# Annual Letter to Investors

July 29, 2020

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July 29, 2020

Dear Investor,

As you know, COVID-19 was a black swan event that crashed into the global economy, hit Cimpress customers hard and, in turn, hit Cimpress hard. But we cannot let the spectacularly negative short-term impact of the pandemic obscure three important highlights of Cimpress' fiscal year 2020.

The first is resilience. Following the deepest trough of the pandemic we have been recovering steadily. Revenue in June relative to the same month in the prior year was down by less than 20%, and our adjusted EBITDA and cash flow were improving even more with a lower cost base including significantly lower advertising spend. In the month of July, we expect our bookings to be down 5% compared to the same month the year before. We see strength returning to our bottom line even as we continue to fund key investments in technology, customer value improvements, new product introductions and talent recruitment.

The second highlight of fiscal year 2020 is successful execution and progress in terms of laying foundations for the future. We have recruited and on-boarded a talented new executive team at Vistaprint, our upload and print businesses are executing well in their relatively new structure as two groups (PrintBrothers and The Print Group), and the Cimpress mass customization platform (MCP) is delivering value at consistently increasing scale. We are making major investments that we believe will allow us to return to top-line growth while maintaining improved profit and cash flow margins.

The third highlight is that in the eight months into fiscal year 2020 through February, we had significantly improved the key proxy by which we measure multi-year changes to IVPS. I will come back to that proxy and its calculation later in the letter.

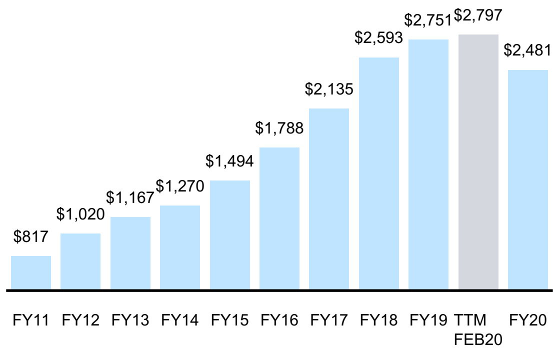
The above highlights don't change that fiscal year 2020 was a traumatic year. The pandemic drove our first fiscal year revenue decline in two decades and seriously hurt our bottom line. The last column in each of the charts on the next page also show how poor the full fiscal year 2020 was relative to our momentum in the trailing-twelve-month period ended February 29, 2020. By March our revenues began falling precipitously. We reached a low point in the end of March during a week in which consolidated bookings were down more than 65% year-over-year, whereas they had increased by 3% in the month of February.

During this pandemic, the company and its stakeholders have benefited greatly from the dedication, innovation and flexibility of our team members around the world. I thank them on behalf of all long-term investors. Likewise, the perseverance of our customers around the world in the face of this crisis has been inspirational and educational to us.

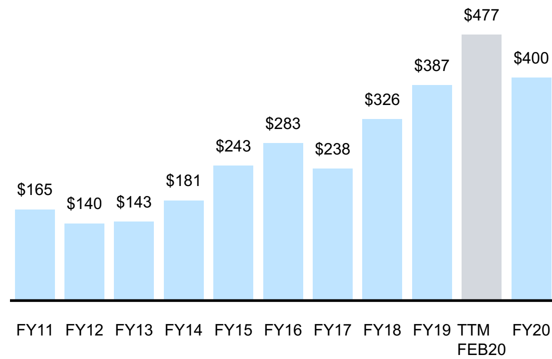
We responded to the pandemic-driven decrease in demand by cutting costs early, developing pandemic-related products and preparing to ride out the storm. We were helped by the organizational work we had completed over the past several years; our decentralized businesses reacted nimbly in response to their specific market conditions yet still benefited from the select few strategic capabilities that we share across Cimpress. The interaction of these two parts of our organization, decentralized and central, make the whole of Cimpress greater than the sum of its parts. We made decisions quickly, executed locally, and leveraged Cimpress-wide advantages.

## Historical and Recent Financial Measures[1]

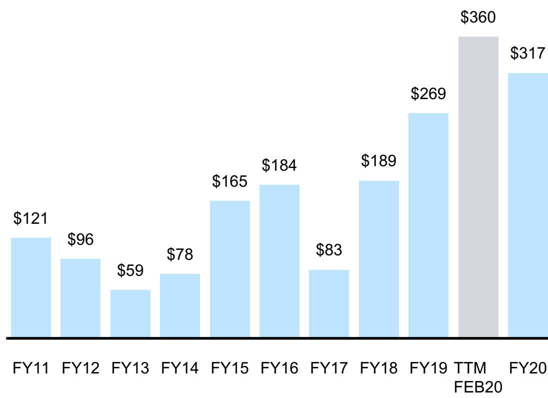
### Revenue ($M)



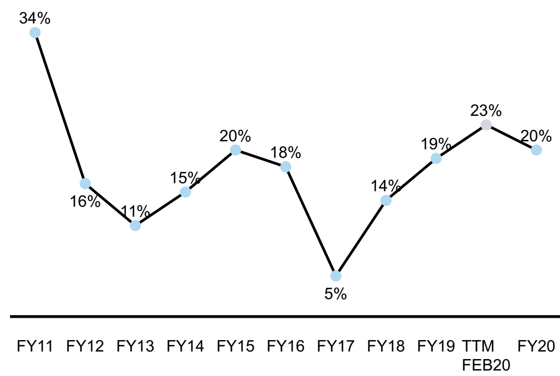

### Adjusted EBITDA ($M)



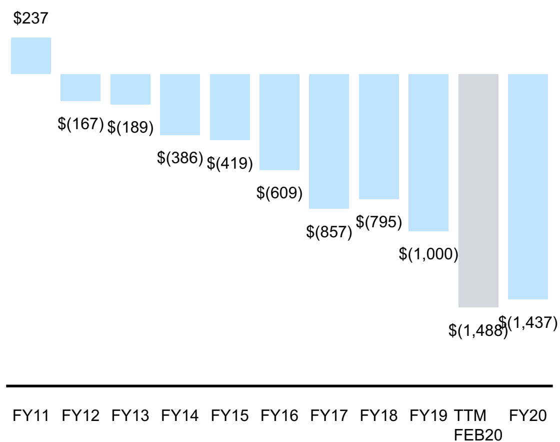

### UFCF ($M)



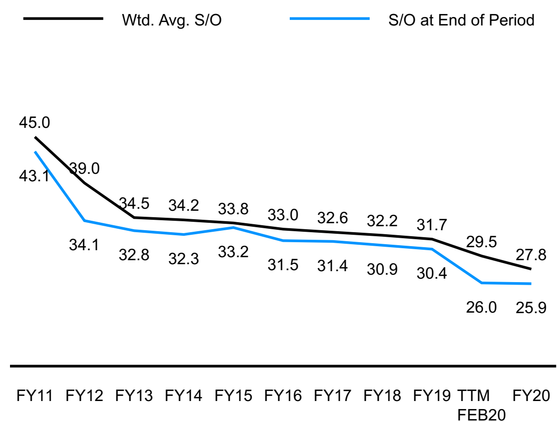

### TTM Adjusted Return on Invested Capital




### Net Debt ($M)




### Shares Outstanding (M)




[1] Please see reconciliation of non-GAAP measures at the end of this letter.

In the fourth quarter of fiscal year 2020 we refinanced a portion of our debt at a materially higher interest rate with significant deal costs and issued warrants that will eventually dilute our shareholders by a maximum of about 740,000 shares. This financing was not because we needed liquidity but, rather, to pay down a portion of the debt owed to our credit facility banking partners in return for them suspending our prior financial maintenance covenants through December 2021, thus providing ample flexibility to navigate the uncertainty. That flexibility allowed us to return to our operational priorities and continue to fund our major investment projects across Cimpress. These investment projects include continuing to transform Vistaprint in order to build its foundational basics such as customer obsession, data & analytics, financial rigor and world-class technology, and to invest in our pre-pandemic plans to improve the value that Vistaprint delivers to its customers.

