UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2019

or

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

For the transition period from to

Commission file number 000-51539

Cimpress N.V.

(Exact Name of Registrant as Specified in Its Charter)

The Netherlands	**98-0417483**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

Building D, Xerox Technology Park
Dundalk, Co. Louth
Ireland
(Address of Principal Executive Offices) (Zip Code)
Registrant's telephone number, including area code: 353 42 938 8500

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No o

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

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o
	Smaller reporting company o	
	Emerging growth company o	

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

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

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

Title of Each Class	Trading Symbol(s)	Name of Exchange on Which Registered
Ordinary Shares, par value of €0.01	CMPR	NASDAQ Global Select Market

As of April 29, 2019, there were 30,705,206 Cimpress N.V. ordinary shares outstanding.

CIMPRESS N.V.
QUARTERLY REPORT ON FORM 10-Q
For the Three and Nine Months Ended March 31, 2019

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

CIMPRESS N.V.
CONSOLIDATED BALANCE SHEETS
(unaudited in thousands, except share and per share data)

	March 31, 2019	June 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 44,258	$ 44,227
Accounts receivable, net of allowances of $7,236 and $6,898, respectively	70,095	55,621
Inventory	67,203	60,602
Prepaid expenses and other current assets	92,048	78,846
Total current assets	273,604	239,296
Property, plant and equipment, net	498,324	483,664
Software and website development costs, net	64,882	56,199
Deferred tax assets	57,885	67,087
Goodwill	720,734	520,843
Intangible assets, net	273,831	230,201
Other assets	32,022	54,927
Total assets	$ 1,921,282	$ 1,652,217
Liabilities, noncontrolling interests and shareholders' equity		
Current liabilities:		
Accounts payable	$ 167,611	$ 152,436
Accrued expenses	207,918	186,661
Deferred revenue	34,941	27,697
Short-term debt	64,516	59,259
Other current liabilities	42,866	54,971
Total current liabilities	517,852	481,024
Deferred tax liabilities	45,656	51,243
Lease financing obligation	111,956	102,743
Long-term debt	1,010,599	767,585
Other liabilities	53,916	69,524
Total liabilities	1,739,979	1,472,119
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	52,366	86,151
Shareholders' equity:		
Preferred shares, par value €0.01 per share, 100,000,000 shares authorized; none issued and outstanding	—	—
Ordinary shares, par value €0.01 per share, 100,000,000 shares authorized; 44,080,627 shares issued; and 30,704,788 and 30,876,193 shares outstanding, respectively	615	615
Treasury shares, at cost, 13,375,839 and 13,204,434 shares, respectively	(708,140)	(685,577)
Additional paid-in capital	403,989	395,682
Retained earnings	503,275	452,756
Accumulated other comprehensive loss	(70,802)	(69,814)
Total shareholders' equity attributable to Cimpress N.V.	128,937	93,662
Noncontrolling interests	—	285
Total shareholders' equity	128,937	93,947
Total liabilities, noncontrolling interests and shareholders' equity	$ 1,921,282	$ 1,652,217

See accompanying notes.

CIMPRESS N.V.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited in thousands, except share and per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Revenue	$ 661,814	$ 636,069	$ 2,076,362	$ 1,961,407
Cost of revenue (1)	342,700	319,209	1,056,667	963,249
Technology and development expense (1)	58,274	61,267	170,742	182,598
Marketing and selling expense (1)	171,584	179,591	566,335	546,469
General and administrative expense (1)	37,753	44,103	119,145	127,869
Amortization of acquired intangible assets	14,022	12,941	40,169	38,132
Restructuring expense (1)	7,866	2,331	9,062	14,686
(Gain) on sale of subsidiaries	—	—	—	(47,545)
Income from operations	29,615	16,627	114,242	135,949
Other (expense) income, net	(2,495)	(1,558)	17,386	(25,602)
Interest expense, net	(16,787)	(12,652)	(47,372)	(38,263)
Income before income taxes	10,333	2,417	84,256	72,084
Income tax expense	4,091	4,019	23,971	19,657
Net income (loss)	6,242	(1,602)	60,285	52,427
Add: Net loss (income) attributable to noncontrolling interest	288	(663)	620	(1,394)
Net income (loss) attributable to Cimpress N.V.	$ 6,530	$ (2,265)	$ 60,905	$ 51,033
Basic net income (loss) per share attributable to Cimpress N.V.	$ 0.21	$ (0.07)	$ 1.98	$ 1.65
Diluted net income (loss) per share attributable to Cimpress N.V.	$ 0.21	$ (0.07)	$ 1.92	$ 1.58
Weighted average shares outstanding — basic	30,763,055	30,724,018	30,837,207	30,992,066
Weighted average shares outstanding — diluted	31,514,793	30,724,018	31,781,141	32,276,520

(1) Share-based compensation is allocated as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Cost of revenue	$ 42	$ 105	$ 320	$ 240
Technology and development expense	1,320	3,242	2,000	7,916
Marketing and selling expense	1,187	2,138	673	4,981
General and administrative expense	1,955	7,289	7,707	19,254
Restructuring expense	3,250	718	3,250	1,327

See accompanying notes.

CIMPRESS N.V.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited in thousands)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Net income (loss)	$ 6,242	$ (1,602)	$ 60,285	$ 52,427
Other comprehensive income (loss), net of tax:				
Foreign currency translation gains (losses), net of hedges	3,802	(8,799)	3,720	30,335
Net unrealized (losses) gains on derivative instruments designated and qualifying as cash flow hedges	(7,375)	8,408	(13,572)	15,138
Amounts reclassified from accumulated other comprehensive loss (income) to net income (loss) on derivative instruments	1,374	(2,416)	4,361	(6,550)
Comprehensive income (loss)	4,043	(4,409)	54,794	91,350
Add: Comprehensive loss (income) attributable to noncontrolling interests	1,005	(2,343)	5,121	(7,077)
Total comprehensive income (loss) attributable to Cimpress N.V.	$ 5,048	$ (6,752)	$ 59,915	$ 84,273

See accompanying notes.

CIMPRESS N.V.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(unaudited in thousands)

	Ordinary Shares		Treasury Shares					
	Number of Shares Issued	Amount	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at June 30, 2018	44,080	$ 615	(13,206)	$ (685,577)	$ 395,682	$ 452,756	$ (69,814)	$ 93,662
Restricted share units vested, net of shares withheld for taxes	—	—	20	64	(1,533)	—	—	(1,469)
Grant of restricted share awards	—	—	(2)	(288)	—	—	—	(288)
Share-based compensation expense	—	—	—	—	8,856	—	—	8,856
Net loss attributable to Cimpress N.V.	—	—	—	—	—	(14,639)	—	(14,639)
Adoption of new accounting standard	—	—	—	—	—	(3,246)	—	(3,246)
Net unrealized gain on derivative instruments designated and qualifying as cash flow hedges	—	—	—	—	—	—	1,413	1,413
Foreign currency translation, net of hedges	—	—	—	—	—	—	(2,185)	(2,185)
Balance at September 30, 2018	44,080	$ 615	(13,188)	$ (685,801)	$ 403,005	$ 434,871	$ (70,586)	$ 82,104
Issuance of ordinary shares due to share option exercises, net of shares withheld for taxes	—	—	55	2,887	(445)	—	—	2,442
Restricted share units vested, net of shares withheld for taxes	—	—	7	146	(506)	—	—	(360)
Grant of restricted share awards	—	—	6	312	—	—	—	312
Share-based compensation expense	—	—	—	—	(5,997)	—	—	(5,997)
Purchase of ordinary shares	—	—	(118)	(14,043)	—	—	—	(14,043)
Net income attributable to Cimpress N.V.	—	—	—	—	—	69,014	—	69,014
Adjustment to noncontrolling interest for share forfeiture	—	—	—	—	591	—	—	591
Noncontrolling interest accretion to redemption value	—	—	—	—	—	(7,140)	—	(7,140)
Net unrealized loss on derivative instruments designated and qualifying as cash flow hedges	—	—	—	—	—	—	(4,623)	(4,623)
Foreign currency translation, net of hedges	—	—	—	—	—	—	5,887	5,887
Balance at December 31, 2018	44,080	$ 615	(13,238)	$ (696,499)	$ 396,648	$ 496,745	$ (69,322)	$ 128,187
Issuance of ordinary shares due to share option exercises, net of shares withheld for taxes	—	—	4	210	107	—	—	317
Restricted share units vested, net of shares withheld for taxes	—	—	7	223	(520)	—	—	(297)
Share-based compensation expense	—	—	—	—	7,754	—	—	7,754
Purchase of ordinary shares	—	—	(149)	(12,074)	—	—	—	(12,074)
Net income attributable to Cimpress N.V.	—	—	—	—	—	6,530	—	6,530
Net unrealized loss on derivative instruments designated and qualifying as cash flow hedges	—	—	—	—	—	—	(6,001)	(6,001)
Foreign currency translation, net of hedges	—	—	—	—	—	—	4,521	4,521
Balance at March 31, 2019	44,080	$ 615	(13,376)	$ (708,140)	$ 403,989	$ 503,275	$ (70,802)	$ 128,937

See accompanying notes.

CIMPRESS N.V.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUED)
(unaudited in thousands)

	Ordinary Shares		Treasury Shares					
	Number of Shares Issued	Amount	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at June 30, 2017	44,080	$ 615	(12,665)	$ (588,365)	$ 361,376	$ 414,771	$ (113,398)	$ 74,999
Issuance of ordinary shares due to share option exercises, net of shares withheld for taxes	—	—	34	1,581	119	—	—	1,700
Restricted share units vested, net of shares withheld for taxes	—	—	25	624	(1,812)	—	—	(1,188)
Grant of restricted share awards	—	—	(2)	(168)	—	—	—	(168)
Share-based compensation expense	—	—	—	—	7,001	—	—	7,001
Purchase of ordinary shares	—	—	(453)	(40,674)	—	—	—	(40,674)
Net income attributable to Cimpress N.V.	—	—	—	—	—	23,366	—	23,366
Adoption of new accounting standard	—	—	—	—	—	(5,864)	—	(5,864)
Net unrealized gain on derivative instruments designated and qualifying as cash flow hedges	—	—	—	—	—	—	807	807
Foreign currency translation, net of hedges	—	—	—	—	—	—	24,266	24,266
Balance at September 30, 2017	44,080	$ 615	(13,061)	$ (627,002)	$ 366,684	$ 432,273	$ (88,325)	$ 84,245
Issuance of ordinary shares due to share option exercises, net of shares withheld for taxes	—	—	59	2,828	120	—	—	2,948
Restricted share units vested, net of shares withheld for taxes	—	—	15	225	(1,133)	—	—	(908)
Share-based compensation expense	—	—	—	—	12,450	—	—	12,450
Purchase of ordinary shares	—	—	(121)	(14,465)	—	—	—	(14,465)
Net income attributable to Cimpress N.V.	—	—	—	—	—	29,932	—	29,932
Net unrealized gain on derivative instruments designated and qualifying as cash flow hedges	—	—	—	—	—	—	1,789	1,789
Foreign currency translation, net of hedges	—	—	—	—	—	—	3,443	3,443
Balance at December 31, 2017	44,080	$ 615	(13,108)	$ (638,414)	$ 378,121	$ 462,205	$ (83,093)	$ 119,434
Issuance of ordinary shares due to share option exercises, net of shares withheld for taxes	—	—	50	2,505	(8)	—	—	2,497
Restricted share units vested, net of shares withheld for taxes	—	—	12	(56)	(954)	—	—	(1,010)
Share-based compensation expense	—	—	—	—	13,599	—	—	13,599
Purchase of ordinary shares	—	—	(321)	(39,571)	—	—	—	(39,571)
Net loss attributable to Cimpress N.V.	—	—	—	—	—	(2,265)	—	(2,265)
Net unrealized gain on derivative instruments designated and qualifying as cash flow hedges	—	—	—	—	—	—	3,676	3,676
Foreign currency translation, net of hedges	—	—	—	—	—	—	(3,059)	(3,059)
Balance at March 31, 2018	44,080	$ 615	(13,367)	$ (675,536)	$ 390,758	$ 459,940	$ (82,476)	$ 93,301

See accompanying notes.

CIMPRESS N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited in thousands)

	Nine Months Ended March 31,	
	2019	**2018**
Operating activities		
Net income	$ 60,285	$ 52,427
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	129,554	127,120
Share-based compensation expense	13,950	33,718
Deferred taxes	9,013	(9,552)
Gain on sale of subsidiaries	—	(47,545)
Change in contingent earn-out liability	—	1,774
Unrealized (gain) loss on derivatives not designated as hedging instruments included in net income	(5,932)	9,246
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency	1,276	5,211
Payments of contingent consideration in excess of acquisition date fair value	—	(4,639)
Other non-cash items	4,742	2,129
Changes in operating assets and liabilities:		
Accounts receivable	(13,812)	(14,696)
Inventory	(9,077)	(12,104)
Prepaid expenses and other assets	(5,318)	136
Accounts payable	12,407	18,448
Accrued expenses and other liabilities	25,382	(17,040)
Net cash provided by operating activities	222,470	144,633
Investing activities		
Purchases of property, plant and equipment	(57,934)	(47,441)
Proceeds from the sale of subsidiaries, net of transaction costs and cash divested	—	93,779
Business acquisitions, net of cash acquired	(289,920)	(110)
Purchases of intangible assets	(22)	(308)
Capitalization of software and website development costs	(34,637)	(29,476)
Proceeds from the sale of assets	550	485
Other investing activities	409	(2,950)
Net cash (used in) provided by investing activities	(381,554)	13,979
Financing activities		
Proceeds from borrowings of debt	926,378	590,508
Payments of debt	(681,032)	(656,153)
Payments of debt issuance costs	(2,729)	(3,251)
Payments of purchase consideration included in acquisition-date fair value	—	(2,022)
Payments of withholding taxes in connection with equity awards	(2,402)	(3,080)
Payments of capital lease obligations	(12,722)	(13,779)
Purchase of ordinary shares	(26,117)	(94,710)
Purchase of noncontrolling interests	(41,177)	—
Proceeds from sale of noncontrolling interest	—	35,390
Distribution to noncontrolling interest	(3,375)	—
Proceeds from issuance of ordinary shares	2,757	11,516
Issuance of loans	—	(16,500)
Other financing activities	2,319	(83)
Net cash provided by (used in) financing activities	161,900	(152,164)
Effect of exchange rate changes on cash	(2,785)	5,691
Change in cash held for sale	—	12,042
Net increase in cash and cash equivalents	31	24,181
Cash and cash equivalents at beginning of period	44,227	25,697
Cash and cash equivalents at end of period	$ 44,258	$ 49,878

See accompanying notes.

CIMPRESS N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(unaudited in thousands)

	Nine Months Ended March 31,	
	2019	2018
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 39,887	$ 33,856
Income taxes	16,123	17,888
Non-cash investing and financing activities:		
Capitalization of construction costs related to financing lease obligation	$ 12,272	$ —
Property and equipment acquired under capital leases	11,620	531
Amounts accrued related to business acquisitions	5,564	3,864

See accompanying notes.

1. Description of the Business

Cimpress is a strategically focused group of more than a dozen businesses that specialize in mass customization, via which we deliver large volumes of individually small-sized customized orders for a broad spectrum of print, signage, photo merchandise, invitations and announcements, writing instruments, packaging, apparel and other categories. We invest in and build customer-focused, entrepreneurial mass customization businesses for the long term, which we manage in a decentralized, autonomous manner. Mass customization is a core element of the business model of each Cimpress business. We drive competitive advantage across Cimpress through a select few shared strategic capabilities that have the greatest potential to create Cimpress-wide value. We limit all other central activities to only those which absolutely must be performed centrally.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and, accordingly, do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting primarily of normal recurring accruals, considered necessary for fair presentation of the results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included.

The consolidated financial statements include the accounts of Cimpress N.V., its wholly owned subsidiaries, entities in which we maintain a controlling financial interest, and those entities in which we have a variable interest and are the primary beneficiary. Intercompany balances and transactions have been eliminated. Investments in entities in which we cannot exercise significant influence, and the related equity securities do not have a readily determinable fair value, are accounted for using the cost method and are included in other assets on the consolidated balance sheets.

Operating results for the three and nine months ended March 31, 2019 are not necessarily indicative of the results that may be expected for the year ending June 30, 2019 or for any other period. The consolidated balance sheet at June 30, 2018 has been derived from our audited consolidated financial statements at that date but does not include all of the information and notes required by GAAP for complete financial statements. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2018 included in our Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the “SEC”).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We believe our most significant estimates are associated with the ongoing evaluation of the recoverability of our long-lived assets and goodwill, estimated useful lives of assets, share-based compensation, accounting for business combinations, and income taxes and related valuation allowances, among others. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ from those estimates.

Revenue Recognition

Revenue Recognition - Adoption of ASC 606

On July 1, 2018, we adopted ASC 606, Revenue from Contracts with Customers, using the modified retrospective transition approach. Under the modified retrospective approach, we applied the new standard for any contracts that were not complete as of the adoption date and recognized any cumulative impacts as of the adoption date within retained earnings on our consolidated balance sheet. We did not adjust the prior comparable period.

The following table summarizes the cumulative effect of adopting the new revenue standard as of the adoption date of July 1, 2018:

Consolidated Balance Sheet	As reported at June 30, 2018	ASC 606 adjustments	Adjusted balance at July 1, 2018
Assets			
Prepaid expenses and other current assets	$ 78,846	$ (3,738)	$ 75,108
Deferred tax assets	67,087	595	67,682
Liabilities and Shareholders' Equity			
Deferred revenue	$ 27,697	$ 103	$ 27,800
Retained earnings	452,756	(3,246)	449,510

The following table summarizes the impact as of and for the three and nine months ended March 31, 2019 from adopting the new revenue standard as compared to the previous revenue standard:

	As reported (current revenue standard)	Current period adjustments	As adjusted (previous revenue standard)
Consolidated Statement of Operations for the Three Months Ended March 31, 2019			
Marketing and selling expense (1)	$ 171,584	$ 1,486	$ 173,070
Income tax expense	4,091	(83)	4,008
Net income	6,242	(1,403)	4,839
Consolidated Statement of Operations for the Nine Months Ended March 31, 2019			
Marketing and selling expense (1)	$ 566,335	$ (486)	$ 565,849
Income tax expense	23,971	86	24,057
Net income	60,285	400	60,685
Consolidated Balance Sheet as of March 31, 2019			
Assets			
Prepaid expenses and other current assets	$ 92,048	$ 4,224	$ 96,272
Deferred tax assets	57,885	(121)	57,764
Liabilities and Shareholders' Equity			
Accrued expenses	$ 207,918	$ 35	$ 207,953
Deferred revenue	34,941	(103)	34,838
Retained earnings	503,275	4,171	507,446

(1) During the three and nine months ended March 31, 2019, the adjustment to marketing and selling expense was the impact from National Pen's direct mail costs that resulted in lower expense of $1,486 and higher expense of $486, respectively. The timing of the expense recognition would have been different under the previous revenue standard since they would have been capitalized within prepaid expense and other current assets and amortized over the customer response period to marketing and selling expense. As of July 1, 2018, we recognized a cumulative effect adjustment within retained earnings of $3,738.

The material impact of our adoption of ASC 606 is related to the timing for recognizing direct-response advertising costs, which were costs previously capitalized and expensed based on the guidance outlined in ASC 340 - "Other Assets and Deferred Assets". The guidance included in ASC 340 is eliminated by ASC 606, and under the new revenue standard these costs are expensed as incurred because they do not meet the requirements for capitalization since they are not direct and incremental to obtaining a contract. Historically the direct mail costs were capitalized and amortized over the customer response period (typically 3-4 months) and now costs are recognized when the direct mail is sent to the customers. This creates volatility in our quarterly profitability but should not have a significant impact on an annual basis and has no impact on cash flow. By applying the modified retrospective approach for implementing the standard, we adjusted the cumulative impact of capitalized costs of $3,738, resulting in a decrease to prepaid expenses and other current assets and a decrease to retained earnings, as well as the related tax impact of $595, resulting in an increase to deferred tax assets and an increase to retained earnings on July 1, 2018.

We also identified an impact related to customer loyalty programs that are offered by several of our businesses. Under the new revenue standard, the rewards associated with these programs are recognized as an additional performance obligation, resulting in an allocation of the transaction price and deferral of revenue until the subsequent reward redemption. By applying the modified retrospective approach for implementing the standard, we adjusted the cumulative impact of $103, resulting in an increase to deferred revenue and a decrease to retained earnings on July 1, 2018. All other impacts during the current periods were not considered material.

Revenue Recognition Policy

We generate revenue primarily from the sale and shipment of customized manufactured products. To a much lesser extent (and only in our Vistaprint business) we provide digital services, website design and hosting, and email marketing services, as well as a small percentage from order referral fees and other third-party offerings. Revenues are recognized when control of the promised products or services is transferred to the customer in an amount that reflects the consideration we expect to be entitled to in exchange for those products or services. Shipping revenues are recognized when control of the related products is transferred to the customer.

We recognize revenue upon shipment of the fulfilled orders, which generally occurs upon delivery to the shipping carrier, but certain revenue recognition occurs upon delivery to the customer. If multiple products are ordered together, each product is considered a separate performance obligation, and the transaction price is allocated to each performance obligation based on the standalone selling price. Revenue is recognized upon satisfaction of each performance obligation. We generally determine the standalone selling prices based on the prices charged to our customers.

We record deferred revenue when cash payments are received in advance of our satisfaction of the related performance obligation. The satisfaction of performance obligations generally occur shortly after cash payment and we expect to recognize our deferred revenue balance as revenue within three months subsequent to March 31, 2019.

We periodically provide marketing materials and promotional offers to new customers and existing customers that are intended to improve customer retention. These incentive offers are generally available to all customers and, therefore, do not represent a performance obligation as customers are not required to enter into a contractual commitment to receive the offer. These discounts are recognized as a reduction to the transaction price when used by the customer. Costs related to free products are included within cost of revenue and sample products are included within marketing and selling expense.

We have elected to apply the practical expedient under ASC 340-40-25-4 to expense incremental direct costs as incurred, which primarily includes sales commissions, since our contract periods generally are less than one year and the related performance obligations are satisfied within a short period of time.

