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Questioning Market Leaders For Long Term Investors

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COMPANY INTERVIEW

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Mimeo.com

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ADAM SLUTSKY joined Mimeo.com as its Chief Executive Officer with nearly 20 years of experience creating market leaders by leveraging disruptive technologies. Adam co-founded Moviefone and served as its Chief Operating Officer, Chief Financial Officer, and Director from its inception. At Moviefone, Adam was responsible for numerous industry “firsts.” These included the first national interactive telephone service (777-FILM), the first advertising-supported national network of local phone numbers, the first fully automated remote ticketing system and the first event ticket sales service using the Internet (moviefone.com). Adam led Moviefone through its IPO in 1994 and its continued growth as a public company. In 1999, AOL acquired Moviefone for \$550 million. At AOL, Adam served as Senior Vice President of Advanced Services, where he led AOL’s efforts to identify and introduce new premium services, including AOL Call Alert and AOL Voicemail. Adam holds an MBA from Columbia University and a Bachelor of Science degree from Cornell University.

TWST: May we start with a short introduction to your company?

Mr. Slutsky: Mimeo was founded in 1998. Because of their frustration with time-consuming experiences at local copy shops and in-house print centers, the co-founders of Mimeo, Jeff Stewart, John Delbridge and David Uyttendale envisioned a simple, Web-based service that would shun conventional printing strategies. They recognized the real-time needs of today’s organizations and created a market for online printing and overnight delivery of documents and marketing materials. Currently, we have about 500 employees at Mimeo who are located in both our headquarters in New York and our print production and distribution facility in Memphis, Tennessee.

TWST: What are the major trends evolving in the Web-based printing solutions space from your perspective?

Mr. Slutsky: There has been a fairly strong trend with businesses of all sizes to em-

power users in their organizations to print on-demand as they need documents and sales and marketing materials. The digital document printing industry is about \$30 billion in the United States, projected to grow to about \$60 billion over the next four years. People now have the power to sit at their desk without having to run to a print center and wait for print jobs to be processed. They no longer have to leave their office and go to a local copy shop, which really doesn’t have all of the equipment necessary to turn large jobs around for distribution anywhere in the United States the next day. Mimeo created the technologies to enable anyone with access to the Internet, whether it’s in their office or on the road, to print and distribute the documents that they might need, whenever and wherever they need it.

TWST: Could you give us a sense of digital’s share of the overall printing market and its rate of growth?

Mr. Slutsky: The US printing market is approaching \$200 billion a year, the larger share of that is what's traditionally called commercial, long-run, offset printing. The digital component of that is about \$30 billion right now. There aren't any published figures on the percentage that is coming online, and though it is quite small, it is probably the fastest-growing segment of the entire marketplace. The gating factor to accelerating our growth is just getting the word out. The online print market is about \$1 billion. We believe the online market is probably 1% or 2% of the entire market.

TWST: How is your product mix defined?

Mr. Slutsky: We offer a comprehensive set of services for easy, professional quality delivery of business documents, such as online, on-demand printing, online document storage, CD and DVD replication, warehousing, kitting fulfillment, and a comprehensive range of customer services.

TWST: So, fair to say that training materials happens to be the sweet spot within your business mix?

Mr. Slutsky: The largest area of our business is the training, learning, and development area, but it's beginning to change. Training departments have a very laborious process to produce their documents and training materials. They often need documents to be distributed to many different corporate offices within their company or into the field to training people in other locations. But that's now morphed a bit. When we first started our business in 1998, the digital world of color was a bit behind where it is today. Doing color in a digital world at that time did not have a level of quality and representation that would be acceptable to most people who wanted color marketing brochures and presentations. Now, marketers and

sales teams in particular are using digital printing services for their short-run needs because the quality that can be produced in color digitally now is far superior. Moving towards a color-oriented environment is picking up interest among folks outside of HR, learning and development and in marketing and sales arenas.

TWST: How do clients approach and interact with Mimeo?

Mr. Slutsky: People come to Mimeo.com and download the Mimeo print driver which is no different than a print driver you would have for the HP LaserJet that sits on your desk. We've developed a print driver that enables someone to ensure that what they see on their computer screen is exactly what Mimeo will print. Once that file has been downloaded, you'd have created the Mimeo printer on your desktop. When you're asked to print that document, you would simply select the Mimeo printer from your available printers, which would now be populated there since you've downloaded the driver. And then instantly, the document, as you click print to Mimeo, will be encrypted and compressed, sent via the Web to our servers, and then displayed back to you in a very detailed preview mode, which will then take you through a wizard which will enable you to provide the finishing options around the document. Every time you make a selection through this wizard tool, the document in preview mode will change to reflect your instruction. It gives you the comfort of knowing that you are in control and that what you see in its finished form online is exactly what you will get the next day or for whichever delivery date you've selected. Another unique feature is that whenever someone prints a document to Mimeo, the document is stored permanently in a library for that user or company, in its finished form, for free and forever. Pricing is dependent on

numerous things, including the levels of service that are being provided to the customer, turn-around time, and volume of business.

TWST: Do you operate 24x7 and how do you remain high-touch?

Mr. Slutsky: We are 24x7 in terms of our ability to submit orders and are printing 24x5 in addition to two-thirds of the day on Saturday. There's high-touch with the customers when people actually first set up an account. For example, if we find a problem with a document that was submitted during any part of the submission process, we might want to call them via their cell phone, even though they think everything looks okay, to identify a problem we might find. We offer customers the opportunity to contact us any-time for assistance via phone, a live chat feature or an online email that connects directly to customer service. We have account service representatives and customer service teams that now consist of almost 50 people. There is an enormous amount of high-touch that helps to ensure the highest quality and greatest level of customer service and it goes a long way to earning the trust from the customer, which continues to bring back more business.

