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 September 30, 2018

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.)**

Hudsonweg 8
5928 LW Venlo
The Netherlands
(Address of Principal Executive Offices) (Zip Code)
Registrant's telephone number, including area code: 31-77-850-7700
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Ordinary Shares, €0.01 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

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. Yes o No ☑

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

As of October 26, 2018, there were 30,909,207 Cimpress N.V. ordinary shares, par value **€**0.01 per share, outstanding.

CIMPRESS N.V.
QUARTRLY REPORT ON FORM 10-Q
For the Three Months Ended September 30, 2018

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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)

	September 30, 2018	June 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 48,068	$ 44,227
Accounts receivable, net of allowances of $7,164 and $6,898, respectively	63,131	55,621
Inventory	78,407	60,602
Prepaid expenses and other current assets	73,855	78,846
Total current assets	263,461	239,296
Property, plant and equipment, net	486,284	483,664
Software and website development costs, net	59,046	56,199
Deferred tax assets	68,364	67,087
Goodwill	547,109	520,843
Intangible assets, net	218,257	230,201
Other assets	58,598	54,927
Total assets	$ 1,701,119	$ 1,652,217
Liabilities, noncontrolling interests and shareholders’ equity		
Current liabilities:		
Accounts payable	$ 159,072	$ 152,436
Accrued expenses	196,017	186,661
Deferred revenue	30,204	27,697
Short-term debt	39,806	59,259
Other current liabilities	53,054	54,971
Total current liabilities	478,153	481,024
Deferred tax liabilities	49,109	51,243
Lease financing obligation	104,579	102,743
Long-term debt	823,836	767,585
Other liabilities	71,912	69,524
Total liabilities	1,527,589	1,472,119
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	91,426	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 30,893,727 and 30,876,193 shares outstanding, respectively	615	615
Treasury shares, at cost, 13,186,900 and 13,204,434 shares, respectively	(685,801)	(685,577)
Additional paid-in capital	403,005	395,682
Retained earnings	434,871	452,756
Accumulated other comprehensive loss	(70,586)	(69,814)
Total shareholders’ equity attributable to Cimpress N.V.	82,104	93,662
Noncontrolling interests (Note 11)	—	285
Total shareholders' equity	82,104	93,947
Total liabilities, noncontrolling interests and shareholders’ equity	$ 1,701,119	$ 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 September 30,	
	2018	2017
Revenue	$ 588,981	$ 563,284
Cost of revenue (1)	302,471	283,755
Technology and development expense (1)	57,063	62,103
Marketing and selling expense (1)	182,788	166,093
General and administrative expense (1)	41,176	38,778
Amortization of acquired intangible assets	11,301	12,633
Restructuring expense (1)	170	854
(Gain) on sale of subsidiaries	—	(47,545)
(Loss) income from operations	(5,988)	46,613
Other income (expense), net	10,252	(16,312)
Interest expense, net	(13,777)	(13,082)
(Loss) income before income taxes	(9,513)	17,219
Income tax expense (benefit)	5,481	(6,187)
Net (loss) income	(14,994)	23,406
Add: Net loss (income) attributable to noncontrolling interest	355	(43)
Net (loss) income attributable to Cimpress N.V.	$ (14,639)	$ 23,363
Basic net (loss) income per share attributable to Cimpress N.V.	$ (0.47)	$ 0.75
Diluted net (loss) income per share attributable to Cimpress N.V.	$ (0.47)	$ 0.72
Weighted average shares outstanding — basic	30,883,617	31,220,311
Weighted average shares outstanding — diluted	30,883,617	32,332,162

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

	Three Months Ended September 30,	
	2018	2017
Cost of revenue	$ 115	$ 40
Technology and development expense	2,208	1,856
Marketing and selling expense	1,363	985
General and administrative expense	5,230	3,928
Restructuring expense	—	103

See accompanying notes.

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

	Three Months Ended September 30,	
	2018	2017
Net (loss) income	$ (14,994)	$ 23,406
Other comprehensive (loss) income, net of tax:		
Foreign currency translation (losses) gains, net of hedges	(2,545)	27,307
Net unrealized gain (loss) on derivative instruments designated and qualifying as cash flow hedges	610	3,571
Amounts reclassified from accumulated other comprehensive loss to net (loss) income on derivative instruments	803	(2,764)
Comprehensive (loss) income	(16,126)	51,520
Add: Comprehensive loss (income) attributable to noncontrolling interests	715	(3,084)
Total comprehensive (loss) income attributable to Cimpress N.V.	$ (15,411)	$ 48,436

See accompanying notes.

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

	Three Months Ended September 30,	
	2018	**2017**
Operating activities		
Net (loss) income	$ (14,994)	$ 23,406
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	40,718	42,384
Share-based compensation expense	8,916	6,912
Deferred taxes	(3,963)	(16,589)
Gain on sale of subsidiaries	—	(47,545)
Change in contingent earn-out liability	—	827
Unrealized (gain) loss on derivatives not designated as hedging instruments included in net (loss) income	(5,766)	6,066
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency	(2,856)	8,386
Other non-cash items	745	23
Changes in operating assets and liabilities:		
Accounts receivable	(7,291)	(8,839)
Inventory	(11,316)	(8,985)
Prepaid expenses and other assets	783	(4,893)
Accounts payable	1,586	(1,621)
Accrued expenses and other liabilities	15,658	16,847
Net cash provided by operating activities	22,220	16,379
Investing activities		
Purchases of property, plant and equipment	(21,026)	(20,457)
Proceeds from the sale of subsidiaries, net of transaction costs and cash divested	—	93,779
Business acquisitions, net of cash acquired	(18,000)	(110)
Purchases of intangible assets	(22)	(24)
Capitalization of software and website development costs	(11,233)	(8,934)
Proceeds from the sale of assets	318	217
Other investing activities	395	(2,173)
Net cash (used in) provided by investing activities	(49,568)	62,298
Financing activities		
Proceeds from borrowings of debt	245,096	179,532
Payments of debt	(206,692)	(234,678)
Payments of debt issuance costs	(1,458)	(3,251)
Payments of withholding taxes in connection with equity awards	(1,766)	(1,190)
Payments of capital lease obligations	(4,182)	(4,658)
Purchase of ordinary shares	—	(40,674)
Proceeds from issuance of ordinary shares	—	6,070
Issuance of loans	—	(12,000)
Proceeds from sale of noncontrolling interest	—	35,390
Other financing activities	645	—
Net cash provided by (used in) financing activities	31,643	(75,459)
Effect of exchange rate changes on cash	(454)	1,843
Change in cash held for sale	—	12,042
Net increase in cash and cash equivalents	3,841	17,103
Cash and cash equivalents at beginning of period	44,227	25,697
Cash and cash equivalents at end of period	$ 48,068	$ 42,800

See accompanying notes.

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

	Three Months Ended September 30,	
	2018	**2017**
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 7,549	$ 8,430
Income taxes	5,449	5,369
Non-cash investing and financing activities:		
Capitalization of construction costs related to financing lease obligation	2,825	—
Property and equipment acquired under capital leases	3,565	—
Amounts accrued related to business acquisitions	5,832	50,904

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, 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 months ended September 30, 2018 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 months ended September 30, 2018 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 September 30, 2018			
Marketing and selling expense (1)	$ 182,788	$ (13,974)	$ 168,814
Income tax expense	5,481	2,792	8,273
Net loss	(14,994)	11,182	(3,812)
Consolidated Balance Sheet as of September 30, 2018			
Assets			
Prepaid expenses and other current assets	$ 73,855	$ 17,712	$ 91,567
Deferred tax assets	68,364	(1,436)	66,928
Liabilities and Shareholders' Equity			
Accrued expenses	$ 196,017	$ 1,356	$ 197,373
Deferred revenue	30,204	(103)	30,101
Retained earnings	434,871	14,817	449,688

(1) The current period adjustment to marketing and selling expense is the impact from National Pen's direct mail costs which resulted in $17,712 of expense that would have been capitalized within prepaid expense and other current assets as of September 30, 2018 under the previous revenue standard, partially offset by the cumulative effect adjustment recognized 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.

