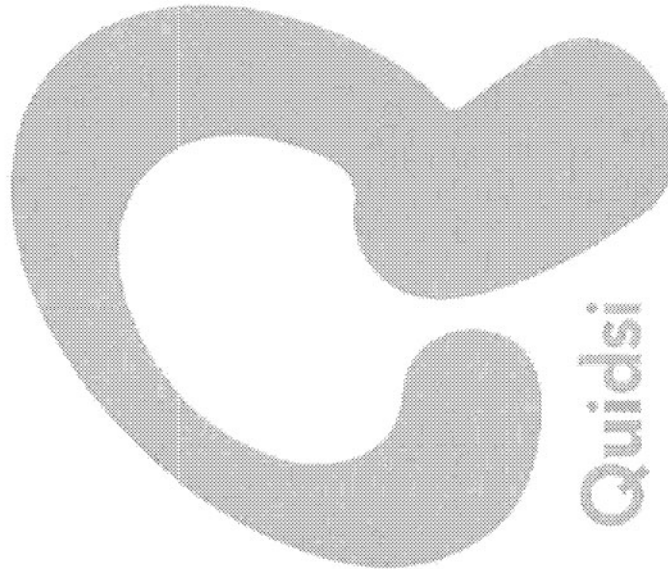


diapers<sup>®</sup>.com

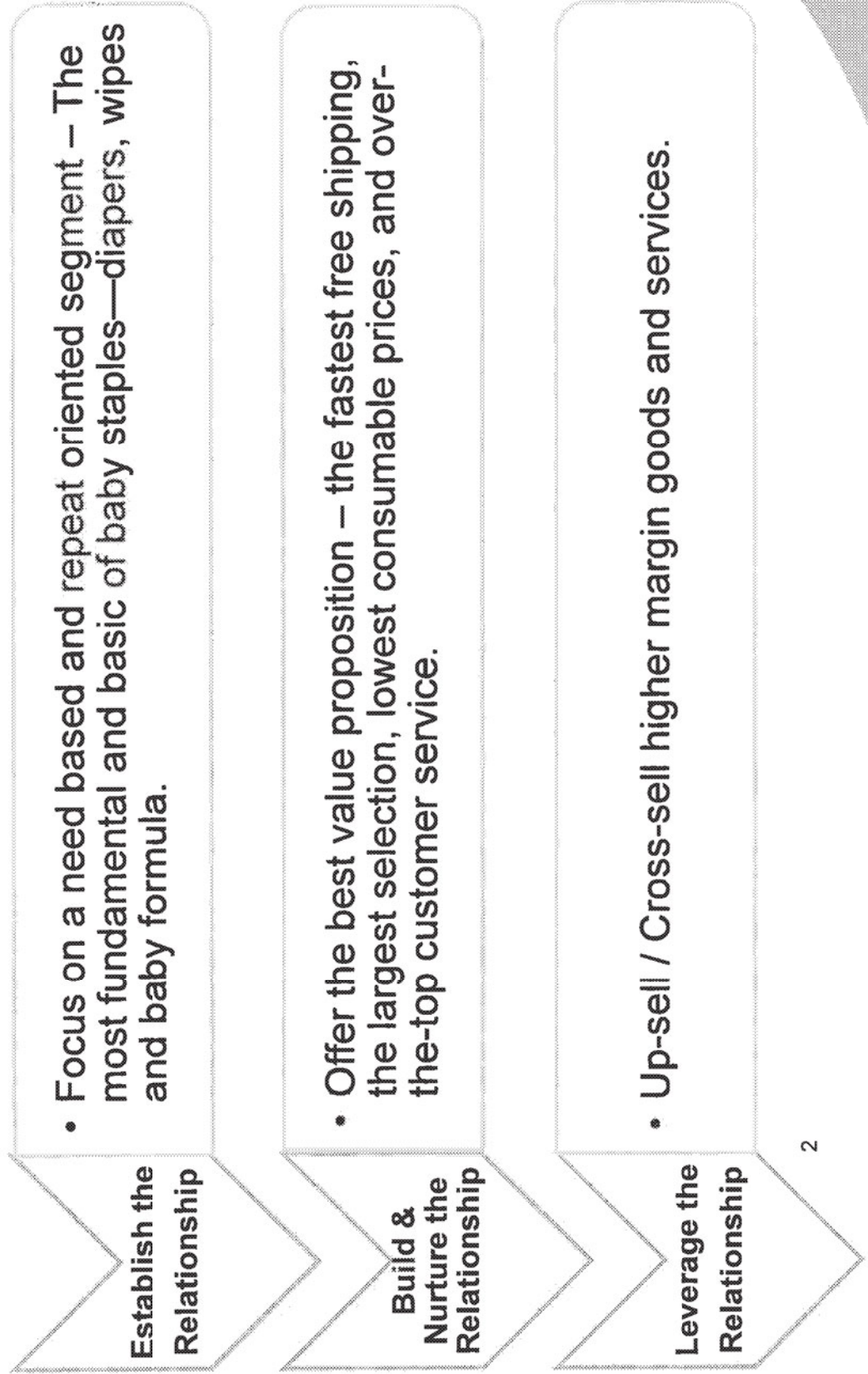
SOAP.com

THE BEAUTY BAR.com



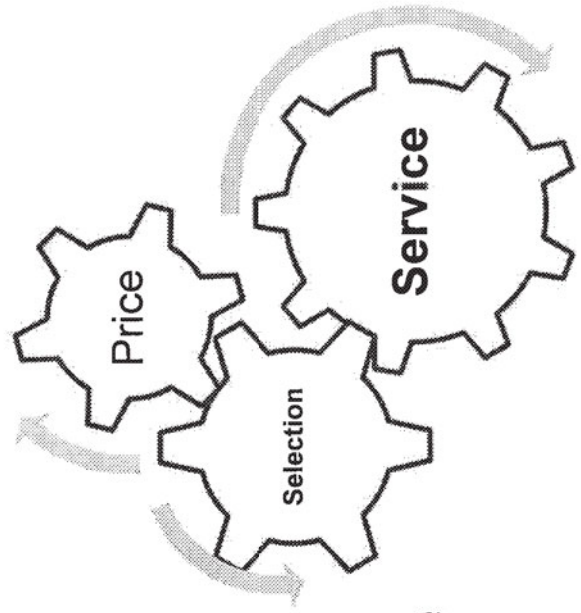
**CONFIDENTIAL**

# All About Customer Relationships



# Customer Value Proposition

- **Fastest Free Shipping**
  - Late 6:00pm Local cut-off
  - 74% get Overnight Delivery
  - 99% receive within 2 Days
- **Over-the-Top Customer Service**
  - Almost No Drop Shipping
  - No Questions Asked Returns Policy
  - Emails Answered within 20 minutes, 24x7
  - High In-Stock Rates in Closest Warehouse