Additional revenue disaggregation disclosure requirements resulting from the adoption of ASC 606 are included in Note 13.

Share-based Compensation

Total share-based compensation expense was $7,754 and $13,950 for the three and nine months ended March 31, 2019, respectively, and $13,492 and $33,718 for the three and nine months ended March 31, 2018, respectively.

During the first quarter of fiscal 2018, we issued supplemental performance share units ("supplemental PSUs") to certain members of management (excluding Robert Keane, our Chairman and CEO) that were incremental to our typical long-term incentive award grants. The supplemental PSUs are subject to a three-year cumulative financial performance condition intended to provide a stretch goal for participants in addition to service vesting and share price performance conditions. The evaluation of achievement of the performance condition is at the discretion of the Compensation Committee and, therefore, the awards are subject to mark-to-market accounting throughout the performance vesting period. Beginning in the second quarter of fiscal 2018, we concluded that the achievement of the performance condition was probable and recognized $15,397 of expense cumulatively through the first quarter of fiscal 2019. In the second quarter of fiscal 2019, which is seasonally significant, we concluded that the achievement of the three-year cumulative performance condition was no longer probable, and we reversed the previously recognized expense of $15,397. As of March 31, 2019 we continued to consider achievement of the performance condition to not be probable. If, in a future period, we determine that it is probable that the financial performance condition will be achieved based on our financial performance, we will cumulatively catch up the expense in that period.

Foreign Currency Translation

Our non-U.S. dollar functional currency subsidiaries translate their assets and liabilities denominated in their functional currency to U.S. dollars at current rates of exchange in effect at the balance sheet date, and revenues and expenses are translated at average rates prevailing throughout the period. The resulting gains and losses from translation are included as a component of accumulated other comprehensive loss. Transaction gains and losses and remeasurement of assets and liabilities denominated in currencies other than an entity's functional currency are included in other (expense) income, net in our consolidated statements of operations.

Other (Expense) Income, Net

The following table summarizes the components of other (expense) income, net:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Gains (losses) on derivatives not designated as hedging instruments (1)	$ 1,258	$ (9,102)	$ 19,802	$ (19,103)
Currency-related (losses) gains, net (2)	(4,085)	7,519	(3,011)	(7,133)
Other gains	332	25	595	634
Total other (expense) income, net	$ (2,495)	$ (1,558)	$ 17,386	$ (25,602)

(1) Primarily relates to both realized and unrealized gains (losses) on derivative currency forward and option contracts not designated as hedging instruments.

(2) We have significant non-functional currency intercompany financing relationships that we may change at times and are subject to currency exchange rate volatility. The currency-related (losses) gains, net for the three and nine months ended March 31, 2019 and 2018 are primarily driven by this intercompany activity. In addition, we have certain cross-currency swaps designated as cash flow hedges, which hedge the remeasurement of certain intercompany loans, both presented in the same component above. Unrealized gains related to cross-currency swaps were $2,146 and $3,389 for the three and nine months ended March 31, 2019, respectively, as compared to unrealized losses of $3,582 and $9,708 for the three and nine months ended March 31, 2018, respectively.

Net Income (Loss) Per Share Attributable to Cimpress N.V.

Basic net income (loss) per share attributable to Cimpress N.V. is computed by dividing net income (loss) attributable to Cimpress N.V. by the weighted-average number of ordinary shares outstanding for the respective period. Diluted net income (loss) per share attributable to Cimpress N.V. gives effect to all potentially dilutive securities, including share options, restricted share units ("RSUs"), restricted share awards ("RSAs") and performance share units ("PSUs"), if the effect of the securities is dilutive using the treasury stock method. Awards with performance or market conditions are included using the treasury stock method only if the conditions would have been met as of the end of the reporting period and their effect is dilutive.

The following table sets forth the reconciliation of the weighted-average number of ordinary shares:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Weighted average shares outstanding, basic	30,763,055	30,724,018	30,837,207	30,992,066
Weighted average shares issuable upon exercise/vesting of outstanding share options/RSUs/RSAs	751,738	—	943,934	1,284,454
Shares used in computing diluted net income (loss) per share attributable to Cimpress N.V.	31,514,793	30,724,018	31,781,141	32,276,520
Weighted average anti-dilutive shares excluded from diluted net income (loss) per share attributable to Cimpress N.V. (1)	—	1,448,530	—	3,054

(1) In the periods in which a net loss is recognized, the impact of share options, RSUs, and RSAs is not included as they are anti-dilutive.

Build-to-Suit Lease Arrangements

For accounting purposes, we were deemed to be the owner of two projects during their respective construction periods: the Waltham, Massachusetts office building lease and a lease executed during the first quarter of fiscal 2019 for a production facility in Dallas, Texas. For both build-to-suit leases, property, plant and equipment, net, was $121,108 and $111,926 as of March 31, 2019 and June 30, 2018, respectively, related to the buildings. The financing lease obligation and deferred rent credit related to the buildings on our consolidated balance sheets was $124,526 and $115,312 as of March 31, 2019 and June 30, 2018, respectively. All additions during the current period were capitalized construction costs related to the Dallas facility.

Recently Issued or Adopted Accounting Pronouncements

New Accounting Standards Adopted

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, "Compensation - Stock Compensation (Topic 718)," (ASU 2017-09), which clarifies the application of Topic 718 when accounting for changes in the terms and conditions of a share-based payment award. Under the new standard, changes to the terms or conditions of a share-based payment award are to be accounted for under modification accounting unless there is no change to the fair value, vesting conditions and classification of the award after modification. We adopted the amendment on its effective date of July 1, 2018. The amendment is applied prospectively, and the new standard did not have a material impact on our consolidated financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, "Statement of Cash Flows (Topic 230) Restricted Cash" (ASU 2016-18), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. We adopted the new standard on July 1, 2018. The new standard did not have a material effect on our consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-04, "Liabilities - Extinguishment of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products" (ASU 2016-04), which requires an entity to recognize breakage for a liability resulting from the sale of a prepaid stored-value product in proportion to the pattern of rights expected to be exercised by the product holder only to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. The new standard is effective for us on July 1, 2018. The standard should be applied either retrospectively to each period presented or by means of a cumulative adjustment to retained earnings as of the beginning of the fiscal year adopted. We adopted the new standard on July 1, 2018. The new standard did not have a material effect on our consolidated financial statements.

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers" (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance replaced most existing revenue recognition guidance in U.S. GAAP. The new standard is effective for us as of July 1, 2018. The standard permits the use of either the retrospective or modified retrospective method. We adopted the new standard during the first quarter of fiscal 2019. Refer to the information above for additional details of the adoption.

Issued Accounting Standards to be Adopted

In August 2018, the FASB issued Accounting Standards Update No. 2018-15 "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)" (ASU 2018-15), which requires a customer in a cloud computing arrangement that is a service contract to follow the internal use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. The new standard is effective for us on July 1, 2020. We are currently evaluating the requirements of the standard, and we have not yet determined the impact of adoption on our consolidated financial statements.

In August 2017, the FASB issued Accounting Standards Update No. 2017-12, "Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (Topic 815)," (ASU 2017-12), which better aligns a company’s financial reporting for hedging activities with the economic objectives of those activities. The amendment is effective for us on July 1, 2019 and permits early adoption, including adoption in an interim period. The standard requires a modified retrospective transition approach, in which we will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the statement of financial position as of the date of adoption. We do not expect this standard to have material impact on our consolidated financial statements.

In March 2016, the FASB issued Accounting Standards Update No. 2016-02, "Leases (Topic 842)" (ASU 2016-02), which requires the recognition of lease assets and lease liabilities by lessees for those leases currently classified as operating leases. The standard also retains a distinction between finance leases and operating leases. The new standard is effective for us on July 1, 2019 and we expect to adopt the new standard using the modified retrospective approach. We also plan to use the transition relief package, in which we will not reassess the classification of our existing leases, whether any expired or existing contracts contain leases and if our existing leases have any initial direct costs. We have substantially completed the process of collecting our existing lease contracts and we are currently implementing changes to our systems and processes. While we expect the new standard to have a material impact on our consolidated balance sheet, we have not yet determined the full impact of adoption on our consolidated financial statements.

3. Fair Value Measurements

We use a three-level valuation hierarchy for measuring fair value and include detailed financial statement disclosures about fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1:* Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument’s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following tables summarize our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

	March 31, 2019			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Interest rate swap contracts	$ 2,329	$ —	$ 2,329	$ —
Currency forward contracts	12,483	—	12,483	—
Currency option contracts	6,238	—	6,238	—
Total assets recorded at fair value	$ 21,050	$ —	$ 21,050	$ —
Liabilities				
Interest rate swap contracts	$ (3,223)	$ —	$ (3,223)	$ —
Cross-currency swap contracts	(11,351)	—	(11,351)	—
Currency forward contracts	(1,857)	—	(1,857)	—
Total liabilities recorded at fair value	$ (16,431)	$ —	$ (16,431)	$ —

	June 30, 2018			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Interest rate swap contracts	$ 13,370	$ —	$ 13,370	$ —
Currency forward contracts	9,202	—	9,202	—
Currency option contracts	1,782	—	1,782	—
Total assets recorded at fair value	$ 24,354	$ —	$ 24,354	$ —
Liabilities				
Cross-currency swap contracts	$ (25,348)	$ —	$ (25,348)	$ —
Currency forward contracts	(14,201)	—	(14,201)	—
Currency option contracts	(85)	—	(85)	—
Total liabilities recorded at fair value	$ (39,634)	$ —	$ (39,634)	$ —

During the quarter ended March 31, 2019 and year ended June 30, 2018, there were no significant transfers in or out of Level 1, Level 2 and Level 3 classifications.

The valuations of the derivatives intended to mitigate our interest rate and currency risk are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. This analysis utilizes observable market-based inputs, including interest rate curves, interest rate volatility, or spot and forward exchange rates, and reflects the contractual terms of these instruments, including the period to maturity. We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparties' nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to appropriately reflect both our own nonperformance risk and the respective counterparties' nonperformance risk in the fair value measurement. However, as of March 31, 2019, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

As of March 31, 2019 and June 30, 2018, the carrying amounts of our cash and cash equivalents, accounts receivable, accounts payable, and other current liabilities approximated their estimated fair values. As of March 31, 2019 and June 30, 2018 the carrying value of our debt, excluding debt issuance costs and debt discounts, was $1,087,603 and $839,429, respectively, and the fair value was $1,073,602 and $847,520, respectively. Our debt at March 31, 2019 includes variable-rate debt instruments indexed to LIBOR that resets periodically, as well as fixed-rate debt instruments. The estimated fair value of our debt was determined using available market information based on recent trades or activity of debt instruments with substantially similar risks, terms and maturities, which fall within Level 2 under the fair value hierarchy. The estimated fair value of assets and liabilities disclosed above may not be representative of actual values that could have been or will be realized in the future.

4. Derivative Financial Instruments

We use derivative financial instruments, such as interest rate swap contracts, cross-currency swap contracts, and currency forward and option contracts, to manage interest rate and foreign currency exposures. Derivatives are recorded in the consolidated balance sheets at fair value. If the derivative is designated as a cash flow hedge or net investment hedge, then the effective portion of changes in the fair value of the derivative is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period the hedged forecasted transaction affects earnings. If a derivative is deemed to be ineffective, then the ineffective portion of the change in fair value of the derivative is recognized directly in earnings. The change in the fair value of derivatives not designated as hedges is recognized directly in earnings, as a component of other (expense) income, net.

Hedges of Interest Rate Risk

We enter into interest rate swap contracts to manage variability in the amount of our known or expected cash payments related to a portion of our debt. Our objective in using interest rate swaps is to add stability to interest expense and to manage our exposure to interest rate movements. We designate our interest rate swaps as cash flow hedges. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the contract agreements without exchange of the underlying notional amount. Realized gains or losses from interest rate swaps are recorded in earnings, as a component of interest expense, net. A portion of five of our interest rate swap contracts was deemed to be ineffective during the three and nine months ended March 31, 2019 and during the three and nine months ended March 31, 2018, a portion of seven of our interest rate swap contracts was deemed to be ineffective.

Amounts reported in accumulated other comprehensive loss related to interest rate swap contracts will be reclassified to interest expense as interest payments are accrued or made on our variable-rate debt. As of March 31, 2019, we estimate that $786 of income will be reclassified from accumulated other comprehensive loss to interest expense during the twelve months ending March 31, 2020. As of March 31, 2019, we had ten outstanding interest rate swap contracts indexed to USD LIBOR. These instruments were designated as cash flow hedges of interest rate risk and have varying start dates and maturity dates through December 2025.

Interest rate swap contracts outstanding:	Notional Amounts	
Contracts accruing interest as of March 31, 2019	$	440,000
Contracts with a future start date		90,000
Total	$	530,000

Hedges of Currency Risk

Cross-Currency Swap Contracts

From time to time, we execute cross-currency swap contracts designated as cash flow hedges or net investment hedges. Cross-currency swaps involve an initial receipt of the notional amount in the hedge currency in exchange for our reporting currency based on a contracted exchange rate. Subsequently, we receive fixed rate payments in our reporting currency in exchange for fixed rate payments in the hedged currency over the life of the contract. At maturity, the final exchange involves the receipt of our reporting currency in exchange for the notional amount in the hedged currency.

Cross-currency swap contracts designated as cash flow hedges are executed to mitigate our currency exposure to the interest receipts as well as the principal remeasurement and repayment associated with certain intercompany loans denominated in a currency other than our reporting currency, the U.S. Dollar. As of March 31, 2019, we had two outstanding cross-currency swap contracts designated as cash flow hedges with a total notional amount of $120,011, both maturing during June 2019. We entered into the two cross-currency swap contracts to hedge the risk of changes in one Euro-denominated intercompany loan entered into with one of our consolidated subsidiaries that has the Euro as its functional currency.

Amounts reported in accumulated other comprehensive loss will be reclassified to other (expense) income, net as interest payments are accrued or paid and upon remeasuring the intercompany loan. As of March 31, 2019, we estimate that $453 will be reclassified from accumulated other comprehensive loss to interest expense, net during the twelve months ending March 31, 2020.

Cross-currency swap contracts designated as net investment hedges are executed to mitigate our currency exposure of net investments in subsidiaries that have reporting currencies other than the U.S. Dollar. As of March 31, 2019, we had two outstanding cross-currency swap contracts that we de-designated as net investment hedges with a total notional amount of $122,969, both maturing during April 2019. Our de-designated hedges were replaced by forward contracts that we executed during the current quarter and were designated as net investment hedges.

We did not hold any ineffective or de-designated cross-currency swaps during the three and nine months ended March 31, 2018.

Other Currency Contracts

We execute currency forward and option contracts in order to mitigate our exposure to fluctuations in various currencies against our reporting currency, the U.S. Dollar.

As of March 31, 2019, we had ten currency forward contracts designated as net investment hedges with a total notional amount of $326,718, maturing during various dates through April 2024. We entered into these contracts to hedge the risk of changes in the U.S. Dollar equivalent value of a portion of our net investment in two consolidated subsidiaries that have Euro as their functional currency. Amounts reported in accumulated other comprehensive loss are recognized as a component of our cumulative translation adjustment.

We have elected to not apply hedge accounting for all other currency forward and option contracts. During the three and nine months ended March 31, 2019 and 2018, we have experienced volatility within other (expense) income, net in our consolidated statements of operations from unrealized gains and losses on the mark-to-market of outstanding currency forward and option contracts. We expect this volatility to continue in future periods for contracts for which we do not apply hedge accounting. Additionally, since our hedging objectives may be targeted at non-GAAP financial metrics that exclude non-cash items such as depreciation and amortization, we may experience increased, not decreased, volatility in our GAAP results as a result of our currency hedging program.

As of March 31, 2019, we had the following outstanding currency derivative contracts that were not designated for hedge accounting and were used to hedge fluctuations in the U.S. Dollar value of forecasted transactions denominated in Australian Dollar, British Pound, Canadian Dollar, Danish Krone, Euro, Indian Rupee, Mexican Peso, New Zealand Dollar, Norwegian Krone, Philippine Peso and Swedish Krona:

Notional Amount	Effective Date	Maturity Date	Number of Instruments	Index
$719,830	December 2017 through March 2019	Various dates through March 2021	550	Various

Financial Instrument Presentation

The table below presents the fair value of our derivative financial instruments as well as their classification on the balance sheet as of March 31, 2019 and June 30, 2018. Our derivative asset and liability balances will fluctuate with interest rate and currency exchange rate volatility.

	March 31, 2019							
	Asset Derivatives				Liability Derivatives			
Derivatives designated as hedging instruments	**Balance Sheet line item**	**Gross amounts of recognized assets**	**Gross amount offset in Consolidated Balance Sheet**	**Net amount**	**Balance Sheet line item**	**Gross amounts of recognized liabilities**	**Gross amount offset in Consolidated Balance Sheet**	**Net amount**
Derivatives in cash flow hedging relationships								
Interest rate swaps	Other current assets / other assets	$ 2,329	$ —	$ 2,329	Other current liabilities / other liabilities	$ (3,378)	$ 155	$ (3,223)
Cross-currency swaps	Other current assets	—	—	—	Other current liabilities	(3,839)	—	(3,839)
Derivatives in net investment hedging relationships								
Currency forward contracts	Other non-current assets	4,194	—	4,194	Other current liabilities / other liabilities	(2,250)	637	(1,613)
Total derivatives designated as hedging instruments		$ 6,523	$ —	$ 6,523		$ (9,467)	$ 792	$ (8,675)
Derivatives not designated as hedging instruments								
Cross-currency swaps	Other current assets	$ —	$ —	$ —	Other current liabilities	$ (7,512)	$ —	$ (7,512)
Currency forward contracts	Other current assets / other assets	12,385	(4,096)	8,289	Other current liabilities / other liabilities	(545)	301	(244)
Currency option contracts	Other current assets / other assets	6,238	—	6,238	Other current liabilities / other liabilities	—	—	—
Total derivatives not designated as hedging instruments		$ 18,623	$ (4,096)	$ 14,527		$ (8,057)	$ 301	$ (7,756)

Derivatives designated as hedging instruments	June 30, 2018							
	Asset Derivatives				Liability Derivatives			
	Balance Sheet line item	Gross amounts of recognized assets	Gross amount offset in Consolidated Balance Sheet	Net amount	Balance Sheet line item	Gross amounts of recognized liabilities	Gross amount offset in Consolidated Balance Sheet	Net amount
Derivatives in cash flow hedging relationships								
Interest rate swaps	Other non-current assets	$ 13,374	$ (4)	$ 13,370	Other current liabilities / other liabilities	$ —	$ —	$ —
Cross-currency swaps	Other non-current assets	—	—	—	Other liabilities	(10,659)	—	(10,659)
Derivatives in net investment hedging relationships								
Cross-currency swaps	Other non-current assets	—	—	—	Other liabilities	(14,689)	—	(14,689)
Currency forward contracts	Other non-current assets	—	—	—	Other liabilities	(13,387)	—	(13,387)
Total derivatives designated as hedging instruments		$ 13,374	$ (4)	$ 13,370		$ (38,735)	$ —	$ (38,735)
Derivatives not designated as hedging instruments								
Currency forward contracts	Other current assets / other assets	$ 10,433	$ (1,231)	$ 9,202	Other current liabilities / other liabilities	$ (1,080)	$ 266	$ (814)
Currency option contracts	Other current assets / other assets	1,782	—	1,782	Other current liabilities / other liabilities	(85)	—	(85)
Total derivatives not designated as hedging instruments		$ 12,215	$ (1,231)	$ 10,984		$ (1,165)	$ 266	$ (899)

The following table presents the effect of the effective portion of our derivative financial instruments designated as hedging instruments and their classification within comprehensive income (loss) for the three and nine months ended March 31, 2019 and 2018:

	Amount of Gain (Loss) Recognized in Comprehensive Income (Loss) on Derivatives (Effective Portion)			
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Derivatives in cash flow hedging relationships				
Interest rate swaps	$ (6,102)	$ 6,087	$ (10,916)	$ 7,330
Cross-currency swaps	(1,273)	2,321	(2,656)	5,492
Derivatives in net investment hedging relationships				
Cross-currency swaps	1,542	(3,873)	6,557	(10,307)
Currency forward contracts	7,050	(5,576)	14,369	(13,935)
Total	$ 1,217	$ (1,041)	$ 7,354	$ (11,420)

The following table presents reclassifications out of accumulated other comprehensive loss for the three and nine months ended March 31, 2019 and 2018:

	Amount of Net Gain (Loss) Reclassified from Accumulated Other Comprehensive Loss into Income				Affected line item in the Statement of Operations
	Three Months Ended March 31,		Nine Months Ended March 31,		
	2019	2018	2019	2018	
Derivatives in cash flow hedging relationships					
Interest rate swaps	$ (314)	$ 100	$ (105)	$ (6)	Interest expense, net
Cross-currency swaps	2,146	(3,321)	5,920	(8,756)	Other (expense) income, net
Total before income tax	1,832	(3,221)	5,815	(8,762)	Income before income taxes
Income tax	(458)	805	(1,454)	2,212	Income tax expense (benefit)
Total	$ 1,374	$ (2,416)	$ 4,361	$ (6,550)	

The following table presents the adjustment to fair value recorded within the consolidated statements of operations for derivative instruments for which we did not elect hedge accounting, as well as the effect of the ineffective portion and de-designated derivative financial instruments that no longer qualify as hedging instruments in the period:

	Amount of Gain (Loss) Recognized in Net Income (Loss)				Affected line item in the Statement of Operations
	Three Months Ended March 31,		Nine Months Ended March 31,		
	2019	2018	2019	2018	
Currency contracts	$ 1,258	$ (9,103)	$ 19,802	$ (19,382)	Other (expense) income, net
Interest rate swaps	29	1	(185)	279	Other (expense) income, net
Total	$ 1,287	$ (9,102)	$ 19,617	$ (19,103)	

5. Accumulated Other Comprehensive Loss

The following table presents a roll forward of amounts recognized in accumulated other comprehensive loss by component, net of tax of $4,566 for the nine months ended March 31, 2019:

	Gains (losses) on cash flow hedges (1)	Translation adjustments, net of hedges (2)	Total
Balance as of June 30, 2018	$ 8,195	$ (78,009)	$ (69,814)
Other comprehensive (loss) income before reclassifications	(13,572)	8,223	(5,349)
Amounts reclassified from accumulated other comprehensive loss to net income (loss)	4,361	—	4,361
Net current period other comprehensive (loss) income	(9,211)	8,223	(988)
Balance as of March 31, 2019	$ (1,016)	$ (69,786)	$ (70,802)

(1) Gains (losses) on cash flow hedges include our interest rate swap and cross-currency swap contracts designated in cash flow hedging relationships.
(2) As of March 31, 2019 and June 30, 2018, the translation adjustment is inclusive of the effects of our net investment hedges, of which, unrealized losses of $1,089 and $22,014, respectively, net of tax, have been included in accumulated other comprehensive loss.