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. All other impacts during the current quarter 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 are transferred to the customer.

We recognize revenue upon shipment of the fulfilled orders, which generally occurs upon delivery to the shipping carrier, but for certain revenues 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 and 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 September 30, 2018.

We periodically provide marketing materials and promotional offers to new customers, as well as existing customers intended to improve customer retention. These incentive offers are generally available to all customers, and therefore these do not represent a performance obligation since customers are not required to enter into a contractual commitment to receive these offers. 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 ASU 2014-09 are included in Note 13.

Share-based compensation

Total share-based compensation costs were $8,916 and $6,912 for the three months ended September 30, 2018 and 2017, respectively. During the three months ended September 30, 2018, we recognized $1,894 of share-based compensation expense related to supplemental performance share units. As of September 30, 2018, we continue to deem the performance condition probable of being achieved and we have recognized $15,397 of expense cumulatively to date. If the performance condition is determined to not be probable in a future period, we will reverse the cumulative expense in that period. No expense was recognized for supplemental performance share units during the three months ended September 30, 2017.

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 income (expense), net in our consolidated statements of operations.

Other income (expense), net

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

	Three Months Ended September 30,	
	2018	2017
Gains (losses) on derivatives not designated as hedging instruments (1)	$ 7,373	$ (8,250)
Currency-related gains (losses), net (2)	2,097	(8,202)
Other gains	782	140
Total other income (expense), net	$ 10,252	$ (16,312)

(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 gains (losses), net for the three months ended September 30, 2018 and 2017 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 losses related to cross-currency swaps were $837 and $4,110 for the three months ended September 30, 2018 and 2017, respectively.

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

Basic net (loss) income per share attributable to Cimpress N.V. is computed by dividing net (loss) income attributable to Cimpress N.V. by the weighted-average number of ordinary shares outstanding for the respective period. Diluted net (loss) income 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 September 30,	
	2018	2017
Weighted average shares outstanding, basic	30,883,617	31,220,311
Weighted average shares issuable upon exercise/vesting of outstanding share options/RSUs/RSAs (1)	—	1,111,851
Shares used in computing diluted net (loss) income per share attributable to Cimpress N.V.	30,883,617	32,332,162
Weighted average anti-dilutive shares excluded from diluted net (loss) income per share attributable to Cimpress N.V.	1,122,905	9,163

(1) In the periods we report a net loss, 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, included $113,722 and $111,926 as of September 30, 2018 and June 30, 2018, respectively, related to the buildings. The financing lease obligation and deferred rent credit related to the building on our consolidated balance sheets was $117,148 and $115,312 as of September 30, 2018 and June 30, 2018, respectively. All additions during the current period were capitalized construction costs related to the Dallas facility.

Treasury Shares

Treasury shares are accounted for using the cost method and are included as a component of shareholders' equity. During the three months ended September 30, 2017, we repurchased 452,820 of our ordinary shares for a total cost of $40,674 inclusive of transaction costs, in connection with our publicly announced share repurchase programs. We did not repurchase any shares during the current period.

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 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 the Company 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 are currently evaluating the requirements of the standard and 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:

	September 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	$ 16,068	$ —	$ 16,068	$ —
Currency forward contracts	13,650	—	13,650	—
Currency option contracts	2,230	—	2,230	—
Total assets recorded at fair value	$ 31,948	$ —	$ 31,948	$ —
Liabilities				
Cross-currency swap contracts	$ (22,642)	$ —	$ (22,642)	$ —
Currency forward contracts	(11,501)	—	(11,501)	—
Currency option contracts	(29)	—	(29)	—
Total liabilities recorded at fair value	$ (34,172)	$ —	$ (34,172)	$ —

	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 September 30, 2018 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 September 30, 2018, 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 September 30, 2018 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 September 30, 2018 and June 30, 2018 the carrying value of our debt, excluding debt issuance costs and debt discounts, was $876,168 and $839,429, respectively, and the fair value was $882,562 and $847,520, respectively. Our debt at September 30, 2018 includes variable rate debt instruments indexed to LIBOR that resets periodically and 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 income (expense), 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 six of our interest rate swap contracts was deemed to be ineffective during the three months ended September 30, 2018 and during the three months ended September 30, 2017, a portion of two 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 September 30, 2018, we estimate that $1,526 of income will be reclassified from accumulated other comprehensive loss to interest expense during the twelve months ending September 30, 2019. As of September 30, 2018, we had nine 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 September 30, 2018	$	140,000
Contracts with a future start date		275,000
Total	$	415,000

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 September 30, 2018, 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 income (expense), net as interest payments are accrued or paid and upon remeasuring the intercompany loan. As of September 30, 2018, we estimate that $2,706 of income will be reclassified from accumulated other comprehensive loss to interest expense, net during the twelve months ending September 30, 2019.

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 September 30, 2018, we had two outstanding cross-currency swap contracts designated as net investment hedges with a total notional amount of $122,969, both maturing during April 2019. We entered into the two cross-currency swap contracts to hedge the risk of changes in the U.S. Dollar equivalent value of a portion of our net investment in a consolidated subsidiary that has the Euro as its functional currency. Amounts reported in accumulated other comprehensive loss are recognized as a component of our cumulative translation adjustment.

We did not hold any ineffective cross-currency swaps during the three months ended September 30, 2018 and 2017.

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 September 30, 2018, we had six currency forward contracts designated as net investment hedges with a total notional amount of $175,262, maturing during various dates through October 2022. 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 months ended September 30, 2018 and 2017, we have experienced volatility within other income (expense), 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 September 30, 2018, 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
$630,812	June 2017 through September 2018	Various dates through September 2020	528	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 September 30, 2018 and June 30, 2018. Our derivative asset and liability balances will fluctuate with interest rate and currency exchange rate volatility.

	September 30, 2018							
	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	$ 16,068	$ —	$ 16,068	Other current liabilities / other liabilities	$ —	$ —	$ —
Cross-currency swaps	Other current assets	—	—	—	Other current liabilities	(9,382)	—	(9,382)
Derivatives in net investment hedging relationships								
Cross-currency swaps	Other current assets	—	—	—	Other current liabilities	(13,260)	—	(13,260)
Currency forward contracts	Other non-current assets	—	—	—	Other current liabilities / other liabilities	(11,501)	—	(11,501)
Total derivatives designated as hedging instruments		$ 16,068	$ —	$ 16,068		$ (34,143)	$ —	$ (34,143)
Derivatives not designated as hedging instruments								
Currency forward contracts	Other current assets / other assets	$ 15,236	$ (1,586)	$ 13,650	Other current liabilities / other liabilities	$ —	$ —	$ —
Currency option contracts	Other current assets / other assets	2,230	—	2,230	Other current liabilities / other liabilities	(29)	—	(29)
Total derivatives not designated as hedging instruments		$ 17,466	$ (1,586)	$ 15,880		$ (29)	$ —	$ (29)

	June 30, 2018							
	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 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 months ended September 30, 2018 and 2017:

Derivatives in Hedging Relationships	**Amount of Gain (Loss) Recognized in Comprehensive Income (Loss) on Derivatives (Effective Portion)**	
	Three Months Ended September 30,	
	2018	**2017**
Derivatives in cash flow hedging relationships		
Interest rate swaps	$ 872	$ 63
Cross-currency swaps	(262)	3,508
Derivatives in net investment hedging relationships		
Cross-currency swaps	1,790	(5,124)
Currency forward contracts	1,886	(6,394)
	$ 4,286	$ (7,947)

The following table presents reclassifications out of accumulated other comprehensive loss for the three months ended September 30, 2018 and 2017:

