



# Cimpress NV (NASDAQ: CMPR)

An Investment Case Study By Hayden Capital

March 27, 2016

# Disclaimer

---

*The information and statistical data contained herein have been obtained from sources, which we believe to be reliable, but in no way are warranted by us to accuracy or completeness. We do not undertake to advise you as to any change in figures or our views.*

*This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact.*

*The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. The securities discussed within do not represent all the securities purchased, sold or recommended for client accounts. There is no assurance that any securities discussed herein will continue to be held. It should not be assumed that any of the securities discussed were or will be profitable, or that the investments decisions Hayden makes in the future will be profitable.*

*Hayden Capital is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy, investment process, stock selection methodology and investor temperament. Our views and opinions include “forward-looking statements” which may or may not be accurate over the long term. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.*

*Clients should let Hayden Capital know if financial situations or investment objectives have changed or whether they prefer to place any reasonable restrictions on the management of their account(s) or modify any existing restrictions. All investments contain risk. You should carefully consider your risk tolerance, time horizon, and financial objectives before making investment decisions.*

*These materials shall not constitute an offer to sell or the solicitation of an offer to buy any interests in any account managed by Hayden Capital LLC (“Hayden Capital”) or any of its affiliates. Such an offer to sell or solicitation of an offer to buy will only be made pursuant to definitive subscription documents between Hayden Capital and an investor. We, any officer, or any member of their families, may have a position in and may from time to time purchase or sell any of the above mentioned or related securities.*

# Cimpress: A Leader In Mass Customization

Cimpress is a commercial printer, that aims to deliver custom-made products to small businesses at a fraction of the cost of mass produced products. Cimpress achieves this by aggregating orders from small businesses, leveraging technology to find the optimal production method, and spreading these orders across its large fixed cost base, thus, achieving economies of scale. As such, the company is able to deliver small-batches of custom products at a price previously achievable only with mass production. Cimpress operates via three segments: Vistaprint (template-driven), Upload & Print (design-sophisticated users), and Other.

With over 20 years of experience in the printing industry, Cimpress has been able to create a successful and profitable business model – one that's defended by 224 patents, \$1.3bn in capital investment and R&D, and superior economies of scale.

## Mass Customization

*Customer value proposition*



Source: CMPR 2015 Investor Day Presentation, [www.piworld.com](http://www.piworld.com)

## Cimpress' Platform At Work

*Windsor, Canada manufacturing facility*



# Industry Overview – Competition (Supply)

In the United States, commercial printing is a highly fragmented \$110BN industry, where the four largest printing companies make up less than 20% of industry revenue.

- Of this, the “quick printing” category (FedEx Office, local print shops, Cimpres, etc.) makes up only \$4BN or 3.6% of the total in the United States. The average printer revenue is only \$465K.
- We have estimated that Cimpres has ~18% share in this market (\$718M US revs).
  - Note: Cimpres has indicated that 40% of its micro-businesses are either Price Primary (PP) or Higher Expectation (HE) with an approximately equal split between the two. At an implied PP Total Addressable Market (TAM) of 20%, Cimpres has likely already saturated the PP market.

Cimpres states that the global addressable market (North America, Europe, New Zealand and Australia) is \$30BN.

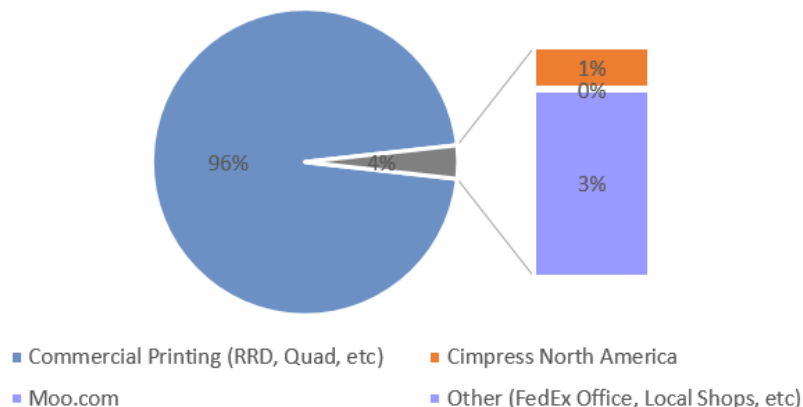
- At this current level, Cimpres would command 6% share in the markets that it operates in. Note though, the \$30BN figure likely includes some adjacent, non-quick print revenues.
- However, even at a more conservative \$14BN potential global market, Cimpres currently only has 12% market share. Keep in mind that this does not include other areas that the Upload & Print (U&P) subcategory could eventually enter.