6. Goodwill and Acquired Intangible Assets

Goodwill

The carrying amount of goodwill by reportable segment as of March 31, 2019 and June 30, 2018 was as follows:

	Vistaprint	Upload and Print	National Pen	All Other Businesses	Total
Balance as of June 30, 2018	$ 146,207	$ 328,771	$ 34,434	$ 11,431	$ 520,843
Acquisitions (1)	—	2,686	—	212,105	214,791
Effect of currency translation adjustments (2)	(1,601)	(13,299)	—	—	(14,900)
Balance as of March 31, 2019	$ 144,606	$ 318,158	$ 34,434	$ 223,536	$ 720,734

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(1) Refer to Note 7 for additional details related to our acquisitions of BuildASign and VIDA. We also recognized goodwill related to a small acquisition of a supplier by one of our businesses within our Upload and Print reportable segment.

(2) Related to goodwill held by subsidiaries whose functional currency is not the U.S. Dollar.

Acquired Intangible Assets

Acquired intangible assets amortization expense for the three and nine months ended March 31, 2019 was $14,022 and $40,169, respectively, compared to $12,941 and $38,132 for the prior comparable periods, respectively.

7. Business Combinations

Acquisition of Build A Sign LLC

On October 1, 2018, we completed the acquisition of Build A Sign LLC ("BuildASign"), a vertically integrated U.S. web-to-print canvas wall dècor and signage company. We acquired approximately 99% of the outstanding equity interests of BuildASign for a purchase price of $275,079 in cash, which includes a post-closing adjustment paid during the second quarter of fiscal 2019 and was based on BuildASign's cash, debt and working capital position as of the acquisition date.

The acquisition supports our strategy of investing in and building customer-focused, entrepreneurial, mass customization businesses for the long term, which we manage in a decentralized and autonomous manner. BuildASign brings strong talent, a customer-centric culture, low-cost production operations and strong e-commerce capabilities that work seamlessly together to serve customers with market-leading prices, fast delivery and great customer service.

Noncontrolling Interest

At the closing, Build A Sign Management Pool, LLC (the "Management Pool"), one of the sellers, retained approximately 1% of the outstanding equity interests of BuildASign for the benefit of certain BuildASign employees who hold equity interests in the Management Pool. We entered into a put and call option agreement with respect to the retained BuildASign equity interests, which provides the holders of the Management Pool the right to sell to us all or any portion of their shares, beginning with our fiscal year ending June 30, 2022 and for each fiscal year thereafter. We have the right to buy all (but not less than all) of the retained equity interest of any holder that is no longer an active employee of the company, beginning with our fiscal year ending June 30, 2022. The put and call purchase price is based on BuildASign's revenue growth and EBITDA for the fiscal year in which the option is exercised. Due to the presence of the put arrangement, the noncontrolling interest is presented as redeemable noncontrolling interest as redemption is not solely within our control. We initially recognized the noncontrolling interest at fair value of $3,356 and will adjust the balance for the pro rata impact of the BuildASign earnings or loss, as well as adjustments to increase the balance to the redemption value, if necessary.

The excess purchase price over the fair value of BuildASign's net assets was recorded as goodwill, which is primarily attributable to the value of its workforce, its manufacturing and marketing processes and know-how, as well as synergies which include leveraging Cimpress' scale-based sourcing channels. Goodwill is deductible for tax purposes and has been attributed to the All Other Businesses reportable segment.

The fair value of the assets acquired and liabilities assumed was as follows:

	Amount	Weighted Average Useful Life in Years
Tangible assets acquired and liabilities assumed:		
Cash and cash equivalents	$ 4,093	n/a
Accounts receivable, net	510	n/a
Inventory	1,107	n/a
Other current assets (1)	6,937	n/a
Property, plant and equipment, net	12,080	n/a
Accounts payable	(3,369)	n/a
Accrued expenses (1)	(11,334)	n/a
Other current liabilities	(2,658)	n/a
Long-term liabilities	(3,949)	n/a
Identifiable intangible assets:		
Trade name	47,600	15 years
Developed technology	28,900	3 - 7 years
Customer relationships	12,430	2 - 5 years
Noncontrolling interest	(3,356)	n/a
Goodwill (2)	186,088	n/a
Total purchase price	$ 275,079	

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(1) In connection with the BuildASign acquisition, we recorded an indemnification asset of $5,433, which represents the seller's obligation under the merger agreement to indemnify us for a portion of their potential contingent liabilities related to certain tax matters. We also recognized a contingent liability of $8,925, which represents our estimate based on guidance within ASC 450 - "Contingencies," as of the acquisition date.

(2) During the third quarter of fiscal 2019, we recorded immaterial measurement period adjustments, which related primarily to the contingent liabilities, as discussed above, and resulted in a decrease to goodwill of $482.

BuildASign Pro Forma Financial Information

BuildASign has been included in our consolidated financial statements starting on its acquisition date. The following unaudited pro forma financial information presents our results as if the BuildASign acquisition had occurred on July 1, 2017. The pro forma financial information for all periods presented adjusts for the effects of material business combination items, including estimated amortization of acquired intangible assets, interest associated with debt used to finance the acquisition, and transaction related costs.

	Nine Months Ended March 31,	
	2019	2018
Pro forma revenue	$ 2,108,492	$ 2,053,678
Pro forma net income attributable to Cimpress N.V.	53,285	40,540

We utilized proceeds from our credit facility in order to finance the acquisition. In connection with the acquisition, we incurred $1,047 and $1,140 in general and administrative expenses during the three and nine months ended March 31, 2019, primarily related to legal, financial, and other professional services.

Acquisition of VIDA Group Co.

On July 2, 2018, we acquired approximately 73% of the shares of VIDA Group Co. ("VIDA"), a U.S.-based startup, with options to increase our ownership beginning in fiscal 2023. For the noncontrolling interest, we entered into put and call options with each employee who holds shares, which become exercisable starting in fiscal 2023, or earlier if the employee terminates their employment. The total consideration was $20,548, net of cash acquired. VIDA brings manufacturing access and an e-commerce marketplace to artists, thereby enabling artists to convert ideas in beautiful, original products for customers, ranging from fashion, jewelry and accessories to home accent pieces. This investment supports our strategy to build a competitively differentiated portfolio of focused brands by providing access to the textiles marketplace.

We recognized the assets, liabilities and noncontrolling interest on the basis of their fair values at the date of the acquisition, with any excess of the purchase price paid over the fair value of the net assets recorded as goodwill. The aggregate allocation to goodwill, net liabilities and noncontrolling interest was $26,017, $647, and $5,705, respectively.

The revenue and earnings included in our consolidated financial statements for the three and nine months ended March 31, 2019 are not material. We utilized proceeds from our credit facility to finance the acquisition.

8. Other Balance Sheet Components

Accrued expenses included the following:

	March 31, 2019	June 30, 2018
Compensation costs	$ 57,688	$ 57,024
Income and indirect taxes	46,771	33,557
Advertising costs	26,572	28,140
Production costs	11,289	8,903
Shipping costs	6,998	5,241
Sales returns	6,051	5,076
Purchases of property, plant and equipment	1,355	4,489
Professional fees	2,898	3,802
Interest payable	9,209	1,653
Other	39,087	38,776
Total accrued expenses	$ 207,918	$ 186,661

Other current liabilities included the following:

	March 31, 2019	June 30, 2018
Short-term derivative liabilities	$ 16,141	$ 31,054
Current portion of lease financing obligation	12,569	12,569
Current portion of capital lease obligations	11,171	10,747
Other	2,985	601
Total other current liabilities	$ 42,866	$ 54,971

Other liabilities included the following:

	March 31, 2019	June 30, 2018
Long-term capital lease obligations	$ 17,969	$ 16,883
Long-term derivative liabilities	5,478	10,080
Liability-based equity award (1)	6,791	15,464
Mandatorily redeemable noncontrolling interest (1)	2,630	4,366
Other	21,048	22,731
Total other liabilities	$ 53,916	$ 69,524

(1) These liabilities relate to share-based compensation awards and mandatorily redeemable noncontrolling interest associated with our Printi business. During the third quarter of fiscal 2019, we recognized a decrease to these liabilities due to a reduction in the estimated present value of the future settlement amount, which is calculated based on certain contractual financial measures in the period we expect the put or call option to be exercised. As the estimated contractual settlement value has decreased, we have reclassified $14,531 of the aggregate liability to a contra-asset as a reserve against the associated loan receivable asset that represents prepayments for these obligations. Refer to Note 12 for additional details.

9. Debt

	March 31, 2019	June 30, 2018
Senior secured credit facility	$ 671,914	$ 432,414
7.0% Senior unsecured notes due 2026	400,000	400,000
Other	15,689	7,015
Debt issuance costs and debt discounts	(12,488)	(12,585)
Total debt outstanding, net	1,075,115	826,844
Less: short-term debt (1)	64,516	59,259
Long-term debt	$ 1,010,599	$ 767,585

(1) Balances as of March 31, 2019 and June 30, 2018 are inclusive of short-term debt issuance costs and debt discounts of $2,398 and $2,012, respectively.

Our Debt

Our various debt arrangements described below contain customary representations, warranties and events of default. As of March 31, 2019, we were in compliance with all financial and other covenants related to our debt.

Senior Secured Credit Facility

On January 7, 2019, we amended the terms of our senior secured credit facility, resulting in an increase in loan commitments to both our revolving loans and term loans. The terms and covenants of the senior secured credit facility remain unchanged. As of March 31, 2019, we had a committed credit facility of $1,602,819 as follows:

- Revolving loans of $1,087,257 with a maturity date of June 14, 2023
- Term loans of $515,562 amortizing over the loan period, with a final maturity date of June 14, 2023

Under the terms of our credit agreement, borrowings bear interest at a variable rate of interest based on LIBOR plus 1.375% to 2.0%. Interest rates depend on our leverage ratio, which is the ratio of our consolidated total indebtedness to our consolidated EBITDA, as defined by the credit agreement. As of March 31, 2019, the weighted-average interest rate on outstanding borrowings was 3.94%, inclusive of interest rate swap rates. We are also required to pay a commitment fee on unused balances of 0.225% to 0.35% depending on our leverage ratio. We have pledged the assets and/or share capital of a number of our subsidiaries as collateral for our outstanding debt as of March 31, 2019.

Indenture and Senior Unsecured Notes

On June 15, 2018, we completed a private placement of $400,000 in aggregate principal amount of 7.0% senior unsecured notes due 2026 (the “2026 Notes”). We issued the 2026 Notes pursuant to a senior notes indenture dated as of June 15, 2018, among Cimpress N.V., our subsidiary guarantors, and MUFG Union Bank, N.A., as trustee (the "Indenture"). We used the net proceeds from the 2026 Notes during fiscal 2018 to redeem all of the outstanding 7.0% senior unsecured notes due 2022, repay a portion of the indebtedness outstanding under our revolving credit facility and pay all related fees and expenses.

The 2026 Notes bear interest at a rate of 7.0% per annum and mature on June 15, 2026. Interest on the Notes is payable semi-annually on June 15 and December 15 of each year, commencing on December 15, 2018, to the holders of record of the 2026 Notes at the close of business on June 1 and December 1, respectively, preceding such interest payment date.

The 2026 Notes are senior unsecured obligations and rank equally in right of payment to all our existing and future senior unsecured debt and senior in right of payment to all of our existing and future subordinated debt. The Notes are effectively subordinated to any of our existing and future secured debt to the extent of the value of the assets securing such debt. Subject to certain exceptions, each of our existing and future subsidiaries that is a borrower under or guarantees our senior secured credit facilities will guarantee the 2026 Notes.

The indenture under which the 2026 Notes are issued contains various covenants, including covenants that, subject to certain exceptions, limit our and our restricted subsidiaries’ ability to incur and/or guarantee additional debt; pay dividends, repurchase shares or make certain other restricted payments; enter into agreements limiting dividends and certain other restricted payments; prepay, redeem or repurchase subordinated debt; grant liens on assets; enter into sale and leaseback transactions; merge, consolidate or transfer or dispose of substantially all of our consolidated assets; sell, transfer or otherwise dispose of property and assets; and engage in transactions with affiliates.

We have the right to redeem, at any time prior to June 15, 2021, some or all of the 2026 Notes at a redemption price equal to 100% of the principal amount redeemed, plus a make-whole amount as set forth in the Indenture, plus, in each case, accrued and unpaid interest to, but not including, the redemption date. In addition, we have the right to redeem, at any time prior to June 15, 2021, up to 40% of the aggregate outstanding principal amount of the 2026 Notes at a redemption price equal to 107% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the redemption date, with the net proceeds of certain equity offerings by Cimpress. At any time on or after June 15, 2021, we may redeem some or all of the Notes at the redemption prices specified in the Indenture, plus accrued and unpaid interest to, but not including, the redemption date.

Other Debt

Other debt consists primarily of term loans acquired through our various acquisitions or used to fund certain capital investments. As of March 31, 2019 and June 30, 2018 we had $15,689 and $7,015, respectively, outstanding for those obligations that are payable through March 2025.

10. Income Taxes

Our income tax expense was $4,091 and $23,971 for the three and nine months ended March 31, 2019, as compared to $4,019 and $19,657 for the prior comparable periods. The increase in tax expense is primarily attributable to increased pre-tax income for the three and nine months ended March 31, 2019 as compared to the same prior year periods. There were no significant discrete tax adjustments recognized during the three months ended March 31, 2019. However, earlier this year we recognized a decrease in deferred tax assets related to guidance issued by the Internal Revenue Service regarding limitations on tax deductions for compensation granted to certain executives, which increased our tax expense by $5,574 for the nine months ended March 31, 2019 as compared to increased tax expense of $4,701 related to the impacts of U.S. tax reform recognized in the same prior year period. We also recognized "Patent Box" tax benefits of $3,547 granted to our Pixartprinting business in Italy during the nine months ended March 31, 2019. Additionally, we have recognized lower excess tax benefits from share based compensation for the nine months ended March 31, 2019 as compared to the same prior period. Excluding the effect of these discrete tax adjustments, our estimated annual effective tax rate is lower for fiscal 2019 as compared to fiscal 2018 primarily due to an expectation of a more favorable geographical mix of consolidated earnings. Our effective tax rate continues to be negatively impacted by losses in certain jurisdictions where we are unable to recognize a full tax benefit in the current period.

On February 12, 2019, our parent company, Cimpress N.V., moved its place of management and control from the Netherlands to Ireland for tax purposes. From this date forward, Cimpress N.V. is a tax resident in Ireland and no longer considered to be a resident of the Netherlands for Dutch tax purposes. This change is not expected to have a material effect on our fiscal 2019 tax provision.

As of March 31, 2019, we had a liability for unrecognized tax benefits included in the balance sheet of $4,859, including accrued interest and penalties of $462. We recognize interest and, if applicable, penalties related to unrecognized tax benefits in the provision for income taxes. If recognized, the entire liability for unrecognized tax benefits would reduce our tax expense. It is reasonably possible that a reduction in unrecognized tax benefits may occur within the next twelve months in the range of $600 to $700 related to the lapse of applicable statutes of limitations. We believe we have appropriately provided for all tax uncertainties.

We conduct business in a number of tax jurisdictions and, as such, are required to file income tax returns in multiple jurisdictions globally. The years 2016 through 2018 remain open for examination by the IRS and the years 2013 through 2018 remain open for examination in the various states and non-US tax jurisdictions in which we file tax returns. We believe that our income tax reserves are adequately maintained taking into consideration both the technical merits of our tax return positions and ongoing developments in our income tax audits. However, the final determination of our tax return positions, if audited, is uncertain, and there is a possibility that final resolution of these matters could have a material impact on our results of operations or cash flows.

11. Noncontrolling Interests

In certain of our strategic investments we own a controlling equity stake, but a third party owns a minority portion of the equity. The balance sheet and operating activity of these entities are included in our consolidated financial statements and we adjust the net income (loss) in our consolidated statement of operations to exclude the noncontrolling interests' proportionate share of results. We present the proportionate share of equity attributable to the redeemable noncontrolling interests as temporary equity within our consolidated balance sheet and the proportionate share of noncontrolling interests not subject to a redemption provision that is outside of our control as equity. We recognize redeemable noncontrolling interests at fair value on the sale or acquisition date and adjust to the redemption value on a periodic basis, if that amount exceeds the fair value. If the formulaic redemption value exceeds the fair value of the noncontrolling interest, then the accretion to redemption value is offset to the net (income) loss attributable to noncontrolling interest in our consolidated statement of operations.

Redeemable Noncontrolling Interests

On December 20, 2018, we purchased the 12% equity interest of our WIRmachenDRUCK subsidiary that was held by third parties for €36,173 ($41,177 based on the exchange rate as of the redemption date). During the second quarter of fiscal 2019, we increased the carrying amount of the redeemable noncontrolling interest by $7,133, to reflect the change in the redemption value, offset to retained earnings, since the redemption value remained below the fair value.

On October 1, 2018, we acquired approximately 99% of the outstanding equity interests of Build A Sign LLC. The remaining 1% is considered a redeemable noncontrolling equity interest, as it is redeemable for cash based on future financial results through put and call rights and not solely within our control. On the acquisition date, we recognized the redeemable noncontrolling interest at fair value of $3,356. As of March 31, 2019, the redemption value was less than the carrying value, and therefore no adjustment was required. Refer to Note 7 for additional details.

On July 2, 2018, we acquired approximately 73% of the shares of VIDA Group Co. The remaining 27% is considered a redeemable noncontrolling equity interest, as it is redeemable in the future not solely within our control. The shares we hold include certain liquidation preferences to all other share classes, and therefore the noncontrolling interest will bear any losses until the recoverable value of our investment declines below the stated redemption value. As of March 31, 2019, the redemption value is less than the carrying value and therefore no adjustment has been made. Refer to Note 7 for additional details.

On April 15, 2015, we acquired 70% of the outstanding shares of Exagroup SAS. The remaining 30% is considered a redeemable noncontrolling equity interest, as it is redeemable in the future and not solely within our control. The first redemption date in which a put option can be exercised is April 15, 2019. The Exagroup noncontrolling interest is redeemable at a fixed amount of €39,000. As of March 31, 2019, the redemption value was less than the carrying value, and therefore no adjustment was required.

The following table presents the reconciliation of changes in our noncontrolling interests:

	Redeemable noncontrolling interests	Noncontrolling interest
Balance as of June 30, 2018	$ 86,151	$ 285
Acquisition of noncontrolling interest (1)	9,061	—
Reclassification to redeemable noncontrolling interest (2)	308	(308)
Accretion to redemption value recognized in retained earnings (3)	7,133	—
Net loss attributable to noncontrolling interest	(614)	(6)
Distribution to noncontrolling interest	(3,375)	—
Purchase of noncontrolling interests (4)	(41,177)	—
Shares forfeited by noncontrolling interest	(591)	—
Foreign currency translation	(4,530)	29
Balance as of March 31, 2019	$ 52,366	$ —

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(1) Includes the noncontrolling interests related to our VIDA and BuildASign acquisitions. Refer to Note 7 for additional details.

(2) During the first quarter of fiscal 2019, we amended our agreement with one noncontrolling interest holder and agreed to put and call options related to their existing noncontrolling interest. As such, we reclassified the noncontrolling interest to redeemable noncontrolling interest since the exercise is not solely within our control.

(3) Accretion of redeemable noncontrolling interests to redemption value recognized in retained earnings is the result of the redemption amount estimated to be greater than carrying value but less than fair value.

(4) During the second quarter of fiscal 2019, we purchased the WIRmachenDRUCK noncontrolling interest for $41,177.

12. Variable Interest Entity ("VIE")

Investment in Printi LLC

On August 7, 2014, we made a capital investment in Printi LLC, which operates in Brazil. This investment provided us access to a new market and the opportunity to drive longer-term growth in Brazil. The shareholders of Printi share profits and voting control on a pro-rata basis and as of March 31, 2019, we have a 53.7% equity interest in Printi.

For accounting purposes, of the remaining equity interests, 36.2% are liability-based equity awards and 10.1% are mandatorily redeemable noncontrolling interests. We agreed to acquire all of the remaining equity interests in Printi through a reciprocal put and call structure, contractually exercisable from April 1, 2021 through a mandatory redemption date of July 31, 2023. The liability-based equity awards represent Printi restricted equity held by Printi employees that are now fully vested and marked to market each reporting period until cash settlement. As of March 31, 2019 and June 30, 2018, our estimated redemption value for the liability-based awards was $6,791 and $15,464, respectively. The mandatorily redeemable noncontrolling interest is within the scope of ASC 480 - "Distinguishing Liabilities from Equity" and is required to be presented as a liability on our consolidated balance sheet. We adjust the liability to its estimated redemption value each reporting period and recognize any changes within interest expense, net in our consolidated statement of operations. As of March 31, 2019 and June 30, 2018, we recognized a liability for the mandatorily redeemable noncontrolling interest of $2,630 and $4,366, respectively. In May 2017, we entered into an arrangement with two Printi equity holders to provide loans, which represent prepayments for our future purchase of their equity interests. The loans are payable on the date the put or call option is exercised and the loan proceeds will be used to offset our purchase of their remaining outstanding equity interest, which also serves as collateral. As of March 31, 2019, the gross loan receivable includes $21,000 of loans and accrued interest of $2,660, a portion of the interest which is due and payable in the fourth quarter of fiscal 2019.