Thanks to our cost cutting and the high amount of variable and discretionary cost in our structure, in the fourth quarter of fiscal year 2020 we were able to deliver $63.8 million of EBITDA, down 46% from the prior year,[2] despite a 36% year-over-year revenue decline. We have done so while protecting key investments and most, but unfortunately not all, permanent employment of our team members. The recovery will take some time and we can't rule out that future waves of COVID-19 may temporarily reverse these positive trends.

But I am optimistic that the combination of the cost reductions, our organizational strength, our balance sheet and our continued investments mean that Cimpress can exit the pandemic in a stronger position than we went in, even though we expect it will take time for our financial results to recover fully. As I mentioned above, the months of June and July have been promising, and we feel confident about our future. If our current year-over-year revenue trends continue for all of fiscal year 2021 including historical seasonality, and assuming we do not choose to make material increases in organic growth investment levels beyond our current plans for fiscal year 2021, we believe that our operating income and adjusted EBITDA for the year should be roughly back to the results we delivered in the trailing-twelve-month period through December 2019. During our August 5, 2020 investor day, we will share the reasons why we believe we can, post-pandemic, return to and then exceed the type of financial results we were delivering pre-pandemic.

As I have for the past five years, in the remainder of this letter I will assess our capital allocation and our internal estimate of Cimpress' steady-state free cash flow, which we consider as an important input into our estimate of our intrinsic value per share. This year we have based our estimates on our results for the trailing-twelve-month period ended in February 2020, not June, because the disruption of the pandemic means that we don't have the ability to complete the exercise for the full fiscal year. We also do not have the ability to forecast with certainty our investment levels for fiscal year 2021 because of the disruption of the pandemic.

Each year we advise readers that our estimates of steady state free cash flow are necessarily imprecise due to the judgment involved. We appreciate that this year is even more judgment-based than usual given the methodology of looking to the pre-pandemic results and then assessing our ability to return to that level, but we believe that is the best approach and it is how we have evaluated ourselves internally. As always, we provide our shareholders with information with which they may make their own estimates.

## Capital Allocation

The chart below and its supporting table summarizes the capital allocation, other than debt repayment, that we have made over the past six fiscal years, excluding investments we believed at the time to be required to maintain steady state.

We define "steady state" as having a sustainable and defensible business over the long term that is capable of growing after-tax free cash flow at the rate of United States inflation.

We consider capital allocation to be any spend that does not pay back within twelve months on a net basis. We also include in the supporting table the capital we have raised via divestitures or partial-equity sales of businesses.

[2] Operating income for the fourth quarter of fiscal year 2020 was a loss of $3.3 million, down 107% compared to the prior year.

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

| Allocated Capital ($M) | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | FY2020* | 6-Year Total* | Percent of 6-yr Total* |
|---|---|---|---|---|---|---|---|---|
| Organic investments not required to maintain steady state (mid-point of our range estimate of the UFCF impact) | $145 | $190 | $193 | $108 | $158 | $142 | $936 | 33% |
| M&A and similar equity investments | $148 | $176 | $228 | $52 | $327 | $4 | $935 | 33% |
| Share repurchases | $— | $153 | $50 | $95 | $56 | $627 | $980 | 34% |
| **Total capital deployed** | **$293** | **$519** | **$471** | **$255** | **$541** | **$773** | **$2,852** | **100%** |
| **Capital raised via divestitures or partial-equity sales ($M)** | **$—** | **$—** | **$—** | **$129** | **$12** | **$—** | **$141** | **100%** |

* Organic investments in the "FY2020" column reflect estimated spend for the trailing twelve months ended February 29, 2020.

**Share Repurchases**

The above table shows that, by far, the largest allocation of capital in fiscal year 2020 was for share repurchases. For the full fiscal year 2020, we spent $627.0 million to repurchase 5.0 million shares at an average price per share of $125.36 inclusive of commissions.

One way we evaluate share repurchases is to look at our steady state free cash flow per share relative to the capital that we deploy, just as we do for M&A and for internal (organic) investments. In other words, the SSFCF per share in the current period relative to the share price paid inclusive of our net debt. We also have a point of view on our ability to grow this in the future. As of the end of February 2020 we had approximately 26.0 million shares outstanding excluding nominal dilution from outstanding share awards. February 2020 trailing-twelve-month results included $293 million of adjusted free cash flow and $67 million of cash interest related to borrowing,[3] thus $360 million of unlevered free cash flow. As discussed below, Cimpress' estimated range of steady state free cash flow was $455 million to $485 million. We had net debt of $1,487.5 million,[4] which we believed was a comfortable level of leverage (roughly 3.0x our trailing-twelve-month EBITDA as defined by our debt covenants) given the characteristics of our business. And we were seeing momentum in the investments we were making throughout Cimpress.

Of course, under the hypothetical assumption that we had been aware of the pandemic beforehand, we would never have repurchased so much or at the prices that we did (our repurchase price per share in fiscal year 2020 averaged about three times the price of our shares at the depth of the pandemic-induced stock market crash). This is not because we believe these repurchases will deliver poor returns over the long term, but because the opportunity cost was, with the pandemic's arrival now in hindsight, so great including the choice to raise expensive capital, which may have otherwise been avoided.

Nonetheless, as painful as it is to compare our fiscal year 2020 repurchases to our share price levels over recent months, we believe that we will still deliver strong returns on this allocated capital given our confidence that we will return to and grow beyond the pre-pandemic levels of steady state free cash flow.

If and when we do so, this would continue our long-term track record of strong returns on capital allocated to share repurchases. Over the past twelve years we have allocated $1,499.4 million to repurchase 25.9 million shares at an average price per share of $57.84 inclusive of commissions, roughly half of the diluted shares outstanding at the beginning of that time frame.

Due to the debt covenants which we accepted when we amended our credit facility in May 2020, we do not expect to repurchase shares in fiscal year 2021.

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[3] Operating cash flow for the trailing twelve months ended February 29, 2020 was $395.3 million. Cash interest related to borrowing excludes interest expense related to our lease in Waltham, Massachusetts.
[4] As of February 29, 2020, total debt excluding debt issuance costs was $1,536.6 million and cash and equivalents was $49.1 million.

## Organic Investments

The following tables include midpoint estimates of the impact of our historical non-steady state investments on unlevered free cash flow.

In previous years we have used this table to also provide you with the approximate amount we planned to deploy into non-steady state organic investments in the coming fiscal year, and we expect to provide similar disclosure of our forward-looking plans in future years. However we are not providing a forecast of organic investments for fiscal year 2021 because we have not made such projections internally. In light of the pandemic we are working via a near-term rolling forecast that is updated dynamically as we have new inputs and those numbers are too imprecise, and too short term in nature, for us to disclose publicly.

**UNLEVERED FREE CASH FLOW[5] - ESTIMATED NET IMPACT OF NON-STEADY STATE INVESTMENTS[6]**
*$ in millions*

| VISTAPRINT | | | | | | |
|---|---|---|---|---|---|---|
| **Investment Area** | **FY15** | **FY16** | **FY17** | **FY18** | **FY19** | **TTM Feb 20** |
| Columbus | 34 | 36 | 26 | — | — | — |
| New products and product extensions | 14 | 8 | 18 | Included below | Included below | Included below |
| LTV-based advertising and marketing infrastructure | 13 | 12 | 15 | 16 | 32 | 9 |
| Technology | 8 | 11 | 10 | 9 | 11 | 14 |
| Expansion of production & IT capacity | 14 | 34 | 11 | 8 | 10 | 12 |
| Other | 8 | 3 | 15 | 5 | 6 | 17 |
| **VISTAPRINT TOTAL** | **$91** | **$104** | **$95** | **$38** | **$59** | **$52** |

| OTHER ORGANIC INVESTMENTS | | | | | | |
|---|---|---|---|---|---|---|
| **Investment Area** | **FY15** | **FY16** | **FY17** | **FY18** | **FY19** | **TTM Feb 20** |
| Upload and Print | 6 | 10 | 18 | 14 | 8 | 14 |
| National Pen | N/A | N/A | N/A | 2 | 13 | 7 |
| All Other Businesses | 26 | 42 | 42 | 29 | 49 | 28 |
| Mass Customization Platform (MCP) | 14 | 27 | 24 | 22 | 25 | 28 |
| Other Centrally Managed Investments | 8 | 7 | 14 | 3 | 4 | 5 |
| **TOTAL OTHER THAN VISTAPRINT** | **$54** | **$86** | **$98** | **$70** | **$99** | **$82** |