Details about Accumulated Other Comprehensive Loss Components	Amount of Net Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income		Affected line item in the Statement of Operations
	Three Months Ended September 30,		
	2018	2017	
Derivatives in cash flow hedging relationships			
Interest rate swaps	$ (169)	$ 58	Interest expense, net
Cross-currency swaps	1,240	(3,747)	Other income (expense), net
Total before income tax	1,071	(3,689)	Income (loss) before income taxes
Income tax	(268)	925	Income tax expense (benefit)
Total	$ 803	$ (2,764)	

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 (Loss) Income		Location of Gain (Loss) Recognized in Income (Ineffective Portion)
	Three Months Ended September 30,		
	2018	2017	
Currency contracts	$ 7,373	$ (8,281)	Other income (expense), net
Interest rate swaps	204	31	Other income (expense), net
	$ 7,577	$ (8,250)	

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 $1,254 for the three months ended September 30, 2018:

	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 income (loss) before reclassifications	610	(2,185)	(1,575)
Amounts reclassified from accumulated other comprehensive loss to net (loss) income	803	—	803
Net current period other comprehensive income (loss)	1,413	(2,185)	(772)
Balance as of September 30, 2018	$ 9,608	$ (80,194)	$ (70,586)

(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 September 30, 2018 and June 30, 2018, the translation adjustment is inclusive of the effects of our net investment hedges, of which, unrealized losses of $18,339 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 September 30, 2018 and June 30, 2018 is 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)	—	2,024	—	26,198	28,222
Effect of currency translation adjustments (2)	187	(2,143)	—	—	(1,956)
Balance as of September 30, 2018	$ 146,394	$ 328,652	$ 34,434	$ 37,629	$ 547,109

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(1) Refer to Note 7 for additional details related to our investment in VIDA Group, Co. We also recognized goodwill related to an immaterial 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 months ended September 30, 2018 and 2017 was $11,301 and $12,633, respectively.

7. Business Combinations

Acquisition of VIDA Group Co.

On July 2, 2018, we acquired approximately 73% of the shares of VIDA Group Co. ("VIDA"), a rapidly growing 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 $19,846, 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 $26,198, $647, and $5,705, respectively.

The revenue and earnings included in our consolidated financial statements for the three months ended September 30, 2018 are not material. We utilized proceeds from our credit facility to finance the acquisition.

8. Other Balance Sheet Components

Accrued expenses included the following:

	September 30, 2018	June 30, 2018
Compensation costs	$ 50,901	$ 57,024
Income and indirect taxes	34,252	33,557
Advertising costs	25,452	28,140
Production costs	12,091	8,903
Shipping costs	8,267	5,241
Sales returns	5,336	5,076
Purchases of property, plant and equipment	3,375	4,489
Professional fees	3,254	3,802
Interest payable	8,812	1,653
Other	44,277	38,776
Total accrued expenses	$ 196,017	$ 186,661

Other current liabilities included the following:

	September 30, 2018	June 30, 2018
Short-term derivative liabilities	$ 26,878	$ 31,054
Current portion of lease financing obligation	12,569	12,569
Current portion of capital lease obligations	10,515	10,747
Other	3,092	601
Total other current liabilities	$ 53,054	$ 54,971

Other liabilities included the following:

	September 30, 2018	June 30, 2018
Long-term capital lease obligations	$ 17,095	$ 16,883
Long-term derivative liabilities	8,880	10,080
Mandatorily redeemable noncontrolling interest (1)	4,366	4,366
Other (2)	41,571	38,195
Total other liabilities	$ 71,912	$ 69,524

(1) Relates to the mandatorily redeemable noncontrolling interest of Printi LLC. Refer to Note 12 for additional details.
(2) As of September 30, 2018 and June 30, 2018, other liabilities includes $15,464, related to share-based compensation awards associated with our investment in Printi LLC. Refer to Note 12 for additional details.

9. Debt

	September 30, 2018	June 30, 2018
Senior secured credit facility	$ 470,434	$ 432,414
7.0% Senior unsecured notes due 2026	400,000	400,000
Other	5,734	7,015
Debt issuance costs and debt discounts	(12,526)	(12,585)
Total debt outstanding, net	863,642	826,844
Less: short-term debt (1)	39,806	59,259
Long-term debt	$ 823,836	$ 767,585

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(1) Balances as of September 30, 2018 and June 30, 2018 are inclusive of short-term debt issuance costs and debt discounts of $2,071 and $2,012, respectively.

Our Debt

Our various debt arrangements described below contain customary representations, warranties and events of default. As of September 30, 2018, we were in compliance with all financial and other covenants related to our debt.

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.

Senior Secured Credit Facility

As of September 30, 2018, we have a committed credit facility of $1,118,797 as follows:

- Revolving loans of $839,422 with a maturity date of June 14, 2023
- Term loans of $279,375 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 September 30, 2018, the weighted-average interest rate on outstanding borrowings was 3.93%, 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 several of our subsidiaries as collateral for our outstanding debt as of September 30, 2018.

Other debt

Other debt consists primarily of term loans acquired through our various acquisitions. As of September 30, 2018 and June 30, 2018 we had $5,734 and $7,015, respectively, outstanding for those obligations that are payable through September 2024.

10. Income Taxes

Our income tax expense was $5,481 for the three months ended September 30, 2018, as compared to a benefit of $6,187 for the same prior year period. The increase in tax expense from the prior year period is primarily due to a decrease in deferred tax assets of $5,574 recognized as a discrete adjustment in the three months ended September 30, 2018 as described below. Excluding the effect of this discrete tax adjustment, 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 August 21, 2018, the United States Internal Revenue Service ("IRS") issued Notice 2018-68 providing guidance regarding amendments to Section 162(m) of the Internal Revenue Code contained in the Tax Cuts and Jobs Act ("U.S. Tax Act"), which imposed limits on tax deductions for compensation granted to certain executives. The new guidance under Notice 2018-68 effectively narrowed the definition of compensation plans that could be accepted under the “grandfather” provisions of the new Section 162(m) rules. As a result of the new guidance, we recorded a tax charge of $5,574 during the three months ended September 30, 2018 related to the write-off of deferred tax assets associated with certain share-based compensation awards that are now deemed non-deductible. However, based upon our interpretation of the U.S. Tax Act, we continue to expect U.S. tax reform to be favorable to our cash taxes in the near term. Our tax balances were adjusted during the three months ended September 30, 2018 based upon our interpretation of the U.S. Tax Act, although the final impact on our tax balances may change due to the issuance of additional guidance, changes in our interpretation of the U.S. Tax Act, changes in our assumptions, and actions we may take as a result of the U.S. Tax Act. We will continue to review and assess the potential impact of any new information on our financial statement positions.

As of September 30, 2018, we had a liability for unrecognized tax benefits included in the balance sheet of $5,390, including accrued interest and penalties of $494. 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 $700 to $900 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 2015 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 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.

Redeemable noncontrolling interests

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 redeemable noncontrolling interest was recorded at its fair value as of the acquisition date and will be adjusted to its redemption value on a periodic basis, if that amount exceeds its fair value. 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 September 30, 2018, the redemption value is less than the carrying value and therefore no adjustment has been made. Refer to Note 7 for additional details.

On August 23, 2017, we sold approximately 12% of the outstanding shares of our WIRmachenDRUCK subsidiary for a total of €30,000 ($35,390 based on the exchange rate on the date we received the proceeds). The minority equity interest is considered a redeemable noncontrolling interest, as it is redeemable based on future financial results through put and call rights and not solely within our control. The noncontrolling interest was recorded at its fair value as of the sale date and will be adjusted to its redemption value on a periodic basis, with an offset to retained earnings, if that amount exceeds its carrying value. If the formulaic redemption value exceeds the fair value of the noncontrolling interest, then the accretion to redemption value will be offset to the net loss (income) attributable to noncontrolling interest in our consolidated statement of operations. As of September 30, 2018, the redemption value was less than the carrying value, and therefore no adjustment was required.