- **Widest Selection**
- **Very Competitive Pricing**





# A Focus on Logistics, Technology and Efficiency

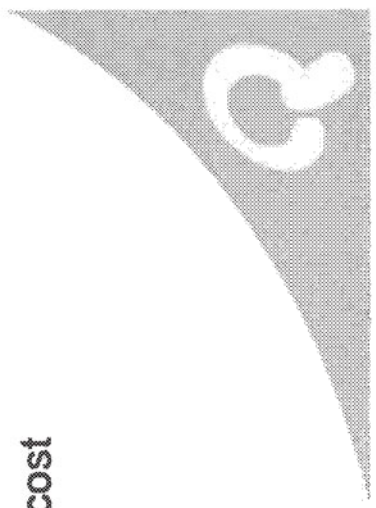
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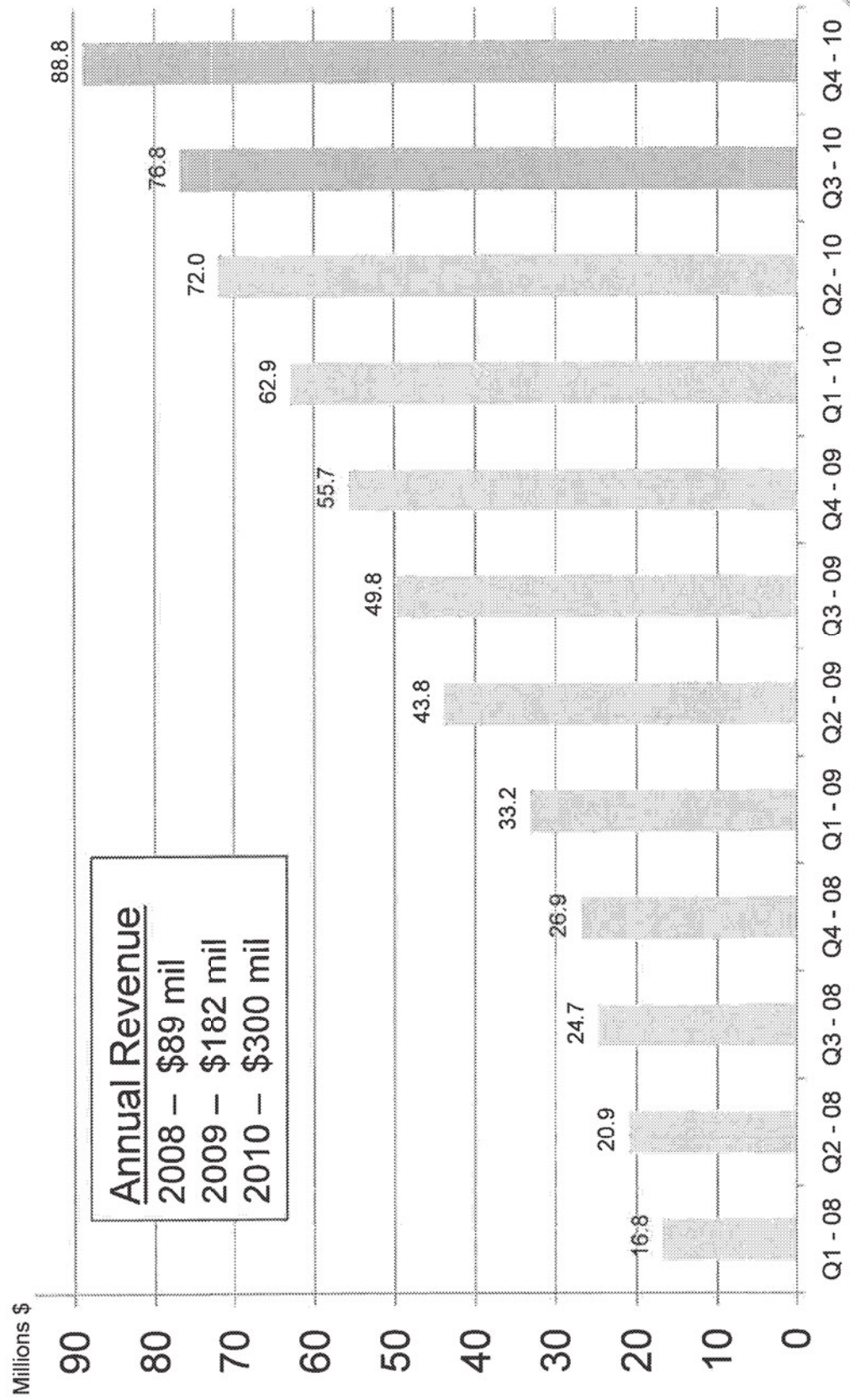
- 3 Company Managed Warehouses Strategically Positioned to Maximize Ship Speed and Minimize Cost
- Robotic Picking System
- Multi-Carrier Shipping Network



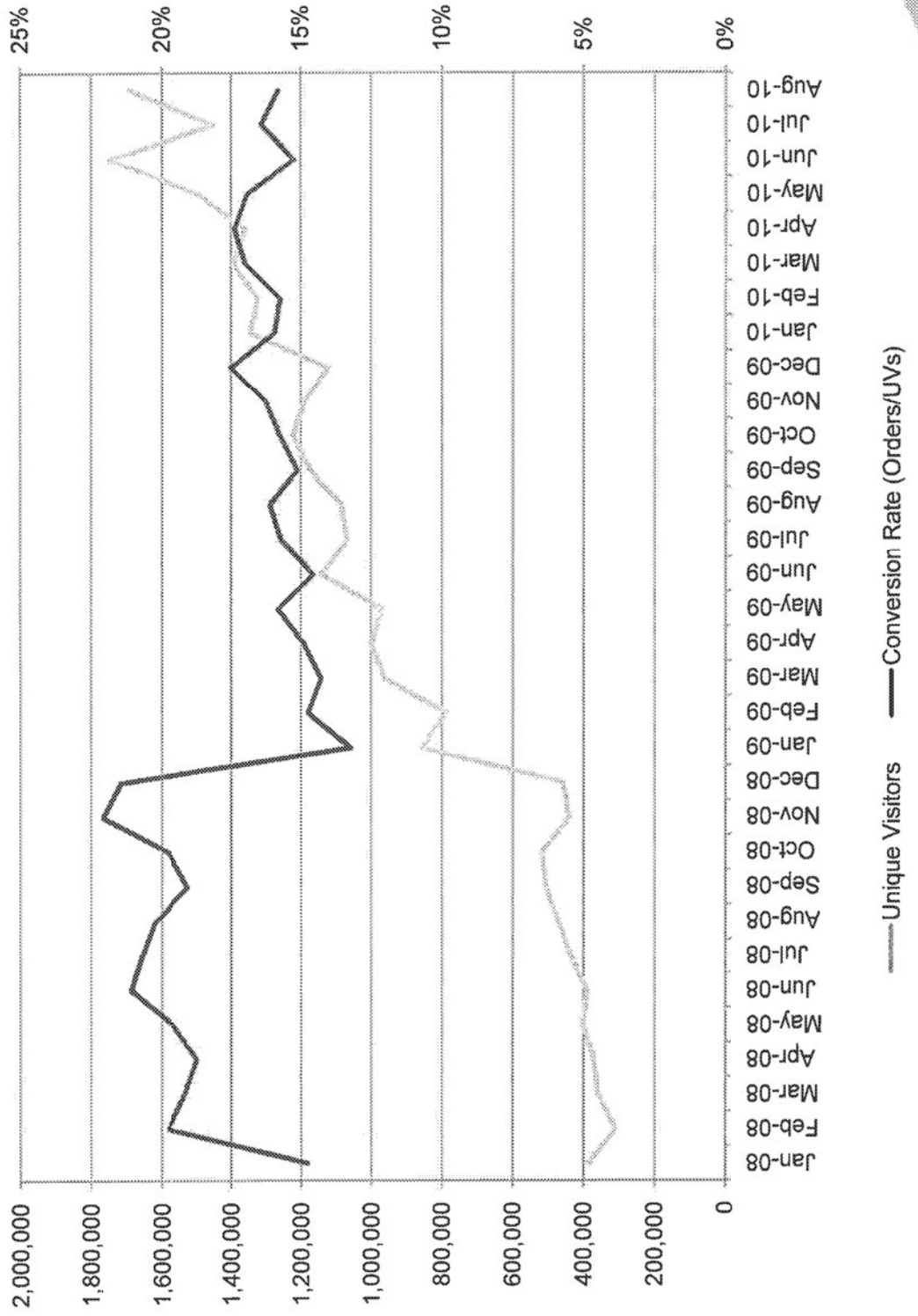
- Custom Built Supply Chain, Inventory Management and Order Management Systems
- Proprietary Algorithms e.g. Boxem
- Technology Team based in China – 70% cost savings



# Quarterly Revenue Trends



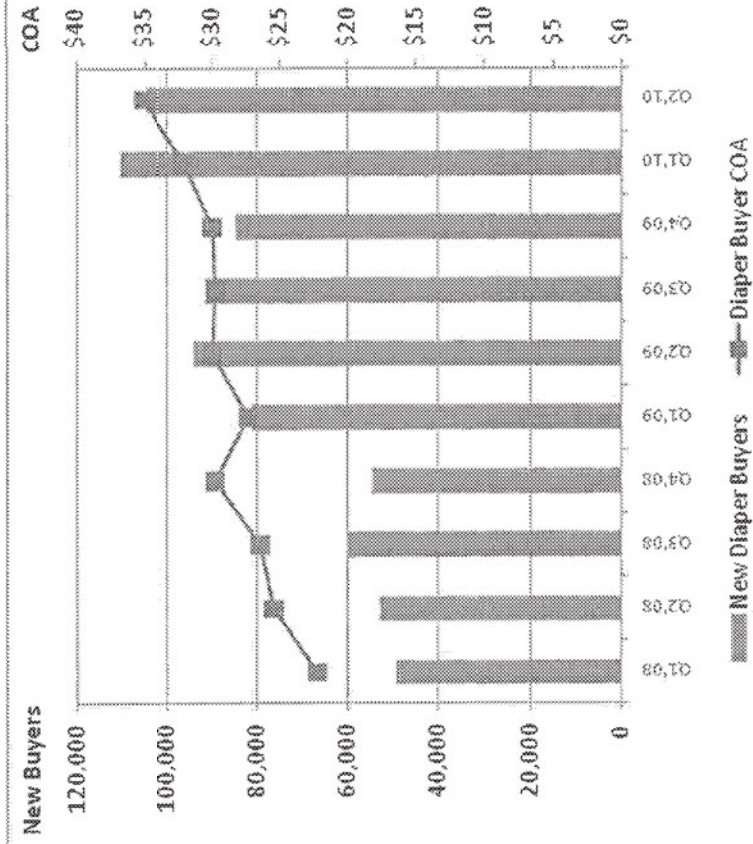
# Diapers.com: Traffic & Conversion Trends



