Annual Letter to Investors

July 31, 2019

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July 31, 2019

Dear Investor,

It has been five years since we became Cimpress and this period has been transformational for our company. Today we are a strategically focused group of businesses linked by the power of mass customization, with 13,500 employees, operating across more than 20 countries, producing custom products with approximately 80 million unique designs each year, and with almost half of our revenues generated from businesses other than Vistaprint. Over this five-year period we multiplied our revenue by 2.2 and our unlevered free cash flow (UFCF) by 3.4[1], reduced the number of fully diluted outstanding shares from 34.2 million to 31.7 million, and increased invested capital from $688 million to $1.2 billion.[2]

Despite the superficially positive headline numbers, and as discussed in more detail later in this letter, we believe we have grown our intrinsic value per share (IVPS) over the past four to five years at a rate slightly below our weighted average cost of capital (WACC), which is well below our aspiration to create economic value comfortably above our WACC.

The ultimate responsibility for our poor performance lies with me, of course, which is why I have significantly increased my personal focus on the issues we face by spending much more time on the "front lines" of Cimpress and, in particular, of Vistaprint.

Looking deeper into Cimpress, there are a number of issues that have led to our poor performance. Vistaprint has over-invested in advertising and needs to improve foundational basics such as customer obsession, financial rigor, analytical capabilities and world-class technology. Our early-stage businesses have consumed over $200 million of capital with results well below our expectations. We erred by investing in a large centralized organizational structure and then had to spend even more capital to restructure as we shifted to the decentralized organization we have today.

Our recognition of these and other challenges has led to operational, cultural, leadership and organizational changes over the past two years. In particular, I believe that actions the Cimpress team collectively took in fiscal year 2019 have created growing momentum toward a more successful future.

I was recently reminded of a concept in the book "Good to Great" which I find useful in explaining how I can be so aware of Cimpress' shortcomings and yet remain optimistic. The book's author, Jim Collins, noted that “every good-to-great company embraced what we came to call 'The Stockdale Paradox': you must maintain unwavering faith that you can and will prevail in the end, regardless of the difficulties, and at the same time, have the discipline to confront the most brutal facts of your current reality, whatever they might be."[3]

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[1] During this same period, we multiplied operating cash flow by 2.2, adjusted free cash flow by 3.0, and cash interest related to borrowing by 8.8. Please see reconciliation of non-GAAP measures at the end of this letter.
[2] Total debt net of issuance costs and discounts was $445 million as of June 30, 2014 and $1.0 billion as of June 30, 2019.
[3] Source: "Good to Great: Why Some Companies Make the Leap...And Others Don't" by Jim Collins. The "Stockdale Paradox" refers to the coping strategy used by U.S. Navy Vice Admiral James Stockdale, who was a prisoner of war in Vietnam for over seven years.

I see the brutal facts of the past five years, in other words our disappointments, as parts of a corporate adolescence in which we learned hard lessons and matured toward today's larger organization that, as we enter our corporate adulthood, knows where we want to go and has the capability to get there. A retrospective understanding of that struggle provides helpful context to why we now are optimistic about our ability to address our current challenges.

Prior to 2014 we were primarily operating one business, Vistaprint, which was working to drive customer satisfaction scores higher, improve customer service, invest in life-time-value based advertising, and expand product selection. This drove growth but also significantly increased the complexity of the business.

Elsewhere, we had begun to make acquisitions in Upload and Print and to build businesses in emerging markets. When we chose to evolve ourselves from solely Vistaprint into Cimpress our thesis was that the centralization of manufacturing, product management, graphic services, finance, HR and technology across our growing collection of mass customization businesses would enable scale advantages. In retrospect we centralized far too much, instead creating bureaucracy, high costs, distance from our customers, slowness and complexity. We understood our mistake and reversed course relatively quickly, but not before our actions slowed down our businesses and severed their access to data and feedback loops that are vital to serving customers well.

In addition to these self-inflicted wounds, all of our businesses have faced growing external pressures over the past five years. E-commerce standards have risen significantly, as have our customers' expectations. The use of mobile devices skyrocketed, but customization on small screens is difficult, hurting our conversion rates. Competitive pressure has increased steadily for both price levels and advertising. The economic expansion that has continued for the last ten years has increased input costs for paper and shipping services.

Our response to these internal and external challenges was, starting in 2017, to decentralize Cimpress' organizational structure and to reinvigorate an entrepreneurial culture. Since then, we have:

- Reduced our central shared strategic activities to only those select few that can drive the most significant value: the mass customization platform (MCP), a shared talent pool in India, and procurement services.
- Eliminated over $80 million of annual overhead costs and other operating expenses.
- Established more robust business-specific financial reporting to improve management transparency.
- Clarified the processes and standards by which we allocate capital and assess returns.
- Improved our procurement advantages through both scale-based negotiating power and the sharing of innovations and procurement practices that we adopted from businesses we have acquired.
- Built our MCP technology only with modular and flexible micro-services, and actively licensed third-party SaaS whenever possible.
- Grew our shared talent pool in India to approximately 550 team members as of the end of fiscal year 2019, each deployed to operate directly as part of the respective teams of our decentralized businesses.
- Maintained the autonomy of newly acquired businesses, for instance National Pen and BuildASign, learning from the past in which our post merger integration seriously damaged what had previously been accountable and entrepreneurial cultures.
- Created financial incentive structures that will align the senior leaders of our businesses to the returns they deliver to long-term shareholders.
- Narrowed the focus of our early-stage businesses to reduce investment levels and increase the probability of strong future returns on any incremental capital we invest.
- Implemented a decentralized organizational structure that shines a clear light on what works and what does not, and places the levers and decision rights to deliver value in the hands of front-line leaders.

We believe that the strong cash flow growth that we delivered in the second half of fiscal year 2019 is an early illustration of the benefits of these actions. Internally, we see clear signs of accelerating speed, customer focus and innovation.

In addition to the above, in line with our longstanding commitment to corporate social responsibility, we have strengthened in areas that are good for the long-term health of our planet and society.

- In support of the 2015 Paris Climate Accord, since 2016 we have significantly reduced our carbon pollution emissions and are on track to reduce them by 50% or more between 2016 to 2025 compared to what we would have otherwise emitted, as measured by science-based targets.

- Over 85% of the paper printed in Cimpress facilities comes from responsible sources and is Forest Stewardship Council® certified[4] and we expect to move that to 95% in the coming year.
- We continue to build a diverse team across many dimensions that is welcoming of all team members regardless of race, nationality, gender, age, sexual orientation or religion.

For the past several years, this letter has articulated not only how we assess our performance at driving returns on the capital we have invested but also a detailed view into our philosophy about capital allocation and how we make such decisions. That philosophy is unchanged. If you are new to our story, please review my past annual letters to investors for this content. We also include a truncated version as an appendix to this letter.

What has evolved, as it does every year, is that we know more about ourselves and our opportunity than we did a year ago. In the past twelve months we experienced failures, successes and, in several parts of the business, the crisis of not fully living up to the opportunity before us. We have emerged from this difficult year with a clearer view on what's most important to drive future value creation and with tangible improvements to our cash flow despite the fact that we continue to make substantial investments across our business in support of future growth. It remains up to us to prove to ourselves, and to you, that these early positive trends gain momentum over the coming year.

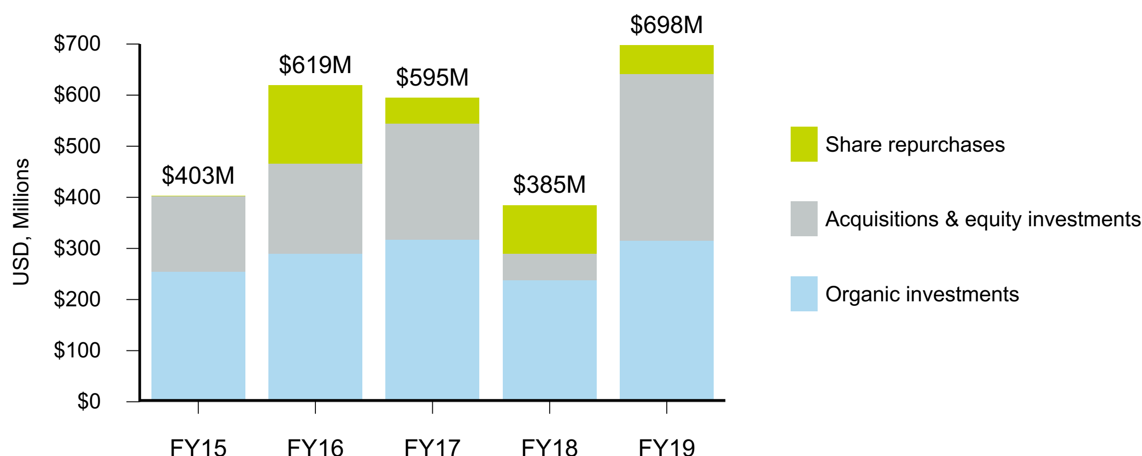
Capital Allocation Summary

We consider capital allocation to be any spend that does not pay back within twelve months on a net basis. The chart below and its supporting table summarizes the capital allocation, other than debt repayment, that we have made over the past five fiscal years. We also include in the supporting table the capital we have raised via divestitures or partial-equity sales of businesses.

With the BuildASign acquisition, organic investments and share repurchases, fiscal year 2019 was the largest year of capital deployment in our history. We already recognize that we should not have made some of our fiscal year 2019 organic investments, and we have much to prove to demonstrate attractive returns on these investments as a portfolio.