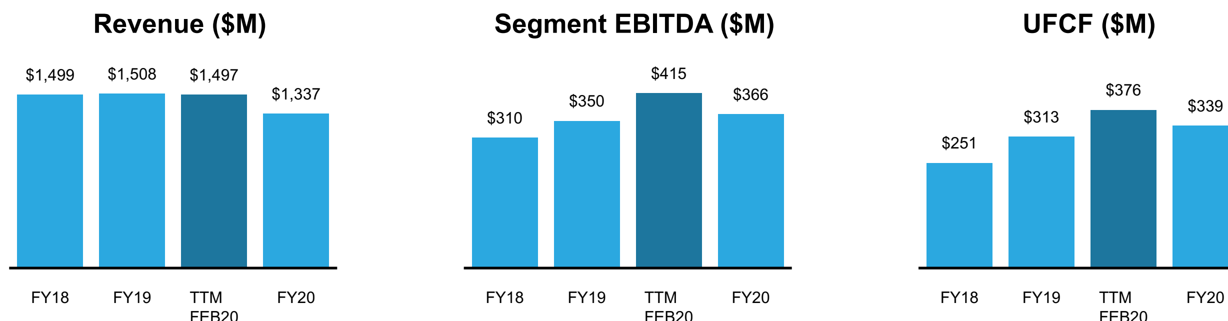
| | | | | | | |
|---|---|---|---|---|---|---|
| **CIMPRESS TOTAL AT MIDPOINT** | **$145** | **$190** | **$193** | **$108** | **$158** | **$134** |
| **CIMPRESS TOTAL ESTIMATED RANGE** | **N/A** | **$150M - $230M** | **$168M - $218M** | **$88M - $128M** | **$143M - $173M** | **$119M - $149M** |

[5] Note that the estimates presented regarding our investments in MCP are gross investments, prior to benefits we realize in year, i.e., not net investments like the other lines in these tables.
[6] Note that investments in Vistaprint Corporate Solutions, Vistaprint India and Vistaprint Japan are included in All Other Businesses through fiscal year 2019. Starting in fiscal year 2020, these businesses moved into our Vistaprint business, and so our estimated investments in these businesses are included in Vistaprint's "Other" category for the trailing-twelve-month period ended February 29, 2020. Additionally, we exclude $4 million of VIDA UFCF losses from the growth investments within the "TTM Feb20" column above.

## Assessment of Capital Allocation by Component

Below we assess recent performance by component. The tables for each component are revenue, segment EBITDA (our segment measure of profitability, which includes share-based compensation expense), and unlevered free cash flow (which adds capital expenditures, cash taxes and changes in net working capital, but excludes share-based compensation expense).

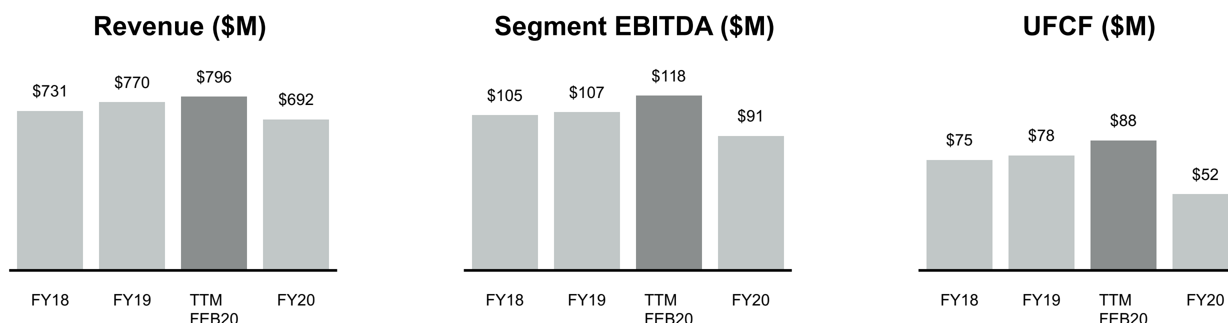
### *Vistaprint*




When the pandemic hit, Vistaprint was just over a year into a two-to-three-year transformation to restore foundational basics and to deliver a step-function change in the value Vistaprint delivers to its customers. One element of this was to cut out advertising that we believe was not generating economic value, which led to year-over-year revenue growth that was roughly flat, but with a significant improvement in profitability and cash flow generation. Advertising changes were just one of many other changes, including addressing customer quality issues, recruiting new talent, technology and data investments and increasing financial rigor. I am extremely proud of what we accomplished together during this period, and it set the stage for a stronger pandemic and recovery response that we are implementing now. Our leaders are in place, our organization is aligned, and we are making progress on key investments despite the pandemic.

The UFCF from Vistaprint was approximately $376 million in the trailing-twelve-month period ended February 29, 2020, net of investments not needed to maintain a steady state of $47 million to $65 million.

### *Upload and Print Businesses*[7]




This group consists of seven different businesses that we have acquired, plus relatively minor equity investments in suppliers (€497 million total investment consideration between fiscal years 2014 and 2020). The total investment includes payments and minority equity purchases completed to date. For example, during fiscal year 2020, we paid consideration in the amount of €3 million to vertically integrate a supplier of one of these businesses.

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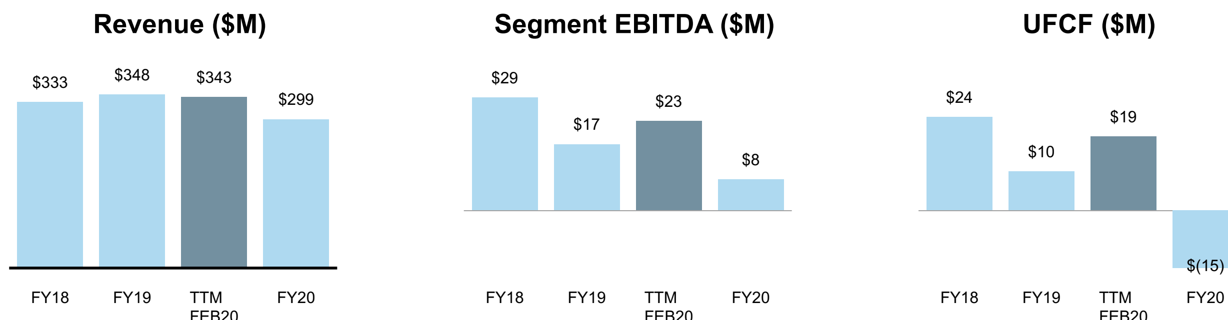
[7] Upload and Print businesses combine the results of two segments: PrintBrothers and The Print Group, and eliminates intercompany revenue within the group as if these businesses were in a single segment. Please see non-GAAP reconciliations at the end of this document.

Upload and Print businesses generated approximately €76 million in UFCF in the trailing-twelve-month period ended February 29, 2020 (net of reductions to reflect the partial equity ownership of certain businesses in the group), a yield of approximately 15% on the €497 million of consideration we have paid to date. This was after investment that we do not believe is necessary to maintain steady state that reduced UFCF by approximately €14 million to €15 million in the trailing-twelve-month period ended February 29, 2020, indicating a SSFCF yield of about 18%.

Our Upload and Print businesses are organized into two reportable segments, each centered around a business with significant supply chain and other advantages. Heading into the pandemic, we saw the benefits of this structure, as we had begun to leverage the strengths and assets of each group. The pandemic hit some of these businesses hard, and we have seen great innovation and leadership from these businesses in a very short time period since.