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, redeemable at a fixed amount of €39,000, was recorded at its fair value as of the acquisition date and will be adjusted to its redemption value on a periodic basis, if that amount exceeds its carrying value. As of September 30, 2018, 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)	5,705	—
Reclassification to redeemable noncontrolling interest (2)	308	(308)
Net loss attributable to noncontrolling interest	(349)	(6)
Foreign currency translation	(389)	29
Balance as of September 30, 2018	$ 91,426	$ —

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(1) Includes the noncontrolling interest related to our VIDA acquisition. 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.

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 and other geographies as Printi expands internationally in the future. The shareholders of Printi share profits and voting control on a pro-rata basis. While we do not manage the day-to-day operations of Printi, we do have the unilateral ability to exercise participating voting rights for specific transactions, and as such no one shareholder is considered to be the primary beneficiary. Based upon the level of equity investment at risk, Printi is considered a variable interest entity. Due to certain unilateral participating voting rights for certain transactions and the presence of a de facto agency relationship, we concluded that we were most exposed to the variability of the economics and therefore considered the primary beneficiary.

As of September 30, 2018, we have a 53.69% equity interest in Printi. In addition, we will acquire the remaining equity interest in Printi through a reciprocal put and call structure, exercisable from March 31, 2021 through a mandatory redemption date of July 31, 2023. As the remaining equity interests are mandatorily redeemable by all parties no later than a specified future date, the 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. As of September 30, 2018 and June 30, 2018, we recognized a liability of $4,366 at fair value, using an option pricing model. During the three months ended September 30, 2018 and 2017, we did not recognize any adjustments within interest expense, net. We will continue to 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.

We also have liability-based awards for Printi restricted stock held by Printi employees that are fully vested and marked to fair value each reporting period until cash settlement. As of September 30, 2018, through the use of an option pricing model, we estimated the current fair value of the restricted stock to be $15,464 and we have recognized $39 in general and administrative expense for the three months ended September 30, 2017 and we recognized no expense during the current period.

We also have an arrangement to lend two Printi equity holders up to $24,000 that is payable on the date the put or call option is exercised, which will occur no later than July 31, 2023. As of September 30, 2018 and June 30, 2018, the long-term loan receivable, including accrued interest, is $22,701 and $22,234, respectively, and classified within other assets in our consolidated balance sheets. The loans carry 8.5% annual interest, and are not contingent upon continued employment. We expect that the loan proceeds will be used to offset our purchase of the remaining noncontrolling interest in the future.

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 September 30, 2018, 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 the operations of our Printi, Vistaprint India, Vistaprint Japan, and Vistaprint Corporate Solutions businesses, as well as our operations in China, VIDA since its acquisition date of July 2, 2018, and Albumprinter through its divestiture on August 31, 2017. Printi is an online print business that operates primarily in the Brazil market, but is also expanding into the U.S. market. In Japan and India, we primarily operate under close derivatives of the Vistaprint business model and technology, albeit with decentralized, locally managed cross-functional operations in each country, and with product, content and service offerings which we tailor to the Japanese and Indian markets. VIDA provides 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. Our Vistaprint Corporate Solutions business serves medium-sized businesses and larger corporations, as well as our legacy business with retail partners and franchise businesses, primarily through the "Vistaprint Corporate" brand.

Central and corporate consists 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 Supervisory Board, 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 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 September 30,	
	2018	2017
Revenue:		
Vistaprint (1)	$ 336,929	$ 319,043
Upload and Print (2)	172,165	160,390
National Pen (3)	65,971	59,717
All Other Businesses (4)	18,888	28,054
Total segment revenue	593,953	567,204
Inter-segment eliminations	(4,972)	(3,920)
Total consolidated revenue	$ 588,981	$ 563,284

(1) Vistaprint segment revenues include inter-segment revenue of $2,716 and $2,203 for the three months ended September 30, 2018 and 2017.
(2) Upload and Print segment revenues include inter-segment revenue of $191 and $328 for the three months ended September 30, 2018 and 2017.
(3) National Pen segment revenues include inter-segment revenue of $750 and $446 for the three months ended September 30, 2018 and 2017.
(4) All Other Businesses segment revenues include inter-segment revenue of $1,315 and $943 for the three months ended September 30, 2018 and 2017. The All Other Businesses segment includes the revenue of the Albumprinter business during the three months ended September 30, 2017 until the sale completion date of August 31, 2017.

	Three Months Ended September 30, 2018				
	Vistaprint	Upload and Print	National Pen	All Other	Total
North America	$ 241,085	$ —	$ 38,558	$ 6,764	$ 286,407
Europe	75,999	171,974	21,036	671	269,680
Other	17,129	—	5,627	10,138	32,894
Inter-segment	2,716	191	750	1,315	4,972
Total segment revenue	336,929	172,165	65,971	18,888	593,953
Less: inter-segment elimination	(2,716)	(191)	(750)	(1,315)	(4,972)
Total external revenue	$ 334,213	$ 171,974	$ 65,221	$ 17,573	$ 588,981

	Three Months Ended September 30, 2017				
	Vistaprint	Upload and Print	National Pen	All Other	Total
North America	$ 222,812	$ 1,016	$ 35,001	$ 4,199	$ 263,028
Europe	76,195	159,046	19,459	13,157	267,857
Other	17,833	—	4,811	9,755	32,399
Inter-segment	2,203	328	446	943	3,920
Total segment revenue	319,043	160,390	59,717	28,054	567,204
Less: inter-segment elimination	(2,203)	(328)	(446)	(943)	(3,920)
Total external revenue	$ 316,840	$ 160,062	$ 59,271	$ 27,111	$ 563,284

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

	Three Months Ended September 30,	
	2018	2017
Segment profit (loss):		
Vistaprint	$ 47,264	$ 30,895
Upload and Print	16,179	14,768
National Pen (1)	(18,036)	1,185
All Other Businesses	(9,571)	(7,551)
Total segment profit	35,836	39,297
Central and corporate costs	(32,133)	(28,257)
Acquisition-related amortization and depreciation	(11,370)	(12,687)
Earn-out related charges (2)	—	(1,137)
Share-based compensation related to investment consideration	—	(40)
Restructuring-related charges	(170)	(854)
Interest expense for Waltham, MA lease	1,849	1,911
Gain on the purchase or sale of subsidiaries (3)	—	48,380
Total (loss) income from operations	(5,988)	46,613
Other income (expense), net	10,252	(16,312)
Interest expense, net	(13,777)	(13,082)
(Loss) income before income taxes	$ (9,513)	$ 17,219

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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. 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 the earlier recognition of direct mail advertising costs within our National Pen business, which had a negative impact on segment profit of $13,974 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 the gain on the sale of Albumprinter that was recognized in general and administrative expense in our consolidated statement of operations during the three months ended September 30, 2017.

	Three Months Ended September 30,	
	2018	2017
Depreciation and amortization:		
Vistaprint	$ 15,734	$ 16,774
Upload and Print	14,144	14,720
National Pen	5,124	5,095
All Other Businesses	2,170	2,287
Central and corporate costs	3,546	3,508
Total depreciation and amortization	$ 40,718	$ 42,384

	Three Months Ended September 30,	
	2018	2017
Purchases of property, plant and equipment:		
Vistaprint	$ 11,910	$ 13,664
Upload and Print	3,725	3,257
National Pen	4,727	2,490
All Other Businesses	431	671
Central and corporate costs	233	375
Total purchases of property, plant and equipment	$ 21,026	$ 20,457

	Three Months Ended September 30,	
	2018	2017
Capitalization of software and website development costs:		
Vistaprint	$ 6,782	$ 5,573
Upload and Print	782	774
National Pen	900	—
All Other Businesses	566	968
Central and corporate costs	2,203	1,619
Total capitalization of software and website development costs	$ 11,233	$ 8,934

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

	September 30, 2018	June 30, 2018
Long-lived assets (1):		
Netherlands	$ 109,180	$ 109,556
Canada	79,298	81,334
Switzerland	55,849	52,523
United States	53,931	45,709
Italy	43,147	42,514
Australia	22,115	22,418
Jamaica	22,415	21,720
France	23,131	20,131
Japan	18,137	19,117
Other	65,829	67,842
Total	$ 493,032	$ 482,864

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(1) Excludes goodwill of $547,109 and $520,843, intangible assets, net of $218,257 and $230,201, build-to-suit lease assets of $113,722 and $111,926, and deferred tax assets of $68,364 and $67,087 as of September 30, 2018 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 months ended September 30, 2018 and 2017 was $4,468 and $4,244, 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 September 30, 2018, is $31,850, net of accumulated depreciation of $36,090; the present value of lease installments not yet due included in other current liabilities and other liabilities in our consolidated balance sheet at September 30, 2018 amounts to $27,610.