During the third quarter of fiscal 2019, we reassessed the estimated redemption value for the liability-based equity awards and mandatorily redeemable noncontrolling interest to reflect a change to the period in which we expect to exercise our call option. We now intend to exercise our call option in April 2021, which is earlier than previously expected. Given the earlier call date, we now expect the estimated redemption value for both the liability-based equity awards and mandatorily redeemable noncontrolling interest to be lower than the related gross loan receivable. The estimated redemption value is calculated based on certain contractual financial measures in the period the put or call option is exercised. During the current quarter, we recognized a reserve against the gross loan receivable of $15,138, through the reclassification of a portion of the related liabilities of $14,531 and expense recognized in general and administrative expense in our consolidated statement of operations of $607.

13. Segment Information

Our operating segments are based upon the manner in which our operations are managed and the availability of separate financial information reported internally to the Chief Executive Officer, who is our Chief Operating Decision Maker (“CODM”) for purposes of making decisions about how to allocate resources and assess performance.

As of March 31, 2019, we have numerous operating segments under our management reporting structure which are reported in the following four reportable segments:

- *Vistaprint* - Includes the operations of our Vistaprint websites focused on the North America, Europe, Australia and New Zealand markets, and our Webs-branded business, which is managed with the Vistaprint-branded digital business in the previously listed geographies.
- *Upload and Print* - Includes the results of our druck.at, Easyflyer, Exagroup, Pixartprinting, Printdeal, Tradeprint, and WIRmachenDRUCK businesses.
- *National Pen* - Includes the global operations of our National Pen businesses, which manufacture and market custom writing instruments and promotional products, apparel and gifts.
- *All Other Businesses* - Includes a collection of businesses grouped together based on materiality:
  - BuildASign, acquired on October 1, 2018, is an internet-based provider of canvas-print wall décor, business signage and other large-format printed products, based in Austin, Texas.
  - Printi is an online printing leader in Brazil, which offers a superior customer experience with transparent and attractive pricing, reliable service and quality.
  - VIDA, acquired on July 2, 2018, is an innovative startup that brings manufacturing access and an e-commerce marketplace to artists, thereby enabling artists to convert ideas into beautiful, original products for customers, ranging from custom fashion, jewelry and accessories to home accent pieces.
  - Vistaprint Corporate Solutions serves medium-sized businesses and large corporations, as well as a legacy revenue stream with retail partners and franchise businesses.
  - Vistaprint India operates a derivative of the Vistaprint business model, albeit with higher service levels and quality, fully domestic, Indian content, pricing that is a slight premium to many traditional offline alternatives, and almost no discounting.
  - Vistaprint Japan operates a derivative of the Vistaprint business model with a differentiated position relative to competitors who tend to focus on upload and print, not the self-service, micro-business customer which Vistaprint Japan serves.
  - Albumprinter through its divestiture date of August 31, 2017.

In the fourth quarter of fiscal 2019, we revised our internal organizational and reporting structure resulting in changes to our Upload and Print reportable segment. Due to the organizational changes, our Upload and Print reportable segment will be split into two separate operating and reportable segments. These changes in reporting structure are intended to position leaders closer to operations of the businesses, to lower costs, and to drive culture, priorities and technologies that improve customer and financial outcomes.

Central and corporate costs consist primarily of the team of software engineers that is building our mass customization platform; shared service organizations such as global procurement; technology services such as hosting and security; administrative costs of our Cimpress India offices where numerous Cimpress businesses have dedicated business-specific team members; and corporate functions including our Board of Directors, CEO, and the team members necessary for managing corporate activities, such as treasury, tax, capital allocation, financial consolidation, internal audit and legal. These costs also include certain unallocated share-based compensation costs.

For awards granted under our 2016 Performance Equity Plan, the PSU expense value is based on a Monte Carlo fair value analysis and is required to be expensed on an accelerated basis. In order to ensure comparability in measuring our businesses' results, we allocate the straight-line portion of the fixed grant value to our businesses. Any expense in excess of the amount as a result of the fair value measurement of the PSUs and the accelerated expense profile of the awards is recognized within Central and corporate costs. All expense or benefit associated with our supplemental performance share units is recognized within Central and corporate costs.

Segment profit (loss) is the primary profitability metric by which our CODM measures segment financial performance and allocates resources. Certain items are excluded from segment profit (loss), such as acquisition-related amortization and depreciation, expense recognized for contingent earn-out related charges, including the changes in fair value of contingent consideration and compensation expense related to cash-based earn-out mechanisms dependent upon continued employment, share-based compensation related to investment consideration, certain impairment expense, and restructuring charges. A portion of the interest expense associated with our Waltham, Massachusetts lease is included as expense in segment profit (loss) and allocated based on headcount to the appropriate business or corporate and global function. The interest expense represents a portion of the cash rent payment and is considered an operating expense for purposes of measuring our segment performance. We do not allocate non-operating income to our segment results.

Our All Other Businesses reportable segment includes businesses that have operating losses as they are in the early stage of investment relative to the scale of the underlying businesses, which may limit its comparability to other segments regarding profit (loss).

Our balance sheet information is not presented to the CODM on an allocated basis, and therefore we do not present asset information by segment. We do present other segment information to the CODM, which includes purchases of property, plant and equipment and capitalization of software and website development costs, and therefore include that information in the tables below.

Revenue by segment is based on the business-specific websites or sales channel through which the customer's order was transacted. The following tables set forth revenue by reportable segments, as well as disaggregation of revenue by major geographic regions and reportable segments.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Revenue:				
Vistaprint (1)	$ 349,901	$ 357,606	$ 1,121,156	$ 1,105,557
Upload and Print (2)	188,135	183,768	564,099	536,685
National Pen (3)	79,721	81,545	278,643	267,360
All Other Businesses (4)	50,109	18,865	130,824	67,913
Total segment revenue	667,866	641,784	2,094,722	1,977,515
Inter-segment eliminations	(6,052)	(5,715)	(18,360)	(16,108)
Total consolidated revenue	$ 661,814	$ 636,069	$ 2,076,362	$ 1,961,407

(1) Vistaprint segment revenues include inter-segment revenue of $3,198 and $9,463 for the three and nine months ended March 31, 2019, respectively, and $2,747 and $7,753 for the prior comparative periods, respectively.
(2) Upload and Print segment revenues include inter-segment revenue of $159 and $887 for the three and nine months ended March 31, 2019, respectively and $329 and $1,137 for the prior comparative periods, respectively.
(3) National Pen segment revenues include inter-segment revenue of $1,280 and $2,784 for the three and nine months ended March 31, 2019, respectively, and $805 and $2,275 for the prior comparative periods, respectively.
(4) All Other Businesses segment revenues include inter-segment revenue of $1,415 and $5,226 for the three and nine months ended March 31, 2019, respectively, and $1,834 and $4,943 for the prior comparative periods, respectively. The All Other Businesses segment includes the revenue of the VIDA and BuildASign's businesses since its acquisition of July 2, 2018 and October 1, 2018, respectively, as well as the Albumprinter business during the nine months ended March 31, 2018 until the sale completion date of August 31, 2017.

	Three Months Ended March 31, 2019				
	Vistaprint	Upload and Print	National Pen	All Other	Total
North America	$ 244,830	$ —	$ 41,697	$ 38,279	$ 324,806
Europe	85,575	187,976	29,895	756	304,202
Other	16,298	—	6,849	9,659	32,806
Inter-segment	3,198	159	1,280	1,415	6,052
Total segment revenue	349,901	188,135	79,721	50,109	667,866
Less: inter-segment elimination	(3,198)	(159)	(1,280)	(1,415)	(6,052)
Total external revenue	$ 346,703	$ 187,976	$ 78,441	$ 48,694	$ 661,814

	Three Months Ended March 31, 2018				
	Vistaprint	Upload and Print	National Pen	All Other	Total
North America	$ 244,561	$ 45	$ 40,813	$ 6,008	$ 291,427
Europe	92,305	183,394	31,983	576	308,258
Other	17,993	—	7,944	10,447	36,384
Inter-segment	2,747	329	805	1,834	5,715
Total segment revenue	357,606	183,768	81,545	18,865	641,784
Less: inter-segment elimination	(2,747)	(329)	(805)	(1,834)	(5,715)
Total external revenue	$ 354,859	$ 183,439	$ 80,740	$ 17,031	$ 636,069

	Nine Months Ended March 31, 2019				
	Vistaprint	Upload and Print	National Pen	All Other	Total
North America	$ 765,684	$ —	$ 137,603	$ 92,490	$ 995,777
Europe	291,506	563,212	113,404	2,226	970,348
Other	54,503	—	24,852	30,882	110,237
Inter-segment	9,463	887	2,784	5,226	18,360
Total segment revenue	1,121,156	564,099	278,643	130,824	2,094,722
Less: inter-segment elimination	(9,463)	(887)	(2,784)	(5,226)	(18,360)
Total external revenue	$ 1,111,693	$ 563,212	$ 275,859	$ 125,598	$ 2,076,362

	Nine Months Ended March 31, 2018				
	Vistaprint	Upload and Print	National Pen	All Other	Total
North America	$ 738,921	$ 2,141	$ 131,100	$ 14,928	$ 887,090
Europe	300,477	533,407	112,261	14,251	960,396
Other	58,406	—	21,724	33,791	113,921
Inter-segment	7,753	1,137	2,275	4,943	16,108
Total segment revenue	1,105,557	536,685	267,360	67,913	1,977,515
Less: inter-segment elimination	(7,753)	(1,137)	(2,275)	(4,943)	(16,108)
Total external revenue	$ 1,097,804	$ 535,548	$ 265,085	$ 62,970	$ 1,961,407

The following table includes segment profit (loss) by reportable segment, total income from operations and total income before income taxes.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Segment profit (loss):				
Vistaprint	$ 69,713	$ 57,661	$ 200,765	$ 187,605
Upload and Print	17,865	17,367	56,498	54,605
National Pen (1)	(1,713)	355	5,113	19,185
All Other Businesses	(6,964)	(9,342)	(24,117)	(25,459)
Total segment profit	78,901	66,041	238,259	235,936
Central and corporate costs	(28,499)	(35,891)	(76,540)	(97,558)
Acquisition-related amortization and depreciation	(14,089)	(13,030)	(40,372)	(38,330)
Earn-out related charges (2)	—	—	—	(2,391)
Share-based compensation related to investment consideration	—	—	(2,893)	(1,047)
Certain impairments and other adjustments (3)	(607)	—	(607)	—
Restructuring-related charges	(7,866)	(2,331)	(9,062)	(14,686)
Interest expense for Waltham, MA lease	1,775	1,838	5,457	5,645
Gain on the purchase or sale of subsidiaries (4)	—	—	—	48,380
Total income from operations	29,615	16,627	114,242	135,949
Other (expense) income, net	(2,495)	(1,558)	17,386	(25,602)
Interest expense, net	(16,787)	(12,652)	(47,372)	(38,263)
Income before income taxes	$ 10,333	$ 2,417	$ 84,256	$ 72,084

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(1) During the first quarter of fiscal 2019, we adopted ASC 606, Revenue from Contracts with Customers, which is the new revenue standard described in Note 2 of the accompanying consolidated financial statements. We applied the new standard under the modified retrospective method, in which we did not apply the new standard to the prior comparable period. The adoption of the new standard resulted in lower direct mail advertising costs within our National Pen business during the three months ended March 31, 2019 of $1,486, as compared to the prior comparative period, due to the earlier recognition of costs during the first quarter of fiscal 2019. During the nine months ended March 31, 2019, the new standard had a negative impact on operating income and adjusted net operating profit of $486, as compared to the prior comparative period. Direct mail advertising costs were previously capitalized and amortized over the customer response period (typically 3-4 months) and now costs are recognized when the direct mail is sent to the customers.
(2) Includes expense recognized for the change in fair value of contingent consideration and compensation expense related to cash-based earn-out mechanisms dependent upon continued employment.
(3) Includes the impact of certain impairments of goodwill and other long-lived assets as defined by ASC 350 - "Intangibles - Goodwill and Other", as well as reserves recognized for loans as defined by ASC 326 - "Financial Instruments - Credit Losses."
(4) Includes the impact of the gain on the sale of Albumprinter that was recognized in general and administrative expense in our consolidated statement of operations during the nine months ended March 31, 2018.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Depreciation and amortization:				
Vistaprint	$ 16,317	$ 16,460	$ 48,185	$ 48,943
Upload and Print	12,702	15,701	40,196	45,426
National Pen	5,371	5,372	15,814	15,742
All Other Businesses	6,935	2,538	15,587	6,981
Central and corporate costs	3,009	3,366	9,772	10,028
Total depreciation and amortization	$ 44,334	$ 43,437	$ 129,554	$ 127,120

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Purchases of property, plant and equipment:				
Vistaprint	$ 4,628	$ 4,843	$ 25,860	$ 29,342
Upload and Print	952	2,279	8,111	11,270
National Pen	745	1,183	7,780	4,891
All Other Businesses	12,228	252	15,077	1,231
Central and corporate costs	614	210	1,106	707
Total purchases of property, plant and equipment	$ 19,167	$ 8,767	$ 57,934	$ 47,441

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Capitalization of software and website development costs:				
Vistaprint	$ 6,659	$ 7,186	$ 19,274	$ 18,266
Upload and Print	962	1,149	2,964	2,939
National Pen	1,035	302	2,511	669
All Other Businesses	1,517	443	3,329	1,811
Central and corporate costs	2,543	2,282	6,559	5,791
Total capitalization of software and website development costs	$ 12,716	$ 11,362	$ 34,637	$ 29,476

The following table sets forth long-lived assets by geographic area:

	March 31, 2019	June 30, 2018
Long-lived assets (1):		
Netherlands	$ 84,313	$ 109,556
Canada	75,427	81,334
United States	57,492	45,709
Switzerland	55,976	52,523
Italy	41,475	42,514
Jamaica	21,741	21,720
Australia	21,504	22,418
France	19,277	20,131
Japan	17,769	19,117
Other	79,140	67,842
Total	$ 474,114	$ 482,864

(1) Excludes goodwill of $720,734 and $520,843, intangible assets, net of $273,831 and $230,201, build-to-suit lease assets of $121,108 and $111,926, and deferred tax assets of $57,885 and $67,087 as of March 31, 2019 and June 30, 2018, respectively.

14. Commitments and Contingencies

Lease Commitments

We have commitments under operating leases for our facilities that expire on various dates through 2026. Total lease expense, net of sublease income, for the three and nine months ended March 31, 2019 was $4,311 and $13,075, respectively, and $4,340 and $10,527 for the three and nine months ended March 31, 2018, respectively.

We lease certain machinery and plant equipment, as well as buildings, under both capital and operating lease agreements that expire at various dates through 2027. The aggregate carrying value of the leased buildings and equipment under capital leases included in property, plant and equipment, net in our consolidated balance sheet at March 31, 2019, is $34,566, net of accumulated depreciation of $39,931; the present value of lease installments not yet due included in other current liabilities and other liabilities in our consolidated balance sheet at March 31, 2019 amounts to $29,140.

Purchase Obligations

At March 31, 2019, we had unrecorded commitments under contract of $41,847, including inventory and third-party fulfillment purchase commitments of $15,184 and third-party web services of $9,755. In addition, we had purchase commitments for production and computer equipment purchases of approximately $5,148, commitments for advertising campaigns of $288, professional and consulting fees of $993, and other unrecorded purchase commitments of $10,479.

Other Obligations

We deferred payments for several of our acquisitions resulting in the recognition of a liability of $5,564 in aggregate. In addition, we have an outstanding installment obligation of $526 related to the fiscal 2012 intra-entity transfer of the intellectual property of our subsidiary Webs, Inc., which results in tax being paid over a 7.5-year term and has been classified as a deferred tax liability in our consolidated balance sheet as of March 31, 2019.

Legal Proceedings

We are not currently party to any material legal proceedings. Although we cannot predict with certainty the results of litigation and claims to which we may be subject from time to time, we do not expect the resolution of any of our current matters to have a material adverse impact on our consolidated results of operations, cash flows or financial position. In all cases, at each reporting period, we evaluate whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. We expense the costs relating to our legal proceedings as those costs are incurred.

15. Restructuring Charges

Restructuring costs include one-time employee termination benefits, acceleration of share-based compensation, write-off of assets and other related costs including third-party professional and outplacement services. During the three and nine months ended March 31, 2019, we recognized restructuring charges of $7,866 and $9,062, respectively, primarily related to a restructuring action within our Vistaprint business. The Vistaprint action included changes to the leadership team, as well as other reductions in headcount and associated costs. We expect to recognize additional restructuring charges during the fourth quarter of fiscal 2019 for employees that have been retained and will continue to provide service during the transition period.

During the three and nine months ended March 31, 2018, we recognized restructuring charges of $2,331 and $14,686, respectively, which primarily related to Vistaprint's November 2017 restructuring action.

The following table summarizes the restructuring activity during the nine months ended March 31, 2019:

	Severance and Related Benefits	Other Restructuring Costs	Total
Accrued restructuring liability as of June 30, 2018	$ 1,385	$ 2	$ 1,387
Restructuring charges (1)	8,758	304	9,062
Cash payments	(4,749)	(27)	(4,776)
Non-cash charges (2)	(3,250)	(279)	(3,529)
Accrued restructuring liability as of March 31, 2019	$ 2,144	$ —	$ 2,144

(1) During the three and nine months ended March 31, 2019, Vistaprint recognized restructuring charges of $7,225 and $7,539, respectively, related primarily to the action discussed above. All Other Businesses incurred immaterial restructuring charges of $630 and $731, respectively. Upload and Print recognized restructuring charges of $593 for the nine months ended March 31, 2019, related to an immaterial action during the second quarter of fiscal 2019. For the three and nine months ended March 31, 2019, our Central and Corporate cost center incurred restructuring charges of $11 and $199, respectively, related to a prior year action.

(2) Non-cash charges primarily include acceleration of share-based compensation expenses.

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

This Report contains forward-looking statements that involve risks and uncertainties. The statements contained in this Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including but not limited to our statements about anticipated growth and development of certain of our businesses, expected effects of accounting changes, sufficiency of our tax reserves, sufficiency of our cash, legal proceedings, anticipated competitive position of certain of our businesses, and the impact of exchange rate and currency volatility. Without limiting the foregoing, the words "may," "should," "could," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "designed," "potential," "continue," "target," "seek" and similar expressions are intended to identify forward-looking statements. All forward-looking statements included in this Report are based on information available to us up to, and including the date of this document, and we disclaim any obligation to update any such forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including those set forth in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" and elsewhere in this Report. You should carefully review those factors and also carefully review the risks outlined in other documents that we file from time to time with the United States Securities and Exchange Commission.

Executive Overview

Cimpress is a strategically focused group of more than a dozen businesses that specialize in mass customization, via which we deliver large volumes of individually small-sized customized orders for a broad spectrum of print, signage, photo merchandise, invitations and announcements, writing instruments, packaging, apparel and other categories. We invest in and build customer-focused, entrepreneurial mass customization businesses for the long term, which we manage in a decentralized, autonomous manner. We drive competitive advantage across Cimpress through a select few shared strategic capabilities that have the greatest potential to create Cimpress-wide value. We limit all other central activities to only those which absolutely must be performed centrally.

As of March 31, 2019, we have numerous operating segments under our management reporting structure that are reported in the following four reportable segments: Vistaprint, Upload and Print, National Pen, and All Other Businesses. Refer to Note 13 in our accompanying consolidated financial statements for additional information relating to our reportable segments and our segment financial measures.

Financial Summary

The primary financial metric by which we set quarterly and annual budgets both for individual businesses and Cimpress wide is our free cash flow prior to cash interest costs; however, in evaluating the financial condition and operating performance of our business, management considers a number of metrics including revenue growth, constant-currency revenue growth, operating income, adjusted net operating profit, cash flow from operations and free cash flow. A summary of these key financial metrics for the three and nine months ended March 31, 2019 as compared to the three and nine months ended March 31, 2018 follows:

Third Quarter Fiscal 2019

- Revenue increased by 4% to $661.8 million.
- Consolidated constant-currency revenue (a non-GAAP financial measure) increased by 9% and, excluding acquisitions completed in the last four quarters, increased by 3%.
- Operating income increased by $13.0 million to $29.6 million.
- Adjusted net operating profit (a non-GAAP financial measure which we refer to as adjusted NOP) increased by $29.9 million to $55.2 million.

Year to Date Fiscal 2019

- Revenue increased by 6% to $2,076.4 million.
- Consolidated constant-currency revenue increased by 9% and, excluding acquisitions and divestitures completed in the last four quarters, increased by 6%.

- Operating income decreased by $21.7 million to $114.2 million.
- Adjusted NOP increased by $46.2 million to $175.6 million.
- Cash provided by operating activities increased by $77.8 million to $222.5 million.
- Free cash flow (a non-GAAP financial measure) increased by $13.2 million to $129.9 million.

For the third quarter of fiscal 2019, the increase in reported revenue is primarily due to the addition of the revenue of our BuildASign business acquired on October 1, 2018, as well as continued growth in our Upload and Print reportable segment. Currency exchange rate fluctuations negatively impacted revenue during the quarter. Constant-currency revenue growth continued to slow in our Vistaprint business, primarily due to planned reductions in advertising spend while we rebuild our tools to ensure strong returns and improved customer conversion rates. Our National Pen business also reported lower constant-currency revenue growth, due to a reduction in new customer prospecting activities, as well as operational delays in the supply chain for direct-marketing mailings.

For the third quarter of fiscal 2019, operating income increased $13.0 million due primarily to improved profitability in our Vistaprint business driven by a reduction in advertising expense, as well as a decrease in share-based compensation expense. The decrease in share-based compensation expense is due to no recognition of expense for our supplemental PSUs in the current quarter since we continued to consider achievement of the performance condition to not be probable, as well as reduced board compensation with the changes we made in November 2018 that reduced the number of directors on our board of directors. These increases in operating income were partially offset by an increase in restructuring charges of $5.5 million, related primarily to actions taken in our Vistaprint business. During the nine months ended March 31, 2019, operating income declined primarily due to the prior year gain of $47.5 million on the sale of Albumprinter, which did not recur during the current period.