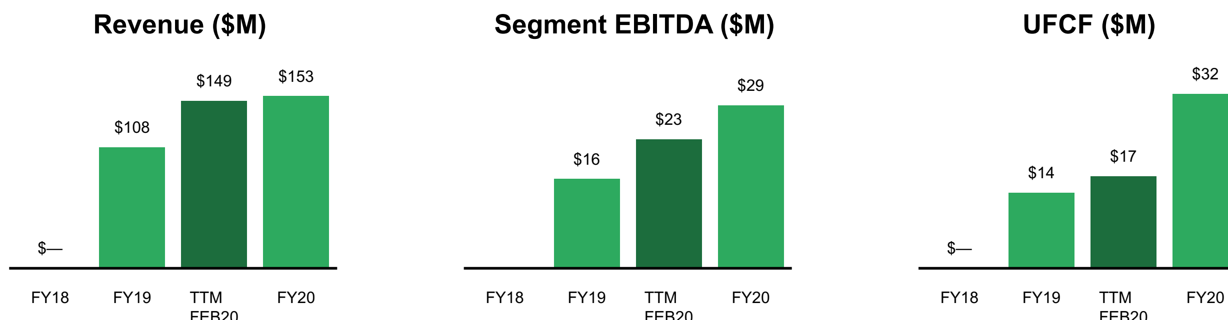
***National Pen***




We continue to be positive about National Pen's long-term prospects despite challenges in fiscal year 2019 and the fact that the pandemic has hit this business quite hard. We acquired National Pen for $211 million on December 31, 2016. The UFCF in the trailing-twelve-month period ended February 29, 2020 was $19 million, or 9% of consideration paid. This is an improvement from 2019, but still below 2018 results. Trailing-twelve-month UFCF was net of organic investments of $8 million - $9 million that we believe are not required to maintain steady state, indicating a SSFCF yield of about 13%, marginally better than the hurdle rate we use for M&A.

The team at National Pen has supported the pandemic response across multiple businesses with new product introduction and low-cost high volume fulfillment operations. During fiscal year 2020, National Pen continued to invest in its transformation to drive more profitable revenue growth, with progress in the roll out of its new e-commerce technology, new capabilities for customer prospecting and manufacturing efficiency, and a continued investment in customer service operations in high-talent, low-cost geographies.

***BuildASign*[8]**

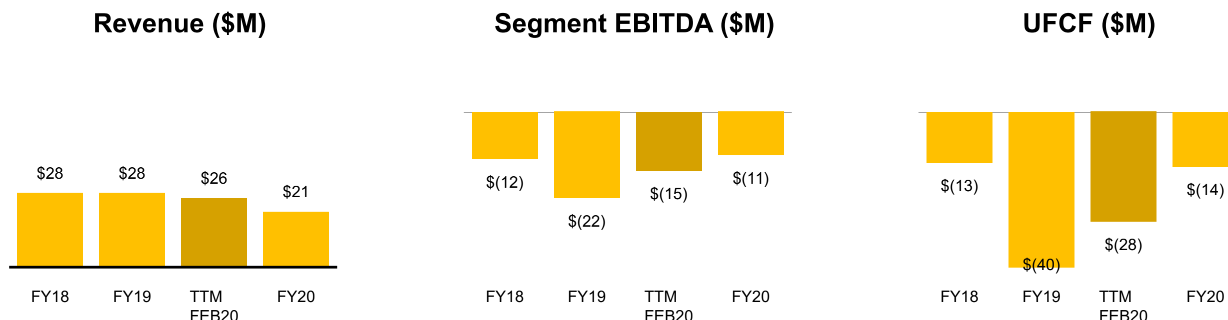



[8] BuildASign is the largest component of our All Other Businesses segment.

We acquired 99% of BuildASign in October 2018 for $271 million. The UFCF of BuildASign for the trailing-twelve-month period ended February 29, 2020 was $17 million, or 6% of the total investment consideration, net of organic investments of $3 million - $4 million. This indicates an SSFCF yield of 7% to 8%. We received a step up in the tax basis of the acquired assets, which, in addition to interest deductibility of acquisition-related debt, provided cash tax savings in fiscal year 2020 of approximately $5.5 million that are not included in these BuildASign results. Inclusive of those savings, the SSFCF yield for BuildASign would be 9% to 10% in the first full fiscal year of ownership.

BuildASign has continued to grow through the pandemic with existing products as well as new product design templates relevant for social distancing. In fact, BuildASign's EBITDA and UFCF grew meaningfully from $23.0 million and $17.1 million, respectively, in the trailing-twelve-month period as of February to $28.7 million and $31.7 million, respectively, for the full year ended June 30, 2020, respectively. The fiscal year 2020 UFCF for BuildASign included working capital timing benefits.

***Early-Stage Investments*[9]**




We have significantly improved the performance of and/or reduced our exposure in early-stage businesses over the past year.

As of February 2020 Printi, which had consumed $27M of cash in fiscal year 2019, was on track to achieve a much more modest cash outflow as the result of a restructuring completed at the beginning of fiscal year 2020 and increased focus. Even with the effects of the pandemic, Printi consumed significantly less cash in fiscal year 2020 than in 2019. As of June 30, 2020, Cimpress has a 96.3% equity interest in Printi.

YSD based in China, which builds and sells mass customization software in a Software as a Service (Saas) model, grew 90% year over year in fiscal year 2020 despite the pandemic and has attracted an impressive list of customers. However, it remains a small, high-risk, rapidly evolving, entrepreneurial venture, and will require multiple years before we know if it is a success. Its cash burn is driven by continued investment in software development of its SaaS product line but remains relatively small. The YSD platform and team have been instrumental to our pandemic response, supporting multiple Cimpress businesses like Pixartprinting and National Pen in their supply chain automation for custom masks during the pandemic.

In April 2020, we divested our investment in VIDA. We had already invested $29 million in the business, and it was generating about $5 million of cash losses per year. Though we had been intrigued by the potential for VIDA to use mass customization to disrupt the apparel and accessories markets, we determined that in an environment in which we were cutting significant costs in core parts of our business and needed to focus our resources, we couldn't continue to fund this investment.

***Central Investments***

The Cimpress mass customization platform has demonstrated significant value before and during this pandemic. It has allowed our businesses to remain nimble in supporting our customers when uncertainty hit about whether specific production facilities could remain open. It also helps improve our efficiency while customer demand is lower than usual because it opens up opportunities to shift volume between our businesses more freely than if all facilities

[9] Early-stage investments are part of our All Other Businesses segment.

were operating at capacity. Our central procurement team, working in concert with our businesses, helps drive material cash and cost savings under normal circumstances, and they have also driven great value during our pandemic response, both in terms of partnering with suppliers to preserve liquidity as well as sourcing for new product introduction.

## Steady-State Free Cash Flow

Our SSFCF calculation is an annual estimate of the range of unlevered free cash flow that we would have delivered in the prior fiscal year if we had not invested other than to maintain steady state. The difference between our actual unlevered free cash flow and our approximate estimates of SSFCF represents an approximate range estimate of the capital that we allocate to organic investments to grow our business beyond steady state or those that, in hindsight, were not needed to maintain our steady state.