## Four Groups of Competition:

- Large Commercial Printers: RR Donnelly, Quad/Graphics, Deluxe Corporation, Cenveo
- Office Supply Retailers: Staples, OfficeMax, FedEx Office
- Home Printing: Personal printers from HP, Brother, etc.
- Other E-Commerce Printers: Moo, Jukebox, GotPrint, Overnight Prints
- Local Print Shops

## US Printing Industry

*Market share, as % of total industry*



Source: US Census, IBISWorld.com, Company data, Hayden Capital estimates

# Industry Overview – Customers (Demand)

There are 145M people employed in the US, working for a total of 32.5M businesses. Although only 27% of employees work for Cimpres's target (small businesses with 1-10 employees), these micro businesses represent 96% of all firms in the US.

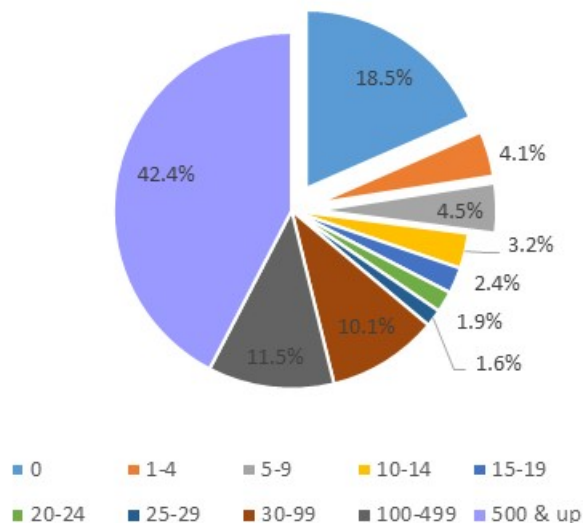
- Back Of Envelope Calculation: \$77 avg. annual bookings per customer x 1.7 customers per firm x 31.3M micro-businesses = \$4.1BN Potential Market. Cimpres's US revenues were \$718M.
- Customers have grown at just 4.9% annually (2012-15), with the majority from U&P acquisitions. This indicates that the US PP market may be saturated. As such, we expect further growth to come from entering the HE market as well as increasing average order values.

Future Growth Sources: 1) Capture larger marketing budget of higher value customers (HE, U&P), 2) International Growth.

- Europe has 2.3x the workforce of the US, and yet is 0.8x the size of Cimpres's US business. This is a >\$1.2BN opportunity.