For the third quarter of fiscal 2019, adjusted NOP increased year over year primarily due to the same reasons as operating income mentioned above, as well as the addition of the profit from our BuildASign business acquired on October 1, 2018, which positively influenced adjusted NOP to a greater degree than operating income because adjusted NOP excludes acquisition-related amortization expense. Adjusted NOP excludes the year-over-year impact from higher restructuring charges and acquisition-related charges, and includes realized gains or losses on our currency hedges. The net year over year impact of currency on adjusted NOP was positive for the three months ended March 31, 2019.

Consolidated Results of Operations

Consolidated Revenue

Our businesses generate revenue primarily from the sale and shipment of customized manufactured products. To a much lesser extent (and only in our Vistaprint business) we provide digital services, website design and hosting, and email marketing services, as well as a small percentage from order referral fees and other third-party offerings. For additional discussion relating to segment revenue results, refer to the "Reportable Segment Results" section included below.

Total revenue and revenue growth by reportable segment for the three and nine months ended March 31, 2019 and 2018 are shown in the following tables:

In thousands	Three Months Ended March 31,			Currency Impact:	Constant-Currency	Impact of Acquisitions/Divestitures:	Constant- Currency Revenue Growth
	2019	2018	% Change	(Favorable)/Unfavorable	Revenue Growth (1)	(Favorable)/Unfavorable	Excluding Acquisitions/Divestitures (2)
Vistaprint	$ 349,901	$ 357,606	(2)%	3%	1%	—%	1%
Upload and Print	188,135	183,768	2%	9%	11%	—%	11%
National Pen	79,721	81,545	(2)%	3%	1%	—%	1%
All Other Businesses (3)	50,109	18,865	166%	6%	172%	(174)%	(2)%
Inter-segment eliminations	(6,052)	(5,715)					
Total revenue	$ 661,814	$ 636,069	4%	5%	9%	(6)%	3%

In thousands	Nine Months Ended March 31,		% Change	Currency Impact: (Favorable)/Unfavorable	Constant-Currency Revenue Growth (1)	Impact of Acquisitions/Divestitures: (Favorable)/Unfavorable	Constant- Currency Revenue Growth Excluding Acquisitions/Divestitures (2)
	2019	2018					
Vistaprint	$ 1,121,156	$ 1,105,557	1%	2%	3%	—%	3%
Upload and Print	564,099	536,685	5%	5%	10%	—%	10%
National Pen	278,643	267,360	4%	2%	6%	—%	6%
All Other Businesses (3)	130,824	67,913	93%	6%	99%	(86)%	13%
Inter-segment eliminations	(18,360)	(16,108)					
Total revenue	$ 2,076,362	$ 1,961,407	6%	3%	9%	(3)%	6%

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(1) Constant-currency revenue growth, a non-GAAP financial measure, represents the change in total revenue, between current and prior year periods at constant-currency exchange rates 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. Our reportable segments-related growth is inclusive of inter-segment revenues, which are eliminated in our consolidated results.

(2) Constant-currency revenue growth excluding acquisitions/divestitures, a non-GAAP financial measure, excludes revenue results for businesses in the period in which there is no comparable year-over-year revenue.

(3) The All Other Businesses segment includes the revenue of the Albumprinter business until the sale completion date of August 31, 2017, VIDA revenue from its acquisition date of July 2, 2018, and BuildASign revenue from its acquisition date of October 1, 2018. Constant-currency revenue growth excluding acquisitions/divestitures, excludes the revenue results for VIDA and BuildASign since their acquisition dates and Albumprinter through the divestiture date.

We have provided these non-GAAP financial measures because we believe they provide meaningful information regarding our results on a consistent and comparable basis for the periods presented. Management uses these non-GAAP financial measures, in addition to GAAP financial measures, to evaluate our operating results. These non-GAAP financial measures should be considered supplemental to and not a substitute for our reported financial results prepared in accordance with GAAP.

Consolidated Cost of Revenue

Cost of revenue includes materials used by our businesses to manufacture their products, payroll and related expenses for production and design services personnel, depreciation of assets used in the production process and in support of digital marketing service offerings, shipping, handling and processing costs, third-party production costs, costs of free products and other related costs of products our businesses sell. Cost of revenue as a percent of revenue increased during the three and nine months ended March 31, 2019, compared to the prior year, primarily due to lower gross margins in our Vistaprint business, resulting from unfavorable product mix that shifted to lower margin products, as well as decreased pricing resulting from higher discounting. Several of our businesses also recognized increasing paper costs during these periods.

In thousands	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Cost of revenue	$ 342,700	$ 319,209	$ 1,056,667	$ 963,249
% of revenue	*51.8%*	*50.2%*	*50.9%*	*49.1%*

Cost of revenue for the three and nine months ended March 31, 2019 increased by $23.5 million and $93.4 million, respectively, partially due to the addition of cost of revenue of $16.6 million and $36.4 million, respectively, from our BuildASign business, which was acquired on October 1, 2018 and is therefore not included in the comparable periods. Vistaprint's cost of revenue increased by $2.4 million and $29.3 million, respectively, from the prior comparable periods, primarily due to changes in product mix and volume increases. The cost of revenue for our Upload and Print businesses increased by $3.7 million and $20.3 million, respectively, primarily driven by revenue growth in our Pixartprinting and WIRmachenDRUCK businesses, partially offset by favorable currency impact. We also recognized an increase of $1.8 million and $8.6 million, respectively, of costs within our National Pen business primarily due to increased volume.

Consolidated Operating Expenses

The following table summarizes our comparative operating expenses for the following periods:

In thousands	Three Months Ended March 31,			Nine Months Ended March 31,		
	2019	2018	2019 vs. 2018	2019	2018	2019 vs. 2018
Technology and development expense	$ 58,274	$ 61,267	(5)%	$ 170,742	$ 182,598	(6)%
% of revenue	*8.8%*	*9.6%*		*8.2%*	*9.3 %*	
Marketing and selling expense	$ 171,584	$ 179,591	(4)%	$ 566,335	$ 546,469	4 %
% of revenue	*25.9%*	*28.2%*		*27.3%*	*27.9 %*	
General and administrative expense	$ 37,753	$ 44,103	(14)%	$ 119,145	$ 127,869	(7)%
% of revenue	*5.7%*	*6.9%*		*5.7%*	*6.5 %*	
Amortization of acquired intangible assets	$ 14,022	$ 12,941	8 %	$ 40,169	$ 38,132	5 %
% of revenue	*2.1%*	*2.0%*		*1.9%*	*1.9 %*	
Restructuring expense	$ 7,866	$ 2,331	237 %	$ 9,062	$ 14,686	(38)%
% of revenue	*1.2%*	*0.4%*		*0.4%*	*0.7 %*	
(Gain) on sale of subsidiaries	$ —	$ —	— %	$ —	$ (47,545)	(100)%
% of revenue	*—%*	*—%*		*—%*	*(2.4)%*	

Technology and development expense

Technology and development expense consists primarily of payroll and related expenses for employees engaged in software and manufacturing engineering, information technology operations and content development, as well as amortization of capitalized software and website development costs, including hosting of our websites, asset depreciation, patent amortization, and other technology infrastructure-related costs. Depreciation expense for information technology equipment that directly supports the delivery of our digital marketing services products is included in cost of revenue.

During the three and nine months ended March 31, 2019, technology and development expenses decreased by $3.0 million and $11.9 million, respectively, as compared to the prior periods. The decrease during both periods was primarily due to a decrease in share-based compensation costs of $1.9 million and $5.9 million, respectively, which is due to the reversal of cumulative supplemental PSU expense during the second quarter of fiscal 2019 as the achievement of the performance condition is no longer probable. During the nine months ended March 31, 2019, we recognized lower expense as a result of cost savings realized in the Vistaprint business from our restructuring initiatives and a year-over-year decrease in costs of $1.6 million resulting from the divestiture of our Albumprinter business. This was partially offset by the addition of costs from our recent acquisition of BuildASign, which resulted in $0.8 million and $1.5 million, respectively, of costs during the three and nine months ended March 31, 2019.

Marketing and selling expense

Marketing and selling expense consists primarily of advertising and promotional costs; payroll and related expenses for our employees engaged in marketing, sales, customer support and public relations activities; direct-mail advertising costs; and third-party payment processing fees. Our Vistaprint, National Pen and BuildASign businesses have higher marketing and selling costs as a percentage of revenue, as compared to our Upload and Print businesses.

Our marketing and selling expenses decreased by $8.0 million during the three months ended March 31, 2019, as compared to the prior period, primarily due to a planned reduction of advertising spend in our Vistaprint business of $16.5 million, as we seek to eliminate spend that does not meet our return thresholds. This reduction was partially offset by the addition of $10.5 million of advertising and customer care costs in our recently acquired BuildASign business during the three months ended March 31, 2019.

For the nine months ended March 31, 2019, marketing and selling expenses increased by $19.9 million, as compared to the prior period, primarily due to the addition of $22.8 million of advertising and customer care costs in our recently acquired BuildASign business. In addition, our National Pen business recognized an increase in costs of $18.4 million primarily due to increased customer prospecting activities during the first and second quarters of fiscal 2019. This increase was partially offset by lower advertising costs for Vistaprint of $15.1 million, for the reasons described above, as well as lower costs of $4.6 million due to the sale of our Albumprinter business on August 31, 2017.

General and administrative expense

General and administrative expense consists primarily of transaction costs, including third-party professional fees, insurance and payroll and related expenses of employees involved in executive management, finance, legal, strategy, human resources and procurement.

For the three and nine months ended March 31, 2019, general and administrative expenses decreased by $6.4 million and $8.7 million, respectively, as compared to the prior periods, primarily due to a decrease in share-based compensation costs of $5.3 million and $11.5 million, respectively, which is largely due to the reversal of cumulative supplemental PSU expense described above. The decrease is partially offset by the addition of $1.4 million and $4.2 million of costs from our recent acquisition of BuildASign during the three and nine months ended March 31, 2019, respectively. In addition, for the nine months ended March 31, 2019, we recognized increases in professional fees, primarily related to our acquisitions of VIDA during July 2018 and BuildASign during October 2018, as well as certain other strategic projects.

Amortization of acquired intangible assets

Amortization of acquired intangible assets consists of amortization expense associated with separately identifiable intangible assets capitalized as part of our acquisitions, including customer relationships, trade names, developed technologies, print networks, and customer and referral networks.

Amortization of acquired intangible assets increased by $1.1 million and $2.0 million during the three and nine months ended March 31, 2019, respectively, as compared to the prior comparable periods, due to the addition of amortization for our acquisition of BuildASign. This increase is partially offset by a reduction of amortization within our Upload and Print reportable segment due to certain intangible assets becoming fully amortized during the nine months ended March 31, 2019.

Restructuring expense

Restructuring expense consists of costs directly incurred as a result of restructuring initiatives, and include employee-related termination costs, third party professional fees, facility exit costs and write-off of abandoned assets. During the three and nine months ended March 31, 2019, we recognized restructuring expense of $7.9 million and $9.1 million, respectively, primarily related to actions within our Vistaprint business. Refer to Note 15 in our accompanying consolidated financial statements for additional information relating to the restructuring action. During the three and nine months ended March 31, 2018, we recognized restructuring charges of $2.3 million and $14.7 million, respectively, primarily related to Vistaprint's November 2017 restructuring action.

Gain on sale of subsidiaries

During the nine months ended March 31, 2018, we recognized a gain on the sale of our Albumprinter business of $47.5 million, net of transaction costs. The amount of our gain on the sale of Albumprinter was impacted by the partial allocation of goodwill to our Vistaprint business in past periods, as well as minimal carrying value of Albumprinter's acquired intangible assets at the time of the sale, as well as currency impacts.

Other Consolidated Results

Other (expense) income, net

Other (expense) income, net generally consists of gains and losses from currency exchange rate fluctuations on transactions or balances denominated in currencies other than the functional currency of our subsidiaries, as well as the realized and unrealized gains and losses on some of our derivative instruments. In evaluating our currency hedging program and ability to qualify for hedge accounting in light of our legal entity cash flows, we considered the benefits of hedge accounting relative to the additional economic cost of trade execution and administrative burden. Based on this analysis, we decided to execute certain currency derivative contracts that do not qualify for hedge accounting.

The following table summarizes the components of other (expense) income, net:

In thousands	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Gains (losses) on derivatives not designated as hedging instruments	$ 1,258	$ (9,102)	$ 19,802	$ (19,103)
Currency-related (losses) gains, net	(4,085)	7,519	(3,011)	(7,133)
Other gains (losses)	332	25	595	634
Total other (expense) income, net	$ (2,495)	$ (1,558)	$ 17,386	$ (25,602)

The increase in losses within other (expense) income, net for the three months ended March 31, 2019 is primarily due to the currency exchange rate volatility impacting our derivatives that are not designated as hedging instruments. We expect volatility to continue in future periods and we do not apply hedge accounting for most of our derivative currency contracts. We also experienced currency-related gains due to currency exchange rate volatility on our non-functional currency intercompany relationships, which we alter from time to time. The impact of certain cross-currency swap contracts designated as cash flow hedges is included in our currency-related (losses) gains, net, offsetting the impact of certain non-functional currency intercompany relationships.

Interest expense, net

Interest expense, net primarily consists of interest paid on outstanding debt balances, amortization of debt issuance costs, interest related to capital lease obligations and realized gains (losses) on effective interest rate swap contracts and certain cross-currency swap contracts. As part of interest expense, net, we also recognize changes to the estimated future redemption value of our mandatorily redeemable noncontrolling interests.

Interest expense, net was $16.8 million and $47.4 million for the three and nine months ended March 31, 2019, respectively, compared to $12.7 million and $38.3 million for the three and nine months ended March 31, 2018, respectively. Interest expense was higher this year relative to historical trends primarily as a result of higher debt levels, due to the acquisition of BuildASign, as well as higher interest rates, driven both by higher floating interest rates and the change in mix of our outstanding debt, which resulted from the refinancing of our senior unsecured notes during the fourth quarter of fiscal 2018.

Income tax expense

In thousands	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
Income tax expense	$ 4,091	$ 4,019	$ 23,971	$ 19,657
Effective tax rate	*39.6%*	*166.3%*	*28.5%*	*27.3%*

The increase in tax expense for the three and nine months ended March 31, 2019 from the same prior year periods is primarily due to increased pre-tax income for the three and nine months ended March 31, 2019 as compared to the same prior year periods. There were no significant discrete tax adjustments recognized during the three months ended March 31, 2019. However, earlier this year we recognized a decrease in deferred tax assets related to guidance issued by the Internal Revenue Service regarding limitations on tax deductions for compensation granted to certain executives, which increased our tax expense by $5.6 million for the nine months ended March 31, 2019 as compared to increased tax expense of $4.7 million related to the impacts of U.S. tax reform recognized in the same prior year period. We also recognized "Patent Box" tax benefits of $3.5 million granted to our Pixartprinting business in Italy during the nine months ended March 31, 2019. Additionally, we have recognized lower excess tax benefits from share-based compensation for the nine months ended March 31, 2019 as compared to the same prior period. Excluding the effect of these discrete tax adjustments, our estimated annual effective tax rate is lower for fiscal 2019 as compared to fiscal 2018 primarily due to an expectation of a more favorable geographical mix of consolidated earnings. Our effective tax rate continues to be negatively impacted by losses in certain jurisdictions where we are unable to recognize a full tax benefit in the current period.

We believe that our income tax reserves are adequately maintained by taking into consideration both the technical merits of our tax return positions and ongoing developments in our income tax audits. However, the final determination of our tax return positions, if audited, is uncertain and therefore there is a possibility that final resolution of these matters could have a material impact on our results of operations or cash flows. Refer to Note 10 in our accompanying consolidated financial statements for additional discussion.

Reportable Segment Results

Our segment financial performance is measured based on segment profit (loss) which excludes certain non-operational items including acquisition-related expenses, certain impairments and restructuring charges.

Vistaprint

In thousands	Three Months Ended March 31,			Nine Months Ended March 31,		
	2019	2018	2019 vs. 2018	2019	2018	2019 vs. 2018
Reported Revenue	$ 349,901	$ 357,606	(2)%	$ 1,121,156	$ 1,105,557	1%
Segment Profit	69,713	57,661	21%	200,765	187,605	7%
% of revenue	*20%*	*16%*		*18%*	*17%*	

Segment Revenue

Vistaprint's reported revenue growth for the three and nine months ended March 31, 2019 was negatively affected by currency impacts of 3% and 2%, respectively, resulting in constant-currency growth of 1% and 3%, respectively. The year-over-year timing of the Easter holiday slightly benefited Vistaprint's revenue growth in the current quarter. As described last quarter, we reduced our advertising spend that we did not believe was meeting our return thresholds, which impacted revenue growth this quarter, particularly from new customers. During the nine months ended March 31, 2019, revenue growth was driven by continued growth in repeat customer bookings, as well as continued growth in marketing materials, signage and promotional products, partially offset by weakness in consumer products during the second quarter of fiscal 2019, which typically generate significant revenue during the holiday season.

Segment Profitability

Vistaprint's segment profit increased for the three and nine months ended March 31, 2019 driven primarily by $16.5 million and $15.1 million, respectively, of reductions to advertising spend. Segment profit also increased as a result of reductions to operating expenses, partially offset by the gross margin impact of changes in product mix. Some of the near-term operating expense savings will be offset, as we recruit additional talent within Vistaprint's data, analytics and technology organizations, and we are not allocating the cost of executives to the Vistaprint business while these positions are filled by Cimpress executives on an interim basis. In the current period, Vistaprint's segment profit was negatively impacted by currency movements.

Upload and Print

In thousands	Three Months Ended March 31,			Nine Months Ended March 31,		
	2019	2018	2019 vs. 2018	2019	2018	2019 vs. 2018
Reported Revenue	$ 188,135	$ 183,768	2%	$ 564,099	$ 536,685	5%
Segment Profit	17,865	17,367	3%	56,498	54,605	3%
% of revenue	*9%*	*9%*		*10%*	*10%*	

Segment Revenue

Upload and Print's reported revenue growth for the three and nine months ended March 31, 2019 was negatively affected by currency impacts of 9% and 5%, respectively, resulting in constant-currency growth of 11% and 10%, respectively. The year-over-year timing of the Easter holiday slightly benefited Upload and Print revenue growth in the current quarter. The constant-currency revenue growth was primarily driven by continued growth from our Pixartprinting and WIRmachenDRUCK businesses. During the current periods, we continued to experience increased price-focused and advertising competition that we have been experiencing in recent quarters. We continue to believe we can outperform and outlast competitors in the long term due to our geographic diversity, product selection, customer service, profitability and scale, but it requires a continued focus on innovation and cost reduction in this hyper-competitive space.

Segment Profitability

Upload and Print's segment profit increased during the three and nine months ended March 31, 2019, due to operating expense efficiencies offset by inflation in materials inputs such as paper, increased investments in technology intended to improve the customer value proposition of each business in increasingly competitive markets, increased marketing costs due to higher paid search costs, and negative impacts from currency movements.

National Pen

In thousands	Three Months Ended March 31,			Nine Months Ended March 31,		
	2019	2018	2019 vs. 2018	2019	2018	2019 vs. 2018
Reported Revenue	$ 79,721	$ 81,545	(2)%	$ 278,643	$ 267,360	4%
Segment (Loss) Profit	(1,713)	355	(583)%	5,113	19,185	(73)%
% of revenue	*(2)%*	*—%*		*2%*	*7%*	

Segment Revenue

National Pen's reported revenue growth for the three and nine months ended March 31, 2019 was negatively affected by currency impacts of 3% and 2%, respectively, resulting in constant-currency revenue growth of 1% and 6%, respectively. Following strong performance in the prior fiscal year, we significantly increased our direct mail prospecting in the first two quarters of fiscal 2019, which drove new customer growth. We reduced mail and telesales prospecting activities in the current quarter because the payback did not meet our expectations, and that is having an impact on National Pen's revenue growth in the current period. National Pen's revenue was also impacted by operational delays in the supply chain for direct-marketing mailings.

Segment Profitability

The decrease in National Pen's segment profit for the three and nine months ended March 31, 2019, compared to the prior periods, is primarily due to revenue weakness, increased investment in e-commerce technology and marketing teams and increased customer prospecting activities in the nine months ended March 31, 2019. The impact of the new revenue accounting standard resulted in lower direct mail advertising costs of $1.5 million than we would have recognized under the prior standard for the three months ended March 31, 2019, but resulted in higher direct mail advertising costs of $0.5 million for the nine months ended March 31, 2019.

All Other Businesses

In thousands	Three Months Ended March 31,			Nine Months Ended March 31,		
	2019	2018	2019 vs. 2018	2019	2018	2019 vs. 2018
Reported Revenue	$ 50,109	$ 18,865	166%	$ 130,824	$ 67,913	93%
Segment Loss	(6,964)	(9,342)	25%	(24,117)	(25,459)	5%
% of revenue	*(14)%*	*(50)%*		*(18)%*	*(37)%*	

Our All Other Businesses segment includes VIDA results since the acquisition date of July 2, 2018, BuildASign since the acquisition date of October 1, 2018, Digipri (a former part of our Japan business) results through the divestiture date of July 1, 2018 and Albumprinter results through the divestiture date of August 31, 2017.

With the exception of BuildASign which is a larger and profitable business, this segment consists of multiple small, rapidly evolving early-stage businesses through which Cimpress is expanding to new markets. These businesses are subject to high degrees of risk and we expect that each of their business models will rapidly evolve in function of future trials and entrepreneurial pivoting. Therefore, in all of these businesses we continue to operate at an operating loss as previously described and as planned, and we expect to continue to do so in the next several years.

Segment Revenue

The All Other Businesses segment revenue increase was primarily due to the inclusion of the results of BuildASign since the acquisition date of October 1, 2018. Organic constant-currency revenue, excluding the impacts of the Albumprinter, Digipri, VIDA, and BuildASign businesses, decreased by 2% for the three months ended March 31, 2019, due to recent actions we have taken to improve the efficiency and focus of some of these businesses, including the decision to shut down the U.S. operations of the Printi business during the second quarter of fiscal year 2019. The early-stage businesses in this segment delivered mixed revenue results during the current quarter.