The table below illustrates our calculation of the high and low ends of our approximate estimate of our likely range of SSFCF for the trailing-twelve-month period ended February 29, 2020.

| SSFCF Estimate ($ in Millions) - Most numbers in this table are only approximate | TTM Feb 2020 |
|---|---|
| **Adjusted free cash flow** | **$ 293** |
| Add back cash interest expense* | $ 67 |
| **Unlevered free cash flow (UFCF)** | **$ 360** |
| Adjustment for pro forma UFCF of M&A and non-controlling interests | $ (2) |
| Adjustment for pro forma UFCF of non-steady state working capital change | $ (7) |
| Adjustment for below steady-state costs not included in UFCF | $ (20) |
| Adjustment for pro forma impact of TTM February 2020 restructuring activity (primarily Vistaprint) | $ 5 |
| **Approximate pro-forma unlevered free cash flow normalized for the above items** | **$ 336** |
| Add back low estimate of investment not needed to maintain steady state | $ 119 |
| **Low estimate of Steady State Free Cash Flow** | **$ 455** |
| Add the increment between low and high estimates of investment not needed to maintain steady state | $ 30 |
| **High estimate of Steady State Free Cash Flow** | **$ 485** |

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

## Important Caveats Regarding Steady State Free Cash Flow

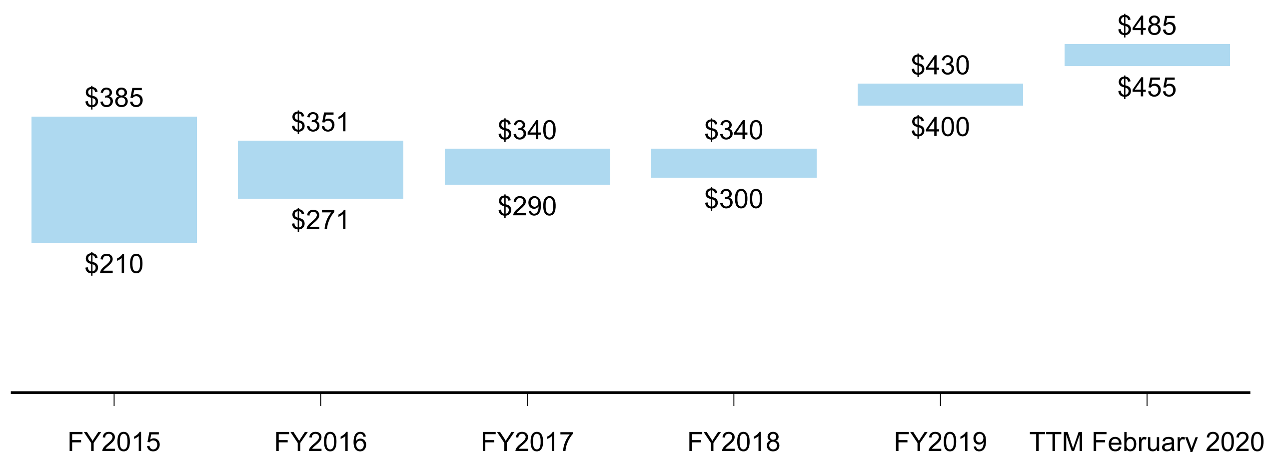
SSFCF is an output, not an input, to our capital allocation decision making. In other words, we do not use SSFCF to allocate capital. Rather, we use SSFCF as an important input to our estimates of the intrinsic value of Cimpress and as a performance metric that, over time and when adjusted for debt levels and share count, measures the impact of our past allocations of capital.

We believe that each year we have improved our understanding of, and confidence in, estimates of our investments necessary for maintaining steady state. We expect to continue to improve this analysis over time. We do not recast prior SSFCF estimates to reflect our improved understanding because we don't believe the effort of doing so would increase the value of Cimpress. Instead, we seek to be transparent, explicit and approximate: transparent about where changes to our estimate methodology occur, explicit about the lack of precision inherent in any calculation of SSFCF, and approximate by providing only ranges, not specific SSFCF estimates.

Investors occasionally ask if our removal of an estimated range of non-steady state organic investments in our steady-state analysis implies that these investments should be "ignored". We do not think so. Rather, we ask investors to understand these investments and to then make their own assessment of their value.

The graph below shows the trend in our SSFCF estimates over time, again using the trailing-twelve-month period ended in February 2020 to illustrate our progress prior to the pandemic.

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




The drivers of this improvement for the trailing-twelve-month period ended in February are a reduction in advertising spend previously assumed necessary for maintaining a steady state, improved use of data to ensure our offers resonate with customers and improve efficiency and profitability, incremental financial returns from the adoption of our mass customization platform, multiple years of organizational changes that have thinned out our operating cost structure, and the compounding of many small improvements in execution across our businesses.

As noted, we have not tried to estimate the above calculation for the full fiscal year to June because of the distortion and noise associated with the pandemic. Rather, we have internally discussed if, and if so why, the February estimated steady-state free cash flow remains intact despite the pandemic results. There are risks and unknowns at play here but, for the following reasons, we believe this to be true even though we don't know how long a full recovery will take.

- We have had to manage through multiple difficult economic periods several times in our 25-year history. In each of those historical examples, our belt tightening enabled us to maintain key investments despite a difficult macro environment, which allowed us to improve customer value delivery, lower cost structures, and set the stage for subsequent growth.

- The shock of the pandemic forced us to reduce our costs and to be very deliberate about where we left costs in place. While not a formal "zero based budgeting" exercise, we identified and chose significant costs that we could eliminate were we to never grow our revenue again.

- Following each economic downturn in our history, we benefited from a competitive landscape that accelerated the shift of demand from traditional suppliers to the mass customization paradigm where we excel because of the scale advantages we have not only relative to traditional suppliers, but also smaller online players as well. While in no way underestimating the near-term effort required or the impacts Cimpress will feel, we have the opportunity to ensure that this current situation yields a similar result.

- Our businesses have done well during past economic recessions, because we serve our customers with a fundamentally more competitive business model than the highly fragmented, sub-scale traditional competitors. Shelter-at-home experiences are making e-commerce and service-at-a-distance experiences like ours more mainstream. As we have done in past economic downturns, we have an opportunity to serve millions of individuals who take up self-employment or freelance roles.

- Our breadth and depth of products has served us better than competitors who focus on a narrower value proposition during this downturn, and it will help us optimize performance during the recovery. Throughout our

25-year history, people have predicted the demise of the business card. While we don't believe small businesses will stop using this simple and effective marketing tool, we have products and capabilities to pivot to if customer tastes change. Even before the pandemic, less than 20% of our total revenue was from the sale of business cards. That said, while the pandemic's negative impact on demand for business cards was one of the most significant of any product category with year-over-year declines in Vistaprint's business card bookings of over 70% in late March and early April, we've seen a recovery here as well with July bookings down about 14%.

- We have learned valuable insights and put our technology, data, and innovative team members to work in ways that will help us execute well and make good choices during the recovery. Importantly, we have learned what we can live without, and gathered even more confidence that we can improve the efficiency of our marketing spend as we diversify the channels and types of marketing we do.

## Summary & Conclusion

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

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

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

We provide below a table of historical values for the components of the formula and we encourage shareholders to make their own estimates. Note that the last column is the trailing twelve months ended February 29, 2020, just prior to Cimpress' results being heavily impacted by the pandemic other than pro forma net debt and weighted average diluted shares outstanding which are as of June 30, 2020.

| *in millions* | **FY2015** | **FY2016** | **FY2017** | **FY2018** | **FY2019** | **TTM Feb20*** |
|---|---|---|---|---|---|---|
| When we made this estimate | **July 2015** | **July 2016** | **July 2017** | **July 2018** | **July 2019** | **July 2020** |
| High estimate of SSFCF | $385 | $351 | $340 | $340 | $430 | $485 |
| Low estimate of SSFCF | $210 | $271 | $290 | $300 | $400 | $455 |
| Pro forma net debt* | $419 | $609 | $750 | $795 | $1,001 | $1,437 |
| Weighted average diluted shares outstanding** | 33.8 | 33.0 | 32.6 | 32.2 | 31.7 | 27.8 |

* Pro forma net debt and weighted average diluted shares outstanding in the TTM Feb20 column are as of June 30, 2020. Since it is a weighted average for the fiscal year, the weighted average diluted shares outstanding as of June 30, 2020 do not fully reflect the fiscal year 2020 repurchases. The number of actual shares outstanding on June 30, 2020 was 25.9 million. Total dilutive shares from options, RSUs and warrants was 1.3 million shares, although net dilution will be less.
**Please see details in net debt per share appendix.