In summary, looking back over the past five years, we think share repurchases have been a great use of capital; acquisitions of profitable, established businesses have been a good use of capital; returns on the aggregate total of our organic investments have been okay but far from good; and investments in early-stage businesses have been in aggregate a bad use of capital.

Capital Allocation - Including All Organic Investments that take Longer than 12 Months to Pay Back
Recent History



[4] FSC® C143124, FSC® C125299

Allocated Capital ($M)	FY2015	FY2016	FY2017	FY2018	FY2019	5-Year Total	Percent of 5-yr Total
Organic investments (UFCF impact)	$255	$290	$317	$238	$315	$1,415	52%
M&A and similar equity investments	$148	$176	$228	$52	$327	$931	34%
Share repurchases	$—	$153	$50	$95	$56	$353	13%
Total capital deployed	**$403**	**$619**	**$595**	**$385**	**$698**	**$2,700**	**100%**

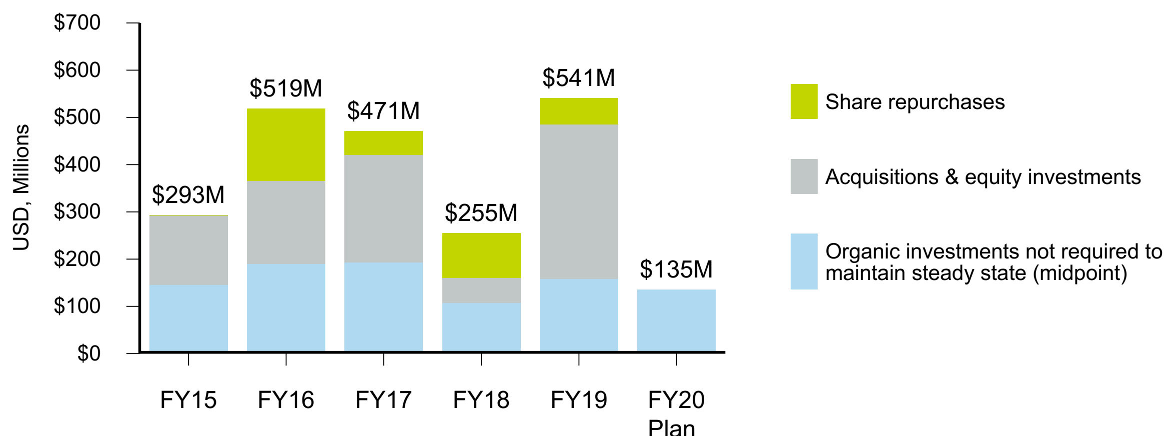
Capital raised via divestitures or partial-equity sales ($M)	**$—**	**$—**	**$—**	**$129**	**$12**	**$141**	**100%**

While the assessment of all capital allocation that doesn't pay back within one year is relevant for our internal process, we believe the portion of that investment that is not required to maintain a steady state is most relevant for our investors. We define "steady state" as having a sustainable and defensible business over the long term that is capable of growing after-tax free cash flow at the rate of United States inflation. So, for future annual letters, we expect to show only the subset of our organic capital allocation that we believe is not required for maintaining steady state, as we do in the chart and table below.

In addition to the historical review, the chart and table below include the approximate total amount we expect to deploy into non-steady state organic investments in fiscal year 2020. We do not forecast our potential fiscal year 2020 M&A and share repurchases in this letter since those potential decisions would depend on many conditions that are outside of our control and are not predictable. That being said, we do not expect to make material acquisitions in the coming fiscal year.

Capital Allocation - Excluding Organic Investments That We Believe Are Required to Maintain Steady State

Recent History and Near-Term Plans



Allocated Capital ($M)	FY2015	FY2016	FY2017	FY2018	FY2019	5-Year Total	Percent of 5-yr Total	FY2020 Plan	6-Year Total
Organic investments not required to maintain steady state (midpoint of our range estimate of the UFCF impact)	$145	$190	$193	$108	$158	$794	38%	$135	$929
M&A and similar equity investments	$148	$176	$228	$52	$327	$931	45%	N/A	N/A
Share repurchases	$—	$153	$50	$95	$56	$353	17%	N/A	N/A
Total capital deployed	**$293**	**$519**	**$471**	**$255**	**$541**	**$2,079**	**100%**	**N/A**	**N/A**

Capital raised via divestitures or partial-equity sales ($M)	**$—**	**$—**	**$—**	**$129**	**$12**	**$141**	**100%**	**N/A**	**N/A**

Steady-State Free Cash Flow (SSFCF) Trend

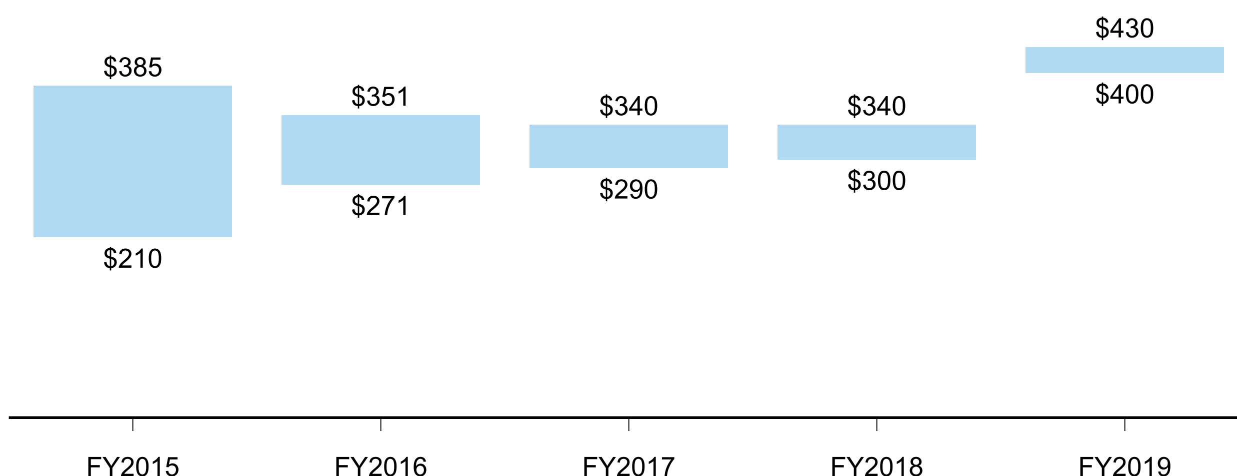
Our SSFCF calculation is an annual estimate of the range of unlevered free cash flow that we would have delivered in the prior fiscal year if we had not invested other than to maintain steady state.

The chart below shows that the range of approximate SSFCF estimates increased in fiscal year 2019. A significant portion (although less than half) of this increase was driven by changes to payback assumptions on Vistaprint life-time-value based advertising as well as a reduction of advertising in the second half of the fiscal year, a portion of which was previously assumed to be required to maintain steady state. Fiscal year 2019 SSFCF was also positively impacted by the acquisition of BuildASign (inclusive of related cash tax savings), increased Upload and Print cash flow, and currency benefits. The longer-term trend reflected in the chart below is murky because of methodology changes. For instance, as we were clear about at the time, for fiscal year 2015 we excluded all organic investment as we weren't yet ready to be more precise, which overstated the upper end of the fiscal year 2015 range. Also, we do not retroactively adjust prior years for updated methodologies so changes like those described for our fiscal year 2019 Vistaprint advertising spend are only reflected in the year the changes are made and going forward.

Though we are pleased to see a meaningful increase in this estimate from fiscal year 2018 to 2019, we are disappointed that we did not make greater progress in the growth of our SSFCF and estimates of IVPS leveraging our past investments this year.

We believe that, in order to create economic value for long-term shareholders, we need to grow the *per-share* value of our SSFCF at annual rates in excess of our WACC. We include more detail on our analysis of SSFCF later in this letter.

Past and Current Approximate Estimates of our Likely Range of Steady State Free Cash Flow (USD Millions)



Fiscal Year 2019 Capital Allocation Assessment by Component

($ in millions)	FY2019 Revenue	FY2019 Adjusted EBITDA	FY2019 UFCF*	FY2019 Midpoint Estimate of Organic Investment (UFCF) not Needed for Steady State
Vistaprint	$1,473	$338	$296	$59
Upload & Print	$769	$107	$82	$8
National Pen	$348	$17	$11	$13
BuildASign**	$108	$16	$13	$3
Early-Stage Investments	$77	($33)	($46)	$46
MCP Investment	N/A	($21)	($25)	$25
Central Operating Costs***	N/A	($36)	($40)	$—
Other Central Teams	N/A	($41)	($42)	$4
Reconciling Items****	($25)	$38	$20	N/A
Total	**$2,751**	**$387**	**$269**	**$158**

** UFCF by business includes cash taxes allocated based upon our internal process to best approximate these.*
*** BuildASign results in this table reflect nine months of Cimpress ownership as of our October 1, 2018 acquisition date.*
**** Central Operating Costs includes operationally oriented shared-service organizations of global procurement, the technical maintenance and hosting of the MCP, and privacy and information security management, plus the administrative costs of our Cimpress India offices where numerous Cimpress businesses have dedicated business-specific team members. These costs are required to operate many of our businesses, particularly Vistaprint.*
***** Reconciling items are: for revenue, inter-segment revenue; for adjusted EBITDA, SBC treated as cash and realized hedging gains; for UFCF, realized hedging gains.*

Investors may be tempted to add together the numbers in each line of the two right-most columns in the table above to estimate the SSFCF of each Cimpress component. Doing so would yield inaccurate results because the table above lacks the pro forma adjustments for non-steady-state working capital, restructuring savings and M&A that we make in our SSFCF estimate and because of the unallocated costs required for our businesses that are shown in the tables rows for MCP and central operating costs. Commentary by component follows.