Purchase Obligations

At September 30, 2018, we had unrecorded commitments under contract of $93,413, including inventory and third-party fulfillment purchase commitments of $32,543 and third-party web services of $17,594. In addition, we had purchase commitments for production and computer equipment purchases of approximately $7,848, commitments for advertising campaigns of $5,576, professional and consulting fees of $3,678, and other unrecorded purchase commitments of $26,174.

Other Obligations

We deferred payments related to our other acquisitions of $5,832 in aggregate. In addition, we have an outstanding installment obligation of $1,577 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 September 30, 2018.

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, and other related costs including third-party professional and outplacement services. During the three months ended September 30, 2018, we recognized restructuring charges of $170 related to changes in estimates from our 2018 restructuring actions and during the three months ended September 30, 2017 we recognized restructuring charges of $854 related to an initiative within our All Other Businesses reportable segment. We do not expect any material charges to be incurred in future periods related to each of these initiatives.

The following table summarizes the restructuring activity during the three months ended September 30, 2018 :

	Severance and Related Benefits	Other Restructuring Costs	Total
Accrued restructuring liability as of June 30, 2018	$ 1,385	$ 2	$ 1,387
Restructuring charges	170	—	170
Cash payments (1)	(1,229)	(2)	(1,231)
Accrued restructuring liability as of September 30, 2018	$ 326	$ —	$ 326

(1) Restructuring payments relate to the various restructuring initiatives that occurred during fiscal 2018.

16. Subsequent Events

On October 1, 2018, we completed the acquisition of Build A Sign LLC, a Delaware limited liability company ("BuildASign"). We acquired approximately 99% of the outstanding equity interests of BuildASign for a purchase price of $274,189 in cash, subject to post-closing adjustment based on acquired cash, debt, and working capital as of the closing date, as well as transaction expenses. 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, and Cimpress and the holders of the Management Pool interests entered into a put and call option agreement with respect to the retained BuildASign equity interests.

The acquisition supports our strategy of investing in and building customer-focused, entrepreneurial, mass customization businesses for the long term. BuildASign brings to Cimpress its 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. We believe BuildASign can leverage Cimpress' shared strategic capabilities to continue to grow and reinforce their market position in the categories they serve.

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 revenue growth rates and profitability of certain of our businesses, planned investments in our business and the expected effects of those investments, seasonality of certain of our businesses, the impacts of changes in accounting standards, the impact of the U.S. Tax Cuts and Jobs Act, the sufficiency of our tax reserves, sufficiency of our cash, legal proceedings, expected operating losses at newer businesses, expected allocations of capital, the 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, 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 September 30, 2018, 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. Vistaprint represents our Vistaprint websites focused on the North America, Europe, Australia and New Zealand markets, and our Webs business, which is managed with the Vistaprint digital business. Upload and Print includes the druck.at, Easyflyer, Exagroup, Pixartprinting, Printdeal, Tradeprint, and WIRmachenDRUCK businesses. National Pen includes the global operations of our National Pen business. All Other Businesses segment includes the operations of our Printi, Vistaprint India, Vistaprint Japan, and Vistaprint Corporate Solutions businesses, as well as our operations in China, VIDA since its acquisition date of July 2, 2018, and the Albumprinter business through its divestiture on August 31, 2017.

We present inter-segment fulfillment activity as revenue for the fulfilling business for purposes of measuring and reporting our segment financial performance. This change in presentation was driven by our recent transition to a decentralized organizational structure, and this presentation aligns with our internal reporting and the way in which our business' performance is evaluated.

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 months ended September 30, 2018 as compared to the three months ended September 30, 2017 follows:

- Revenue increased by 5% to $589.0 million.
- Consolidated constant-currency revenue (a non-GAAP financial measure) increased by 6% and, excluding acquisitions and divestitures completed in the last four quarters, increased by 8%.

- Operating income decreased by $52.6 million to an operating loss of $6.0 million.
- Adjusted net operating profit (a non-GAAP financial measure which we refer to as adjusted NOP) decreased by $5.1 million to $5.3 million.
- Cash provided by operating activities increased by $5.8 million to $22.2 million.
- Free cash flow (a non-GAAP financial measure) increased by $3.0 million to $(10.1) million.

For the first quarter of fiscal 2019, the increase in reported revenue is primarily due to continued growth in our Vistaprint, Upload and Print and National Pen businesses. This increase was partially offset by the loss of Albumprinter revenue as we divested this business during the first quarter of fiscal 2018. Each of our other businesses included within the All Other Businesses reportable segment continue to grow strongly off small bases. Currency exchange rate fluctuations negatively impacted revenue during the quarter.

Operating income decreased by $52.6 million to an operating loss of $6.0 million due primarily to the prior year gain on the sale of Albumprinter of $47.5 million, which did not recur during the current period, as well as negative impacts resulting from our adoption of the new revenue standard, which resulted in $14.0 million of additional net expense, related to the earlier recognition of costs for direct mail advertising in our National Pen business. Historically direct mailing 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 does not impact cash flows. As we adopted the new standard prospectively, the prior comparative period has not been adjusted to reflect these changes. Refer to Note 2 of the accompanying consolidated financial statements for additional details. These decreases were partially offset by incremental profits within our Vistaprint and Upload and Print businesses, due to the revenue growth described above, as well as cost efficiencies. In addition, our Vistaprint business recognized cost savings from the restructuring actions announced in November 2017.

Adjusted NOP decreased year over year primarily due to the same reasons as operating income mentioned above, although adjusted NOP excludes the impact of the gain from the purchase or sale of subsidiaries, 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 September 30, 2018.

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.

Total revenue and revenue growth by reportable segment for the three months ended September 30, 2018 and 2017 are shown in the following tables:

In thousands	Three Months Ended September 30,			Currency Impact:	Constant-Currency	Impact of Acquisitions/Divestitures:	Constant- Currency Revenue Growth
	2018	2017	% Change	(Favorable)/Unfavorable	Revenue Growth (1)	(Favorable)/Unfavorable	Excluding Acquisitions/Divestitures (2)
Vistaprint	$ 336,929	$ 319,043	6%	1%	7%	—%	7%
Upload and Print	172,165	160,390	7%	2%	9%	—%	9%
National Pen	65,971	59,717	10%	1%	11%	—%	11%
All Other Businesses (3)	18,888	28,054	(33)%	6%	(27)%	56%	29%
Inter-segment eliminations	(4,972)	(3,920)					
Total revenue	$ 588,981	$ 563,284	5%	1%	6%	2%	8%

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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 and VIDA revenue from its acquisition date of July 2, 2018. Constant-currency revenue growth excluding acquisitions/divestitures, excludes the revenue results for Albumprinter through the divestiture date and VIDA since its purchase 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 months ended September 30, 2018, compared to the prior year, primarily due to the divestiture of our Albumprinter business which had a higher gross margin than our consolidated gross margin percentage, as well as a lower gross margin percentage in our Vistaprint businesses, due to changes in product mix resulting from the introduction of new product offerings.