In order to create economic value, net of our cost of capital, we need to grow the result of this equation at a compounded annual growth rate that is higher than our cost of capital. In my letter to you last year we said we believed that the fiscal year 2015 to fiscal year 2019 CAGR was in fact slightly below our 8.5% WACC. By using the estimates in the above table, you can see that the result of the above formula for the trailing-twelve-month period ended in February 2020 is significantly improved over fiscal year 2019 and very significantly improved over fiscal year 2018.

In summary, we are far from where we want to be, and clearly the pandemic has punched us hard in the stomach and diverted our progress and taken large amounts of cash out of our shareholder's pockets. But the TTM period to February demonstrated what we can do, and the resilience of our recovery from April to July speaks to the opportunity to regain our pre-pandemic momentum. In order to do so, we have asked the leaders throughout Cimpress to build recovery plans that have common themes: being clear about priorities; a continued focus on

executing well every day; seeking additional opportunities to reduce or control the growth of operating costs; maintaining investments key to future growth like customer experience, technology, data, product innovation and talent; using insights from recent challenges to accelerate the recovery; and ensuring team members are aligned and motivated to deliver on our chosen priorities. On August 5, 2020, we will host a virtual investor day, when we will discuss these topics and business examples in more detail.

I greatly value the partnership of our long-term shareholders and our debt holders. I am optimistic that together we will succeed in driving great value for customers, team members, society, and you who have entrusted your capital with us.

Sincerely,

Robert Keane
Founder, Chairman & CEO
Cimpress plc

July 29, 2020

## APPENDICES

### How We Think About Intrinsic Value Per Share

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

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

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

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

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

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

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

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

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

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

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

## Capital Allocation Approach

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

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

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

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

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

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

compensation vehicles directly link potential payout and its associated dilution to the equity returns that Cimpress delivers to long-term shareholders after such dilution.

## Organic Investments

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

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

To avoid complexity in the presentation and reconciliation of figures which we include in public documents, we describe these investments as a reduction to UFCF before tax effects and prior to working capital changes. However, internally, we endeavor to evaluate investment decisions based on our forecasts of discounted unlevered free cash flow, i.e., after both tax and changes to working capital.

## Acquisitions & Early-Stage Investments

### *Acquisitions of Established Businesses*

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

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

### *Early-Stage Investments*

For investments in nascent businesses, we typically use a 25% ROIC hurdle to reflect the materially higher risk associated with that allocation of capital. In the past, we have invested to build a portfolio of fast-growth, profitable businesses that, a decade into the future, contribute a significant portion of Cimpress' growth and which, at the portfolio level, net of inevitable failures, would have generated attractive ROIC on a magnitude that could "move the needle" of value creation at the Cimpress-wide level. We have noted in the past that we have failed spectacularly at that ambition and we have, as such, drastically reduced our early stage investments and do not expect to allocate significant capital to them any time soon.

## Share Repurchases & Issuance

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

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

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

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

## Debt Issuance & Repayment

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

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

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

## Net Debt per Share

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

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

| | FY2015 (June 30, 2015) | FY2016 (June 30, 2016) | FY2017 (June 30, 2017) | FY2018 (June 30, 2018) | FY2019 (June 30, 2019) | TTM Feb 2020 | FY2020 (June 30, 2020) |
|---|---|---|---|---|---|---|---|
| Total debt, excluding debt issuance costs | $523 | $686 | $883 | $839 | $1,036 | $1,537 | $1,482 |
| Cash and equivalents | $104 | $77 | $26 | $44 | $35 | $49 | $45 |
| Net debt, excluding debt issuance costs | $419 | $609 | $857 | $795 | $1,001 | $1,488 | $1,437 |
| Adjustment for proceeds from sale of Albumprinter* | | | $(107) | | | | |
| Pro-forma net debt | $419 | $609 | $750 | $795 | $1,001 | $1,488 | $1,437 |
| Weighted average diluted shares outstanding** | 33.8 | 33.0 | 32.6 | 32.2 | 31.7 | 29.5 | 27.8 |
| Pro-forma net debt per share | $12.40 | $18.45 | $23.01 | $24.69 | $31.58 | $50.44 | $51.74 |

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

## Non-GAAP Reconciliations

To supplement Cimpress' consolidated financial statements presented in accordance with U.S. generally accepted accounting principles, or GAAP, Cimpress has used the following measures defined as non-GAAP financial measures by Securities and Exchange Commission, or SEC, rules: adjusted EBITDA, adjusted free cash flow, unlevered free cash flow and trailing-twelve-month return on invested capital:

- Adjusted EBITDA is defined as operating income plus depreciation and amortization (excluding depreciation and amortization related to our Waltham, Massachusetts office lease) plus share-based compensation expense plus proceeds from insurance plus earn-out related charges plus certain impairments plus restructuring related charges plus realized gains or losses on currency derivatives less interest expense related to our Waltham, Massachusetts office lease less gain on purchase or sale of subsidiaries.
- Adjusted free cash flow is defined as net cash provided by operating activities less purchases of property, plant and equipment, purchases of intangible assets not related to acquisitions, and capitalization of software and website development costs, plus payment of contingent consideration in excess of acquisition-date fair value, plus gains on proceeds from insurance.
- Unlevered free cash flow is adjusted free cash flow before cash interest related to borrowing. Cash interest related to borrowing excludes the portion of cash interest expense expense related to our Waltham, Massachusetts office lease.
- Trailing-Twelve-Month Return on Invested Capital is adjusted net operating profit after tax (NOPAT) or adjusted NOPAT excluding share-based compensation, divided by debt plus redeemable noncontrolling interest plus shareholders' equity, less excess cash. Adjusted NOPAT is defined as adjusted EBITDA from above, plus depreciation and amortization (except depreciation related to Waltham lease and amortization of acquired intangibles), plus share-based compensation not related to investment consideration or restructuring, less cash taxes. Excess cash is cash and equivalents greater than 5% of last twelve month revenues and, if negative, is capped at zero. Leases have not been converted to debt for purposes of this calculation.

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

## Reconciliation of Non-GAAP Financial Measures

*Consolidated Adjusted EBITDA*
*Annual, in $ millions*

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | TTM Feb 20 | FY2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| GAAP operating income (loss) | $93.1 | $55.2 | $ 46.1 | $ 85.9 | $ 96.3 | $ 78.2 | $ (45.7) | $ 157.8 | $163.6 | $235.7 | $ 56.0 |
| Depreciation and amortization | $50.6 | $59.4 | $ 64.3 | $ 72.3 | $ 97.5 | $ 132.1 | $ 159.7 | $ 169.0 | $173.0 | $171.0 | $ 167.9 |
| Waltham, MA lease depreciation adjustment | $— | $— | $ — | | $ — | $ (3.4) | $ (4.1) | $ (4.1) | ($4.1) | ($1.4) | $ — |
| Share-based compensation expense | $21.7 | $25.4 | $ 32.9 | $ 27.8 | $ 24.1 | $ 23.8 | $ 42.4 | $ 49.1 | $18.3 | $25.5 | $ 33.3 |
| Proceeds from insurance | $— | $— | $ — | $ — | $ — | $ — | $ — | $ — | $— | $— | $ — |
| Interest expense associated with Waltham, MA lease | $— | $— | $ — | $ — | $ — | $ (6.3) | $ (7.7) | $ (7.5) | ($7.2) | ($2.4) | $ — |
| Earn-out related charges | $— | $— | $ — | $ 2.2 | $ 15.3 | $ 6.4 | $ 40.4 | $ 2.4 | $— | $— | $ (0.1) |
| Certain impairments and other adjustments | $— | $— | $ — | $ — | $ — | $ 41.8 | $ 9.6 | $ 2.9 | $10.7 | $10.9 | $ 104.6 |
| Gain on purchase or sale of subsidiaries | $— | $— | $ — | $ — | $ — | $ — | $ — | $ (47.9) | $— | $— | $ — |
| Restructuring related charges | $— | $— | $ — | $ — | $ 2.5 | $ 0.4 | $ 26.7 | $ 15.2 | $12.1 | $11.0 | $ 13.5 |
| Realized gains (losses) on currency derivatives not included in operating income | $— | $— | $ — | $ (7.0) | $ 7.5 | $ 5.9 | $ 16.5 | $ (11.4) | $20.3 | $26.6 | $ 24.5 |
| **Adjusted EBITDA[1,2]** | **$165.4** | **$140.0** | **$ 143.4** | **$ 181.1** | **$ 243.1** | **$ 282.8** | **$ 238.4** | **$ 326.1** | **$386.5** | **$477.0** | **$ 399.8** |