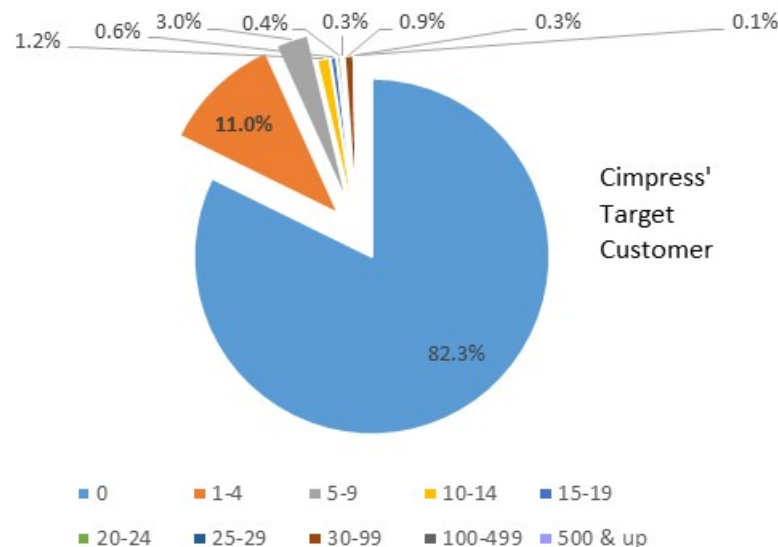
## Breakdown Of US Businesses

*% of total employees working in given firm size*



## Breakdown Of US Businesses

*% of total firms of given firm size*

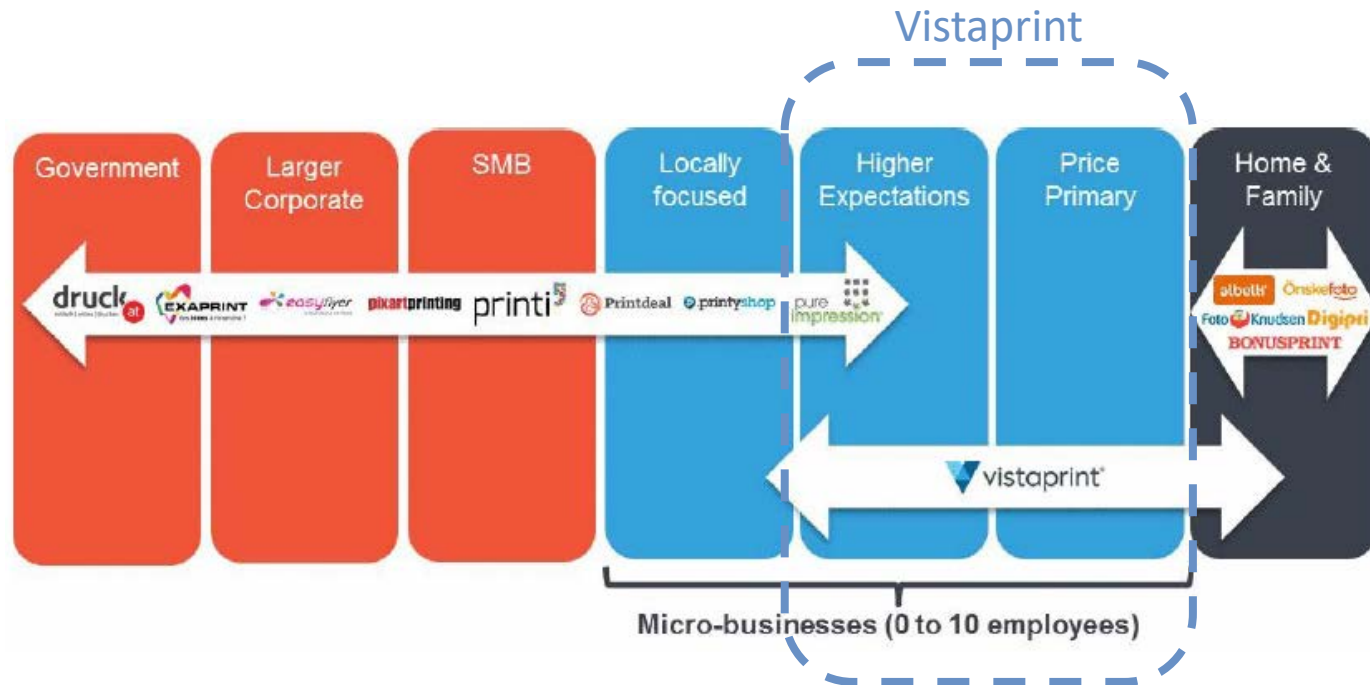


Source: US Census, Company data, Hayden Capital estimates

---

Vistaprint

# Vistaprint Segment



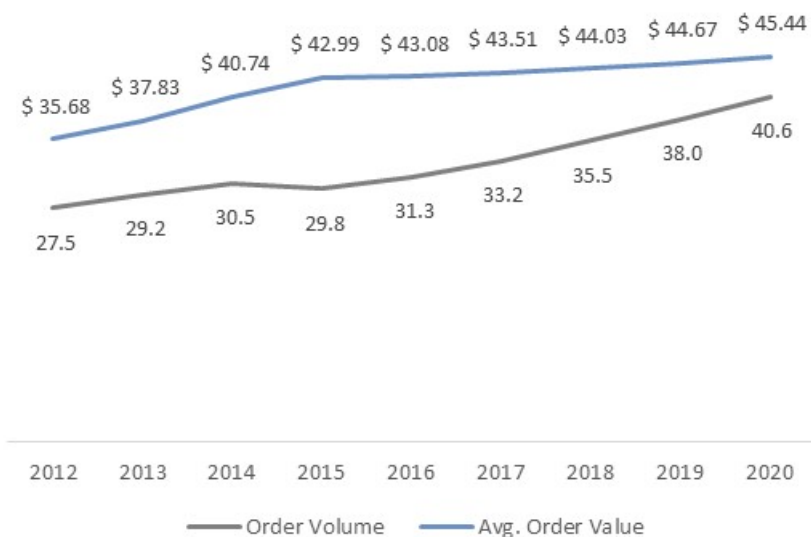
“Vistaprint is focused on our price primary and higher expectation customers which represent about 40% of the micro business market at large.” – CMPR 2015 Investor Day

**Business Overview:** Vistaprint provides marketing materials for individual consumers as well as micro-businesses. Its target customers tend to be less sophisticated, with low prices and ease of use as their primary considerations. Vistaprint centers around a template-driven model, which allows customers to create materials