In thousands	Three Months Ended September 30,	
	2018	**2017**
Cost of revenue	$ 302,471	$ 283,755
% of revenue	*51.4%*	*50.4%*

For the three months ended September 30, 2018, cost of revenue for our Vistaprint business increased by $9.9 million primarily due to increased production volume, partially offset by favorable currency impacts. The cost of revenue for our Upload and Print businesses increased by $7.3 million primarily driven by revenue growth in our Pixartprinting, Printdeal and WIRmachenDRUCK businesses, partially offset by favorable currency impacts. We also recognized an increase of $4.5 million of costs within our National Pen business primarily due to revenue growth. These increases were partially offset by a decrease in cost of revenue of $3.8 million resulting from the divestiture of our Albumprinter business on August 31, 2017.

Consolidated Operating Expenses

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

In thousands	Three Months Ended September 30,		
	2018	2017	2018 vs. 2017
Technology and development expense	$ 57,063	$ 62,103	(8)%
% of revenue	*9.7%*	*11.0 %*	
Marketing and selling expense	$ 182,788	$ 166,093	10 %
% of revenue	*31.0%*	*29.5 %*	
General and administrative expense	$ 41,176	$ 38,778	6 %
% of revenue	*7.0%*	*6.9 %*	
Amortization of acquired intangible assets	$ 11,301	$ 12,633	(11)%
% of revenue	*1.9%*	*2.2 %*	
Restructuring expense	$ 170	$ 854	(80)%
% of revenue	*—%*	*0.2 %*	
(Gain) on sale of subsidiaries	$ —	$ (47,545)	— %
% of revenue	*—%*	*(8.4)%*	

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, legal settlements in connection with patent-related claims, 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 months ended September 30, 2018, technology and development expenses decreased by $5.0 million as compared to the prior year. The decrease was primarily due to cost savings realized in the Vistaprint business from our fiscal 2018 restructuring initiatives, as well as a decrease in costs of $1.6 million resulting from the divestiture of our Albumprinter business on August 31, 2017. This was partially offset by additional costs related to technology enhancements and investments throughout our businesses.

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 and National Pen 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 increased by $16.7 million during the three months ended September 30, 2018 as compared to the prior year, primarily driven by an increase of advertising costs within our National Pen business of $18.6 million. This increase is primarily due to the adoption of the new revenue standard, which resulted in the earlier recognition of direct mail costs of $14.0 million, as compared to the prior comparable period, as well as increased volume of customer acquisition marketing and typical fluctuations in the timing of mail campaigns. Refer to Note 2 of the accompanying consolidated financial statements for additional details. This increase was partially offset by lower costs of $4.6 million, due to the sale of our Albumprinter business on August 31, 2017, as well a decrease in internal marketing costs of $2.1 million within our Vistaprint business, as a result of savings from our fiscal 2018 restructuring initiatives.

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 months ended September 30, 2018, general and administrative expenses increased by $2.4 million as compared to the prior year primarily due to increases in share-based compensation expense of $1.3 million. The increases in share-based compensation expense is due to expense associated with our supplemental performance share units, for which we did not recognize expense in the prior comparable period. In addition, we recognized increases in professional fees, primarily related to our recent acquisition of VIDA during July 2018 and BuildASign during October 2018.

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 decreased by $1.3 million during the three months ended September 30, 2018, as compared to the prior comparable period, due to certain intangible assets within our Upload and Print reportable segment becoming fully amortized during the current quarter.

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 months ended September 30, 2018 and 2017, we recognized restructuring expense of $0.2 million and $0.9 million, respectively.

Gain on sale of subsidiaries

During the three months ended September 30, 2017, 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 income (expense), net

Other income (expense), 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 income (expense), net:

In thousands	Three Months Ended September 30,	
	2018	2017
Gains (losses) on derivatives not designated as hedging instruments	$ 7,373	$ (8,250)
Currency-related gains (losses), net	2,097	(8,202)
Other gains	782	140
Total other income (expense), net	$ 10,252	$ (16,312)

During the three months ended September 30, 2018, we recognized net gains of $10.3 million as compared to net losses during the prior comparable period. The increase in other income (expense), net 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 as 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 gains (losses), 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 adjustments to our mandatorily redeemable noncontrolling interests, which reflects changes to the estimated future redemption value.

Interest expense, net was $13.8 million and $13.1 million for the three months ended September 30, 2018 and 2017, respectively. Interest expense was higher this year relative to historical trends primarily as a result of higher interest rates, driven by 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 (benefit)

In thousands	Three Months Ended September 30,	
	2018	**2017**
Income tax expense (benefit)	$ 5,481	$ (6,187)
Effective tax rate	*(57.6)%*	*(35.9)%*

We had income tax expense for the three months ended September 30, 2018, as compared to a benefit for the same prior year period, primarily due to a decrease in deferred tax assets of $5.6 million recognized as a discrete adjustment in the three months ended September 30, 2018 as described below. Excluding the effect of this discrete tax adjustment, 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 August 21, 2018, the United States Internal Revenue Service issued Notice 2018-68 ("the Notice") providing guidance regarding amendments to Section 162(m) of the Internal Revenue Code contained in the Tax Cuts and Jobs Act ("U.S. Tax Act"), which limit tax deductions for compensation granted to certain executives. Historically, certain compensation awards issued to our top executives, such as stock options, were considered "performance based" as defined under Section 162(m) of the Internal Revenue Code and, therefore, were not subject to the annual $1 million deduction limitation per individual, as defined under prior law. The U.S. Tax Act eliminated the "performance-based" exception for these types of awards to the extent they were not "grandfathered" in and granted under a "written binding agreement" in effect on November 2, 2017. The Notice provides additional clarification as to what constitutes a written binding agreement. Based on the new guidance, we believe the performance share units (PSUs) that were issued to certain executives as of June 30, 2018 no longer meet the "grandfather" requirement and will ultimately be subject to the annual $1 million deduction limitation. This will negatively impact our GAAP and cash taxes in the year of payout (no earlier than fiscal 2022). As a result of this guidance, we recorded a tax charge of $5.6 million during the three months ended September 30, 2018 primarily related to the write-off of deferred tax assets associated with the non-deductibility of these PSUs. Our tax balances were adjusted during the three months ended September 30, 2018 based upon our interpretation of the U.S. Tax Act, although the final impact on our tax balances may change due to the issuance of additional guidance, changes in our interpretation of the U.S. Tax Act, changes in our assumptions, and actions we may take as a result of the U.S. Tax Act. We will continue to review and assess the potential impact of any new information on our financial statement positions.

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 September 30,		
	2018	2017	2018 vs. 2017
Reported Revenue	$ 336,929	$ 319,043	6%
Segment Profit	47,264	30,895	53%
% of revenue	*14%*	*10%*	

Segment Revenue

Vistaprint's reported revenue growth for the three months ended September 30, 2018 was negatively affected by currency impacts of 1%, resulting in constant-currency growth of 7%. The Vistaprint constant-currency revenue growth was due to continued growth in repeat customer bookings and was positively impacted by strategic initiatives, including new product and service introductions. These drivers of revenue growth, were partially offset by a decrease in new customer bookings in constant currencies due to marketing experimentation, increasing mobile traffic that negatively impacts conversion rates, and effects from the expanded roll out of a major technology change.

Segment Profitability

Vistaprint's segment profit increased for the three months ended September 30, 2018 as compared to the prior period, driven primarily by operating expense savings as a result of the reorganization announced in November 2017. In addition, segment profit increased as a result of the revenue growth described above, as well as positive impacts from lower advertising spend as a percentage of revenue. Our investments in new products and services positively impacted revenue, and we are seeing progress in improving the gross margin of these recently introduced products. In the current period, Vistaprint's segment profit was positively impacted by currency movements.