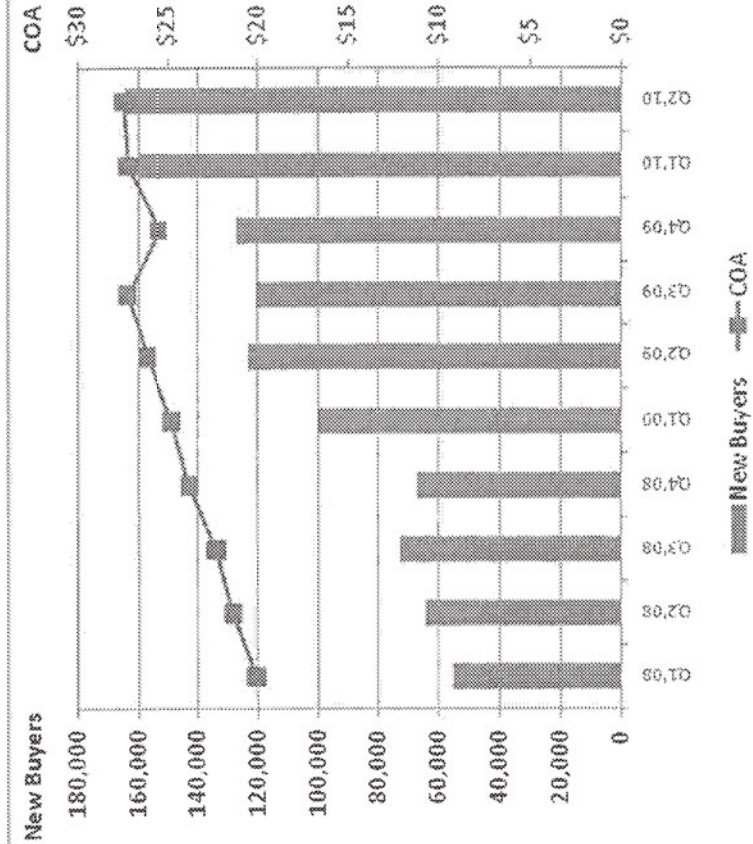


# Diapers.com: New Buyer Trends

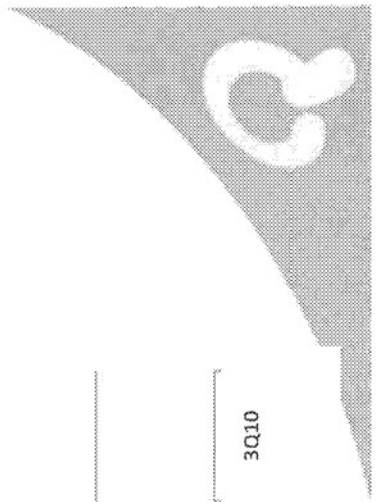
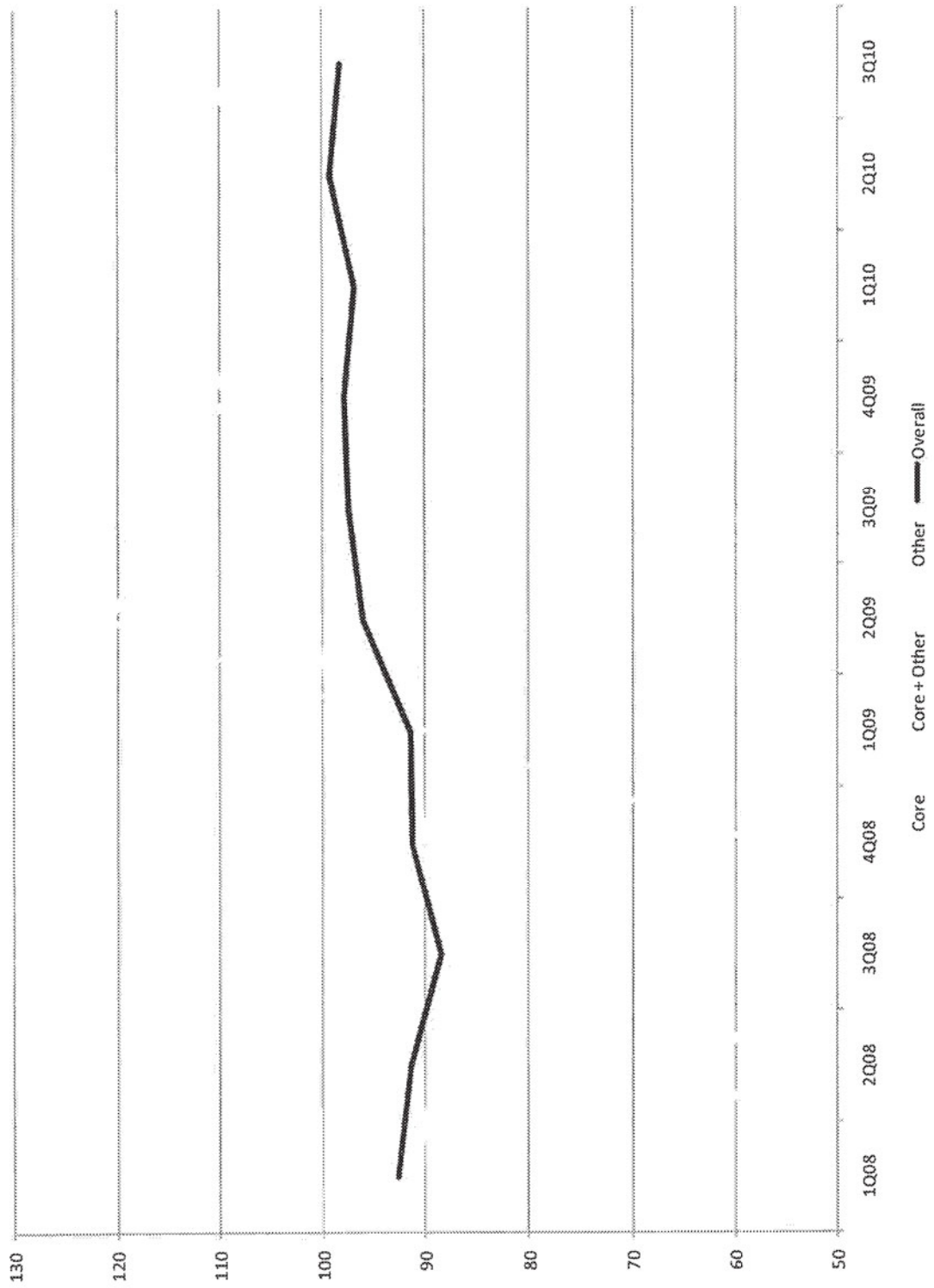
## New Diaper Buyers