Vistaprint

Last year, in this letter, I wrote that "Vistaprint is a great business." Despite the challenges we have uncovered this year, I wholeheartedly believe that, with great execution, Vistaprint's best days remain ahead of it. Organic growth over the past two decades has led to fiscal year 2019 revenue of just under $1.5 billion, more than 16 times the revenue in the fiscal year just prior to our September 2005 IPO and 80% larger than the $817 million of revenues in fiscal year 2011.[5] The UFCF from Vistaprint was approximately $296 million in fiscal year 2019 net of investments not needed to maintain a steady state of $52 million to $66 million.

The returns on Vistaprint's growth investment over the last few years have been below our hurdle rates. This year, we have started to change leadership, priorities, and ways in which our teams work in order to improve our chances of driving acceptable returns. As we have communicated in detail over the past six months, there are multiple areas in which we are improving Vistaprint's foundational basics:

- Make our customer experience simple and clean across all touch points
    - For example, address bugs and glitches in customer experience, and improve mobile experience / conversion rates
- Correct decision-making frameworks and tools to ensure valid return on investment criteria
    - For example, ensure advertising spend tools incorporate all applicable variable costs and are comprehensive for a wider range of financial outcomes driven by expanded product assortment
- Meet our financial commitments and deliver attractive returns on our past investments
    - For example, prioritize scaling and improving profitability of past product introduction ahead of new product introduction
- Take material steps to improve analytically driven marketing, merchandising, pricing and discounting

[5] Vistaprint reported revenue in fiscal year 2019 was $1,473 million. Fiscal year 2005 consolidated revenue was $91 million.

    - For example, improve ROI measurement, test-and-learn capabilities, and customer profitability analyses
- Increase development speed and value produced by our engineers and analysts
    - For example, remove the burden of legacy technology and improve quality of and access to data

We will cover a lot of ground on these topics in our investor day presentation on August 7, 2019. The summary is that we have made progress but still have a lot more work to do.

Upload and Print Businesses

This group consists of seven different businesses that we have acquired, plus relatively minor equity investments in suppliers (€494 million total investment consideration between fiscal years 2014 and 2019).

The total investment includes payments and minority equity sales completed to date. During fiscal year 2019, we paid incremental consideration in the amount of €39 million to purchase the remainder of Exagroup, of which we had owned 70% prior to the end of fiscal year 2019. Also during fiscal year 2019, the leadership of one of our reportable segments, PrintBrothers, invested in a minority ownership position in each of the businesses in the segment (an incremental investment of €11 million compared to the end of fiscal year 2018).

Upload and Print businesses generated approximately €66 million in UFCF in fiscal year 2019 (net of reductions to reflect the partial equity ownership of certain businesses in the group), a yield of approximately 13% on the €494 million of consideration we have paid to date.[6] This was after investment that we do not believe is necessary to maintain steady state that reduced UFCF by approximately €7 million to €8 million in fiscal year 2019, so we estimate fiscal year 2019 steady state UFCF returns for our Upload and Print businesses to be, very approximately, 15% of the consideration paid.

As previously described, this year we aligned the Upload and Print businesses into two reportable segments, each centered around a business with significant supply chain and other advantages. We have started to see some early benefits of this alignment, and we expect more in the future. We expect the revenue and SSFCF of these businesses to grow at attractive rates for the foreseeable future.

National Pen

National Pen has significant scale advantages in the mass customization and direct marketing of writing instruments, and we continue to be positive about its long-term prospects despite financial results in fiscal year 2019 that fell well below our expectations. After very strong performance in fiscal year 2018, we accelerated advertising investments in our direct mail channels but then failed to achieve the customer response we expected. This was partly because we invested too deeply and partly because operational challenges in the supply chain delayed our European direct marketing during peak response periods.

Fortunately, in fiscal year 2019 National Pen also set the stage for future growth in customer value and financial performance. E-commerce investments have been progressing on plan: we launched our MCP-based new platform in several European countries with many more countries to follow during fiscal year 2020. National Pen has also begun to expand its product assortment, to fulfill on behalf of other Cimpress businesses, and to expand its customer support centers to build a differentiated value proposition based on superior customer service.

We acquired National Pen for $211 million on December 31, 2016. In fiscal year 2018, National Pen's UFCF of $24 million coupled with strong revenue growth demonstrated a meaningful early return.[7] But in fiscal year 2019, the UFCF of $11 million[8] was just 5% of consideration paid, and we need to reverse this trend if this is to prove to be a wise investment over time. We continue to believe that National Pen should, over the coming several years, reach and then grow beyond the point where it is generating annual steady-state free cash flow that exceeds 15% of the consideration we paid for this business. Fiscal year 2019 UFCF was net of organic investments (including the inefficient direct mail prospecting in Q2) of $13 million that we believe are not required to maintain steady state, and does not include synergies that we achieved in other Cimpress businesses because of National Pen.

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[6] Segment profit, our GAAP measure for segment reporting, for PrintBrothers and The Print Group, the two segments that make up our upload and print portfolio, was $37 million and $47 million, respectively, in fiscal year 2019. This includes 100% of the equity of these businesses.
[7] Segment profit for National Pen was $22 million for fiscal year 2018.
[8] Segment profit for National Pen was $10 million for fiscal year 2019. Please see reconciliation of non-GAAP measures at the end of this letter.

BuildASign

BuildASign is a profitable, growing internet-based provider of wall décor, business signage and other printed products. It serves customers with market-leading prices, fast delivery and excellent customer service thanks to great talent, a customer-centric culture, low-cost production operations and strong e-commerce capabilities.

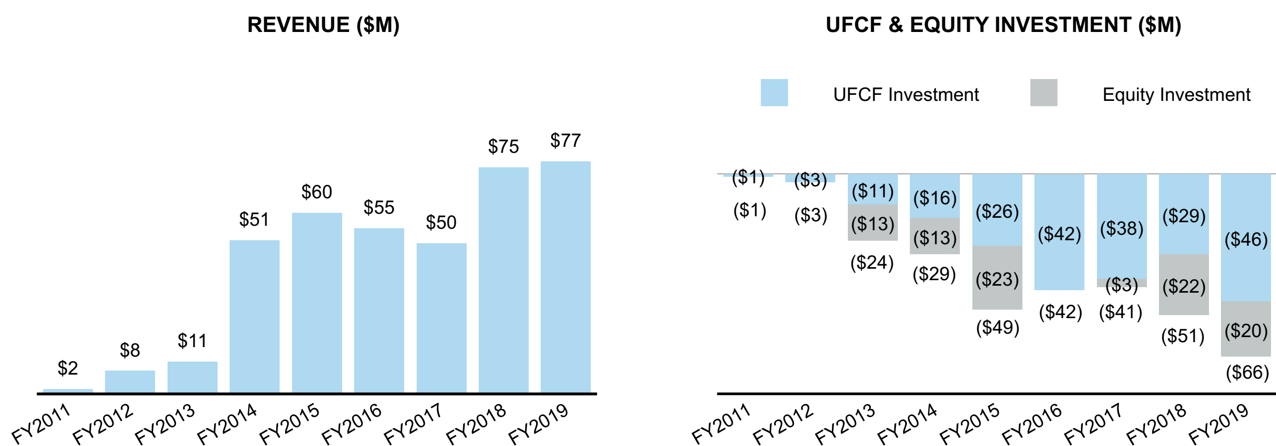
We acquired 99% of BuildASign in October 2018 for $271 million. It is quite early in our history with BuildASign but we already have achieved meaningful procurement and tax synergies. BuildASign has brought Cimpress additional scale in signage products, as well as new capabilities in canvas prints that have begun to benefit our other businesses. The pro forma UFCF of BuildASign for fiscal year 2019 (as if we had owned it all year) was $20 million, or 7% of the total investment consideration. We received a full step up in the tax basis of the acquired assets, which, in addition to interest deductibility of acquisition debt, provides material additional cash tax savings that are not included in these BuildASign results.

We expect BuildASign to continue to grow revenue and cash flows, so that, within a few years, the combination of SSFCF and tax benefits to Cimpress deliver more than 15% annually relative to the investment consideration.

Early-Stage Investments

Other than the well established and profitable BuildASign business, our All Other Businesses segment consists of early-stage loss-making businesses. I wrote to you in last year's annual letter that our history of investing in early-stage investments had been not only far below our aspirations but, in fact, had destroyed significant value at the portfolio level. Despite some bright spots that story remained the same for fiscal year 2019 and we have been actively working to change our future direction.

Below is a view of the revenue, equity investments and free cash flow investments in these early-stage businesses over the past nine years[9]:



Our biggest disappointment among our early-stage businesses in fiscal year 2019 was Printi, which is responsible for $27 million of the $46 million fiscal year 2019 UFCF investment in the chart above. This was unexpected: if you had asked me a year ago which of our early-stage businesses had the greatest chance of long-term success, I would have included Printi near the top of the list. Unfortunately, after a disappointing year full of surprises we have decided to significantly restructure this business to drive toward break-even free cash flow results. Printi remains

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[9] Vistaprint Corporate Solutions revenue recorded in Vistaprint prior to 2014; investments not captured prior to 2016. The fiscal year 2018 equity investment has been updated to include the value of cash loaned to Printi's founders during that period. The value of these loan receivables was written down in fiscal year 2019 when the redemption value of the collateralized equity decreased. In the annual letter published on August 1, 2018, we stated that our investment in VIDA, which had just taken place, was for a consideration of $29 million. The chart above reflects the net cash paid for this investment of $20 million since the residual cash made available to the business is fully consolidated by Cimpress. Please see reconciliation of non-GAAP measures at the end of this letter.

the market leader for online print in Brazil and we believe that the improvements we are making will help earn back some of our past investment, but it is clear that we will have destroyed shareholder value with this investment in almost all future scenarios.