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

*Consolidated Free Cash Flow and Unlevered Free Cash Flow*
*Annual, in $ thousands*

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 |
|---|---|---|---|---|---|---|
| Net cash provided by operating activities | $165,149 | $146,749 | $141,808 | $153,739 | $242,022 | $247,358 |
| Purchases of property, plant and equipment | ($37,405) | ($46,420) | ($78,999) | ($72,122) | ($75,813) | ($80,435) |
| Purchases of intangible assets not related to acquisitions | ($205) | ($239) | ($750) | ($253) | ($250) | ($476) |
| Capitalization of software and website development costs | ($6,290) | ($5,463) | ($7,667) | ($9,749) | ($17,323) | ($26,324) |
| Payment of contingent consideration in excess of acquisition-date fair value | $— | $— | $— | $— | $8,055 | $8,613 |
| Proceeds from insurance related to investing activities | $— | $— | $— | $— | $— | $3,624 |
| **Adjusted free cash flow** | **$121,249** | **$94,627** | **$54,392** | **$71,615** | **$156,691** | **$152,360** |
| Plus: cash paid during the period for interest | $219 | $1,487 | $4,762 | $6,446 | $8,520 | $37,623 |
| Less: interest expense for Waltham lease | $— | $— | $— | $— | $— | ($6,287) |
| **Unlevered free cash flow** | **$121,468** | **$96,114** | **$59,154** | **$78,061** | **$165,211** | **$183,696** |

*Consolidated Free Cash Flow and Unlevered Free Cash Flow (continued)*
*Annual, in $ thousands*

| | FY2017 | FY2018 | FY2019 | TTM Feb 2020 | FY2020 |
|---|---|---|---|---|---|
| Net cash provided by operating activities | $156,736 | $192,332 | $331,095 | $395,292 | $338,444 |
| Purchases of property, plant and equipment | ($74,157) | ($60,930) | ($70,563) | ($51,795) | ($50,467) |
| Purchases of intangible assets not related to acquisitions | ($197) | ($308) | ($64) | ($42) | — |
| Capitalization of software and website development costs | ($37,307) | ($40,847) | ($48,652) | ($50,472) | ($43,992) |
| Payment of contingent consideration in excess of acquisition-date fair value | $— | 49,241 | $— | $— | $— |
| Proceeds from insurance related to investing activities | $— | — | $— | $— | $— |
| **Adjusted free cash flow** | **$45,075** | **$139,488** | **$211,816** | **$292,983** | **$243,985** |
| Plus: cash paid during the period for interest | $45,275 | $56,614 | $63,940 | $66,596 | $72,906 |
| Less: interest expense for Waltham lease | (7,727) | (7,489) | (7,236) | $— | $— |
| **Unlevered free cash flow** | **$82,623** | **$188,613** | **$268,520** | **$359,579** | **$316,891** |

*UFCF by Segment*
*Annual, in $ thousands*

| Vistaprint | FY2018 | FY2019 | TTM Feb 2020 | FY2020 |
|---|---|---|---|---|
| **Segment EBITDA** | **$ 309,783** | **$ 349,697** | **$ 414,615** | **$ 366,334** |
| Capital Expenditures | $ (35,998) | $ (32,820) | $ (18,981) | $ (15,986) |
| Capitalized Software | $ (23,457) | $ (23,369) | $ (21,083) | $ (18,381) |
| SBC expense treated as cash | $ 7,384 | $ 6,153 | $ 4,294 | $ 7,101 |
| Other Reconciling items[1] | $ (6,232) | $ 13,023 | $ (3,040) | $ 8 |
| **Unlevered free cash flow** | **$ 251,480** | **$ 312,684** | **$ 375,805** | **$ 339,076** |

| Upload & Print | FY2018 | FY2019 | TTM Feb 2020 | FY2020 |
|---|---|---|---|---|
| PrintBrothers Segment EBITDA | $ 41,129 | $ 43,474 | $ 51,096 | $ 39,373 |
| The Print Group Segment EBITDA | $ 63,529 | $ 63,997 | $ 66,871 | $ 51,606 |
| **Combined Upload & Print Segment EBITDA** | **$ 104,658** | **$ 107,471** | **$ 117,967** | **$ 90,979** |
| Capital Expenditures | $ (16,212) | $ (11,429) | $ (18,339) | $ (21,451) |
| Capitalized Software | $ (4,010) | $ (4,114) | $ (3,405) | $ (2,474) |
| U&P SBC expense treated as cash | $ 944 | $ 952 | $ 701 | $ 946 |
| Other Reconciling items[1] | $ (10,788) | $ (15,166) | $ (8,540) | $ (16,548) |
| **Combined Upload & Print unlevered free cash flow** | **$ 74,592** | **$ 77,714** | **$ 88,384** | **$ 51,452** |

*UFCF by Segment (continued)*
*Annual, in $ thousands*

| National Pen | FY2018 | FY2019 | TTM Feb 2020 | FY2020 |
|---|---|---|---|---|
| **Segment EBITDA** | **$ 29,438** | **$ 17,299** | **$ 23,403** | **$ 7,605** |
| Capital Expenditures | $ (6,565) | $ (8,346) | $ (4,518) | $ (5,016) |
| Capitalized Software | $ (1,482) | $ (3,624) | $ (3,866) | $ (3,290) |
| SBC expense treated as cash | $ 543 | $ 824 | $ 866 | $ 1,155 |
| Other Reconciling items[1] | $ 2,432 | $ 4,052 | $ 3,019 | $ (14,877) |
| **Unlevered free cash flow** | **$ 24,366** | **$ 10,205** | **$ 18,904** | **$ (14,423)** |

| All Other Businesses | FY2018 | FY2019 | TTM Feb 2020 | FY2020 |
|---|---|---|---|---|
| **Segment EBITDA** | **$ (10,603)** | **$ (6,317)** | **$ 8,189** | **$ 17,474** |
| *BuildASign Segment EBITDA* | *$ —* | *$ 15,986* | *$ 22,980* | *$ 28,670* |
| *Early-Stage Investments Segment EBITDA* | *$ (12,169)* | *$ (22,302)* | *$ (14,792)* | *$ (11,196)* |
| *Albumprinter Segment EBITDA[2]* | *$ 1,566* | *$ —* | *$ —* | *$ —* |

| BuildASign | FY2018 | FY2019 | TTM Feb 2020 | FY2020 |
|---|---|---|---|---|
| **Segment EBITDA** | **n/a** | **$ 15,986** | **$ 22,980** | **$ 28,670** |
| Capital Expenditures | n/a | $ (4,096) | $ (4,589) | $ (3,656) |
| Capitalized Software | n/a | $ (1,480) | $ (2,200) | $ (2,023) |
| SBC expense treated as cash | n/a | $ 267 | $ 383 | $ 622 |
| Other Reconciling items[1] | n/a | $ 2,823 | $ 516 | $ 8,055 |
| **Unlevered free cash flow** | **n/a** | **$ 13,499** | **$ 17,091** | **$ 31,668** |

| Early-Stage Investments | FY2018 | FY2019 | TTM Feb 2020 | FY2020 |
|---|---|---|---|---|
| **Segment EBITDA** | **$ (12,169)** | **$ (22,303)** | **$ (14,791)** | **$ (11,196)** |
| Capital Expenditures | $ (848) | $ (12,956) | $ (2,886) | $ (587) |
| Capitalized Software | $ (322) | $ (1,446) | $ (2,503) | $ (1,662) |
| SBC expense treated as cash | $ 109 | $ 234 | $ 233 | $ — |
| Other Reconciling items[1] | $ 385 | $ (4,145) | $ (8,289) | $ (894) |
| **Unlevered free cash flow** | **$ (12,846)** | **$ (40,616)** | **$ (28,236)** | **$ (14,338)** |