## New Buyers



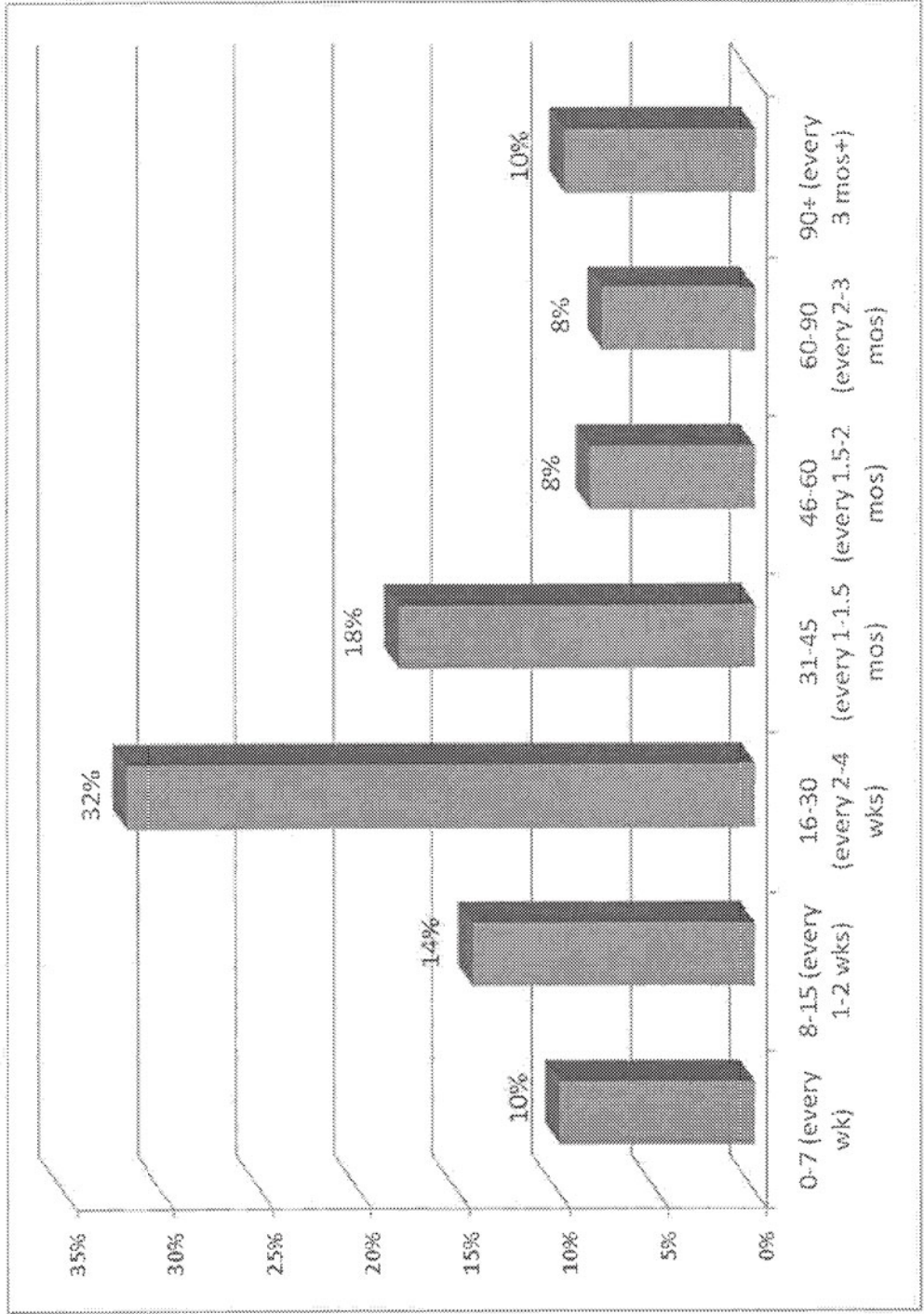
# Diapers.com: AOS Trends



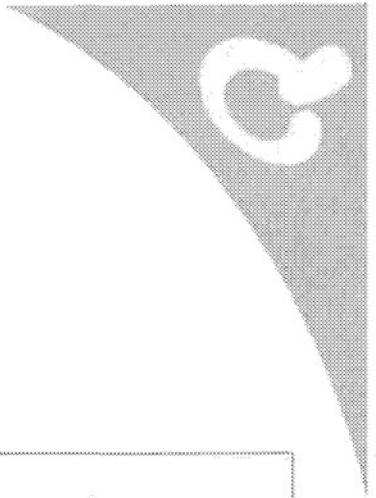
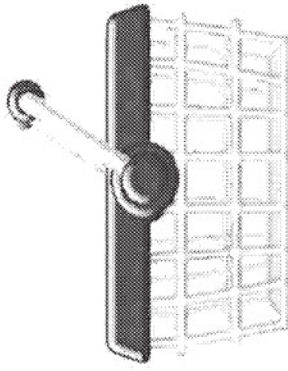


# Purchase Frequency

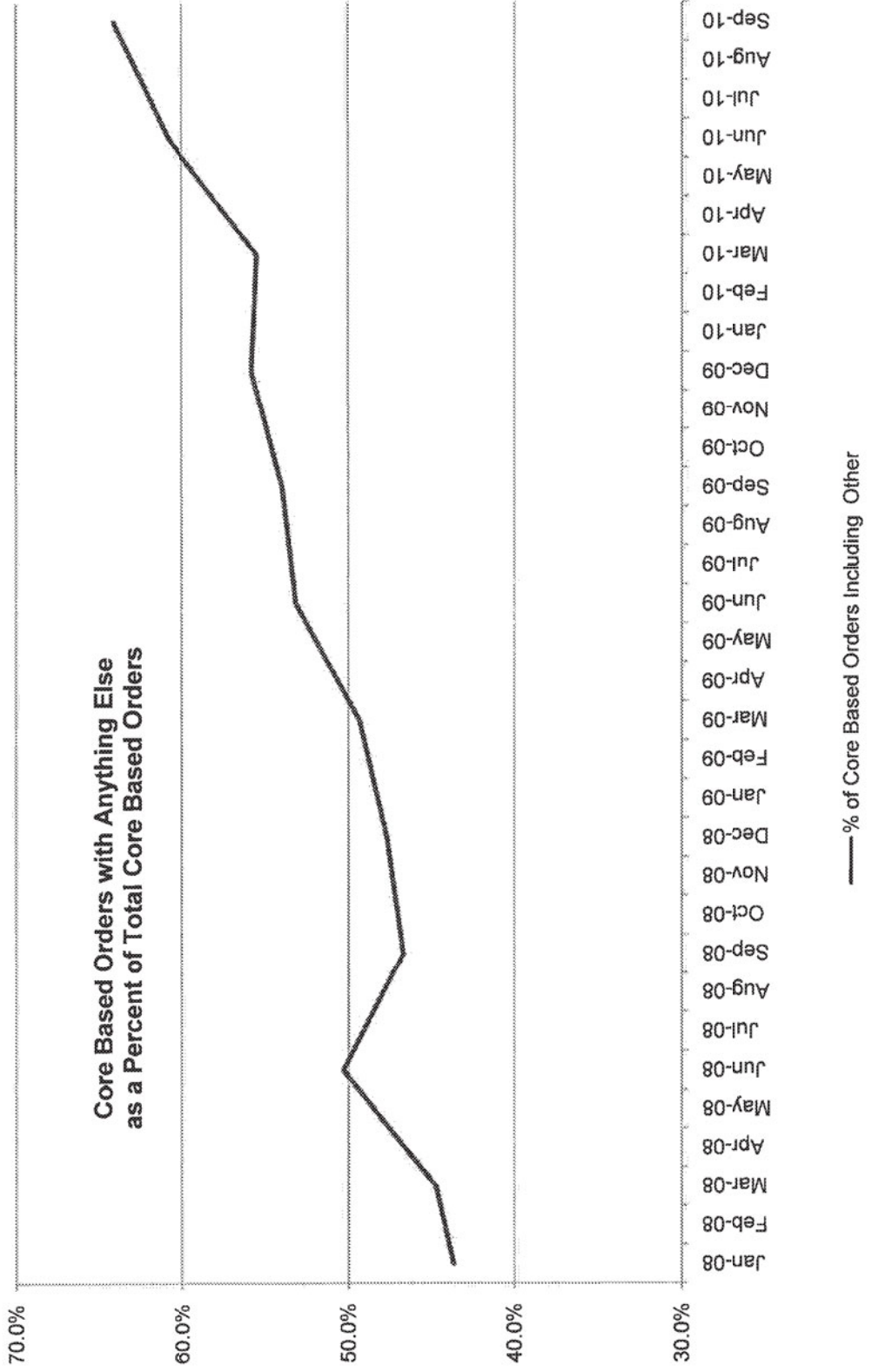
Purchase Cycle (days)