On the positive side, we believe that Vistaprint India, Vistaprint Japan, and Vistaprint Corporate Solutions are each on track to achieve break-even free cash flow results within the coming 18 months while continuing their growth in large potential markets. We have invested significant capital in these three businesses, and break-even is only the start of driving returns against those past investments, but we are comfortable that these investments retain the possibility of driving solid long-term returns. Note that after the end of fiscal year 2019 we decided to operate Vistaprint India, Vistaprint Japan, and Vistaprint Corporate Solutions as lines of business within Vistaprint.

Two very early-stage Cimpress businesses, YSD in China and VIDA in the U.S., remain high risk, rapidly evolving, entrepreneurial ventures, and will require multiple years before we know if they are a success. But both now require relatively modest amounts of attention and capital, and both are pursuing very cutting-edge approaches to potentially large long-term mass customization opportunities.

Central Investments

Mass Customization Platform: From 2015 until 2019 we invested about $112 million to build the MCP. Roughly half of that was prior to the change we made to focus on software components instead of its prior vision of being a large scale, centralized operational platform. In retrospect we wish we had invested only in the software components and central procurement team, and had not invested in the now-disbanded other centralized operations. We think it may be possible, but not certain, to eventually report that the entire investment we have made in the MCP (i.e., the $112 million dollars to date, plus all future investments) will create value that meets our 15% ROI hurdle rate for this type of investment.

For the MCP that we have focused on for the past several years (i.e., the software micro-services), our assessment is much more positive. We estimate that MCP services we have built over the past two years drove incremental recurring annualized free cash flow increases of approximately $8 million in each of the last two fiscal years, a yield that exceeds 30% of the cost of developing those services.

Additionally, for the portion of the MCP that we report quarterly as part of our central operating costs, we are comfortable that we are generating cash savings versus what we would spend if we decentralized these activities, and also that we are providing more robust and scalable capabilities than many of our businesses would achieve on their own.

Other Centrally Managed Investments: This category includes non-steady state corporate costs such as M&A transaction fees. Investments that we make into a select few shared strategic capabilities beyond the MCP, such as our shared talent infrastructure in India and our central procurement team, largely pay back within twelve months so therefore we do not consider them to be allocations of capital.

Share Repurchases & Issuances

Over the past eleven years we allocated $872 million to repurchase 20.9 million shares at an average price per share of $41.70 inclusive of commissions. That eleven-year total includes, for fiscal year 2019, $55.6 million to repurchase 0.6 million shares at an average price per share of $93.48 inclusive of commissions. When we compare how much we paid for these shares to our internal estimate of today's IVPS, we are comfortable that the annualized returns on the capital we deployed to share repurchases have been excellent.

We also issue shares. Other than our IPO in 2005, our primary purpose for this has been share-based compensation (SBC). Our SBC vehicle, which we began using in fiscal year 2016, provides substantial rewards to our senior team members if and when Cimpress succeeds in growing what we believe to be an independent proxy of the multi-year trend of changes to our IVPS: the compounded annual rate of growth of our three-year moving average share price (3YMA). For awards made to date, the SBC plan measures the 3YMA over forward-rolling periods of six-to-ten years. Any Cimpress share awards that we grant will only dilute shareholders if we perform above established hurdle rates net of the dilution from those awards.

Also, during fiscal year 2019, my compensation changed so that I receive only performance share units and no cash compensation.[10] Those awards will be worthless unless the three-year moving average of our share price achieves a minimum compounded annual growth rate of 11% over a rolling six- to ten-year period.

Debt Issuance & Repayment

In January 2019, we expanded our existing credit facility by $500 million in a leverage-neutral transaction in order to increase our long-term financial flexibility and strength. Today, the total amount of the credit facility is $1,592 million, consisting of $505 million of outstanding term loans and a $1,087 million revolver. Though we are not able to access all of this immediately, the credit facility doesn't mature for almost four years and we have a history of pre-funding capital ahead of future growth. We expect to continue to grow our EBITDA in the future and value having the balance sheet flexibility and capacity to be able to act on attractive capital allocation opportunities when they arise.

Our covenant for our total leverage ratio (which is debt to trailing twelve month EBITDA) is 4.75 with a one-year temporary step up to 5.0 for material M&A activity. As of June 30, 2019 we had $1,023.6 million of outstanding debt on our balance sheet, net of issuance costs. Based on our debt covenant definitions, our total leverage ratio was 2.74 as of that date, and our senior secured leverage ratio (which is senior secured debt to trailing twelve month EBITDA) was 1.70.

We have received questions from some shareholders about what leverage ratio would make us uncomfortable. The answer to this and similar questions is that we are willing to take leverage up for attractive opportunities to any number that doesn't put us at risk of breaching our quarterly maintenance covenants on our debt, and we would either sustain or pay down debt dependent on other capital allocation opportunities that arise. Importantly, over 40% of our equity is held by long-term shareholders who are members of our board of directors and clearly incentivized to not take undue risk with leverage.

Outlook

Fiscal Year 2020 Organic Investment Plans

On an unlevered free cash flow (albeit pre-tax, pre-working capital) basis, we expect the midpoint of our estimated range of organic investment not required to maintain a steady state will decrease by $23 million from fiscal year 2019 to fiscal year 2020, and we expect the midpoint of the estimated range of operating income and adjusted NOP impact of these investments to decrease by $37 million.

The primary factors that drive our anticipated investment decrease are plans for a significant decrease in early-stage investments, the full-year impact of Vistaprint advertising reductions versus a half year in fiscal year 2019, and reduced investment in National Pen (including not repeating the poor return advertising from Q2 of this past fiscal year). We expect those planned decreases to be partially offset by an increase in growth capital expenditures in our upload and print businesses and increased Vistaprint technology spend.

Please note that although we have reduced the absolute amount of advertising in Vistaprint, the amount we classify as investment (i.e., greater than 12-month payback) increased significantly starting in fiscal year 2019. This is because we have lowered our forecasts of cash flow for acquisition cohorts through the inclusion of costs that were previously missing from our calculations. This had the effect of increasing our estimate of the net Vistaprint advertising spend that takes longer than 12 months to pay back, and the estimate of the net investment not required to maintain steady state. Because we started reducing this non-steady state spend in the second half of fiscal year 2019, the impact of this change in estimate is not immediately evident from the table of growth investments below and we do not revise the historical investment numbers in these tables. As noted earlier, the related increase to our SSFCF is due to both the change in estimate (i.e., that the net investment was higher than our prior estimates) and that we reduced non-steady state advertising investment in the second half of the year.

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[10] Other than the minimum salary required to be paid to exempt employees under the Fair Labor Standards Act.

The following tables include midpoint estimates of the impact of our historical non-steady state investments on unlevered free cash flow and operating income and net operating profit. They include rounded midpoint estimates for our fiscal year 2020 plans. At the bottom of each table is our estimate by fiscal year for the range of total non-steady state investment, which corresponds to the ranges that are a direct input to our SSFCF analysis.

UNLEVERED FREE CASH FLOW - ESTIMATED NET[11] IMPACT OF NON-STEADY STATE INVESTMENTS[12]
$ in millions

VISTAPRINT						
Investment Area	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20 Est.**
Columbus	34	36	26	—	—	—
Selection (new products and attributes)	14	8	18	Included below	Included below	Included below
LTV-based advertising and marketing infrastructure	13	12	15	16	32	25
Technology	8	11	10	9	11	15
Shipping price reductions	—	—	—	1	N/A	N/A
Expansion of production & IT capacity	14	34	11	8	10	5
Other	8	3	15	4	6	15
VISTAPRINT TOTAL	**$91**	**$104**	**$95**	**$38**	**$59**	**$60**

OTHER ORGANIC INVESTMENTS						
Investment Area	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20 Est.**
Upload and Print	6	10	18	14	8	15
National Pen	N/A	N/A	N/A	2	13	5
All Other Businesses	26	42	42	29	49	20
Mass Customization Platform (MCP)	14	27	24	22	25	30
Other Centrally Managed Investments	8	7	14	3	4	5
TOTAL OTHER THAN VISTAPRINT	**$54**	**$86**	**$98**	**$70**	**$99**	**$75**

CIMPRESS TOTAL AT MIDPOINT	**$145**	**$190**	**$193**	**$108**	**$158**	**$135**
CIMPRESS TOTAL ESTIMATED RANGE	**N/A**	**$150M - $230M**	**$168M - $218M**	**$88M - $128M**	**$143M - $173M**	**$120M - $150M**

[11] Note that the estimates presented regarding our investments in MCP are gross investments, prior to benefits we realize in year, i.e., not net investments like the other lines in these tables. This is true for both the UFCF impact on this page as well as the operating income and adjusted NOP impact on the next page.
[12] Note that investments in Vistaprint Corporate Solutions, Vistaprint India and Vistaprint Japan are included in All Other Businesses through fiscal year 2019. Starting in fiscal year 2020, our estimated investments in these businesses are included in Vistaprint's "Other" category, corresponding to a change in reporting structure. This is reflected in both the UFCF impact on this page as well as the operating income and adjusted NOP impact on the next page.