TWST: How does Mimeo differ from competition such as VistaPrint and how big an issue is the FedEx Kinko combination?

Mr. Slutsky: We are very familiar with VistaPrint. It's an amazing company with a great story and a great management team. But their customer base, for the most part, is the SOHO marketplace. It's in the small office and home office marketplace. The vast majority of their customers are probably a company size of one to five employees and the services they provide are generally printed in an offset or commercial environment with a great emphasis on items such as business

cards, letterhead, stationery, and things of that nature, and not so much on the digital side. They also create templates for their users; these are very small businesses that probably don't have a graphic designer in-house or marketing people that can build various templates or images for any kind of collateral they might want to produce. While Mimeo does do some business for the SOHO marketplace, the vast majority of our business is coming from small, mid-sized businesses, with a minimum of \$20 to \$25 million a year in revenue, up to the largest companies in the world. We do business with nearly 200 of the Fortune 1000 right now. For some perspective on size, I believe the average order going through VistaPrint is in the \$30 to \$32 range. At Mimeo, we are dealing with orders that now average over \$400. We are different in size, product type, and in the particular markets that we are serving. We have a great relationship with FedEx. They are a huge provider of services to us, in particular for the overnight delivery portion of our business. I don't believe that their strategy is based around centralization and web-enabled technologies because that is probably a conflict with their strategy to create greater footprint through retail presence. They also tend to focus on the more retail-oriented customers. Our competitive advantage lies not in the use of FedEx, but in our unique ability to process an order so quickly and efficiently that we are able to guarantee delivery of a quality product by 8AM the next day.

TWST: What is the strategy for success as you look ahead?

Mr. Slutsky: I think we have found success. The key is to keep doing more of what we are doing and learning ways to do it even better. Although we are private, the company has been growing at a revenue rate of more than 50% for

four years in a row. Our gross margins are expanding and we are profitable. All of that is occurring while we are investing heavily in the business. It's an enormous market and we're just going to keep doing the things that we know work well. We will always stay laser focused on the technology that makes the user experience more convenient and drives value for the customer. First and foremost, we are always going to be focused on production quality. We have publicly proclaimed a 99.6% error-free rate, far beyond what anybody else in the industry reports. A lot of that stems from not only our passion and our great people, but the business model itself. Centralization enables greater economies of scale which enable us to invest more in quality assurance programs. We have a team of more than 40 people just focused on quality initiatives to make certain that what people order is what they get.

TWST: What would you consider as the strengths and advantages of your management team?

Mr. Slutsky: I have a great team. We have a great blend of domain expertise, people who come from the print and technology worlds related to print and also those who come from the non-print B2B-oriented world. We have people like Charlie Corr, the leading analyst in the digital print space at a company called InfoTrends, who now leads our corporate strategy effort. Our co-founder, David Uyttendaele, our Chief Technology Officer has spent years enmeshed in online technologies that can enable print. We have several people on the software engineering side that come out of companies such as Xerox, Kodak and Hewlett-Packard. On the marketing and sales side, we have a lot of people who have grown up in other B2B organizations from a marketing and sales perspective, whether it is Yahoo, EMC and several others.

Many of the people on our team have built very successful companies. I have had my previous experience with Moviefone. The co-founding team members here had a business that they sold years ago in the Web services area to a company called Proxicom. Thomas Karrat, our head of Sales and Marketing was one of the leaders at EMC and then a company called Storage Apps which was sold to Hewlett-Packard. In Memphis, our Executive Vice President of Production and Engineering, Skip Trevathan, has 16 years of experience in logistics and supply chain management at FedEx and at a web-based technology company called Kozmo.

TWST: Do you have the balance sheet in place to take you to your goals?

Mr. Slutsky: Yes, we have a very strong balance sheet for a company of our size and our growth. We recently did a private financing in August that was extremely competitive. There were about ten meetings that we had and we received ten term sheets from all of the candidates that we were interested in receiving financing from. There was a very healthy interest in the company and we ended up bringing in a new investor, Goldman Sachs, who was the lead investor. All of our other major investors elected to exercise their rights to invest again to maintain their shares in the company. It's a great opportunity for Goldman Sachs and great for us to have a name like theirs join our current investors such as Hewlett-Packard and Draper Fisher Jurvetson, DraperFisherJurvetsonGotham, and HarbourVest. With Mimeo's growth has come from increasing profits which has allowed us to organically fund our technological innovations and new product development. This funding enables us to further accelerate growth and development and thereby maximize long term value for our investors. We now have many millions of dollars at our dis-

posal to pursue these growth initiatives that we expect to pursue immediately.

TWST: What is the long-term vision for your company?

Mr. Slutsky: I think when you have a huge market, and you are a disruptive transformational player in it, and you find a model that works, you stick to it. While we are growing 50-plus percent a year, our revenues are still just approaching \$100 million as opposed to eclipsing that number. But when you are operating in a marketplace that's many, many times larger than that, we just have to keep doing what we are doing, and hopefully over time, we will be able to accelerate the growth. We can extend the product offerings into different users who have different kinds of document needs beyond the

ones we are already providing. We also can extend our geographic footprint. We're heavily focused on sales and marketing in the United States and we are hardly dealing with the rest of North America. We think our model is portable to other markets and it's pulling our intention to expand, and now that we have augmented the cash component of the balance sheet, we will be doing that very rapidly.

TWST: Thank you.(WT)

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