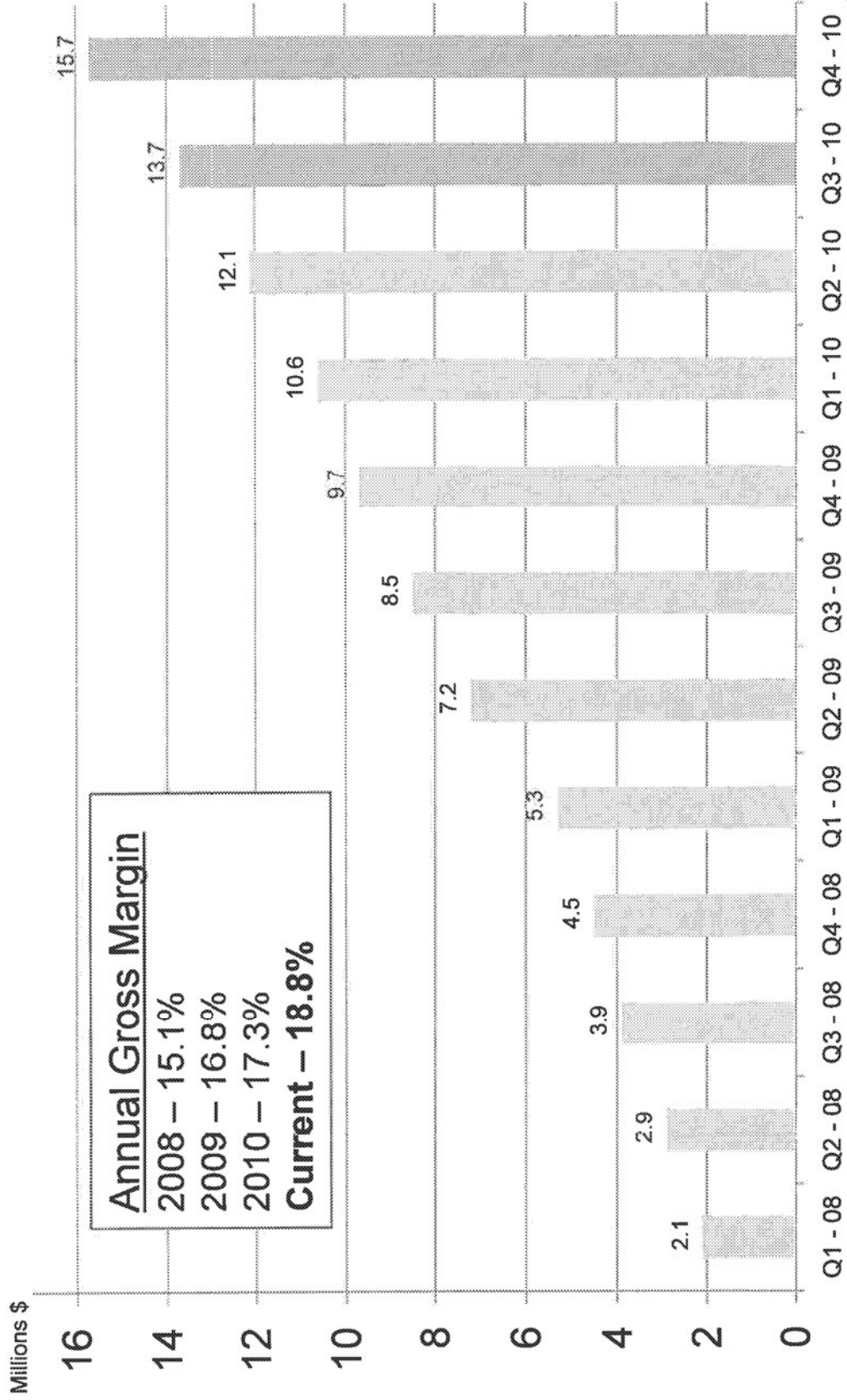
17 Orders  
@ \$98 AOS



# Diapers.com: Attach Rate Trends

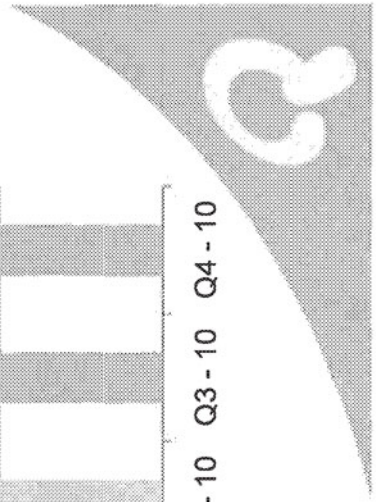
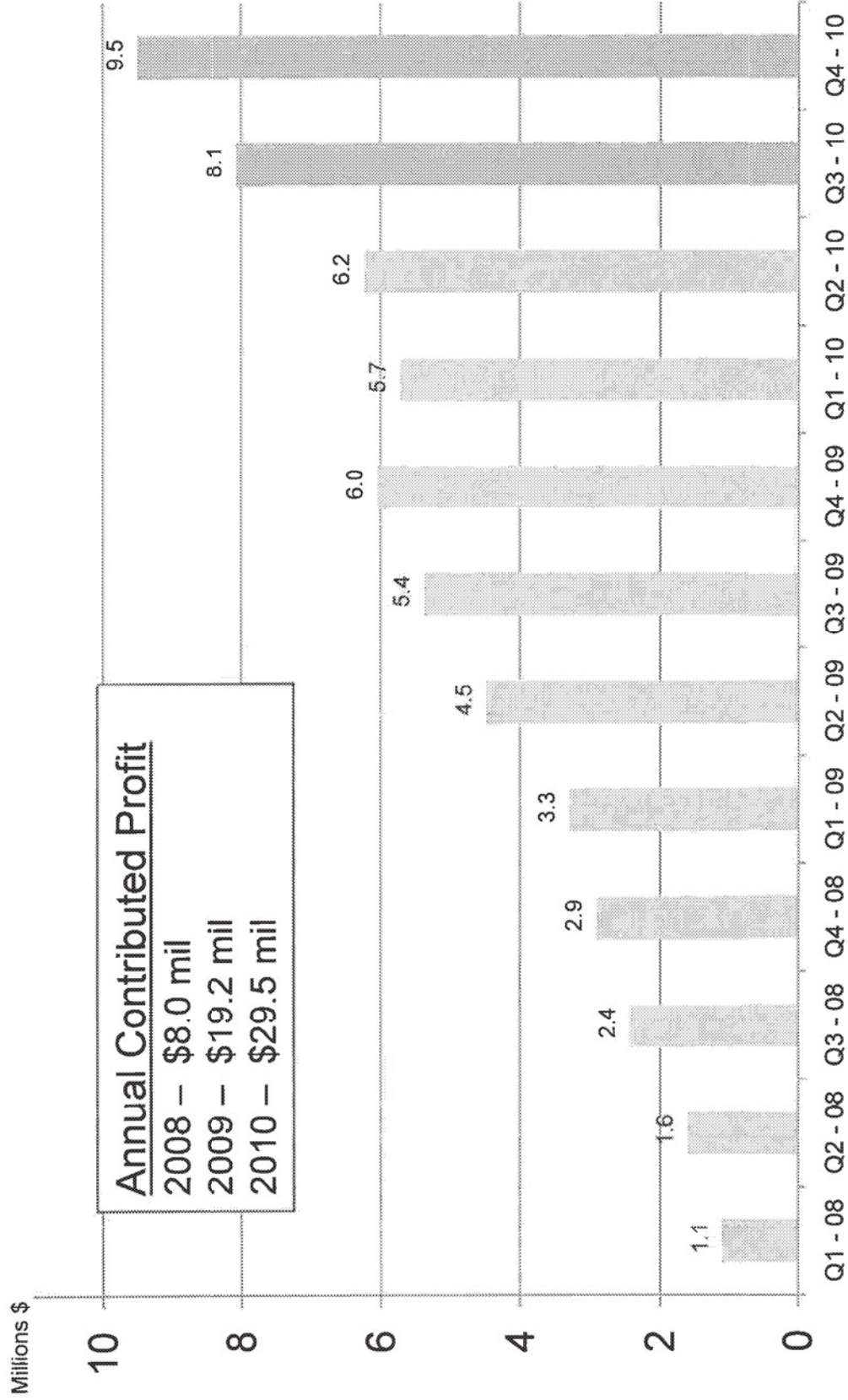