OPERATING INCOME & ADJUSTED NOP - ESTIMATED NET IMPACT OF NON-STEADY STATE INVESTMENTS
$ in millions

VISTAPRINT						
Investment Area	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20 Est.**
Columbus	25	35	26	—	—	—
Selection (new products and attributes)	—	4	19	Included below	Included below	Included below
LTV-based advertising and marketing infrastructure	14	12	16	18	35	25
Technology	7	9	11	8	8	10
Shipping price reductions	—	—	—	1	—	—
Expansion of production & IT capacity	6	14	—	—	—	—
Other	—	3	14	4	7	15
VISTAPRINT TOTAL	**$52**	**$77**	**$86**	**$31**	**$50**	**$50**

OTHER ORGANIC INVESTMENTS						
Investment Area	**FY15**	**FY16**	**FY17**	**FY18**	**FY19**	**FY20 Est.**
Upload and Print	6	10	14	10	6	—
National Pen	N/A	N/A	N/A	—	8	—
All Other Businesses	22	34	41	36	41	15
Mass Customization Platform (MCP)	15	24	25	24	27	30
Other Centrally Managed Investments	14	11	14	16	5	5
TOTAL OTHER THAN VISTAPRINT	**$57**	**$79**	**$94**	**$86**	**$87**	**$50**

CIMPRESS TOTAL AT MIDPOINT	**$109**	**$156**	**$180**	**$117**	**$137**	**$100**
CIMPRESS TOTAL ESTIMATED RANGE	**N/A**	**$116M - $196M**	**$155M - $205M**	**$97M - $137M**	**$122M - $152M**	**$85M - $115M**

Revenue Outlook

Subject to the important caveat that we are not targeting any specific revenue growth rates for any particular quarter or year, the following bullet points provide fiscal year 2019 organic constant-currency growth by reportable segment and our current view regarding our near- to mid-term expectations for this metric. We expect that both reporting segment and consolidated growth rates will fluctuate from quarter-to-quarter or year-to-year as they have done historically.

- Vistaprint grew by 3% in fiscal year 2019 on an organic constant-currency basis, a significant decrease from the past few years as we pulled back our advertising spend and are retooling several aspects of this business.[13] In the second half of the year, organic constant-currency revenue growth was essentially flat. We believe Vistaprint's revenue growth will be flat to negative in fiscal year 2020. This includes our expectations of pro-forma growth inclusive of Vistaprint India, Vistaprint Japan and Vistaprint Corporate Solutions into Vistaprint.

[13] Vistaprint's reported growth in USD was 1% in fiscal year 2019 and 12% in fiscal year 2018. Please see reconciliation of non-GAAP measures at the end of this letter.

We are hopeful that there is opportunity for Vistaprint to grow again beyond fiscal year 2020 but we will not comment further on this because we do not yet have enough history following our advertising reductions.

- For the different components of our Upload and Print investments:
    - PrintBrothers' organic constant-currency revenue growth was 13% and 18% in fiscal years 2019 and 2018, respectively[14].
    - The Print Group's organic constant-currency revenue growth was 6% and 9% in fiscal years 2019 and 2018, respectively[15].
    - We continue to expect growth of these businesses to moderate over time but for the foreseeable future, we expect growth that is roughly consistent with growth over the past two years, when viewed as an aggregate percentage growth across the above two sub-groups (10% and 13% in constant currencies in fiscal years 2019 and 2018, respectively).

- National Pen's constant-currency revenue growth was 7% in fiscal year 2019, and 20% in fiscal year 2018.[16] We expect National Pen's constant-currency organic revenue growth to fall between zero and the low single-digits in fiscal year 2020 as we moderate advertising investment and focus on operational execution. Beyond fiscal year 2020, we see opportunity for National Pen to improve growth as it continues to diversify its sales channels.

- Excluding the businesses we have owned for less than 12 months (i.e., BuildASign and VIDA), the All Other Businesses segment grew 9% in organic constant currency in fiscal year 2019.[17]
    - For BuildASign, we expect high-single-digit to low-double-digit organic constant-currency growth for the foreseeable future.
    - Vistaprint Corporate Solutions, Vistaprint India and Vistaprint Japan growth expectations are incorporated into the Vistaprint revenue commentary above.
    - The early-stage businesses that remain in this segment (Printi, VIDA, and YSD in China) continue to pivot and evolve their business models. We expect revenue growth to remain volatile, but in any case revenue changes for these businesses combined is not expected to be material to Cimpress' consolidated results in fiscal year 2020.

Steady State Free Cash Flow

The table below illustrates our calculation of the high and low ends of our approximate estimate of our likely range of SSFCF for fiscal year 2019.

SSFCF Estimate ($ in Millions) - Most numbers in this table are only approximate		FY2019
Free cash flow	**$**	**212**
Add back cash interest expense*	$	57
Unlevered free cash flow	**$**	**269**
Adjustment for pro forma UFCF of M&A and non-controlling interests	$	(1)
Adjustment for pro forma UFCF of non-steady state working capital change	$	(17)
Adjustment for pro forma impact of fiscal year 2019 restructuring activity (primarily Vistaprint)	$	6
Approximate pro-forma unlevered free cash flow normalized for the above items	**$**	**257**
Add back low estimate of investment not needed to maintain steady state	$	143
Low estimate of Steady State Free Cash Flow	**$**	**400**
Add the increment between low and high estimates of investment not needed to maintain steady state	$	30
High estimate of Steady State Free Cash Flow	**$**	**430**

* Excludes cash interest for Waltham, Massachusetts facility lease because we view this as an operating cost, not a cost of borrowing capital

[14] PrintBrothers' reported growth in USD was 8% in fiscal year 2019 and 29% in fiscal year 2018.
[15] The Print Group's reported growth in USD was 2% in fiscal year 2019 and 19% in fiscal year 2018.
[16] National Pen's reported growth in USD was 5% in fiscal year 2019 and 196% in fiscal year 2018 (we only owned National Pen for half of fiscal year 2017).
[17] All Other Businesses' reported revenue grew 111% in fiscal year 2019 due to the acquisition of BuildASign. Please see reconciliation of non-GAAP measures at the end of this letter.

Important Caveats Regarding Steady State Free Cash Flow

SSFCF is an output, not an input, to our capital allocation decision making. In other words, we use SSFCF to evaluate the intrinsic value of Cimpress and as a performance metric that, over time, measures the impact of our past allocations of capital, but we do not use SSFCF to allocate capital.

This is the fifth year in which we have calculated an approximate estimate of our likely range of SSFCF. We believe that each year we have improved our understanding of, and confidence in, estimates of our investments necessary for maintaining steady state. We expect to continue to improve this analysis over time.

Changes to our business (and changes to our understanding of our business) from one year to the next drive corresponding changes to our approximate estimates of our likely range of SSFCF. For example, our fiscal year 2019 calculation of SSFCF is higher both because we reduced advertising expenditures in Vistaprint that we now believe did not meet our objectives and because we now estimate that much of the advertising we previously considered as paying back in less than 12 months (i.e., not classified as investment) in fact takes more than 12 months.

At the time we published prior annual letters like this, we noted different adjustments for each fiscal year relative to the prior year. All of these corrections would change our prior estimates of our likely ranges of SSFCF. One could easily argue that these adjustments should also be reflected in revised estimates of SSFCF for prior fiscal years; however we do not recast prior SSFCF estimates because we don't believe that the effort of doing so would increase the value of Cimpress. Instead, we seek to be transparent, explicit and approximate: transparent about where these changes to our estimates occur; explicit about the lack of precision inherent in any calculation of SSFCF; and approximate by providing only range estimates, not specific SSFCF estimates.

There are still other things that we have to date not sought to adjust for that fluctuate based on a variety of factors. For example, there are tax implications of the investments we are making but often these tax attributes are deeply linked with the operational and corporate structures required to generate our SSFCF. Currency fluctuations are a second example. Fiscal year 2019 benefited from more favorable currency than last year and we will continue to experience currency fluctuations that will impact our steady state cash flow estimates.

The SSFCF concept depends on tracking systems, assumptions and judgments which we are continually learning about, debating and seeking to improve. We are comfortable that the range of fiscal year 2019 estimates represents our best understanding of our SSFCF as of the date of this letter, and we've been able to narrow and improve the assumptions behind the presented ranges over time in function of our increased understanding. We believe that each year we are improving our SSFCF estimates, and it provides an increasingly clean and thoughtful estimated range (but still not perfect and certainly not precise) of what our company could generate each year into the future if we stopped investing for growth.

The difference between our actual free cash flow and our approximate estimates of SSFCF represents an approximate range estimate of the capital that we allocate to organic investments to grow our business beyond steady state or those that, in hindsight, were not needed to maintain our steady state. Some investors have asked if our removal of an estimated range of non-steady state organic investments in our steady-state analysis implies that these investments should be "ignored". We do not think so. Rather, we ask investors to understand these investments and to then make their own assessment of their value.