*[1] "Other reconciling items" potentially includes net working capital changes and estimated tax allocation.*
*[2] Albumprinter was divested on August 31, 2017.*

*Adjusted Return on Invested Capital ("ROIC") Trailing Twelve Months*
*Annual, in $ millions*

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | TTM Feb 2020 | FY2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Debt | $ — | $ 229 | $ 239 | $ 448 | $ 514 | $ 679 | $ 877 | $ 827 | $ 1,024 | $ 1,521 | $ 1,434 |
| Redeemable Noncontrolling Interest | $ — | $ — | $ — | $ 380 | $ 58 | $ 65 | $ 45 | $ 86 | $ 63 | $ 69 | $ 69 |
| Total Shareholder's Equity | $ 450 | $ 189 | $ 190 | $ 232 | $ 249 | $ 166 | $ 75 | $ 94 | $ 132 | $ (222) | $ (407) |
| Excess Cash[1] | $ — | $ 11 | $ — | $ — | $ 29 | $ — | $ — | $ — | $ — | $ — | $ — |
| Invested Capital[2] | $ 450 | $ 406 | $ 425 | $ 1,057 | $ 792 | $ 910 | $ 997 | $ 1,007 | $ 1,218 | $ 1,367 | $ 1,095 |
| Average Invested Captial[3] | $ 260 | $ 362 | $ 438 | $ 522 | $ 680 | $ 848 | $ 982 | $ 974 | $ 1,186 | $ 1,332 | $ 1,204 |

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 | FY2017 | FY2018 | FY2019 | TTM Feb 2020 | FY2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA[4] | $ 165 | $ 140 | $ 143 | $ 181 | $ 243 | $ 283 | $ 238 | $ 326 | $ 387 | $ 477 | $ 400 |
| Depreciation and amortization | $ (51) | $ (59) | $ (64) | $ (72) | $ (97) | $ (132) | $ (160) | $ (169) | $ (173) | $ (171) | $ (168) |
| Waltham, MA lease depreciation adjustment | $ — | $ — | $ — | $ — | $ — | $ 3 | $ 4 | $ 4 | $ 4 | $ (1) | $ — |
| Amortization of acquired intangibles | $ — | $ 6 | $ 10 | $ 12 | $ 24 | $ 41 | $ 46 | $ 50 | $ 53 | $ 53 | $ 52 |
| Share-based compensation ex. restructuring and investment consideration | $ (22) | $ (21) | $ (25) | $ (23) | $ (21) | $ (19) | $ (33) | $ (42) | $ (15) | $ (25) | $ (33) |
| Cash taxes paid in the current period | $ (4) | $ (7) | $ (14) | $ (18) | $ (14) | $ (20) | $ (49) | $ (32) | $ (26) | $ (23) | $ (14) |
| Adjusted NOPAT | $ 88 | $ 59 | $ 50 | $ 79 | $ 135 | $ 156 | $ 47 | $ 137 | $ 229 | $ 312 | $ 237 |
| Average Invested Capital (from above) | $ 260 | $ 362 | $ 438 | $ 522 | $ 680 | $ 848 | $ 982 | $ 974 | $ 1,186 | $ 1,332 | $ 1,204 |
| **TTM Adjusted ROIC** | **34%** | **16%** | **11%** | **15%** | **20%** | **18%** | **5%** | **14%** | **19%** | **23%** | **20%** |

*[1]Excess cash is cash and equivalents > 5% of last twelve month revenues; if negative, capped at zero.*
*[2,3]Average invested capital represents a four quarter average of total debt, redeemable noncontrolling interests and total shareholder equity, less excess cash.*
*[4]Adjusted EBITDA excludes all SBC. We show adjusted NOPAT for the purposes of the ROIC calculation including SBC not related to investment consideration and restructuring, and also without.*

*Net Cash (Debt)*
*Annual, in $ thousands*

| | FY2011 | FY2012 | FY2013 | FY2014 | FY2015 | FY2016 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | $236,552 | $62,203 | $50,065 | $62,508 | $103,584 | $77,426 |
| Less: Short-term debt | $ — | $ — | ($8,750) | ($37,575) | ($21,057) | ($21,717) |
| Less: Long-term debt | $ — | ($227,037) | ($227,037) | ($406,994) | ($493,039) | ($656,794) |
| Less: Debt issuance costs and debt discounts | $ — | ($1,963) | ($2,963) | ($3,490) | ($8,940) | ($7,386) |
| **Net cash (debt)** | **$236,552** | **($166,797)** | **($188,685)** | **($385,551)** | **($419,452)** | **($608,471)** |

| | FY2017 | FY2018 | FY2019 | TTM Feb 2020 | FY2020 |
|---|---|---|---|---|---|
| Cash and cash equivalents | $25,697 | $44,227 | $35,279 | $49,068 | $45,021 |
| Less: Short-term debt | ($28,926) | ($59,259) | ($81,277) | ($60,094) | ($17,933) |
| Less: Long-term debt | ($847,730) | ($767,585) | ($942,290) | ($1,460,438) | ($1,415,657) |
| Less: Debt issuance costs and debt discounts | ($5,922) | ($12,585) | ($12,018) | ($16,136) | ($48,587) |
| **Net cash (debt)** | **($856,881)** | **($795,202)** | **($1,000,306)** | **($1,487,599)** | **($1,437,156)** |

**About Cimpress**

Cimpress plc (Nasdaq: CMPR) invests in and builds customer-focused, entrepreneurial, mass customization businesses for the long term. Mass customization is a competitive strategy which seeks to produce goods and services to meet individual customer needs with near mass production efficiency. Cimpress businesses include BuildASign, Drukwerkdeal, Exaprint, National Pen, Pixartprinting, Printi, Vistaprint and WIRmachenDRUCK. To learn more, visit http://www.cimpress.com.

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**Risks Related to Our Business**

This investor letter contains statements about our future expectations, plans, and prospects of our business that constitute forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995, including but not limited to our expectations for the growth and development of our business, financial results, cash flows, and competitive position during and after the pandemic, including our expectations for recovery; our estimates and expectations relating to our unlevered free cash flow, share price, and intrinsic value per share; planned investments in our business and the expected effects of those investments; and our expected returns on share repurchases. Forward-looking projections and expectations are inherently uncertain, are based on assumptions and judgments by management, and may turn out to be wrong. Our actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including but not limited to flaws in the assumptions and judgments upon which our forecasts are based; the development, duration, and severity of the COVID-19 pandemic; our failure to anticipate and react to the effects of the pandemic on our customers, supply chain, markets, team members, and business; our inability to take the actions that we plan to take or the failure of those actions to achieve the results we expect; loss or unavailability of key personnel; our failure to execute our strategy; our inability to make the investments in our business that we plan to make or the failure of those investments to have the effects that we expect; our failure to manage the growth and complexity of our business; our failure to develop and deploy our mass customization platform or to realize the anticipated benefits of the platform; our failure to acquire new customers and enter new markets, retain our current customers, and sell more products to current and new customers; costs and disruptions caused by acquisitions and strategic investments; the failure of the businesses we acquire or invest in to perform as expected; the willingness of purchasers of customized products and services to shop online; unanticipated changes in our markets, customers, or business; competitive pressures; lour failure to maintain compliance with the covenants in our debt documents or to pay our debts when due; changes in the laws and regulations or in the interpretations of laws or regulations to which we are subject, including tax laws, or the institution of new laws or regulations that affect our business; general economic conditions; and other factors described in our Form 10-K for the fiscal year ended June 30, 2019, our Form 10-Q for the fiscal quarter ended March 31, 2020 and the other documents we periodically file with the U.S. Securities and Exchange Commission.

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