# Quarterly Gross Profit Trends

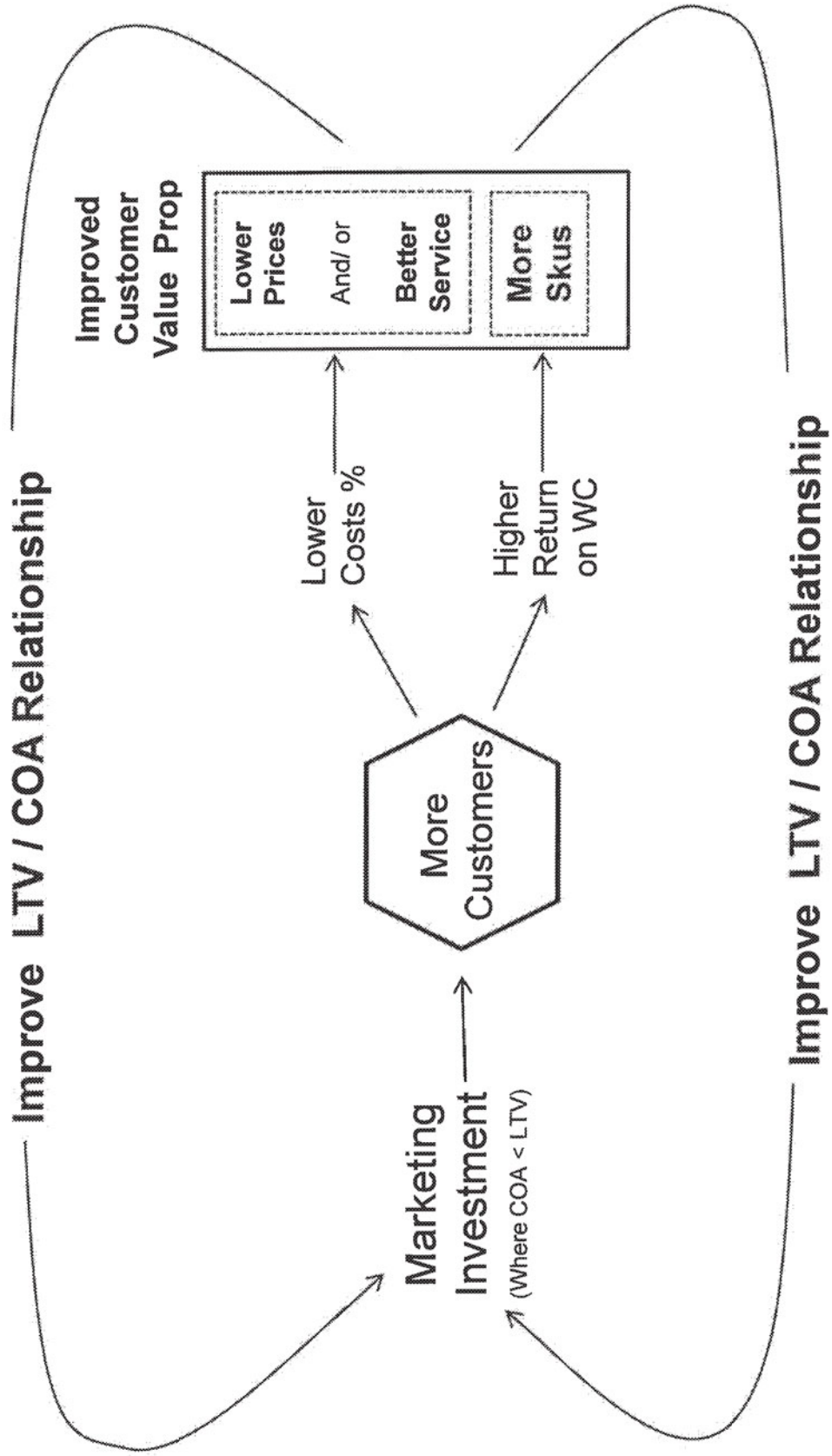




# Quarterly Contributed Profit Trends



# Quidsi Economic Model



# Lifetime Value of a Customer

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## Repeat Diaper Buyer LTV

Avg. # Orders	17
Avg. Order Size	\$98
<b>Total Revenue</b>	<b>\$1,666</b>
Gross Margin	19.20%
Variable Fulfillment / CS	5.70%
Marginal Fixed Expenses	1.70%
<b>EBITDA</b>	<b>11.8%</b>

**LTV – \$160**  
(On diapers.com Only)

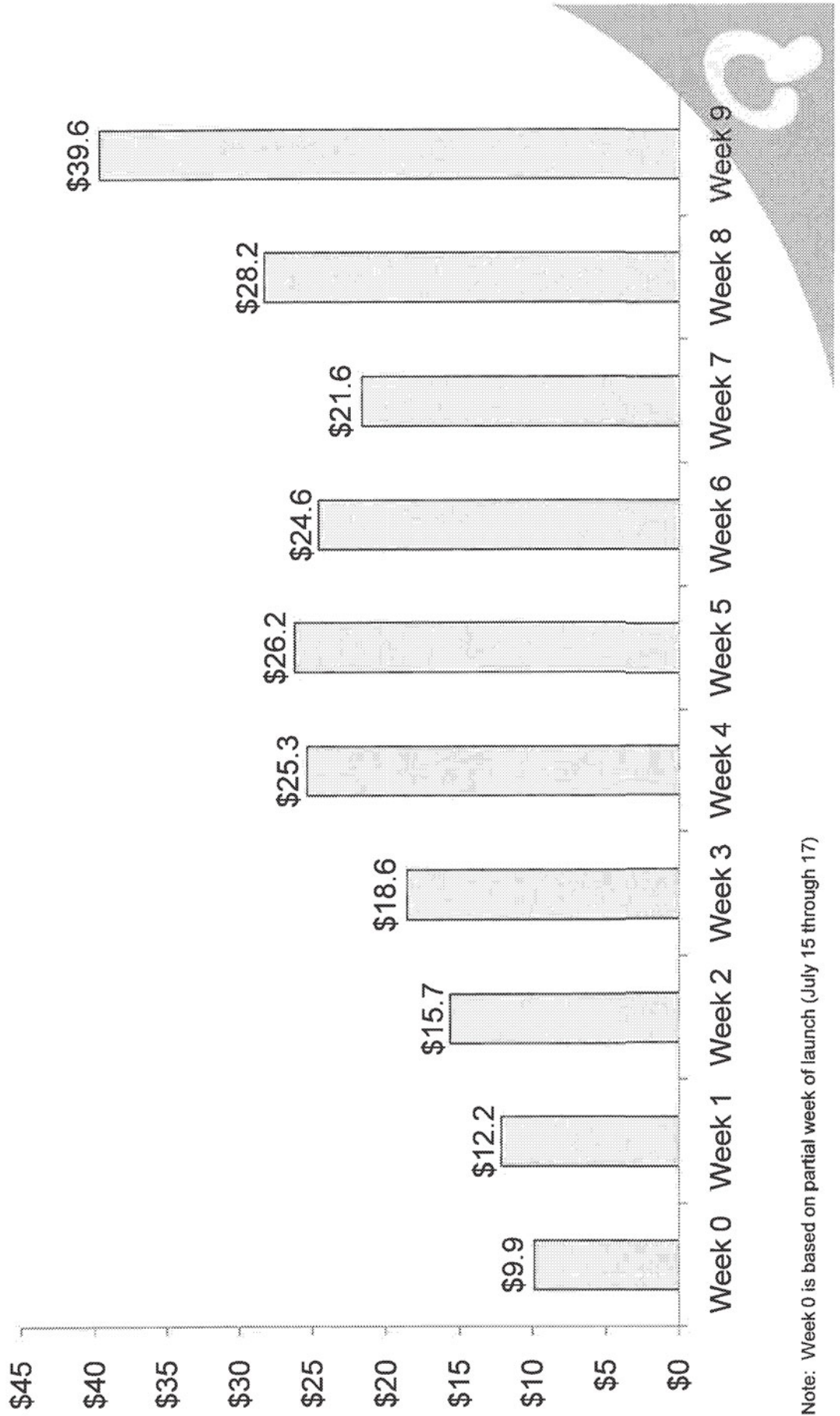
<b>Free Cashflow</b>	
EBITDA	\$197
Working Cap	\$21
CapEx	(\$43)
<b>Cashflow</b>	<b>\$219</b>
DCF @ 15%	\$160