Summary & Conclusion

As we regularly emphasize, Cimpress' uppermost financial objective is to maximize our intrinsic value per share. We believe we can approximate the rate of growth of our IVPS by comparing, across long periods of time, the result of the following formula:

([SSFCF divided by our WACC] - net debt) / diluted shares outstanding [18]

In order to create economic value, net of our cost of capital, we need to grow the result of this equation at a compounded annual growth rate that is higher than our cost of capital. Unfortunately, based on internal estimates of where within the high-low range of SSFCF we probably fell over the past five years, we believe that the fiscal year 2015 to fiscal year 2019 CAGR has in fact been slightly below our 8.5% WACC. We encourage shareholders to make their own such estimates and we provide below a table of historical values for the components of the formula.

in millions	**FY2015**	**FY2016**	**FY2017**	**FY2018**	**FY2019**
When we made this estimate	**July 2015**	**July 2016**	**July 2017**	**July 2018**	**July 2019**
High estimate of SSFCF	$385	$351	$340	$340	$430
Low estimate of SSFCF	$210	$271	$290	$300	$400
Pro forma net debt	$419	$609	$750	$795	$1,001
Weighted average diluted shares outstanding	33.8	33.0	32.6	32.2	31.7

Acknowledging, analyzing and addressing past failure is a prerequisite to achieving excellence. Going back to the Stockdale paradox I referred to at the beginning of this letter, our failure over recent years to grow IVPS in excess of our cost of capital is the most important of the brutal financial facts that we must confront. We have pursued investments that would not be supported had they been subjected to more rigorous analysis, and we have too often poorly executed and/or failed to fully leverage Cimpress' shared strategic capabilities. This is not about us not wanting to take risks. To the contrary, setbacks are a natural byproduct of entrepreneurial risk. But we need to learn from past experience how to better limit avoidable errors.

Each year that passes provides an opportunity to confront brutal facts in service of building an enduring and transformational business that creates value for all of our constituents. Fiscal year 2019 was painfully full of such learning opportunity, but the discipline of our talented team members around the world to confront these facts gives me confidence in our future. In that regard, fiscal year 2019 laid the groundwork for what we need to accomplish in fiscal year 2020.

- Our decentralized organizational structure shines a clear light on what works and what does not and places the levers and decision rights to deliver value in the hands of the leaders of our businesses. All of our businesses have recognized and started to address the challenges that they face.

- Each central team has a very clear set of measurable objectives to either deliver on our select few shared strategic capabilities or to perform those activities which can only be performed centrally.

- Teams across Cimpress took important measures to cut poor performing investments, clarify their strategies, invest in technology and supply chain capabilities, reduce costs and accelerate innovation. Some of those changes were evolutionary in nature. Others, such as at Vistaprint, National Pen and Upload and Print, represent significant change in tactics but leverage strong underlying businesses and strategies. Still others were more extreme but necessary changes, such as our recent decision to materially restructure Printi.

- The SSFCF improvements in the second half of fiscal year 2019, and even more so in Q4, indicate that we are on the right path financially.

- We are building momentum on a long list of customer-facing improvements that we are implementing across Cimpress. We look forward to sharing examples during our upcoming investor day.

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[18] Note that the output of the above formula is not an estimate of our IVPS because the SSFCF component does not include the value of growth investment, past and future, that is not yet impacting our SSFCF, where as the net component debt does include the cumulative investments.

In addition to this letter, our GAAP financial results, and our SEC filings, we plan to convey valuable complementary information at our investor day on August 7, 2019, which I encourage you to attend either in person or via webcast. Having reviewed all of this material, I hope that you will agree that we have a sharper focus on what matters most to maximize the intrinsic value of our shares.

Thank you for the time you have invested to read this letter, and for your attention and consideration. We take very seriously our responsibility as stewards of our investors' capital. We believe that this explicit enumeration of our investment frameworks, successes and failures empowers each investor to decide if Cimpress is an attractive company with which to entrust capital.

Sincerely,

Robert Keane
Founder, Chairman & CEO
Cimpress N.V.

July 31, 2019

APPENDICES

How We Think About Intrinsic Value Per Share ("IVPS")

Our uppermost financial objective is to maximize our IVPS. We do not publicly disclose our internal IVPS range estimates because of their judgment-based nature and because we assume that shareholders who take a long-term perspective will each make their own estimates of the value of a share of Cimpress. However, I would like to explain the process by which we internally establish an IVPS range estimate so you understand how we, as the stewards of the capital you entrust to us, think about this very important subject.

We define IVPS as (a) the unlevered free cash flow per diluted share that, in our best judgment, will occur between now and the long-term future, appropriately discounted to reflect our cost of capital, minus (b) net debt per diluted share.

Any estimate of part (a) is inherently subjective and based on forward-looking projections. That is why we say that our definition of IVPS is based on our best judgment. Please note my use of many qualifying terms throughout this letter such as "estimated", "range", "approximate" and "judgment". The future is inherently unknowable so our commentary should be understood in the context of these qualifying terms.

We use two methods to estimate part (a) of our IVPS equation. We establish multiple scenarios, so each of these approaches generates a range based on several present values. We try to be prudent and realistic in our forecasts. We then look at the range of all the outputs across the two methods, discuss and debate the merits and weaknesses of each output, and then make a range-based judgment call.

The first of these two methods is a classic discounted cash flow ("DCF") financial model. We forecast key line items in our income statement and cash flow statements based on past trends, and our beliefs about how those trends will progress in the future. We typically project these ten fiscal years into the future, and in the last year establish a terminal value by dividing that year's projected UFCF by our WACC. We then discount all of this back to today at our WACC, then divide by the number of diluted shares.

The second method is based on steady state unlevered free cash flow ("SSFCF"). We define "steady state" as having a sustainable and defensible business over the long term that is capable of growing after-tax free cash flow at the rate of United States inflation. SSFCF is an estimate that is inherently based on many subjective business judgments and approximations, so you should consider our statements about this concept to be directional range estimates that are definitely not specific or precise. This approach is not traditional but we believe it to be useful and informative. In our experience, we typically find that our estimates of IVPS are lower using the SSFCF method than the DCF method. For the SSFCF method, our process is to establish:

i. An estimated range of what value exists in Cimpress today assuming no more of our past investments turn cash generative (or negative) and assuming we were to stop investing for growth beyond steady state. We establish this estimated range by dividing the upper and lower bounds of our range estimate of SSFCF by our WACC to derive a high and low enterprise value prior to accounting for future returns on capital which we have deployed or will deploy which are not yet contributing to our SSFCF.

ii. An estimated range of future returns from our past and future capital allocation (other than organic investments required to maintain steady state) whose returns do not yet show up in our SSFCF. We discount those to their present value using our WACC. This second component addresses our view that a major portion of our estimate of IVPS derives from us having a large set of attractive investment opportunities for the foreseeable future and that we can fund such investments thanks to our significant SSFCF combined with our financing capacity.

iii. Add the results from "i." and "ii." together to estimate a range of values, which we divide by the number of diluted shares.

While part "ii." is a material part of any IVPS calculation, it necessitates significant assumptions about the future which often times are well-intentioned but lead to overly optimistic estimates of returns that have yet to materialize. For retrospective assessments of the compounded annual growth rate (CAGR) of IVPS over extended periods (such as the FY15 to FY19 assessment discussed in this letter) we therefore use only part "i." as the value which we divide by the number of diluted shares.

As discussed previously, we allocate capital based on our estimates of the present value of any given potential investment, discounted by our hurdle rates and selected within the context of alternative uses of that capital. For example, we do not protect or favor the maintenance of SSFCF in our existing businesses as part of our capital allocation processes. As with all capital allocation choices, we would make such investments only if we believe that they will both meet or exceed relevant hurdle rates and will be the best choice relative to alternative uses of that capital. We would rather accept that such a portion of our business is mature and declining and use the cash flows that are generated from it to invest elsewhere. The fact that we currently invest large amounts of capital into the maintenance of steady state reflects our belief in the strong returns available to us in our current business.

Capital Allocation Approach

We can deploy capital via organic investments, share repurchases, acquisitions and equity investments, debt reduction, and the payment of dividends. Please note however, that we do not intend to pay dividends for the foreseeable future. Our sources of capital are the cash we generate from our businesses, the issuance of debt, the issuance of equity, and the divestiture of assets. We consider capital to be fungible across all of these categories. In other words, we do not favor one over the other, but rather seek to grow our IVPS by allocating across these categories in function of the relative returns of current and expected future opportunities.

We define corporate-level deployment of capital as any investment of money that we expect to require more than twelve months to return 100% or more of the investment. You should assume this definition for all of our references to capital allocation. We delegate to our businesses and central teams (and do not centrally seek to limit or optimize) capital allocation decisions which our operational executives expect to pay back in less than twelve months. We then hold each operating unit accountable for delivering an aggregate level of unlevered free cash flow that (a) takes into account the negative cash flow from corporate-level capital allocation, and (b) is net of any sub-12-month-payback investments they chose to make on a decentralized basis.

We evaluate our IVPS in U.S. dollars so we hold ourselves responsible for a long-term, consolidated financial results in U.S. dollars. That being said, we hold our individual businesses accountable to financial results in the currencies that are most relevant to those businesses. We believe that, over the long term, most currencies will fluctuate both up and down relative to the the U.S. dollar and that, on average and over the long term, those fluctuations will neutralize most of the impact of shorter-term currency volatility. We seek to reduce short- and medium-term currency volatility at an aggregate level either naturally or with our hedging program so that we have time to react to significant changes for our debt covenants.