For the nine months ended March 31, 2019, organic constant-currency revenue growth, excluding the impacts of the Albumprinter, Digipri, VIDA, and BuildASign businesses, increased by 13%, driven by growth in the remaining businesses in the segment. We are continuing to pivot and evolve these business models as we learn more about the markets they serve, and expect fluctuations in growth.

Segment Profitability

The improvement in the All Other Businesses segment loss for the three and nine months ended March 31, 2019, as compared to the prior periods, was primarily due to the addition of BuildASign, which we acquired on October 1, 2018 and contributed \$3.1 million and \$7.7 million of segment profit for the three and nine months ended March 31, 2019, respectively. We also realized currency-related benefits, which were partially offset by the inclusion of VIDA operating losses. For the nine months ended March 31, 2019, the segment loss was negatively impacted by the divestiture of our Albumprinter business, which contributed \$1.7 million of segment profit in the first quarter of fiscal 2018.

Central and Corporate Costs

Central and corporate costs consist primarily of the team of software engineers that is building our mass customization platform; shared service organizations such as global procurement; technology services such as hosting and security; administrative costs of our Cimpress India offices where numerous Cimpress businesses have dedicated business-specific team members; and corporate functions including our Board of Directors, CEO, and the team members necessary for managing corporate activities, such as treasury, tax, capital allocation, financial consolidation, internal audit and legal. These costs also include certain unallocated share-based compensation costs.

Central and corporate costs decreased by $7.4 million and $21.0 million during the three and nine months ended March 31, 2019, as compared to the prior periods, respectively, driven primarily by $5.6 million and $23.4 million, respectively, of lower share-based compensation costs associated with our supplemental PSUs and related supplemental performance cash awards, for which the performance condition is no longer probable of achievement. Additionally, our share-based compensation is lower due to the changes we made in November 2018 that reduced the number of Cimpress Board members. This decrease was partially offset by an increase in central technology investments and central operating costs.

Liquidity and Capital Resources

Consolidated Statements of Cash Flows Data

In thousands	Nine Months Ended March 31,	
	2019	2018
Net cash provided by operating activities	$ 222,470	$ 144,633
Net cash (used in) provided by investing activities	(381,554)	13,979
Net cash provided by (used in) financing activities	161,900	(152,164)

At March 31, 2019, we had $44.3 million of cash and cash equivalents and $1,087.6 million of debt, excluding debt issuance costs and debt discounts. We expect cash and cash equivalents and debt levels to fluctuate over time depending on our working capital needs, our organic investment levels, share repurchases and acquisition activity. We increased our debt in October 2018 when we completed the acquisition of BuildASign for $275.1 million, which was funded via proceeds from our senior secured credit facility.

The cash flows during the nine months ended March 31, 2019 related primarily to the following items:

Cash inflows:

- Net income of $60.3 million
- Adjustments for non-cash items of $152.6 million primarily related to positive adjustments for depreciation and amortization of $129.6 million, share-based compensation costs of $14.0 million and non-cash tax related items of $9.0 million, partially offset by unrealized currency-related gains of $4.7 million
- Proceeds of debt of $242.6 million, net of payments and debt issuance costs
- The changes in operating assets and liabilities were a source of cash during the period, driven by increases in accounts payable and accrued expenses. In the prior comparable period, the change in operating assets and liabilities included an earn-out related payment associated with our WIRmachenDruck business of $44.6 million.

Cash outflows:

- Payments for acquisitions of $289.9 million, net of cash acquired
- Capital expenditures of $57.9 million of which the majority related to the purchase of manufacturing and automation equipment for our production facilities, and computer and office equipment
- Payments for the purchase of a noncontrolling interest of $41.2 million
- Internal costs for software and website development that we have capitalized of $34.6 million
- Purchases of our ordinary shares for $26.1 million
- Payments for capital lease arrangements of $12.7 million
- Payments related to our recent restructuring actions of $4.8 million
- Distribution of $3.4 million paid to noncontrolling interest

- Payments of withholding taxes in connection with share awards of $2.4 million

Additional Liquidity and Capital Resources Information. During the nine months ended March 31, 2019, we financed our operations and strategic investments through internally generated cash flows from operations and debt financing. As of March 31, 2019, a significant portion of our cash and cash equivalents were held by our subsidiaries, and undistributed earnings of our subsidiaries that are considered to be indefinitely reinvested were $31.6 million. We do not intend to repatriate these funds as the cash and cash equivalent balances are generally used and available, without legal restrictions, to fund ordinary business operations and investments of the respective subsidiaries. If there is a change in the future, the repatriation of undistributed earnings from certain subsidiaries, in the form of dividends or otherwise, could have tax consequences that could result in material cash outflows.

Debt. As of March 31, 2019, we had aggregate loan commitments from our senior secured credit facility totaling $1,602.8 million. The loan commitments consisted of revolving loans of $1,087.3 million and term loans of $515.6 million. We have other financial obligations that constitute additional indebtedness based on the definitions within the credit facility. As of March 31, 2019, the amount available for borrowing under our senior secured credit facility was as follows:

In thousands	March 31, 2019
Maximum aggregate available for borrowing	$ 1,602,819
Outstanding borrowings of senior secured credit facility	(671,914)
Remaining amount	930,905
Limitations to borrowing due to debt covenants and other obligations (1)	(492,077)
Amount available for borrowing as of March 31, 2019 (2)	$ 438,828

(1) The debt covenants of our senior secured credit facility limit our borrowing capacity each quarter, depending on our leverage and other indebtedness, such as notes, capital leases, letters of credit, and any other debt, as well as other factors that are outlined in the credit agreement.
(2) Share purchases, dividend payments, and corporate acquisitions are subject to more restrictive covenants, and therefore we may not be able to use the full amount available for borrowing for these purposes.

On January 7, 2019, we executed an amendment to our senior secured credit facility that expanded the total capacity to $1,613.2 million, which includes $1,087.3 million of revolving loans and $525.9 million of term loans. We expect to use our expanded credit facility to fund investments intended to support our long-term growth strategy. The incremental term loan proceeds, which represented approximately half of the total capacity increase, were used to repay a portion of our outstanding revolving loans. Refer to Note 9 in our accompanying financial statements for additional details.

Debt Covenants. Our credit agreement and senior unsecured notes indenture contain financial and other covenants as well as customary representations, warranties and events of default, which are detailed in Note 9 of the accompanying consolidated financial statements. As of March 31, 2019, we were in compliance with all financial and other covenants under the credit agreement and senior unsecured notes indenture.

Other Debt. Other debt primarily consists of term loans acquired through our various acquisitions or used to fund certain capital investments. As of March 31, 2019 we had $15.7 million outstanding for other debt payable through March 2025.

Our expectations for fiscal year 2019. We believe that our available cash, cash flows generated from operations, and cash available under our committed debt financing will be sufficient to satisfy our liabilities and planned investments to support our long-term growth strategy. Over time we endeavor to invest large amounts of capital that we believe will generate returns that are above, or well above, our weighted average cost of capital. We consider any use of cash that we expect to require more than twelve months to return our invested capital to be an allocation of capital. For fiscal 2019, we expect to continue to evaluate opportunities to allocate capital across a spectrum of organic investments, purchases of our ordinary shares, corporate acquisitions and similar investments, and reductions of debt. We have targeted a capital structure that we believe balances both efficiency and flexibility. We do not have a specific financial leverage target, but rather will be guided by the availability of attractive opportunities while not putting at risk our ability to comfortably meet our quarterly maintenance covenants on our debt.

Contractual Obligations

Contractual obligations at March 31, 2019 are as follows:

In thousands	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating leases, net of subleases	$ 81,687	$ 25,784	$ 31,952	$ 15,986	$ 7,965
Build-to-suit lease	87,254	12,569	25,139	22,021	27,525
Purchase commitments	41,847	30,971	10,876	—	—
Senior unsecured notes and interest payments	610,000	28,000	56,000	56,000	470,000
Other debt and interest payments (1)	791,024	97,162	197,170	495,532	1,160
Capital leases	30,022	12,192	11,092	4,103	2,635
Other	6,090	5,060	915	115	—
Total (2)	$ 1,647,924	$ 211,738	$ 333,144	$ 593,757	$ 509,285

(1) Other debt and interest payments include the effects of interest rate swaps, whether they are expected to be payments or receipts of cash. We have excluded the effect of interest rate swaps of $0.8 million within the more than five years category above as that period extends beyond the term of our debt and the interest rate swaps do not yet offset contractual interest payments.

(2) We may be required to make cash outlays related to our uncertain tax positions. However, due to the uncertainty of the timing of future cash flows associated with our uncertain tax positions, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, uncertain tax positions of $4.9 million as of March 31, 2019 have been excluded from the contractual obligations table above. For further information on uncertain tax positions, see Note 10 to the accompanying consolidated financial statements.

Operating Leases. We rent office space under operating leases expiring on various dates through 2026. Future minimum rental payments required under our leases are an aggregate of approximately $81.7 million. The terms of certain lease agreements require security deposits in the form of bank guarantees and letters of credit in the amount of $2.5 million.

Build-to-Suit Lease. Represents the cash payments for our leased facility in Waltham, Massachusetts, USA.

Purchase Commitments. At March 31, 2019, we had unrecorded commitments under contract of $41.8 million. Purchase commitments consisted of third-party web services of $9.8 million, inventory purchase commitments of $15.2 million, production and computer equipment purchases of approximately $5.1 million, commitments for professional and consulting fees of $1.0 million, commitments for advertising campaigns of $0.3 million, and other unrecorded purchase commitments of $10.5 million.

Senior Unsecured notes and Interest Payments. Our 7.0% senior unsecured notes due 2026 bear interest at a rate of 7.0% per annum and mature on June 15, 2026. Interest on the notes is payable semi-annually on June 15 and December 15 of each year and has been included in the table above.

Other Debt and Interest Payments. At March 31, 2019, the term loans of $515.6 million outstanding under our credit agreement have repayments due on various dates through June 14, 2023, with the revolving loans outstanding under our $1,087.3 million revolving credit facility due on June 14, 2023. Interest payable included in this table is based on the interest rate as of March 31, 2019 and assumes all LIBOR based revolving loan amounts outstanding will not be paid until maturity, but that the term loan amortization payments will be made according to our defined schedule and all Prime rate based revolving loan amounts will be paid within a year. Interest payable includes the estimated impact of our interest rate swap agreements.

In addition, we have other debt which consists primarily of debt assumed as part of certain of our past acquisitions, and as of March 31, 2019 we had $15.7 million outstanding for those obligations that have repayments due on various dates through March 2025.

Capital Leases. We lease certain machinery and plant equipment under capital lease agreements that expire at various dates through 2022. The aggregate carrying value of the leased equipment under capital leases included in property, plant and equipment, net in our consolidated balance sheet at March 31, 2019, is $34.6 million, net of accumulated depreciation of $39.9 million. The present value of lease installments not yet due included in other current liabilities and other liabilities in our consolidated balance sheet at March 31, 2019 amounts to $29.1 million.

Other Obligations. Other obligations include deferred payments related to previous acquisitions of $5.6 million in the aggregate. We also have an installment obligation of $0.5 million related to the fiscal 2012 intra-entity transfer of the intellectual property of our subsidiary Webs, Inc., which resulted in tax being paid over a 7.5-year term and has been classified as a deferred tax liability in our consolidated balance sheet as of March 31, 2019.

Additional Non-GAAP Financial Measures

Adjusted net operating profit (NOP) and free cash flow presented below, and constant-currency revenue growth and constant-currency revenue growth excluding acquisitions/divestitures presented in the consolidated results of operations section above, are supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. Adjusted NOP is defined as GAAP operating income excluding certain items such as acquisition-related amortization and depreciation, expense recognized for earn-out related charges, including the change in fair value of contingent consideration and compensation expense related to cash-based earn-out mechanisms dependent upon continued employment, share-based compensation related to investment consideration, certain impairment expense, restructuring charges, and the gain on purchase or sale of subsidiaries. The interest expense associated with our Waltham, Massachusetts lease, as well as realized gains (losses) on currency derivative contracts that do not qualify for hedge accounting, are included in Adjusted NOP.

Adjusted NOP is the primary profitability metric by which we measure our consolidated financial performance and is provided to enhance investors' understanding of our current operating results from the underlying and ongoing business for the same reasons it is 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 certain derivative 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.

Free cash flow is used by management to assess the cash flow generation of the company. 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 and gains on proceeds from insurance, if any. The primary financial metric by which we set quarterly and annual budgets both for individual businesses and Cimpress-wide is our free cash flow prior to cash interest costs.

The table below sets forth operating income and adjusted net operating profit for the three and nine months ended March 31, 2019:

In thousands	Three Months Ended March 31,		Nine Months Ended March 31,	
	2019	2018	2019	2018
GAAP operating income (1)	$ 29,615	$ 16,627	$ 114,242	$ 135,949
Exclude expense (benefit) impact of:				
Acquisition-related amortization and depreciation	14,089	13,030	40,372	38,330
Earn-out related charges (2)	—	—	—	2,391
Share-based compensation related to investment consideration	—	—	2,893	1,047
Certain impairments and other adjustments (3)	607	—	607	—
Restructuring related charges	7,866	2,331	9,062	14,686
Less: Interest expense associated with Waltham, MA lease	(1,775)	(1,838)	(5,457)	(5,645)
Less: Gains on the purchase or sale of subsidiaries (4)	—	—	—	(48,380)
Include: Realized gains (losses) on certain currency derivatives not included in operating (loss) income	4,836	(4,811)	13,889	(8,958)
Adjusted NOP (1)	$ 55,238	$ 25,339	$ 175,608	$ 129,420

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(1) During the first quarter of fiscal 2019, we adopted ASC 606, *Revenue from Contracts with Customers*, which is the new revenue standard described in Note 2 of the accompanying consolidated financial statements. We applied the new standard under the modified retrospective method, in which we did not apply the new standard to the prior comparable period. The adoption of the new standard resulted in lower direct mail advertising costs within our National Pen business during the three months ended March 31, 2019 of $1.5 million, as compared to the prior comparative period, due to the earlier recognition of costs during the first quarter of fiscal 2019. During the nine months ended March 31, 2019, the new standard had a negative impact on operating income and adjusted NOP of $0.5 million, as compared to the prior comparative period. Direct mail advertising costs were previously capitalized and amortized over the customer response period (typically 3-4 months) and now costs are recognized when the direct mail is sent to the customers.

(2) Includes expense recognized for the change in fair value of contingent consideration and compensation expense related to cash-based earn-out mechanisms dependent upon continued employment.

(3) Includes the impact of certain impairments of goodwill and other long-lived assets as defined by ASC 350 - "Intangibles - Goodwill and Other", as well as reserves recognized for loans as defined by ASC 326 - "Financial Instruments - Credit Losses."

(4) Includes the impact of the gain on the sale of Albumprinter, as well as a bargain purchase gain as defined by ASC 805-30 - "Goodwill or Gain from Bargain Purchase" for an acquisition in which the identifiable assets acquired and liabilities assumed are greater than the consideration transferred, that was recognized in general and administrative expense in our consolidated statement of operations during the nine months ended March 31, 2018.

The table below sets forth net cash provided by operating activities and free cash flow for the nine months ended March 31, 2019 and 2018:

In thousands	Nine Months Ended March 31,	
	2019	2018
Net cash provided by operating activities	$ 222,470	$ 144,633
Purchases of property, plant and equipment	(57,934)	(47,441)
Purchases of intangible assets not related to acquisitions	(22)	(308)
Capitalization of software and website development costs	(34,637)	(29,476)
Payment of contingent consideration in excess of acquisition-date fair value (1)	—	49,241
Free cash flow	$ 129,877	$ 116,649

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(1) For the nine months ended March 31, 2018 includes a portion of the earn-out payment that is presented within net cash provided by operating activities as part of the change in accrued expenses and other liabilities. This portion of the earn-out was deemed to be a compensation arrangement since it included an employment-related contingency.

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

Interest Rate Risk. Our exposure to interest rate risk relates primarily to our cash, cash equivalents and debt.

As of March 31, 2019, our cash and cash equivalents consisted of standard depository accounts which are held for working capital purposes. We do not believe we have a material exposure to interest rate fluctuations related to our cash and cash equivalents.

As of March 31, 2019, we had $671.9 million of variable-rate debt and $0.5 million of variable rate installment obligation related to the fiscal 2012 intra-entity transfer of Webs' intellectual property. As a result, we have exposure to market risk for changes in interest rates related to these obligations. In order to mitigate our exposure to interest rate changes related to our variable rate debt, we execute interest rate swap contracts to fix the interest rate on a portion of our outstanding or forecasted long-term debt with varying maturities. As of March 31, 2019, a hypothetical 100 basis point increase in rates, inclusive of our outstanding interest rate swaps, would result in an increase to interest expense of approximately $1.7 million over the next 12 months.

Currency Exchange Rate Risk. We conduct business in multiple currencies through our worldwide operations but report our financial results in U.S. dollars. We manage these risks through normal operating activities and, when deemed appropriate, through the use of derivative financial instruments. We have policies governing the use of derivative instruments and do not enter into financial instruments for trading or speculative purposes. The use of derivatives is intended to reduce, but does not entirely eliminate, the impact of adverse currency exchange rate movements. A summary of our currency risk is as follows:

- *Translation of our non-U.S. dollar revenues and expenses:* Revenue and related expenses generated in currencies other than the U.S. dollar could result in higher or lower net income when, upon consolidation, those transactions are translated to U.S. dollars. When the value or timing of revenue and expenses in a given currency are materially different, we may be exposed to significant impacts on our net income and non-GAAP financial metrics, such as adjusted EBITDA.

  Our currency hedging objectives are targeted at reducing volatility in our forecasted U.S. dollar-equivalent adjusted EBITDA in order to protect our debt covenants. Since adjusted EBITDA excludes non-cash items such as depreciation and amortization that are included in net income, we may experience increased, not decreased, volatility in our GAAP results due to our hedging approach. Our most significant net currency exposures by volume are in the Euro and British Pound.

  In addition, we elect to execute currency derivatives contracts that do not qualify for hedge accounting. As a result, we may experience volatility in our consolidated statements of operations due to (i) the impact of unrealized gains and losses reported in other (expense) income, net on the mark-to-market of outstanding contracts and (ii) realized gains and losses recognized in other (expense) income, net, whereas the offsetting economic gains and losses are reported in the line item of the underlying activity, for example, revenue.

- *Translation of our non-U.S. dollar assets and liabilities*: Each of our subsidiaries translates its assets and liabilities to U.S. dollars at current rates of exchange in effect at the balance sheet date. The resulting gains and losses from translation are included as a component of accumulated other comprehensive loss on the consolidated balance sheet. Fluctuations in exchange rates can materially impact the carrying value of our assets and liabilities.

  We have currency exposure arising from our net investments in foreign operations. We enter into currency derivatives to mitigate the impact of currency rate changes on certain net investments.

- *Remeasurement of monetary assets and liabilities:* Transaction gains and losses generated from remeasurement of monetary assets and liabilities denominated in currencies other than the functional currency of a subsidiary are included in other (expense) income, net on the consolidated statements of operations. Certain of our subsidiaries hold intercompany loans denominated in a currency other than their functional currency. Due to the significance of these balances, the revaluation of intercompany loans can have a material impact on other (expense) income, net. We expect these impacts may be volatile in the future, although our largest intercompany loans do not have a U.S. dollar cash impact for the consolidated group because they are either 1) U.S. dollar loans or 2) we elect to hedge certain non-U.S. dollar loans with cross-currency swaps. A hypothetical 10% change in currency exchange rates was applied to total net monetary assets denominated in currencies other than the functional currencies at the balance sheet dates to compute the impact these changes would have had on our income before taxes in the near term. The balances are inclusive of the notional value of any cross-currency swaps designated as cash flow hedges. A hypothetical decrease in exchange rates of 10% against the functional currency of our subsidiaries would have resulted in an increase of $34.7 million and $52.2 million on our income before income taxes for the three months ended March 31, 2019 and 2018, respectively.

Item 4. *Controls and Procedures*

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2019. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2019, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. ***Risk Factors***

Our future results may vary materially from those contained in forward-looking statements that we make in this Report and other filings with the SEC, press releases, communications with investors, and oral statements due to the following important factors, among others. Our forward-looking statements in this Report and in any other public statements we make may turn out to be wrong. These statements can be affected by, among other things, inaccurate assumptions we might make or by known or unknown risks and uncertainties or risks we currently deem immaterial. Consequently, no forward-looking statement can be guaranteed. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Risks Related to Our Business

If our long-term growth strategy is not successful, our business and financial results could be harmed.

We may not achieve our long-term objectives, and our investments in our business may fail to impact our results and growth as anticipated. Some of the factors that could cause our business strategy to fail to achieve our objectives include the following, among others:

- our failure to adequately execute our strategy or anticipate and overcome obstacles to achieving our strategic goals
- our failure to develop our mass customization platform or the failure of the platform to drive the efficiencies and competitive advantage we expect
- our failure to manage the growth, complexity, and pace of change of our business and expand our operations
- our failure to acquire, at a value-accretive price or at all, businesses that enhance the growth and development of our business or to effectively integrate the businesses we do acquire into our business
- our inability to purchase or develop technologies and other key assets and capabilities to increase our efficiency, enhance our competitive advantage, and scale our operations
- our failure to realize the anticipated benefits of the decentralization of our operations
- the failure of our current supply chain to provide the resources we need at the standards we require and our inability to develop new or enhanced supply chains
- our failure to acquire new customers and enter new markets, retain our current customers, and sell more products to current and new customers
- our failure to address performance issues in some of our businesses and markets
- our failure to sustain growth in relatively mature markets
- our failure to promote, strengthen, and protect our brands
- our failure to effectively manage competition and overlap within our brand portfolio
- the failure of our current and new marketing channels to attract customers
- our failure to realize expected returns on our capital allocation decisions
- unanticipated changes in our business, current and anticipated markets, industry, or competitive landscape
- our failure to attract and retain skilled talent needed to execute our strategy and sustain our growth

- general economic conditions

If our strategy is not successful, then our revenue, earnings, cash flow, and value may not grow as anticipated, be negatively impacted, or decline, our reputation and brands may be damaged, and the price of our shares may decline. In addition, we may change our strategy from time to time, which can cause fluctuations in our financial results and volatility in our share price.