in an easy-to-design, more standardized format. Micro-businesses are defined as businesses with 1-10 employees, and are categorized into “price primary,” “higher expectations,” and “locally focused” segments.

- **% of Revenues:** 71.5% (2Q16)
- **Projected CAGR:** 8.2% (2016-20). Primarily from volume growth, as HE customers order more frequently.
- **Operating Brands:** Vistaprint (North America, Europe, Australia and New Zealand), and Webs.com

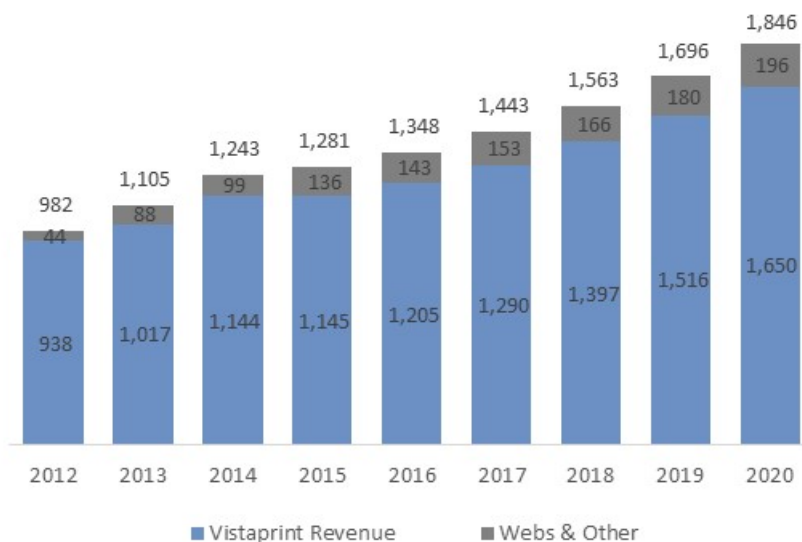
## Vistaprint Revenue Drivers

*\$ per order, volumes in millions*



## Vistaprint Revenues

*\$ in millions, excluding webs & other segments*



Source: Hayden Capital Estimates



# Customer Segmentation – Price Primary

**Price Primary:** This customer base selects products based primarily on price. This is the segment that Vistaprint (VPRT) has historically targeted.