We currently estimate our WACC to be 8.5%. We seek to have a weighted average return on our portfolio of deployed capital, net of failures, that is materially above our WACC. In support of this objective, we vary the hurdle rates that we use at the time of investment decisions in function of our judgment of the risks to various types of investment. For example, we require only 10% for highly predictable organic investments located in Europe, North America or Australia such as the replacement or expansion of capital equipment for profitable and growing businesses, 15% for M&A of established, growing, profitable companies, and 25% for risky investments such as our investments in our portfolio of startup businesses. At the time that we make any given investment we expect to deliver a return that is above its relevant hurdle rate, preferably well above.

As much as we would like to operate in a hypothetical world in which we didn't make capital allocation errors, we believe that innovation and risk taking are critical to value creation so we do not seek to avoid investment risk nor are we able to prevent failure at the level of individual investment projects. We report to you our failures as well as our successes so that you can evaluate our performance in light of our overall weighted average portfolio of investments.

We recognize that a portfolio of investments that exceeds WACC does not necessarily mean, by itself, that we have made good capital allocation decisions. We need to compare our returns against the opportunity cost of potentially higher returns that might have come from deploying the same capital into even higher-returning opportunities of a similar risk level. This more stringent measure of performance clarifies the cost of mistakes, which we have made in the past. Also, as we have noted in the past, we can make mistakes when we raise capital. This understanding of the true cost of equity issuance is a central reason why the performance mechanisms of our share-based compensation vehicles directly link potential payout and its associated dilution to the equity returns that Cimpress delivers to long-term shareholders after such dilution.

Organic Investments

The organic capital that we have allocated, and that we plan to continue to allocate, directly reduces our UFCF. We nonetheless organically deploy significant amounts of capital because we believe that we can deliver weighted average returns on this investment portfolio that are above (preferably well above) our WACC. Doing so would, in turn, increase our IVPS.

Many of our investments begin to return cash in the same fiscal year as their initial investment so, where practical from a tracking perspective, the investment estimates we provide in this letter represent our net investment, not the gross investment. All numbers in the tables in this letter are rounded estimates. Because we cannot precisely estimate the rate of investment or precisely isolate the returning cash flows of most of our investments, and because we may make changes to our plans during the course of the future fiscal year based on new information we may receive, both historical and planned numbers in this document should be considered only as directional and approximate.

To avoid complexity in the presentation and reconciliation of figures which we include in public documents, we describe these investments as a reduction to UFCF before tax effects and prior to working capital changes. However, internally, we endeavor to evaluate investment decisions based on our forecasts of discounted unlevered free cash flow, i.e., after both tax and changes to working capital. To help investors understand our capital allocation in terms that may be important to them, in this letter we also express our investments as reductions to operating income and adjusted net operating profit ("NOP").

Acquisitions & Early-Stage Investments

Acquisitions of Established Businesses

In our view, acquisitions and equity investments are risky investments that, if successful, can produce attractive returns on large amounts of capital and/or fortify the competitive position of our existing businesses. We also believe that transactions in which we acquire less than 100% of a business can be attractive under the right circumstances since such structures may help us to align, motivate and retain co-owners and/or partners who are important to driving strong performance for Cimpress. For most acquisitions or equity investments of established, profitable businesses, at the time we make that investment we typically apply a 15% hurdle rate.

We may also divest and/or sell all or a portion of the equity of a given business when we believe we could deploy our capital more productively elsewhere, or when we believe that doing so will bring important benefits in terms of our relationship with third parties who are important to the success of that business.

Early-Stage Investments

For investments in nascent businesses, we typically use a 25% ROIC hurdle to reflect the materially higher risk typically associated with that allocation of our capital.

Potentially, we could create great value by entering markets that are several steps away from our current businesses and by then building great customer franchises and fast-growing, profitable businesses in these markets. In the very ancient history of our company we achieved exactly such a feat. Back in 1998, Cimpress was just "Bonne Impression", a small (roughly $3 million in revenue), break even, low-growth, direct-mail-catalog-based supplier of desktop publishing supplies for small businesses in Europe. We aspired to take our knowledge of that market and move into online printing, still serving the same customer for self-service graphic design and short-run printing, but in a very different way than our existing business. To do so we raised significant venture capital money and over the 1998 to 2003 period launched Vistaprint. We had plenty of failures, setbacks, re-launches, pivots and urgent needs for more financing, but by 2003 Vistaprint was profitable, fast growing, and on its way to becoming an incredible business.

Now, as much as we would love it, we don't expect to organically create another Vistaprint. To expect to do so would require ignoring the reality that, besides hard work, a huge factor in our success came from the good luck of being in the right place at the right time. But we do believe that it might be possible for us to build a portfolio of fast-growth, profitable businesses that, a decade into the future, contribute a significant portion of Cimpress' overall growth and which, at the portfolio level, net of inevitable failures, would have generated attractive ROIC on a

magnitude that could "move the needle" of value creation at the Cimpress-wide level. At the highest level, that aspiration is why we invest in early stage investments.

Share Repurchases & Issuance

Share repurchases have been a large category of capital allocation for Cimpress over the years. We do not repurchase shares with the objective of offsetting share dilution. Rather, we do so opportunistically and at times when we believe it will yield investment returns in excess of our WACC.

We have repurchased and issued, and may also in the future repurchase or issue, shares to cover obligations under our equity compensation plans, for acquisitions or similar transactions, and for other purposes. For example, for acquisition-related earn-outs and other purchase obligations like deferred payments for non-controlling interests, we often structure the obligation to be payable in cash or shares at Cimpress' option.

When we issue shares, we are willing to do so at prices that are at or below our estimate of our IVPS if we believe the return for the investment of the capital from the equity issuance will be higher than any loss of value we expect to incur from issuing shares below their intrinsic value.

Our choice to repurchase or issue shares is guided by the above principles and by a variety of other debt covenant and legal requirements. Because of the complexity of these criteria, periods in which we issue or buy back shares, or in which we do not do so, should not necessarily be considered as an indication of our views on our IVPS relative to the share price.

Debt Issuance and Repayment

We view debt as an important source of capital that, when maintained at manageable levels, helps us maximize our IVPS. We believe that the calculated entrepreneurial risk-taking inherent in our capital allocation is fully compatible with our commitment to maintain reasonable levels of debt because each individual investment we make is small relative to our overall financial performance.

Given our fluctuating needs for capital, we often choose to deploy capital to the reduction of debt.

We greatly value our debt investors and believe that Cimpress represents a compelling issuer of bonds and a strong customer for financial institutions.

Net Debt per Share

As noted in this letter, we define IVPS as (a) the unlevered free cash flow per diluted share that, in our best judgment, will occur between now and the long-term future, appropriately discounted to reflect our cost of capital, minus (b) net debt per diluted share. The following table provides our calculation of part (b).

Net Debt Per Share (USD Millions Except Per Share Data)

	FY2015 (June 30, 2015)	FY2016 (June 30, 2016)	FY2017 (June 30, 2017)	FY2018 (June 30, 2018)	FY2019 (June 30, 2019)
Total debt, excluding debt issuance costs	$523	$686	$883	$839	$1,036
Cash and equivalents	$104	$77	$26	$44	$35
Net debt, excluding debt issuance costs	$419	$609	$857	$795	$1,001
Adjustment for proceeds from sale of Albumprinter*			$(107)		
Pro-forma net debt	$419	$609	$750	$795	$1,001
Weighted average diluted shares outstanding**	33.8	33.0	32.6	32.2	31.7
Pro-forma net debt per share	$12.40	$18.45	$23.01	$24.69	$31.58

* USD estimate made using July 25, 2017 USD/Euro spot rate of 1.1655. This adjustment was made prior to the sale date and the calculation has not been updated to show the proceeds in fiscal year 2018, when the sale was actually completed.
** Weighted average shares outstanding for fiscal year 2017 represent the number of shares we would have reported on the face of our income statement had we been in a profit position for fiscal year 2017 instead of a loss position. The 'basic' weighted shares outstanding reported on our income statement was 31.3 million for fiscal year 2017.

Non-GAAP Reconciliations

To supplement Cimpress' consolidated financial statements presented in accordance with U.S. generally accepted accounting principles, or GAAP, Cimpress has used the following measures defined as non-GAAP financial measures by Securities and Exchange Commission, or SEC, rules: Constant-currency revenue growth, constant-currency revenue growth excluding revenue from acquisitions and divestitures made in the last twelve months, upload and print group constant currency revenue growth, adjusted net operating profit, adjusted EBITDA, adjusted free cash flow, unlevered free cash flow and trailing-twelve-month return on invested capital:

- Constant-currency revenue growth is estimated by translating all non-U.S. dollar denominated revenue generated in the current period using the prior year period's average exchange rate for each currency to the U.S. dollar.
- Constant-currency revenue growth excluding revenue from acquisitions, divestitures and joint ventures during the first year of ownership excludes the impact of currency as defined above and revenue from:
    - National Pen from Q3 fiscal 2017 through Q2 fiscal 2018;
    - Albumprinter divestiture from Q1 fiscal 2018 through Q4 fiscal 2018;
    - VIDA from Q1 fiscal 2018 through Q4 fiscal 2019; and
    - BuildASign from Q2 fiscal 2018 through Q1 fiscal 2019.
- Upload and print group constant-currency revenue growth is the combination of revenue for PrintBrothers and The Print Group in constant currencies, adjusted to exclude inter-segment revenue when conducted between businesses in these segments.
- Adjusted net operating profit is defined as GAAP operating income plus interest expense associated with our Waltham, Massachusetts lease, excluding M&A related items such as acquisition-related amortization and depreciation, changes in the fair value of contingent consideration, and expense for deferred payments or equity awards that are treated as compensation expense, plus the impact of certain unusual items such as discontinued operations, restructuring charges, impairments, or gains related to the purchase or sale of subsidiaries, plus certain realized gains or losses on currency derivatives that are not included in operating income.
- Adjusted EBITDA is defined as operating income plus depreciation and amortization (excluding depreciation and amortization related to our Waltham, Massachusetts office lease) plus share-based compensation expense plus proceeds from insurance plus earn-out related charges plus certain impairments plus restructuring related charges plus realized gains or losses on currency derivatives less interest expense related to our Waltham, Massachusetts office lease less gain on purchase or sale of subsidiaries.
- Adjusted free cash flow is defined as net cash provided by operating activities less purchases of property, plant and equipment, purchases of intangible assets not related to acquisitions, and capitalization of software and website development costs, plus payment of contingent consideration in excess of acquisition-date fair value, plus gains on proceeds from insurance.
- Unlevered free cash flow is adjusted free cash flow before cash interest related to borrowing. Cash interest related to borrowing excludes the portion of cash interest expense expense related to our Waltham, Massachusetts office lease.
- Trailing-twelve-month return on invested capital is adjusted NOPAT or adjusted NOPAT excluding share-based compensation, divided by debt plus redeemable noncontrolling interest plus shareholders equity, less excess cash. Adjusted NOPAT is defined as adjusted NOP from above, less cash taxes. Adjusted NOPAT excluding share-based compensation adds back all share-based compensation expense that has not already been added back to adjusted NOPAT. Excess cash is cash and equivalents greater than 5% of last twelve month revenues and, if negative, is capped at zero. Operating leases have not been converted to debt for purposes of this calculation.

These non-GAAP financial measures are provided to enhance investors' understanding of our current operating results from the underlying and ongoing business for the same reasons they are used by management. For example, as we have become more acquisitive over recent years we believe excluding the costs related to the purchase of a business (such as amortization of acquired intangible assets, contingent consideration, or impairment of goodwill) provides further insight into the performance of the underlying acquired business in addition to that provided by our GAAP operating income. As another example, as we do not apply hedge accounting for our currency forward contracts, we believe inclusion of realized gains and losses on these contracts that are intended to be matched against operational currency fluctuations provides further insight into our operating performance in addition to that provided by our GAAP operating income. We do not, nor do we suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. For more information on these non-GAAP financial measures, please see the tables captioned "Reconciliation of Non-GAAP Financial Measures" included at the end of this letter. The tables have more details on the GAAP financial measures that are most directly comparable to non-GAAP financial measures and the related reconciliation between these financial measures.

Reconciliation of Non-GAAP Financial Measures

Revenue Growth Reconciliation by Reportable Segment
Annual, in $ thousands

	FY2019	FY2018	Year-over-year Growth	Currency Impact (Favorable) / Unfavorable	Constant-Currency Revenue Growth	Impact of Acquisitions / Divestitures (Favorable) / Unfavorable	Constant-Currency Revenue Growth Excluding Acquisitions / Divestitures
Vistaprint	$ 1,472,671	$ 1,462,686	1%	2%	3%	—%	3%
PrintBrothers	443,987	410,776	8%	5%	13%	—%	13%
The Print Group	325,872	320,473	2%	4%	6%	—%	6%
National Pen	348,409	333,266	5%	2%	7%	—%	7%
All Other Businesses	185,052	87,583	111%	6%	117%	(108)%	9%
Inter-Segment Eliminations	(24,915)	(22,243)					
Total revenue	**$ 2,751,076**	**$ 2,592,541**	**6%**	**3%**	**9%**	**(4)%**	**5%**

Upload and Print	**FY2018**	**FY2019**
PrintBrothers reported revenue	$ 410,776	$ 443,987
The Print Group reported revenue	$ 320,473	$ 325,872
Upload and Print inter-segment eliminations	$ (1,239)	$ (935)
Total Upload and Print revenue in USD	**$ 730,010**	**$ 768,924**

Upload and Print revenue growth in USD	5%
Currency impact	5%
Total Upload and Print revenue in constant currency	10%

Reconciliation of Non-GAAP Financial Measures (Continued)

Adjusted EBITDA
Annual, in $ millions

	FY2019
GAAP operating income	$163.6
Depreciation and amortization	$173.0
Waltham, MA lease depreciation adjustment	($4.1)
Share-based compensation expense	$18.3
Interest expense associated with Waltham, MA lease	($7.2)
Earn-out related charges	$—
Certain impairments and other adjustments	$10.7
Gain on purchase or sale of subsidiaries	$—
Restructuring related charges	$12.1
Realized gains on currency derivatives not included in operating income	$20.3
Adjusted EBITDA[1,2]	**$386.5**

[1]This letter uses the definition of adjusted EBITDA as outlined above and therefore does not include the pro-forma impact of acquisitions or divestitures; however, our debt covenants allow for the inclusion of pro-forma impacts to adjusted EBITDA.
[2]Adjusted EBITDA includes 100% of the results of our consolidated subsidiaries and therefore does not give effect to adjusted EBITDA attributable to noncontrolling interests. This is to most closely align to our debt covenant and cash flow reporting.

Free Cash Flow and Unlevered Free Cash Flow[1]
Annual, in $ thousands

	FY2006	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Net cash provided by operating activities	$34,637	$165,149	$146,749	$141,808	$153,739	$242,022	$247,358	$156,736	$192,332	$331,095
Purchases of property, plant and equipment	($24,929)	($37,405)	($46,420)	($78,999)	($72,122)	($75,813)	($80,435)	($74,157)	($60,930)	($70,563)
Purchases of intangible assets not related to acquisitions	—	($205)	($239)	($750)	($253)	($250)	($476)	($197)	($308)	($64)
Capitalization of software and website development costs	($2,656)	($6,290)	($5,463)	($7,667)	($9,749)	($17,323)	($26,324)	($37,307)	($40,847)	($48,652)
Payment of contingent consideration in excess of acquisition-date fair value	—	—	—	—	—	$8,055	$8,613	—	49,241	—
Proceeds from insurance related to investing activities	—	—	—	—	—	—	$3,624	—	—	—
Adjusted free cash flow	**$7,052**	**$121,249**	**$94,627**	**$54,392**	**$71,615**	**$156,691**	**$152,360**	**$45,075**	**$139,488**	**$211,816**
Plus: cash paid during the period for interest	$1,089	$219	$1,487	$4,762	$6,446	$8,520	$37,623	$45,275	$56,614	$63,940
Less: interest expense for Waltham lease	—	—	—	—	—	—	($6,287)	($7,727)	($7,489)	($7,236)
Unlevered free cash flow	**$8,141**	**$121,468**	**$96,114**	**$59,154**	**$78,061**	**$165,211**	**$183,696**	**$82,623**	**$188,613**	**$268,520**

About Cimpress
Cimpress N.V. (Nasdaq: CMPR) invests in and builds customer-focused, entrepreneurial, mass-customization businesses for the long term. Mass customization is a competitive strategy which seeks to produce goods and services to meet individual customer needs with near mass production efficiency. Cimpress businesses include BuildASign, Drukwerkdeal, Exaprint, National Pen, Pixartprinting, Printi, Vistaprint and WIRmachenDRUCK.

To learn more, visit http://www.cimpress.com.

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Risks Related to Our Business
This investor letter contains statements about our future expectations, plans, and prospects of our business that constitute forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995, including but not limited to our expectations for the growth and development of our business, financial results, and cash flows on a consolidated basis and for each of our individual businesses and reporting segments, our estimates and expectations relating to our unlevered free cash flow and intrinsic value per share, the effects of our decentralized structure and other organizational changes on our business and financial results, our plans for managing our debt, the development and success of our mass customization platform, our expectations with respect to our corporate social responsibility goals, our estimates and plans for future allocations of capital and investments in our business and acquisitions, and the anticipated results of our past and future investments and acquisitions, including but not limited to our discussions under the heading "Outlook." Forward-looking projections and expectations are inherently uncertain, are based on assumptions and judgments by management, and may turn out to be wrong. Our actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including but not limited to flaws in the assumptions and judgments upon which our forecasts are based; our failure to execute our strategy; our inability to make the investments in our business that we plan to make or the failure of those investments to have the effects that we expect; our failure to manage the growth and complexity of our business; our ability to realize the benefits of the decentralization of our operations; our failure to promote and strengthen our brands; our failure to develop and deploy our mass customization platform or to realize the anticipated benefits of the platform; our failure to acquire new customers and enter new markets, retain our current customers, and sell more products to current and new customers; costs and disruptions caused by acquisitions and strategic investments; the failure of the businesses we acquire or invest in to perform as expected; the willingness of purchasers of customized products and services to shop online; unanticipated changes in our markets, customers, or business; competitive pressures; loss of key personnel; our failure to maintain compliance with the covenants in our revolving credit facility and senior notes or to pay our debts when due; changes in the laws and regulations or in the interpretations of laws or regulations to which we are subject, including tax laws, or the institution of new laws or regulations that affect our business; general economic conditions; and other factors described in our Form 10-Q for the fiscal quarter ended March 31, 2019 and the other documents we periodically file with the U.S. Securities and Exchange Commission.

In addition, the statements and projections in this letter represent our expectations and beliefs as of the date of this letter, and subsequent events and developments may cause these expectations, beliefs, and projections to change. We specifically disclaim any obligation to update any forward-looking statements. These forward-looking statements should not be relied upon as representing our expectations or beliefs as of any date subsequent to the date of this letter.