Purchasers of customized products may not choose to shop online, which would limit our acquisition of new customers that are necessary to the success of our business.

We sell most of our products and services through the Internet. Because the online market for most of our products and services is not mature, our success depends in part on our ability to attract customers who have historically purchased products and services we offer through offline channels. Specific factors that could prevent prospective customers from purchasing from us online include the following:

- concerns about buying customized products without face-to-face interaction with design or sales personnel
- the inability to physically handle and examine product samples before making a purchase
- delivery time associated with Internet orders
- concerns about the security of online transactions and the privacy of personal information
- delayed or lost shipments or shipments of incorrect or damaged products
- a desire to support and buy from local businesses
- limited access to the Internet
- the inconvenience associated with returning or exchanging purchased items

In addition, our internal research shows that an increasing number of current and potential customers access our websites using smart phones or tablets and that our website visits using traditional computers may decline. Designing and purchasing custom designed products on a smart phone, tablet, or other mobile device is more difficult than doing so with a traditional computer due to limited screen sizes and bandwidth constraints, and we are seeing that customers' increased use of mobile devices to access and use our websites and technologies is having a negative impact on conversion rates, especially in our Vistaprint business, which can lead to a decline in revenue.

We may not succeed in promoting and strengthening our brands, which could prevent us from acquiring new customers and increasing revenues.

A primary component of our business strategy is to promote and strengthen our brands to attract new and repeat customers, and we face significant competition from other companies in our markets who also seek to establish strong brands. To promote and strengthen our brands, we must incur substantial marketing expenses and establish a relationship of trust with our customers by providing a high-quality customer experience, which requires us to invest substantial amounts of our resources. Our ability to provide a high-quality customer experience is also dependent on external factors over which we may have little or no control, such as the reliability and performance of our suppliers, third-party fulfillers, third-party carriers, and communication infrastructure providers. If we are unable to promote our brands or provide customers with a high-quality customer experience, we may fail to attract new customers, maintain customer relationships, and sustain or increase our revenues.

We manage our business for long-term results, and our quarterly and annual financial results often fluctuate, which may lead to volatility in our share price.

Our revenue and operating results often vary significantly from period to period due to a number of factors, and as a result comparing our financial results on a period-to-period basis may not be meaningful. We prioritize our uppermost financial objective of maximizing our intrinsic value per share even at the expense of shorter-term results and do not manage our business to maximize current period reported financial results, including our GAAP net income (loss) and operating cash flow and other results we report. Many of the factors that lead to period-to-period fluctuations are outside of our control; however, some factors are inherent in our business strategies. Some of the specific factors that could cause our operating results to fluctuate from quarter to quarter or year to year include among others:

- investments in our business in the current period intended to generate longer-term returns, where the costs in the near term will not be offset by revenue or cost savings until future periods, if at all
- variations in the demand for our products and services, in particular during our second fiscal quarter, which may be driven by seasonality, performance issues in some of our businesses and markets, or other factors
- currency and interest rate fluctuations, which affect our revenue, costs, and fair value of our assets and liabilities
- our hedging activity
- our ability to attract and retain customers and generate purchases
- shifts in revenue mix toward less profitable products and brands
- the commencement or termination of agreements with our strategic partners, suppliers, and others
- our ability to manage our production, fulfillment, and support operations
- costs to produce and deliver our products and provide our services, including the effects of inflation
- our pricing and marketing strategies and those of our competitors
- expenses and charges related to our compensation arrangements with our executives and employees
- costs and charges resulting from litigation
- significant increases in credits, beyond our estimated allowances, for customers who are not satisfied with our products or delivery
- changes in our income tax rate
- costs to acquire businesses or integrate our acquired businesses
- financing costs
- impairments of our tangible and intangible assets including goodwill
- the results of our minority investments and joint ventures

Some of our expenses, such as office leases, depreciation related to previously acquired property and equipment, and personnel costs, are relatively fixed, and we may be unable to, or may not choose to, adjust operating expenses to offset any revenue shortfall. Accordingly, any shortfall in revenue may cause significant variation in operating results in any period. Our operating results may sometimes be below the expectations of public market analysts and investors, in which case the price of our ordinary shares may decline.

We may not be successful in developing and deploying our mass customization platform or in realizing the anticipated benefits of the platform.

A key component of our strategy is the development and deployment of a mass customization platform, which is a cloud-based collection of software services, APIs, web applications and related technology offerings that can be leveraged independently or together by our businesses and third parties to perform common tasks that are important to mass customization. The process of developing new technology is complex, costly, and uncertain and requires us to commit significant resources before knowing whether our businesses will adopt components of our mass customization platform or whether the platform will make us more effective and competitive. As a result, there can be no assurance that we will find new capabilities to add to the growing set of technologies that make up our platform, that our diverse businesses will realize value from the platform, or that we will realize expected returns on the capital expended to develop the platform.

In addition, we are aware that other companies are developing platforms that could compete with ours. If a competitor were to create a more attractive or easier to adopt platform that has the potential to drive more scale advantage than ours does, our competitive position could be harmed.

Our global operations, decentralized organizational structure, and expansion place a significant strain on our management, employees, facilities, and other resources and subject us to additional risks.

We are a global company with production facilities, offices, and localized websites in many countries across six continents, and we manage our businesses and operations in a decentralized, autonomous manner. We expect to establish operations, acquire or invest in businesses, and sell our products and services in additional markets and geographic regions, including emerging markets, where we may have limited or no experience. We may not be successful in all markets and regions in which we invest or where we establish operations, which may be costly to us. We are subject to a number of risks and challenges that relate to our global operations, decentralization, and expansion, including, among others:

- difficulty managing operations in, and communications among, multiple businesses, locations, and time zones
- difficulty complying with multiple tax laws, treaties, and regulations and limiting our exposure to onerous or unanticipated taxes, duties, and other costs
- our failure to improve and adapt our financial and operational controls and systems to manage our decentralized businesses and comply with our obligations as a public company
- the challenge of complying with disparate laws in multiple countries, such as local regulations that may impair our ability to conduct our business as planned, protectionist laws that favor local businesses, and restrictions imposed by local labor laws
- our inexperience in marketing and selling our products and services within unfamiliar markets, countries, and cultures
- challenges of working with local business partners
- our failure to properly understand and develop graphic design content and product formats and attributes appropriate for local tastes
- disruptions caused by political and social instability that may occur in some countries
- exposure to corrupt business practices that may be common in some countries or in some sales channels and markets, such as bribery or the willful infringement of intellectual property rights
- difficulty repatriating cash from some countries
- difficulty importing and exporting our products across country borders and difficulty complying with customs regulations in the many countries where we sell products
- disruptions or cessation of important components of our international supply chain
- failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property

There is considerable uncertainty about the economic and regulatory effects of the United Kingdom's exit from the European Union (commonly referred to as "Brexit"). The UK is one of our largest markets in Europe, but we currently ship many products to UK customers from EU countries. If Brexit results in greater restrictions on imports and exports between the UK and the EU or increased regulatory complexity, then our operations and financial results could be negatively impacted.

In addition, we are exposed to fluctuations in currency exchange rates that may impact items such as the translation of our revenue and expenses, remeasurement of our intercompany balances, and the value of our cash and cash equivalents and other assets and liabilities denominated in currencies other than the U.S. dollar, our reporting currency. The hedging activities we engage in may not mitigate the net impact of currency exchange rate fluctuations, and our financial results may differ materially from expectations as a result of such fluctuations.

Failure to protect our information systems and the confidential information of our customers, employees, and business partners against security breaches or thefts could damage our reputation and brands, subject us to litigation and enforcement actions, and substantially harm our business and results of operations.

Our business involves the receipt, storage, and transmission of customers' personal and payment information, as well as confidential information about our business, employees, suppliers, and business partners, some of which is entrusted to third-party service providers, partners, and vendors. Our information systems and those of third parties with which we share information are vulnerable to an increasing threat of cyber security risks, including physical and electronic break-ins, computer viruses, and phishing and other social engineering scams, among other risks. As security threats evolve and become more sophisticated and more difficult to detect and defend against, a hacker or thief may defeat our security measures, or those of our third-party service provider, partner, or vendor, and obtain confidential or personal information. We or the third party may not discover the security breach and theft of information for a significant period of time after the breach occurs. We may need to expend significant resources to protect against security breaches and thefts of data or to address problems caused by breaches or thefts, and we may not be able to anticipate cyber attacks or implement adequate preventative measures. Any compromise or breach of our information systems or the information systems of third parties with which we share information could, among other things:

- damage our reputation and brands
- expose us to losses, remediation costs, litigation, enforcement actions, and possible liability
- result in a failure to comply with legal and industry privacy regulations and standards
- lead to the misuse of our and our customers' and employees' confidential or personal information
- cause interruptions in our operations
- cause us to lose revenue if existing and potential customers believe that their personal and payment information may not be safe with us

We are subject to the laws of many states, countries, and regions and industry guidelines and principles governing the collection, use, retention, disclosure, sharing, and security of data that we receive from and about our customers and employees. Any failure or perceived failure by us to comply with any of these laws, guidelines, or principles could result in actions against us by governmental entities or others, a loss of customer confidence, and damage to our brands, any of which could have an adverse effect on our business. In addition, the regulatory landscape is constantly changing, as various regulatory bodies throughout the world enact new laws concerning privacy, data retention, data transfer and data protection. For example, the recent General Data Protection Regulation in Europe includes robust operational and compliance requirements and significant penalties for non-compliance. Complying with these varying and changing requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business and operating results.

Acquisitions and strategic investments may be disruptive to our business.

An important way in which we pursue our strategy is to selectively acquire businesses, technologies, and services and make minority investments in businesses and joint ventures. The time and expense associated with finding suitable businesses, technologies, or services to acquire or invest in can be disruptive to our ongoing business and divert our management's attention. In addition, we have needed in the past, and may need in the future, to seek financing for acquisitions and investments, which may not be available on terms that are favorable to us, or at all, and can cause dilution to our shareholders, cause us to incur additional debt, or subject us to covenants restricting the activities we may undertake.

Our acquisitions and strategic investments may fail to achieve our goals.

An acquisition, minority investment, or joint venture may fail to achieve our goals and expectations for a number of reasons including the following:

- The business we acquired or invested in may not perform as well as we expected.
- We may overpay for acquired businesses, which can, among other things, negatively affect our intrinsic value per share.
- We may fail to integrate acquired businesses, technologies, services, or internal systems effectively, or the integration may be more expensive or take more time than we anticipated.
- The management of our acquired businesses, minority investments, and joint ventures may be more expensive or may take more resources than we expected.
- We may not realize the anticipated benefits of integrating acquired businesses into our mass customization platform.
- We may encounter cultural or language challenges in integrating an acquired business or managing our minority investment in a business.
- We may not be able to retain customers and key employees of the acquired businesses, and we and the businesses we acquire or invest in may not be able to cross sell products and services to each other's customers.

We generally assume the liabilities of businesses we acquire, which could include liability for an acquired business' violation of law that occurred before we acquired it. In addition, we have historically acquired smaller, privately held companies that may not have as strong a culture of legal compliance or as robust financial controls as a larger, publicly traded company like Cimpress, and if we fail to implement adequate training, controls, and monitoring of the acquired companies, we could also be liable for post-acquisition legal violations.

Our acquisitions and minority investments can negatively impact our financial results.

Acquisitions and minority investments can be costly, and some of our acquisitions and investments may be dilutive, leading to reduced earnings. Acquisitions and investments can result in increased expenses including impairments of goodwill and intangible assets if financial goals are not achieved, assumptions of contingent or unanticipated liabilities, amortization of acquired intangible assets, and increased tax costs.

In addition, the accounting for our acquisitions and minority investments requires us to make significant estimates, judgments, and assumptions that can change from period to period, based in part on factors outside of our control, which can create volatility in our financial results. For example, we often pay a portion of the purchase price for our acquisitions in the form of an earn out based on performance targets for the acquired companies or enter into obligations or options to purchase noncontrolling interests in our acquired companies or minority investments, which can be difficult to forecast. If in the future our assumptions change and we determine that higher levels of achievement are likely under our earn outs or future purchase obligations, we will need to pay and record additional amounts to reflect the increased purchase price. These additional amounts could be significant and could adversely impact our results of operations.

Furthermore, provisions for future payments to sellers based on the performance or valuation of the acquired businesses, such as earn outs and options to purchase noncontrolling interests, can lead to disputes with the sellers about the achievement of the performance targets or valuation or create inadvertent incentives for the acquired company's management to take short-term actions designed to maximize the payments they receive instead of benefiting the business. In addition, strong performance of the underlying business could result in material payments pursuant to earn-out provisions or future purchase obligations that may or may not reflect the fair market value of the asset at that time.

If we are unable to attract new and repeat customers in a cost-effective manner, our business and results of operations could be harmed.

Our success depends on our ability to attract new and repeat customers in a cost-effective manner. Our various businesses rely on a variety of methods to do this including drawing visitors to our websites, promoting our products and services through search engines such as Google, Bing, and Yahoo!, email, direct mail, advertising banners and other online links, broadcast media, telesales and word-of-mouth customer referrals. If the search engines on which we rely modify their algorithms or terminate their relationships with us, or if the prices at which we may purchase listings increase, then our costs could increase, and fewer customers may click through to our websites. If links to our websites are not displayed prominently in online search results, if fewer customers click through to our websites, if our direct mail marketing campaigns are not effective, or if the costs of attracting customers using any of our current methods significantly increase, then our ability to efficiently attract new and repeat customers would be reduced, our revenue and net income could decline, and our business and results of operations would be harmed.

Seasonal fluctuations in our business place a strain on our operations and resources.

Our profitability has historically been highly seasonal. Our second fiscal quarter includes the majority of the holiday shopping season and accounts for a disproportionately high portion of our earnings for the year, primarily due to higher sales of home and family products such as holiday cards, calendars, photo books, and personalized gifts. In addition, our National Pen business has historically generated nearly all of its profits during the December quarter. Our operating income during the second fiscal quarter represented 46% and 86% of annual operating income in the years ended June 30, 2018 and 2016, respectively, and during the year ended June 30, 2017, in a period we recognized a loss from operations, the second quarter was the only profitable quarter. In anticipation of increased sales activity during our second fiscal quarter holiday season, we typically incur significant additional capacity related expenses each year to meet our seasonal needs, including facility expansions, equipment purchases and leases, and increases in the number of temporary and permanent employees. Lower than expected sales during the second quarter have a disproportionately large impact on our operating results and financial condition for the full fiscal year. In addition, if our manufacturing and other operations are unable to keep up with the high volume of orders during our second fiscal quarter or we experience inefficiencies in our production, then our costs may be significantly higher, and we and our customers can experience delays in order fulfillment and delivery and other disruptions. If we are unable to accurately forecast and respond to seasonality in our business, our business and results of operations may be materially harmed.

Our hedging activity could negatively impact our results of operations, cash flows, or leverage.

We have entered into derivatives to manage our exposure to interest rate and currency movements. If we do not accurately forecast our results of operations, execute contracts that do not effectively mitigate our economic exposure to interest rates and currency rates, elect to not apply hedge accounting, or fail to comply with the complex accounting requirements for hedging, our results of operations and cash flows could be volatile, as well as negatively impacted. Also, our hedging objectives may be targeted at improving our non-GAAP financial metrics, which could result in increased volatility in our GAAP results. Since some of our hedging activity addresses long-term exposures, such as our net investment in our subsidiaries, the gains or losses on those hedges could be recognized before the offsetting exposure materializes to offset them. This could result in our having to borrow to settle a loss on a derivative without an offsetting cash inflow, potentially causing volatility in our cash or debt balances and therefore our leverage.

Our businesses face risks related to interruption of our operations and lack of redundancy.

Our businesses' production facilities, websites, infrastructure, supply chain, customer service centers, and operations may be vulnerable to interruptions, and our businesses do not have redundancies or alternatives in all cases to carry on these operations in the event of an interruption. In addition, because our businesses are dependent in part on third parties for the implementation and maintenance of certain aspects of their communications and production systems, they may not be able to remedy interruptions to these systems in a timely manner or at all due to factors outside of their control. Some of the events that could cause interruptions in our businesses' operations or systems are the following, among others:

- fire, natural disasters, or extreme weather
- labor strike, work stoppage, or other issues with our workforce
- political instability or acts of terrorism or war
- power loss or telecommunication failure
- attacks on our external websites or internal network by hackers or other malicious parties
- undetected errors or design faults in our technology, infrastructure, and processes that may cause our websites to fail
- inadequate capacity in our systems and infrastructure to cope with periods of high volume and demand
- human error, including poor managerial judgment or oversight

Any interruptions to our businesses' systems or operations could result in lost revenue, increased costs, negative publicity, damage to our businesses' reputations and brands, and an adverse effect on our business and results of operations. Building redundancies into our businesses' infrastructure, systems, and supply chain to mitigate these risks may require us to commit substantial financial, operational, and technical resources, in some cases before the volume of their business increases with no assurance that their revenue will increase.

We face intense competition, and we expect our competition to continue to increase.

The markets for our products and services are intensely competitive, highly fragmented, and geographically dispersed. The competitive landscape for e-commerce companies and the mass customization market continues to change as new e-commerce businesses are introduced, established e-commerce businesses like Amazon enter the mass customization market, and traditional “bricks and mortar” businesses establish an online presence. Competition may result in price pressure, increased advertising expense, reduced profit margins, and loss of market share and brand recognition, any of which could substantially harm our business and financial results. Current and potential competitors include the following (in no particular order):

- traditional offline suppliers and graphic design providers
- online printing and graphic design companies
- office superstores, drug store chains, food retailers, and other major retailers targeting small business and consumer markets
- wholesale printers
- self-service desktop design and publishing using personal computer software
- email marketing services companies
- website design and hosting companies
- suppliers of customized apparel, promotional products, gifts, and packaging
- online photo product companies
- Internet retailers
- online providers of custom printing services that outsource production to third party printers
- providers of digital marketing such as social media and local search directories

Many of our current and potential competitors have advantages over us, including longer operating histories, greater brand recognition or loyalty, more focus on a given subset of our business, significantly greater financial, marketing, and other resources, or willingness to operate at a loss while building market share. Many of our competitors currently work together, and additional competitors may do so in the future through strategic business agreements or acquisitions. In addition, we have in the past and may in the future choose to collaborate with some of our existing and potential competitors in strategic partnerships that we believe will improve our competitive position and financial results. It is possible, however, that such ventures will be unsuccessful and that our competitive position and financial results will be adversely affected as a result of such collaboration.

Failure to meet our customers' price expectations would adversely affect our business and results of operations.

Demand for our products and services is sensitive to price for almost all of our businesses, and changes in our pricing strategies, including shipping pricing, have had a significant impact on the numbers of customers and orders in some regions, which in turn affects our revenue, profitability, and results of operations. Many factors can significantly impact our pricing and marketing strategies, including the costs of running our business, the costs of raw materials, our competitors' pricing and marketing strategies, and the effects of inflation. If we fail to meet our customers' price expectations, our business and results of operations may suffer.

We are subject to safety, health, and environmental laws and regulations, which could result in liabilities, cost increases, or restrictions on our operations.

We are subject to a variety of safety, health and environmental, or SHE, laws and regulations in each of the jurisdictions in which we operate. These laws and regulations govern, among other things, air emissions, wastewater discharges, the storage, handling and disposal of hazardous and other regulated substances and wastes, soil and groundwater contamination and employee health and safety. We use regulated substances such as inks and solvents, and generate air emissions and other discharges at our manufacturing facilities, and some of our facilities are required to hold environmental permits. If we fail to comply with existing SHE requirements, or new, more stringent SHE requirements applicable to us are imposed, we may be subject to monetary fines, civil or criminal sanctions, third-party claims, or the limitation or suspension of our operations. In addition, if we are found to be responsible for hazardous substances at any location (including, for example, offsite waste disposal facilities or facilities at which we formerly operated), we may be responsible for the cost of cleaning up contamination, regardless of fault, as well as for claims for harm to health or property or for natural resource damages arising out of contamination or exposure to hazardous substances.

In some cases we pursue self-imposed socially responsible policies that are more stringent than is typically required by laws and regulations, for instance in the areas of worker safety, team member social benefits and environmental protection such as carbon reduction initiatives. The costs of this added SHE effort are often substantial and could grow over time.

The failure of our business partners to use legal and ethical business practices could negatively impact our business.

We contract with multiple business partners in an increasing number of jurisdictions worldwide, including sourcing the raw materials for the products we sell from an expanding number of suppliers and contracting with third-party merchants and manufacturers for the placement and fulfillment of customer orders. We require our suppliers, fulfillers, and merchants to operate in compliance with all applicable laws, including those regarding corruption, working conditions, employment practices, safety and health, and environmental compliance, but we cannot control their business practices. We may not be able to adequately vet, monitor, and audit our many business partners (or their suppliers) throughout the world, and our decentralized structure heightens this risk, as not all of our businesses have equal resources to manage their business partners. If any of them violates labor, environmental, or other laws or implements business practices that are regarded as unethical or inconsistent with our values, our reputation could be severely damaged, and our supply chain and order fulfillment process could be interrupted, which could harm our sales and results of operations.

The loss of key personnel or an inability to attract and retain additional personnel could affect our ability to successfully grow our business.

We are highly dependent upon the continued service and performance of our senior management and key technical, marketing, and production personnel, any of whom may cease their employment with us at any time with minimal advance notice. We face intense competition for qualified individuals from many other companies in diverse industries. The loss of key employees places a strain on members of our management team, who in some cases need to step in and support an additional business or function, and may significantly delay or prevent the achievement of our business objectives. Our failure to recruit, attract, and retain suitably qualified individuals to fill open roles or to adequately plan for succession could have an adverse effect on our ability to implement our business plan.