- **Marketing:** Often incentivized to purchase through a promotional discounted direct marketing approach (“25% Off + Free Shipping Today ONLY”).
- **Competition:** Printing from a desktop or photocopier.
- **Business Strategy:** Price primary customers make up a large portion of Vistaprints’ target base, but these customers have the lowest per-customer annual spend (i.e., they compose the “High-Volume, Low-Value” segment of the business). The primary advantage of this segment is that the high volume of orders from these customers allow VPRT to gain scale advantages and spread fixed costs across a large base.
- **Growth:** 0-5% projected growth. Management believes that they have fully penetrated this segment. The goal is to maintain market share, for the purpose of scale benefits across other categories.
  - “Our goal for the Vistaprint brand is to re-center our target on higher expectations, but also widen our bull’s-eye to make sure that we do this without alienating the price primary customer as we move forward.” – CMPR 2015 Investor Day.

## Vistaprint’s 2012 Marketing Strategy

*As of January 24, 2012*



## Vistaprint’s New Marketing Strategy

*2015 Investor Day Transcript*

“But we are promoting in ways that are more logical to customers. 25% off or 40% off, not 80% off or Free... **we heard from customers that the discount approach... that we had before was creating questions about the quality of the products we were offering.** And so, we believe we are sending a stronger foundation.”

Source: askjohnremer.com, CMPR 2015 Investor Day Presentation

# Customer Segmentation – Higher Expectation

**Higher Expectation:** This customer base selects their suppliers based on a combination of value, supplier reputation, product quality and selection, customer service, price, and overall experience. They tend to have more sophisticated marketing needs.

- **Marketing:** Showcase quality, selection, and service of Cimpres' brands. Shift in marketing strategy to appeal to this group (see below).
- **Competition:** Moo.com, Local Print Shops
- **Business Strategy:** This segment is equally as large as the Price Primary group. However, HE customers spend 5x as much on printed marketing materials. Additionally, they have yet to take their spending online. These customers are hesitant to shift their order habits, as they want to have confidence that what they're buying is of high quality.
- **Growth:** 10 – 15% projected growth. If Cimpres successfully creates a value proposition that encourages the HE customer to purchase online, this will be a huge opportunity for Cimpres to gain market share of the higher-value customer.

## Cimpres' New Marketing Strategy

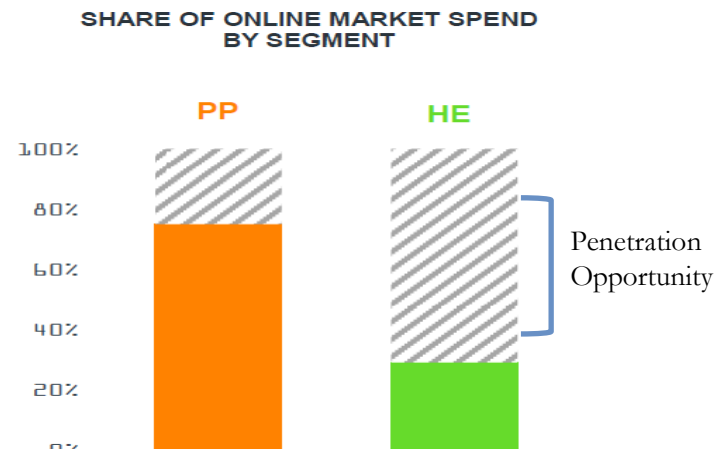
*"The Postcard" TV Commercial (click picture for video link)*