Upload and Print

In thousands	Three Months Ended September 30,		
	2018	2017	2018 vs. 2017
Reported Revenue	$ 172,165	$ 160,390	7%
Segment Profit	16,179	14,768	10%
% of revenue	*9%*	*9%*	

Segment Revenue

Upload and Print's reported revenue growth for the three months ended September 30, 2018 was negatively affected by currency impacts of 2%, resulting in constant-currency growth of 9%. The Upload and Print constant-currency revenue growth was primarily driven by continued growth from our Easyflyer, Pixartprinting, Printdeal and WIRmachenDRUCK businesses. During the first quarter of fiscal 2019, some of our businesses have continued to experience increased price-focused competition in certain markets and for certain products, as described last quarter. In some cases, our businesses responded by reducing prices during the quarter, which helped improve order volume but not revenue growth. We disclosed last quarter that this would create fluctuations in growth and profit, but we continue to believe we remain poised to outperform and outlast these competitors in the long term due to our geographic diversity, product selection, customer service, profitability and scale.

Segment Profitability

Upload and Print's segment profit for the three months ended September 30, 2018 increased compared to the prior year primarily due to incremental gross profits driven by the revenue growth described above and operating expense efficiencies in several businesses. These increases were partially offset by increased investments in technology, intended to improve the customer value proposition of each business in increasingly competitive markets, as well as negative impacts from currency movements.

National Pen

In thousands	Three Months Ended September 30,		
	2018	2017	2018 vs. 2017
Reported Revenue	$ 65,971	$ 59,717	10%
Segment (Loss) Profit	(18,036)	1,185	1,622%
% of revenue	*(27)%*	*2%*	

Segment Revenue

National Pen's reported revenue growth for the three months ended September 30, 2018 was negatively affected by currency impacts of 1%, resulting in constant-currency revenue growth of 11%. The constant-currency revenue growth was driven by increases across channels and geographies, as we have seen improved marketing performance, increased marketing and prospecting activities, and increased sales to other Cimpress businesses. Due to the seasonality of National Pen's business and growth patterns in fiscal 2018, we expect volatility in quarterly revenue growth in fiscal 2019.

Segment Profitability

Segment profit decreased $19.2 million for the three months ended September 30, 2018, primarily due to the adoption of 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 and application of the new standard resulted in a negative impact to National Pen's segment profit of $14.0 million as compared to the prior comparative period. This impact was the result of our National Pen business expensing direct mail costs earlier than was allowed under the prior accounting methodology. We expect the earlier recognition of costs to create volatility in National Pen's segment profitability for future periods and we expect a portion of the costs recognized earlier during the first quarter to result in increases to profitability for its seasonally strong second quarter. In addition, advertising expense increased due to higher volume of customer acquisition marketing based on attractive customer cohorts, as well as normal fluctuations in the timing of mail campaigns that resulted in higher advertising spend in the current quarter.

All Other Businesses

In thousands	Three Months Ended September 30,		
	2018	2017	2018 vs. 2017
Reported Revenue	$ 18,888	$ 28,054	(33)%
Segment Loss	(9,571)	(7,551)	(27)%
% of revenue	*(51)%*	*(27)%*	

This segment consists of multiple small, rapidly evolving early-stage businesses by 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. Our All Other Businesses segment includes VIDA results since the acquisition date of July 2, 2018 and Albumprinter results through the divestiture date of August 31, 2017.

Segment Revenue

The All Other Businesses segment revenue decline was caused by the divestiture of our Albumprinter business, which was completed on August 31, 2017. Organic constant-currency growth, excluding the impacts of the Albumprinter and VIDA businesses, was 29% for the three months ended September 30, 2018 driven by continued growth in the remaining businesses in the segment.

Segment Profitability

The segment loss increased by $2.0 million for the three months ended September 30, 2018, as compared to the prior period, primarily due to our first quarter fiscal 2018 divestiture of our Albumprinter business, which contributed $1.7 million of segment profit in the first quarter of fiscal 2018, and the inclusion of operating losses from our VIDA business acquired on July 2, 2018, partially offset by improved profit in our other businesses.

Liquidity and Capital Resources

Consolidated Statements of Cash Flows Data:

In thousands	Three Months Ended September 30,	
	2018	2017
Net cash provided by operating activities	$ 22,220	$ 16,379
Net cash (used in) provided by investing activities	(49,568)	62,298
Net cash provided by (used in) financing activities	31,643	(75,459)

At September 30, 2018, we had $48.1 million of cash and cash equivalents and $876.2 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 $274.2 million, which was funded via proceeds from our senior secured credit facility.

The cash flows during the three months ended September 30, 2018 related primarily to the following items:

Cash inflows:

- Adjustments for non-cash items of $37.8 million primarily related to positive adjustments for depreciation and amortization of $40.7 million, share-based compensation costs of $8.9 million, partially offset by unrealized currency-related gains of $8.6 million, and non-cash tax related items of $4.0 million

Cash outflows:

- Net loss of $15.0 million
- Capital expenditures of $21.0 million of which the majority related to the purchase of manufacturing and automation equipment for our production facilities, and computer and office equipment
- Payments of debt and debt issuance costs of $36.9 million, net of proceeds
- Internal costs for software and website development that we have capitalized of $11.2 million
- Payments for capital lease arrangements of $4.2 million
- Payments of withholding taxes in connection with share awards of $1.8 million
- Payments related to our recent restructuring actions was $1.2 million
- Excluding the impact of restructuring payments described above, the changes in operating assets and liabilities were a use of cash during the period, driven by increases in accounts receivable, as well as increases in inventory in preparation for our seasonally strong second quarter

Additional Liquidity and Capital Resources Information. During the three months ended September 30, 2018, we financed our operations and strategic investments through internally generated cash flows from operations and debt financing. As of September 30, 2018, 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 $30.2 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. On June 15, 2018, we completed a debt offering of $400.0 million in aggregate principal amount of 7.0% senior notes due 2026. We used a portion of the net proceeds of this offering to redeem the $275.0 million of senior notes due 2022 and fund the satisfaction of the indenture governing those notes. We used the remaining portion of the net proceeds to repay indebtedness outstanding under the credit facility and fund the payment of all related fees and expenses. Refer to Note 9 in the accompanying consolidated financial statements for additional details.

As of September 30, 2018, we had aggregate loan commitments from our senior secured credit facility totaling $1,118.8 million. The loan commitments consisted of revolving loans of $839.4 million and term loans of $279.4 million. We have other financial obligations that constitute additional indebtedness based on the definitions within the credit facility. As of September 30, 2018, the amount available for borrowing under our senior secured credit facility was as follows:

In thousands	September 30, 2018
Maximum aggregate available for borrowing	$ 1,118,797
Outstanding borrowings of senior secured credit facility	(470,434)
Remaining amount	648,363
Limitations to borrowing due to debt covenants and other obligations (1)	(84,516)
Amount available for borrowing as of September 30, 2018 (2)	$ 563,847

(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.

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 September 30, 2018, 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. As of September 30, 2018 we had $5.7 million outstanding for other debt payable through September 2024.

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 September 30, 2018 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	$ 76,896	$ 24,156	$ 31,798	$ 14,025	$ 6,917
Build-to-suit lease	93,539	12,569	25,139	22,912	32,919
Purchase commitments	93,413	81,192	12,221	—	—
Senior unsecured notes and interest payments	624,000	36,167	56,000	56,000	475,833
Other debt and interest payments (1)	548,102	60,482	105,617	381,762	241
Capital leases	28,167	11,749	11,404	2,892	2,122
Other	7,408	6,186	911	311	—
Total (2)	$ 1,471,525	$ 232,501	$ 243,090	$ 477,902	$ 518,032

(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 $1.3 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 $5.4 million as of September 30, 2018 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 $76.9 million. The terms of certain lease agreements require security deposits in the form of bank guarantees and letters of credit in the amount of $2.6 million.