Our credit facility and the indenture that governs our senior notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

Our senior secured credit facility, which we refer to as our credit facility, and the indenture that governs our 7.0% senior unsecured notes due 2026, which we refer to as our senior notes, contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our best interest, including restrictions on our ability to:

- incur additional indebtedness, guarantee indebtedness, and incur liens
- pay dividends or make other distributions or repurchase or redeem capital stock
- prepay, redeem, or repurchase certain subordinated debt
- issue certain preferred stock or similar redeemable equity securities
- make loans and investments
- sell assets
- enter into transactions with affiliates
- alter the businesses we conduct
- enter into agreements restricting our subsidiaries’ ability to pay dividends
- consolidate, merge, or sell all or substantially all of our assets

As a result of these restrictions, we may be limited in how we conduct our business, grow in accordance with our strategy, compete effectively, or take advantage of new business opportunities. In addition, the restrictive covenants in the credit facility require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them.

A default under our indenture or credit facility would have a material, adverse effect on our business.

Our failure to make scheduled payments on our debt or our breach of the covenants or restrictions under the indenture that governs our senior notes or under our credit facility could result in an event of default under the applicable indebtedness. Such a default would have a material, adverse effect on our business and financial condition, including the following, among others:

- Our lenders could declare all outstanding principal and interest to be due and payable, and we and our subsidiaries may not have sufficient assets to repay that indebtedness.
- Our secured lenders could foreclose against the assets securing their borrowings.

- Our lenders under the credit facility could terminate all commitments to extend further credit under that facility.

- We could be forced into bankruptcy or liquidation.

Our material indebtedness and interest expense could adversely affect our financial condition.

As of March 31, 2019, our total debt was $1,087.6 million, made up of $400.0 million of senior notes, $671.9 million of loan obligations under our credit facility and $15.7 million of other debt.

Subject to the limits contained in the credit facility, the indenture that governs our senior notes, and our other debt instruments, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our level of debt could intensify. Specifically, our level of debt could have important consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to our debt

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions, or other general corporate requirements

- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions, and other general corporate purposes

- increasing our vulnerability to general adverse economic and industry conditions

- exposing us to the risk of increased interest rates as some of our borrowings, including borrowings under our credit facility, are at variable rates of interest

- limiting our flexibility in planning for and reacting to changes in the industry and marketplaces in which we compete

- placing us at a disadvantage compared to other, less leveraged competitors

- increasing our cost of borrowing

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to economic and competitive conditions and to various financial, business, legislative, regulatory, and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital, or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all.

If we cannot make scheduled payments on our debt, we will be in default. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our credit facility are at variable rates of interest and expose us to interest rate risk, and any interest rate swaps we enter into in order to reduce interest rate volatility may not fully mitigate our interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even if the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. As of March 31, 2019, a hypothetical 100 basis point increase in rates, inclusive of our outstanding interest rate swaps, would result in an increase of interest expense of approximately $1.7 million over the next 12 months.

Border controls and duties and restrictions on cross-border commerce may negatively impact our business.

Many governments impose restrictions on shipping goods into their countries, as well as protectionist measures such as customs duties and tariffs that may apply directly to product categories comprising a material portion of our revenues. The customs laws, rules and regulations that we are required to comply with are complex and subject to unpredictable enforcement and modification. As a result of these restrictions, we have from time to time experienced delays in shipping our manufactured products into certain countries, and changes in cross-border regulations could have a significant negative effect on our business. For example, the current United States administration has made, and may continue to make, major changes in trade policy between the United States and other countries, such as the imposition of additional tariffs and duties on imported products, and has suggested closing the border between the United States and Mexico. Because we produce most physical products for our United States customers at our facilities in Canada and Mexico and we source most materials for our products outside the United States, including material amounts of sourcing from China, future changes in tax policy or trade relations could adversely affect our business and results of operations.

If we are unable to protect our intellectual property rights, our reputation and brands could be damaged, and others may be able to use our technology, which could substantially harm our business and financial results.

We rely on a combination of patents, trademarks, trade secrets, copyrights, and contractual restrictions to protect our intellectual property, but these protective measures afford only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may be able to copy or use technology or information that we consider proprietary. There can be no guarantee that any of our pending patent applications or continuation patent applications will be granted, and from time to time we face infringement, invalidity, intellectual property ownership, or similar claims brought by third parties with respect to our patents. In addition, despite our trademark registrations throughout the world, our competitors or other entities may adopt names, marks, or domain names similar to ours, thereby impeding our ability to build brand identity and possibly leading to customer confusion. Enforcing our intellectual property rights can be extremely costly, and a failure to protect or enforce these rights could damage our reputation and brands and substantially harm our business and financial results.

Intellectual property disputes and litigation are costly and could cause us to lose our exclusive rights, subject us to liability, or require us to stop some of our business activities.

From time to time, we receive claims from third parties that we infringe their intellectual property rights, that we are required to enter into patent licenses covering aspects of the technology we use in our business, or that we improperly obtained or used their confidential or proprietary information. Any litigation, settlement, license, or other proceeding relating to intellectual property rights, even if we settle it or it is resolved in our favor, could be costly, divert our management's efforts from managing and growing our business, and create uncertainties that may make it more difficult to run our operations. If any parties successfully claim that we infringe their intellectual property rights, we might be forced to pay significant damages and attorney's fees, and we could be restricted from using certain technologies important to the operation of our business.

Our business is dependent on the Internet, and unfavorable changes in government regulation of the Internet, e-commerce, and email marketing could substantially harm our business and financial results.

Due to our dependence on the Internet for most of our sales, laws specifically governing the Internet, e-commerce, and email marketing may have a greater impact on our operations than other more traditional businesses. Existing and future laws, such as laws covering pricing, customs, privacy, consumer protection, or commercial email, may impede the growth of e-commerce and our ability to compete with traditional “bricks and mortar” retailers. Existing and future laws or unfavorable changes or interpretations of these laws could substantially harm our business and financial results.

If we were required to review the content that our customers incorporate into our products and interdict the shipment of products that violate copyright protections or other laws, our costs would significantly increase, which would harm our results of operations.

Because of our focus on automation and high volumes, the vast majority of our sales do not involve any human-based review of content. Although our websites' terms of use specifically require customers to make representations about the legality and ownership of the content they upload for production, there is a risk that a customer may supply an image or other content for an order we produce that is the property of another party used without permission, that infringes the copyright or trademark of another party, or that would be considered to be defamatory, hateful, obscene, or otherwise objectionable or illegal under the laws of the jurisdiction(s) where that customer lives or where we operate. If we were to become legally obligated to perform manual screening of customer orders, our costs would increase significantly, and we could be required to pay substantial penalties or monetary damages for any failure in our screening process.

We are subject to customer payment-related risks.

We accept payments for our products and services on our websites by a variety of methods, including credit or debit card, PayPal, check, wire transfer, or other methods. In some geographic regions, we rely on one or two third-party companies to provide payment processing services. If any of the payment processing or other companies with which we have contractual arrangements became unwilling or unable to provide these services to us or they or we are unable to comply with our contractual requirements under such arrangements, then we would need to find and engage replacement providers, which we may not be able to do on terms that are acceptable to us or at all, or to process the payments ourselves. Any of these scenarios could be disruptive to our business as they could be costly and time consuming and may unfavorably impact our customers.

As we offer new payment options to our customers, we may be subject to additional regulations, compliance requirements and fraud risk. For some payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profit margins or require that we charge our customers more for our products. We are also subject to payment card association and similar operating rules and requirements, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules and requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers or facilitate other types of online payments, and our business and operating results could be materially adversely affected.

In addition, we may be liable for fraudulent transactions conducted on our websites, such as through the use of stolen credit card numbers. To date, quarterly losses from payment fraud have not exceeded 1% of total revenues in any quarter, but we continue to face the risk of significant losses from this type of fraud.

We may be subject to product liability or environmental compliance claims if people, property, or the environment are harmed by the products we sell.

Some of the products we sell, including products manufactured or supplied by third-party business partners, may expose us to product liability or environmental compliance claims relating to issues such as personal injury, death, property damage, or the use or disposal of environmentally harmful substances and may require product recalls or other actions. Any claims, litigation, or recalls could be costly to us and damage our brands and reputation.

We do not collect indirect taxes in all jurisdictions, which could expose us to tax liabilities.

In some of the jurisdictions where we sell products and services, we do not collect or have imposed upon us sales, value added or other consumption taxes, which we refer to as indirect taxes. The application of indirect taxes to e-commerce businesses such as Cimpress is a complex and evolving issue, and in many cases, it is not clear how existing tax statutes apply to the Internet or e-commerce. If a government entity claims that we should have been collecting indirect taxes on the sale of our products in a jurisdiction where we have not been doing so, then we could incur substantial tax liabilities for past sales.

For example, certain of our businesses do not currently collect sales tax in all U.S. states where they sell products. Many state governments in the United States have imposed or are seeking to impose sales tax collection responsibility on out-of-state, online retailers, and the recent U.S. Supreme Court ruling in South Dakota v. Wayfair, Inc. et al. enables states to consider adopting laws requiring remote sellers to collect and remit sales tax, even in states in which the seller has no physical presence. To the extent that individual states decide to adopt similar legislation, this could significantly increase the collection and compliance burden on Cimpress businesses operating in the U.S. In addition, there is risk that a state government in which a Cimpress business currently is not registered to collect and remit sales tax may attempt to assess tax, interest and penalties relating to prior periods.

Risks Related to Our Corporate Structure

Challenges by various tax authorities to our international structure could, if successful, increase our effective tax rate and adversely affect our earnings.

We are a Dutch limited liability company that operates through various subsidiaries in a number of countries throughout the world. Consequently, we are subject to tax laws, treaties and regulations in the countries in which we operate, and these laws and treaties are subject to interpretation. From time to time, we are subject to tax audits, and the tax authorities in these countries could claim that a greater portion of the income of the Cimpress N.V. group should be subject to income or other tax in their respective jurisdictions, which could result in an increase to our effective tax rate and adversely affect our results of operations.

Changes in tax laws, regulations and treaties could affect our tax rate and our results of operations.

A change in tax laws, treaties or regulations, or their interpretation, of any country in which we operate could result in a higher tax rate on our earnings, which could result in a significant negative impact on our earnings and cash flow from operations. There are currently multiple initiatives for comprehensive tax reform underway in key jurisdictions where we have operations, and we cannot predict whether any other specific legislation will be enacted or the terms of any such legislation. However, if such legislation were enacted, or if modifications were to be made to certain existing treaties, the consequences could have a materially adverse impact on us, including increasing our tax burden, increasing costs of our tax compliance or otherwise adversely affecting our financial condition, results of operations and cash flows.

Our intercompany arrangements may be challenged, which could result in higher taxes or penalties and an adverse effect on our earnings.

We operate pursuant to written transfer pricing agreements among Cimpress N.V. and its subsidiaries, which establish transfer prices for various services performed by our subsidiaries for other Cimpress group companies. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be consistent with those between unrelated companies dealing at arm's length. With the exception of certain jurisdictions where we have obtained rulings or advance pricing agreements, our transfer pricing arrangements are not binding on applicable tax authorities, and no official authority in any other country has made a determination as to whether or not we are operating in compliance with its transfer pricing laws. If tax authorities in any country were successful in challenging our transfer prices as not reflecting arm's length transactions, they could require us to adjust our transfer prices and thereby reallocate our income to reflect these revised transfer prices. A reallocation of taxable income from a lower tax jurisdiction to a higher tax jurisdiction would result in a higher tax liability to us. In addition, if the country from which the income is reallocated does not agree with the reallocation, both countries could tax the same income, resulting in double taxation.

Our Articles of Association, Dutch law and the independent foundation, *Stichting Continuïteit Cimpress*, may make it difficult to replace or remove management, may inhibit or delay a change of control or may dilute shareholder voting power.

Our Articles of Association, or Articles, as governed by Dutch law, limit our shareholders' ability to suspend or dismiss the members of our Board of Directors or to overrule our Board's nominees by requiring a supermajority vote to do so under most circumstances. As a result, there may be circumstances in which shareholders may not be able to remove members of our Board of Directors even if holders of a majority of our ordinary shares favor doing so.

In addition, an independent foundation, *Stichting Continuïteit Cimpress*, or the Foundation, exists to safeguard the interests of Cimpress N.V. and its stakeholders, which include but are not limited to our shareholders, and to assist in maintaining Cimpress' continuity and independence. To this end, we have granted the Foundation a call option pursuant to which the Foundation may acquire a number of preferred shares equal to the same number of ordinary shares then outstanding, which is designed to provide a protective measure against unsolicited take-over bids for Cimpress and other hostile threats. If the Foundation were to exercise the call option, it may prevent a change of control or delay or prevent a takeover attempt, including a takeover attempt that might result in a premium over the market price for our ordinary shares. Exercise of the preferred share option would also effectively dilute the voting power of our outstanding ordinary shares by one half.

We have limited flexibility with respect to certain aspects of capital management and certain corporate transactions.

Dutch law imposes limitations and requirements on corporate actions such as the payment of dividends, issuance of new shares, repurchase of outstanding shares, and corporate acquisitions of a certain size, among other actions. For example, Dutch law requires shareholder approval for many corporate actions that would not be subject to shareholder approval if we were incorporated in the United States. Situations may arise where the flexibility to issue shares, pay dividends, purchase shares, acquire other companies, or take other corporate actions would be beneficial to us, but is subject to limitations, subject to delay due to shareholder approval requirements, or unavailable under Dutch law.

Because of our corporate structure, our shareholders may find it difficult to pursue legal remedies against the members of our Board of Directors.

Our Articles and our internal corporate affairs are governed by Dutch law, and the rights of our shareholders and the responsibilities of our Board of Directors are different from those established under United States laws. For example, under Dutch law derivative lawsuits are generally not available, and our Board is responsible for acting in the best interests of the company, its business and all of its stakeholders generally (including employees, customers and creditors), not just shareholders. As a result, our shareholders may find it more difficult to protect their interests against actions by members of our Board than they would if we were a U.S. corporation.

Because of our corporate structure, our shareholders may find it difficult to enforce claims based on United States federal or state laws, including securities liabilities, against us or our management team.

We are incorporated under the laws of the Netherlands, and the vast majority of our assets are located outside of the United States. In addition, some of our officers and management reside outside of the United States. In most cases, a final judgment for the payment of money rendered by a U.S. federal or state court would not be directly enforceable in the Netherlands. Although there is a process under Dutch law for petitioning a Dutch court to enforce a judgment rendered in the United States, there can be no assurance that a Dutch court would impose civil liability on us or our management team in any lawsuit predicated solely upon U.S. securities or other laws. In addition, because most of our assets are located outside of the United States, it could be difficult for investors to place a lien on our assets in connection with a claim of liability under U.S. laws. As a result, it may be difficult for investors to enforce U.S. court judgments or rights predicated upon U.S. laws against us or our management team outside of the United States.

We may not be able to make distributions or purchase shares without subjecting our shareholders to Dutch withholding tax.

A Dutch withholding tax may be levied on dividends and similar distributions made by Cimpress N.V. to its shareholders at the statutory rate of 15% if we cannot structure such distributions as being made to shareholders in relation to a reduction of par value, which would be non-taxable for Dutch withholding tax purposes. We have purchased our shares and may seek to purchase additional shares in the future. Under our Dutch Advanced Tax Ruling, a purchase of shares should not result in any Dutch withholding tax if we hold the purchased shares in treasury for the purpose of issuing shares pursuant to employee share awards or for the funding of acquisitions. However, if the shares cannot be used for these purposes, or the Dutch tax authorities successfully challenge the use of the shares for these purposes, such a purchase of shares may be treated as a partial liquidation subject to the 15% Dutch withholding tax to be levied on the difference between our average paid in capital per share for Dutch tax purposes and the redemption price per share, if higher.

We may be treated as a passive foreign investment company for United States tax purposes, which may subject United States shareholders to adverse tax consequences.

If our passive income, or our assets that produce passive income, exceed levels provided by law for any taxable year, we may be characterized as a passive foreign investment company, or a PFIC, for United States federal income tax purposes. If we are treated as a PFIC, U.S. holders of our ordinary shares would be subject to a disadvantageous United States federal income tax regime with respect to the distributions they receive and the gain, if any, they derive from the sale or other disposition of their ordinary shares.

We believe that we were not a PFIC for the tax year ended June 30, 2018 and we expect that we will not become a PFIC in the foreseeable future. However, whether we are treated as a PFIC depends on questions of fact as to our assets and revenues that can only be determined at the end of each tax year. Accordingly, we cannot be certain that we will not be treated as a PFIC in future years.

If a United States shareholder owns 10% or more of our ordinary shares, it may be subject to increased United States taxation under the “controlled foreign corporation” rules. Additionally, this may negatively impact the demand for our ordinary shares.

If a United States shareholder owns 10% or more of our ordinary shares, it may be subject to increased United States federal income taxation (and possibly state income taxation) under the “controlled foreign corporation” rules. In general, if a U.S. person owns (or is deemed to own) at least 10% of the voting power or value of a non-U.S. corporation, or “10% U.S. Shareholder,” and if such non-U.S. corporation is a “controlled foreign corporation,” or “CFC,” then such 10% U.S. Shareholder who owns (or is deemed to own) shares in the CFC on the last day of the CFC's taxable year must include in its gross income for United States federal income tax (and possibly state income tax) purposes its pro rata share of the CFC's “subpart F income,” even if the "subpart F income" is not distributed. In addition, a 10% U.S. shareholder's pro rata share of other income of a CFC, even if not distributed, might also need to be included in a 10% U.S. Shareholder’s gross income for United States federal income tax (and possibly state income tax) purposes under the “global intangible low-taxed income” or “GILTI” provisions of the U.S. tax law. In general, a non-U.S. corporation is considered a CFC if one or more 10% U.S. Shareholders together own more than 50% of the voting power or value of the corporation on any day during the taxable year of the corporation. “Subpart F income” consists of, among other things, certain types of dividends, interest, rents, royalties, gains, and certain types of income from services and personal property sales.

The rules for determining ownership for purposes of determining 10% U.S. Shareholder and CFC status are complicated, depend on the particular facts relating to each investor, and are not necessarily the same as the rules for determining beneficial ownership for SEC reporting purposes. For taxable years in which we are a CFC, each of our 10% U.S. Shareholders will be required to include in its gross income for United States federal income tax (and possibly state income tax) purposes its pro rata share of our "subpart F income," even if the subpart F income is not distributed by us, and might also be required to include its pro rata share of other income of ours, even if not distributed by us, under the GILTI provisions of the U.S. tax law. We currently do not believe we are a CFC. However, whether we are treated as a CFC can be affected by, among other things, facts as to our share ownership that may change. Accordingly, we cannot be certain that we will not be treated as a CFC in future years.

The risk of being subject to increased taxation as a CFC may deter our current shareholders from acquiring additional ordinary shares or new shareholders from establishing a position in our ordinary shares. Either of these scenarios could impact the demand for, and value of, our ordinary shares.

The ownership of our ordinary shares is highly concentrated, which could cause or exacerbate volatility in our share price.

More than 70% of our ordinary shares are held by our top 10 shareholders, and we may repurchase shares in the future, which could further increase the concentration of our share ownership. Because of this reduced liquidity, the trading of relatively small quantities of shares by our shareholders could disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously if a large number of our ordinary shares were sold on the market without commensurate demand, as compared to a company with greater trading liquidity that could better absorb those sales without adverse impact on its share price.

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

On November 17, 2017, we announced that our Board had authorized the repurchase of up to 6,300,000 of our issued and outstanding ordinary shares on the open market (including block trades that satisfy the safe harbor provisions of Rule 10b-18 pursuant to the U.S. Securities Exchange Act of 1934), through privately negotiated transactions, or in one or more self-tender offers. This November 2017 share repurchase program terminated on February 12, 2019 when the Board authorized the new repurchase program described immediately below.

On February 12, 2019, we announced that our Board had approved a new share repurchase program that replaced the one described immediately above. Under this new program, we may repurchase up to 5,500,000 of our issued and outstanding ordinary shares on the open market (including block trades that satisfy the safe harbor provisions of Rule 10b-18 pursuant to the U.S. Securities Exchange Act of 1934), through privately negotiated transactions, or in one or more self-tender offers. This share repurchase program expires on May 13, 2020, and we may suspend or discontinue our share repurchases at any time.

The following table outlines the purchase of our ordinary shares during the three months ended March 31, 2019 under each program described above:

	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Number of Shares that May Yet be Purchased Under the Program
January 1, 2019 through January 31, 2019	—	$ —	—	5,739,891
February 1, 2019 through February 28, 2019 (2)	122,877	81.89	122,877	5,500,000
March 1, 2019 through March 31, 2019 (3)	26,505	75.90	26,505	5,473,495
Total	149,382	$ 80.83	149,382	5,473,495

(1) Average price paid per share includes commissions paid.

(2) These shares were purchased under the November 2017 repurchase program. Because the February 2019 repurchase program replaced the November 2017 program on February 12, 2019, the shares in the last column of this row represent the number of shares that remained under the February 2019 program as of February 28, 2019.

(3) These shares were purchased under the February 2019 repurchase program, and the shares in the last column of this row represent the number of shares that remained under the February 2019 program as of March 31, 2019.

Item 6. *Exhibits*

Exhibit No.	Description
10.1	Form of Executive Retention Agreement between Cimpress N.V. and each of Peter Kelly and Maarten Wensveen is incorporated by reference to our Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2016
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Executive Officer
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Financial Officer
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer and Chief Financial Officer
101	The following materials from this Quarterly Report on Form 10-Q, formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Cash Flows and (iv) Notes to Condensed Consolidated Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

May 2, 2019 Cimpress N.V.

By: /s/ Sean E. Quinn

Sean E. Quinn
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Robert S. Keane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cimpress N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2019

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Sean E. Quinn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cimpress N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 2, 2019

/s/ Sean E. Quinn

Sean E. Quinn
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Cimpress N.V. (the “Company”) for the fiscal quarter ended March 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Robert S. Keane, Chief Executive Officer, and Sean E. Quinn, Chief Financial Officer, of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to his knowledge on the date hereof:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 2, 2019

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

Date: May 2, 2019

/s/ Sean E. Quinn

Sean E. Quinn
Chief Financial Officer