Source: Youtube.com, CMPR 2015 Investor Day Presentation

## Price Primary vs. Higher Expectation Online Spend

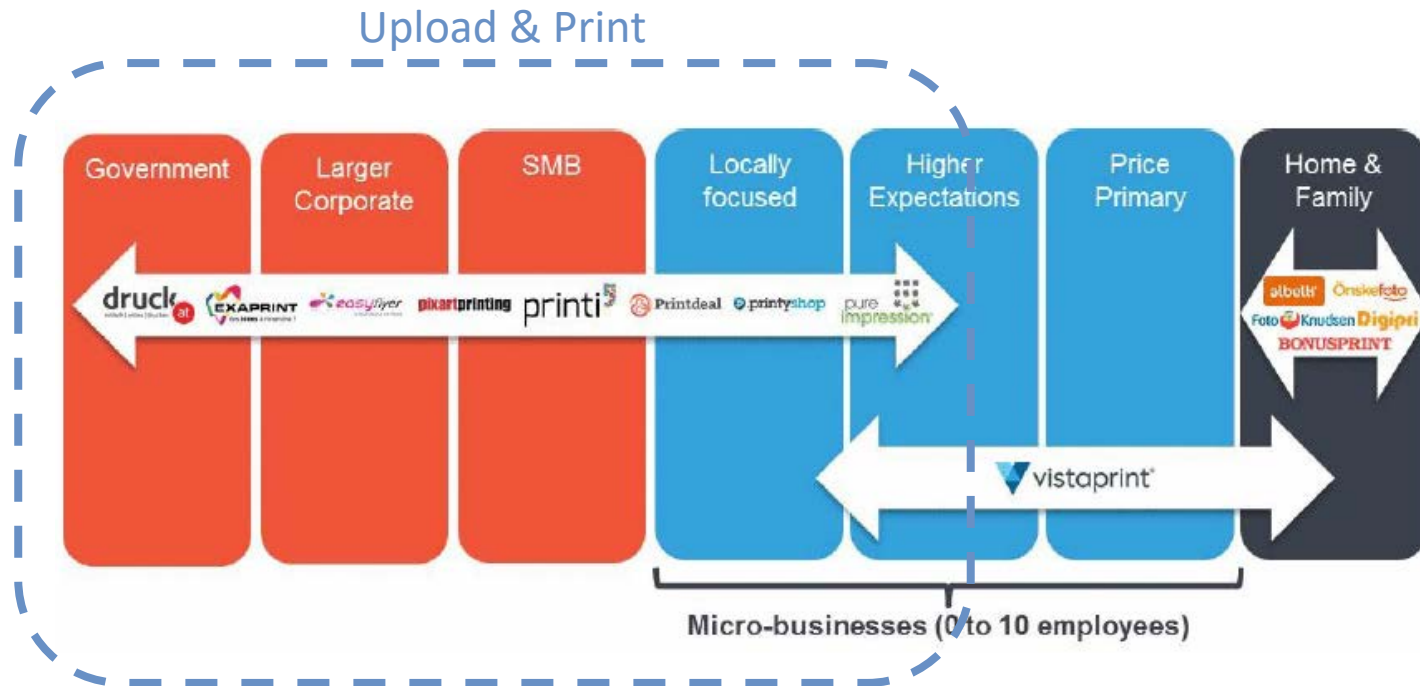
*% of marketing materials purchased online by customer segment*



---

# Upload & Print

# Upload & Print Segment



“[The Upload & Print market] cracks open the vast majority of the market who do not want to use templates... the market is really much bigger than the template driven approach.” – CMPR 2015 Investor Day

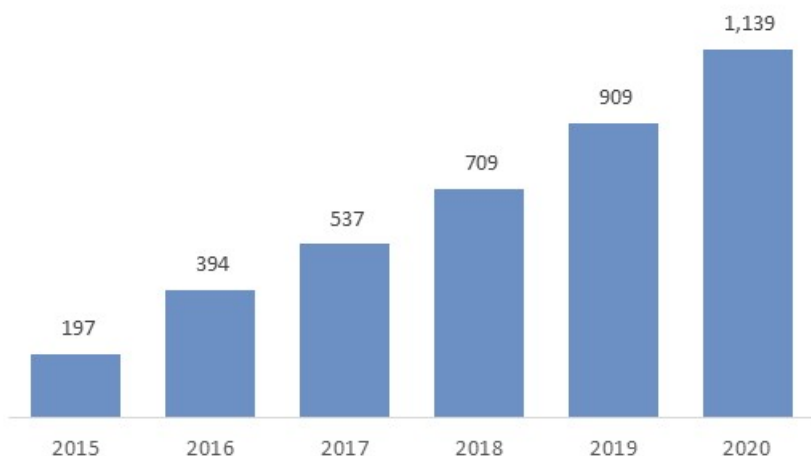
# Upload & Print

**Business Overview:** This segment serves customers who are more sophisticated and are able to create and manipulate designs in professional publishing and design programs, rather than rely on design templates (Vistaprint). This business serves the locally-focused segment, which is the largest and most fragmented segment of the micro-businesses. Customers often choose to work with graphic designers, agencies, resellers and local print shops to meet their needs. These customers want a robust interface that allows them more flexibility and a wider selection of options for customization. Customers can include local print shops, graphic designers, and graphically savvy employees at SMBs or larger corporations.