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

Purchase Commitments. At September 30, 2018, we had unrecorded commitments under contract of $93.4 million. Purchase commitments consisted of third-party web services of $32.5 million, inventory purchase commitments of $7.8 million, production and computer equipment purchases of approximately $17.6 million, commitments for professional and consulting fees of $3.7 million, commitments for advertising campaigns of $5.6 million, and other unrecorded purchase commitments of $26.2 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 September 30, 2018, the term loans of $279.4 million outstanding under our credit agreement have repayments due on various dates through June 14, 2023, with the revolving loans outstanding of $191.0 million due on June 14, 2023. Interest payable included in this table is based on the interest rate as of September 30, 2018 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 fiscal 2015 acquisitions, and as of September 30, 2018 we had $5.7 million outstanding for those obligations that have repayments due on various dates through September 2024.

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 September 30, 2018, is $31.9

million, net of accumulated depreciation of $36.1 million. The present value of lease installments not yet due included in other current liabilities and other liabilities in our consolidated balance sheet at September 30, 2018 amounts to $27.6 million.

Other Obligations. Other obligations include deferred payments related to previous acquisitions of $5.8 million in the aggregate. We also have an installment obligation of $1.6 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 September 30, 2018.

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 months ended September 30, 2018 and 2017:

In thousands	Three Months Ended September 30,			
	2018		2017	
GAAP operating (loss) income (1)	$	(5,988)	$	46,613
Exclude expense (benefit) impact of:				
Acquisition-related amortization and depreciation		11,370		12,687
Earn-out related charges (2)		—		1,137
Share-based compensation related to investment consideration		—		40
Restructuring related charges		170		854
Less: Interest expense associated with Waltham, MA lease		(1,849)		(1,911)
Less: Gains on the purchase or sale of subsidiaries (3)		—		(48,380)
Include: Realized gains (losses) on certain currency derivatives not included in operating (loss) income		1,607		(634)
Adjusted NOP (1)	$	5,310	$	10,406

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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 results in the earlier recognition of direct mail advertising costs within our National Pen business, which had a negative impact on operating loss and adjusted NOP of $14.0 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 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 three months ended September 30, 2018.

The table below sets forth net cash provided by operating activities and free cash flow for the three months ended September 30, 2018 and 2017:

In thousands	Three Months Ended September 30,			
	2018		2017	
Net cash provided by operating activities	$	22,220	$	16,379
Purchases of property, plant and equipment		(21,026)		(20,457)
Purchases of intangible assets not related to acquisitions		(22)		(24)
Capitalization of software and website development costs		(11,233)		(8,934)
Free cash flow	$	(10,061)	$	(13,036)

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 September 30, 2018, 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 September 30, 2018, we had $470.4 million of variable-rate debt and $1.6 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 September 30, 2018, 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 $2.2 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 income (expense), net on the mark-to-market of outstanding contracts and (ii) realized gains and losses recognized in other income (expense), 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 income (expense), 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 income (expense), 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 $32.3 million and $45.3 million on our income before income taxes for the three months ended September 30, 2018 and 2017, 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 September 30, 2018. 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 September 30, 2018, 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 September 30, 2018 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 inefficiencies and 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 flows 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, 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 revenues 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 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;
- seasonality-driven or other variations in the demand for our products and services, in particular during our second fiscal quarter;
- currency and interest rate fluctuations, which affect our revenues, 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;
- 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; and
- 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 our mass customization platform or in realizing the anticipated benefits of the platform.

A key component of our strategy is the development of a mass customization platform. The process of developing new technology is complex, costly, and uncertain, and the development effort could be disruptive to our business and existing systems. We must make long-term investments, develop or obtain appropriate intellectual property, and commit significant resources before knowing whether our mass customization platform will be successful and make us more effective and competitive. As a result, there can be no assurance that we will successfully complete the development of the 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 develop and reach scale with a platform before we do, 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 have decentralized our organizational structure and operations. We expect to establish operations, acquire or invest in businesses, and sell our products and services in additional geographic regions, including emerging markets, where we may have limited or no experience. We may not be successful in all regions and markets 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 to manage our decentralized business and comply with our legal obligations;
- 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 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;
- corrupt business practices, such as bribery or the willful infringement of intellectual property rights, that may be common in some countries or in some sales channels and markets;
- 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; and
- 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 products to UK customers primarily from continental Europe. 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 revenues 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' confidential or personal information;
- cause interruptions in our operations; and
- 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 operational and compliance requirements that are different than those previously in place and also includes 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 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 non-controlling interests in our 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, earn-out provisions can lead to disputes with the sellers about the achievement of the earn-out performance targets, earn-out performance targets can sometimes create inadvertent incentives for the acquired company's management to take short-term actions designed to maximize the earn out instead of benefiting the business, and 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. We 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, the National Pen business we acquired in December 2016 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 would likely 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' reputation 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 revenues 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 continues to change as new e-commerce businesses are introduced and traditional “bricks and mortar” businesses establish an online presence. Competition may result in price pressure, 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 revenues, profitability, and results of operations. Many factors can significantly impact our pricing and marketing strategies, including the costs of running our business, 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 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 one or more of our key employees may significantly delay or prevent the achievement of our business objectives, and our failure to attract and retain suitably qualified individuals 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; and
- 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 September 30, 2018, our total debt was $876.2 million, made up of $400.0 million of senior notes, $470.4 million of loan obligations under our credit facility and $5.7 million of other debt. We had unused commitments of $646.1 million under our credit facility (after giving effect to letter of credit obligations).

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; and

- 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 September 30, 2018, 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 $2.4 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. 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.

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.

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 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.

Our inability to use or maintain domain names in each country or region where we currently or intend to do business could negatively impact our brands and our ability to sell our products and services in that country or region.

We may not be able to prevent third parties from acquiring domain names that use our brand names or other trademarks or that otherwise infringe or decrease the value of our trademarks and other proprietary rights. If we are unable to use or maintain a domain name in a particular country or region, then we could be forced to purchase the domain name from an entity that owns or controls it, which we may not be able to do on commercially acceptable terms or at all; we may incur significant additional expenses to develop a new brand to market our products within that country; or we may elect not to sell products in that country.

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.

We continue to assess the impact of the U.S. Tax Act and the Internal Revenue Service's interpretive guidance, and we have made significant judgments and assumptions in the interpretation of this Act and in our calculations of the provisional amounts reflected in our financial statements. As we continue to analyze the U.S. Tax Act and collect relevant information to complete our computations of the related impact, we may make adjustments to the provisional amounts that could materially affect our provision for income taxes in the period in which the adjustments are made, which could have a significant impact on our future operating results 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 management board and supervisory board or to overrule our supervisory board's nominees to our management board and supervisory board 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 management board or supervisory board 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 supervisory board or management board.

Our Articles and our internal corporate affairs are governed by Dutch law, and the rights of our shareholders and the responsibilities of our supervisory board and management board are different from those established under United States laws. For example, under Dutch law derivative lawsuits are generally not available, and our supervisory board and management board are 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 supervisory board or management 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 14, 2017, our Supervisory Board 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 share repurchase authorization expires on May 14, 2019, and we may suspend or discontinue our share repurchases at any time.

We did not repurchase any shares during the three months ended September 30, 2018, and 5,857,443 shares remain available for repurchase under this program, subject to certain limitations imposed by our debt covenants.

Item 6. *Exhibits*

Exhibit No.	Description
2.1	Agreement and Plan of Merger dated September 23, 2018 among Cimpress N.V., Cimpress USA Incorporated, Cimpress Acquisition, LLC, BAS Buyer, LLC, BAS NewCo, LLC, Build A Sign Management Pool, LLC, and Build A Sign LLC is incorporated by reference to Cimpress' Current Report on Form 8-K filed with the Securities and Exchange Commission on September 25, 2018.
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.

November 1, 2018 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: November 1, 2018

/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: November 1, 2018

/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 September 30, 2018 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: November 1, 2018

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

Date: November 1, 2018

/s/ Sean E. Quinn

Sean E. Quinn
Chief Financial Officer