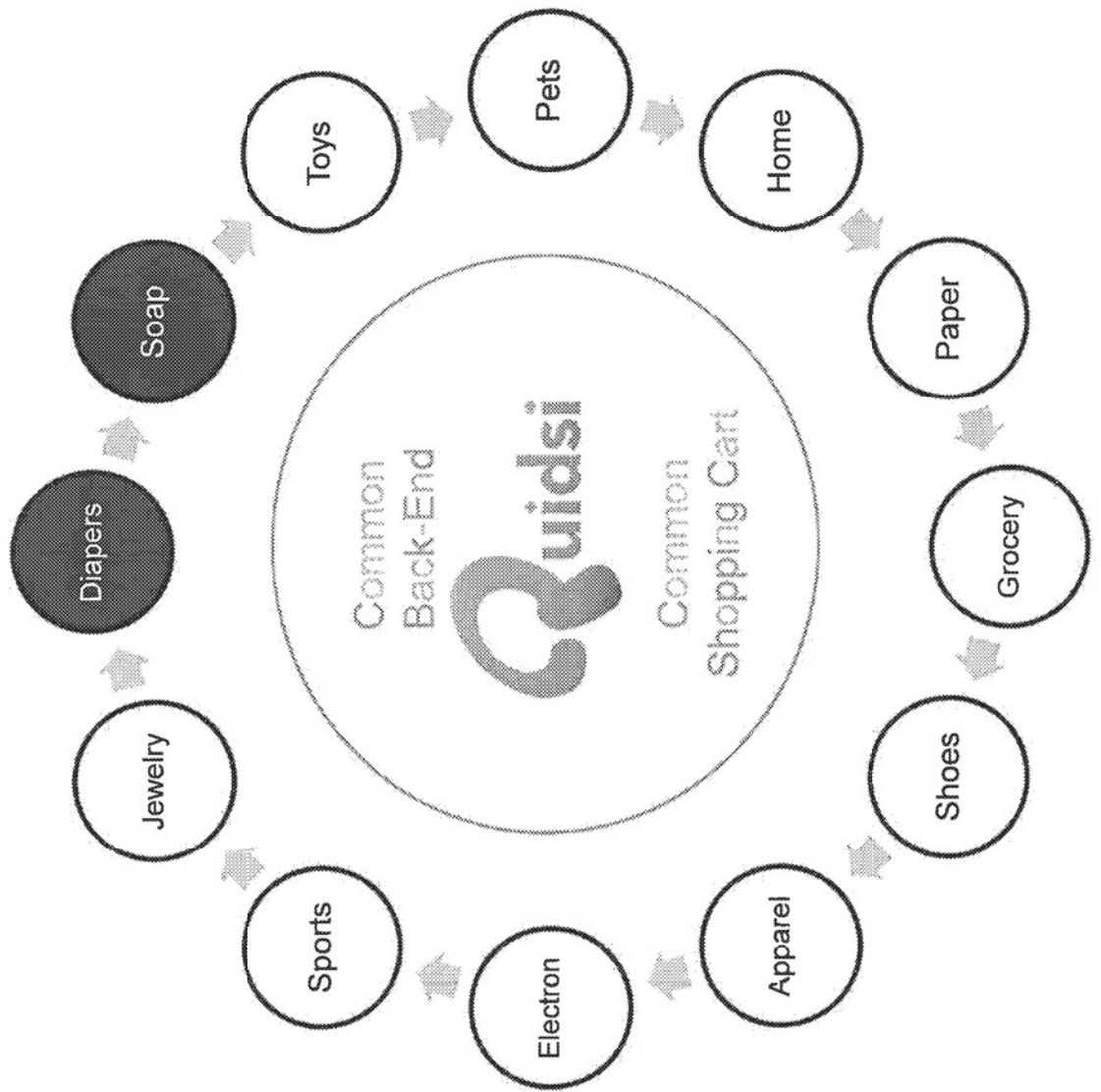
# Soap is already a \$40 million annual business

Soap weekly sales, annualized (\$MM)



Note: Week 0 is based on partial week of launch (July 15 through 17)

# The Vision



# Quidsi Strategy

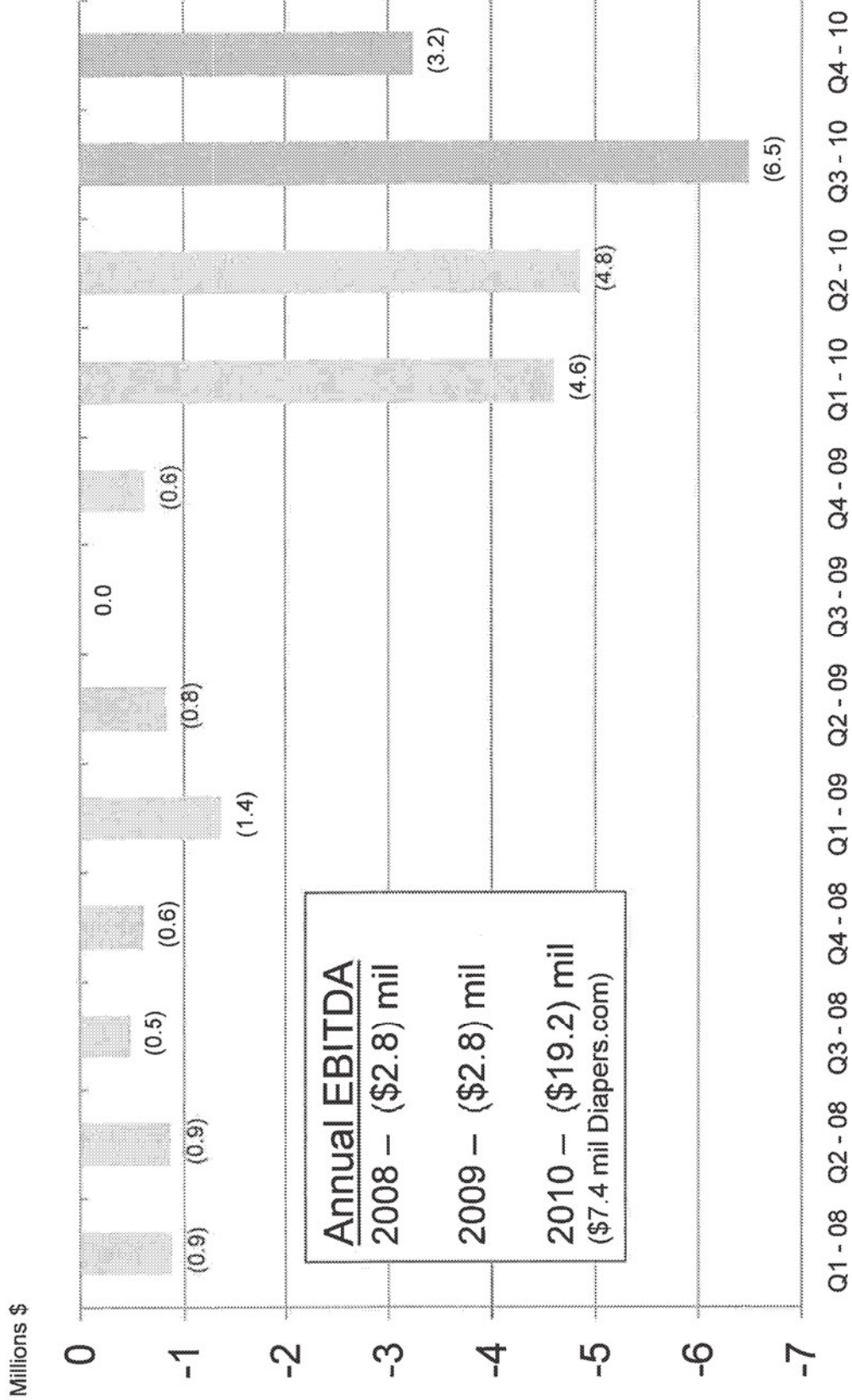
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- ❑ Focus on Building Best-in-Class Proprietary Systems and Logistics Capabilities so that we can Distribute Product at the Lowest Cost
- ❑ Get to Scale Fast
  - Market Aggressively
  - Focus on US E-Commerce
- ❑ Focus on the Mom Demographic
- ❑ Build Specialized Brands that Serve Specific Shopping Occasions which Share the Same Back-End Systems/Logistics
- ❑ Offer Unmatched Service and Delight the Customer in Amazing Ways (Inspire Passion)
- ❑ Selection, Selection, Selection

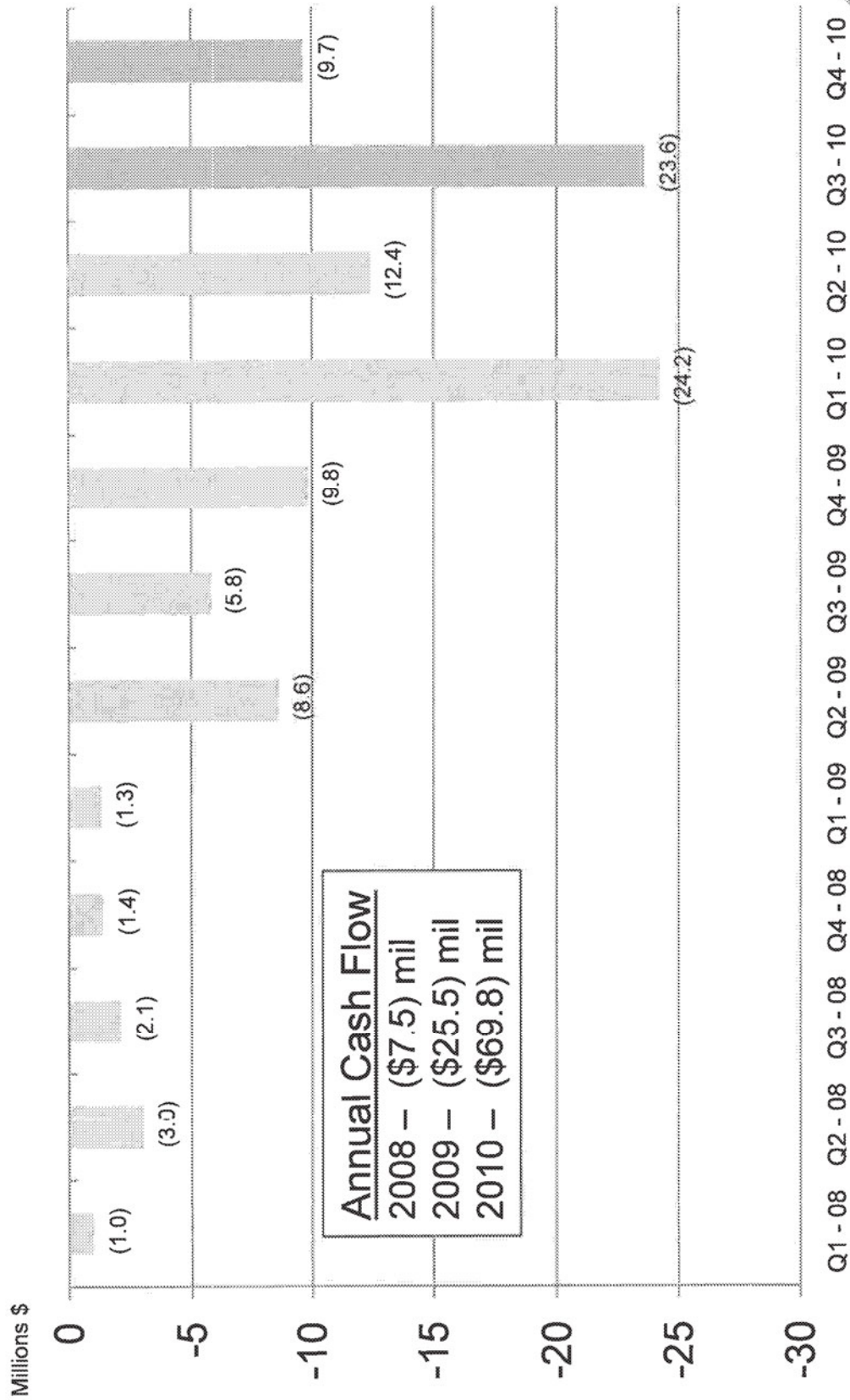




# Quarterly EBITDA Trends



# Quarterly Free Cash Flow Trends



# 10-Year EBITDA Projections

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue										
COGS										
<b>Gross Profit</b>										
<i>% Margin</i>										
Fulfillment										
Marketing										
Tech & Content										
G/A										
EBIT										
<i>% Margin</i>										
EBITDA										
<i>% Margin</i>										





# 10-Year Free Cashflow Projections

Revenue	
EBITDA	
(-) Interest	
(-) Taxes	
(-) Chg. WC	
(-) Capex	
<i>% Revenue</i>	
<b>Free Cash Flow</b>	
<i>% Revenue</i>	
<i>Conversion Ratio</i>	



## 8 Key Near-Term Strategic Initiatives

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- 1) Get the Right Long Term Partner—Invest in Lower Prices.
- 2) Selection, Selection, Selection—Add Products to Existing Sites and Launch Yoyo and Pets in 2011.
- 3) Improve Perfect Fulfillment Order Rate to 98%.
- 4) Keep Getting Faster—Expand Overnight & Same Day Footprint.
- 5) Continue to Get Smarter & Better with LTV Marketing.
- 6) Launch Mobile and iPad Initiatives.
- 7) Elevate Customer Passion—Small Things Matter.
- 8) Build Further Capabilities for Growth.



## Near-Term Opportunities

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- ❑ Faster Growth with Better Pricing
- ❑ Add Products & Categories Faster
- ❑ Increased LTV & Better Profitability with more Focus
- ❑ Mobile





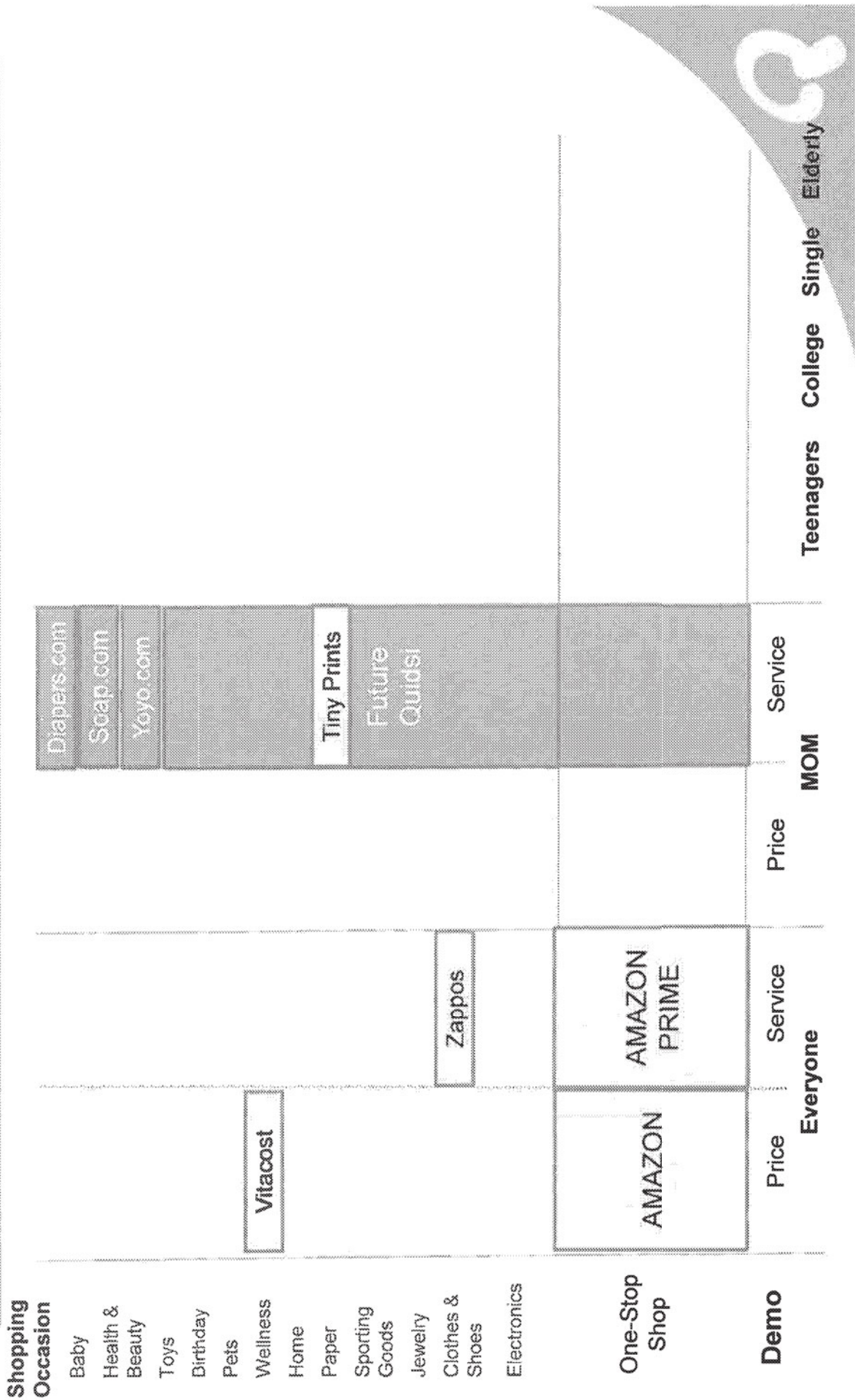
## Near-Term Risks

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- Increased Competition and/or Predatory Pricing
- Difficult to Maintain Culture with Accelerated Growth and/or Acquisition



# A Shared Vision



# How We Can Work Together

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- ❑ Fulfillment
  - Better Pricing on Boxes, Dunnage, Shipping Rates, etc.
  - We can Potentially Fulfill Consumables for Amazon (infrastructure built for consumables)
  - Leverage Boxem
- ❑ Supply Chain
  - Leverage Purchasing Power
  - Leverage Extended Terms
  - Lower Inbound Freight Costs
  - Increase Inventory Turns

*Premise: Quidsi would like to retain its independence and is fairly self-sufficient. Amazon has limited bandwidth. Keep brands separate but leverage obvious back-end synergies.*





# How We Can Work Together (cont.)

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- Merchandising
  - Amazon's 2 million SKU's. Valuable Data & Much Faster Set-up.
  - We have access to Premium Brands that we can email Amazon customers.
  
- Other Areas
  - Leverage Amazon Web Services
  - Culture & Geography (Can we learn from each other and offer our employees more opportunity?)
  - Access to Private Label Credit Card
  - Private Label Consumable Products Become More Accessible with Scale