- **% of Revenues:** 18.8% (2Q16)
- **Projected CAGR:** 30.4% (2016-20)
- **Operating Brands:** druck.at, Exagroup, Easyflyer, Printdeal, Pixartprinting, Tradeprint

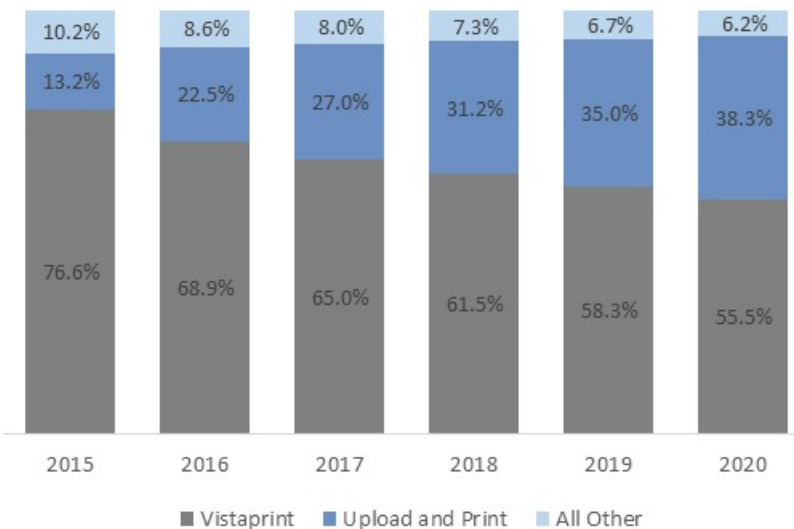
## Upload and Print Estimated Revenues

*\$ in millions*



## Projected Revenue Breakdown

*% of total revenues*



Source: Hayden Capital Estimates

# Upload & Print Acquisitions

**Buy vs. Build:** Acquisition strategy gives Cimpres access to thousands of fragmented customers across Europe. More importantly, these acquisitions bring the knowledge and experience of producing a large number of SKUs that Cimpres did not have. This expertise is especially important in growing Cimpres' HE business. HE customers want greater selection and customization capabilities, and the Upload & Print acquisitions allow Cimpres to better cater to these customers' needs.

- **SKU's:** Upload & Print acquisitions have increased the number of SKUs that Cimpres offers by 21x. In early 2014, Cimpres had 600 SKUs; that number has since grown to 38,000 (~13K from acquisitions and ~25K from new products).

## Synergies:

- + **Supply Chain Optimization:** Moving factories from high cost countries to lower cost factories operated by Cimpres' other brands.
- + **Cross-sell Products:** Each acquisition adds new SKUs previously unavailable to CMPR's brands, thus creating opportunities for greater cross-selling of products to an exponentially greater base of customers.
- + **COGS Synergies:** More Scale = Higher Negotiating Power With Suppliers = Cheaper COGS For All CMPR Brands.
- = **Attractive Purchase Price:** Headline average acquisition multiple is ~8x EV / EBITDA. Acquisitions are in Europe where the economic softness has provided better valuations.
  - Factoring in synergies, this brings the effective purchase price to 5-7x EV / EBITDA.
  - CMPR shares are currently trading at 11.6x EV / EBITDA, so deals are immediately accretive (private vs. public multiple arbitrage).

Acquisition	Date	Transaction Price	EV / Sales	EV / EBITDA	Previous Yr Revs	Previous Yr EBITDA	EBITDA Margin %
WIRmachenDRUCK	12/21/2015	€ 140.0			-	-	
Tradeprint / Alcione	7/31/2015	€ 25.0			-	-	
Druck.at	4/17/2015	€ 23.0	0.7x	5.8x	34	4	11.8%
Exagroup	4/15/2015	€ 131.0	1.7x	9.4x	76	14	18.4%
EasyFlyer	4/9/2015	€ 5.0			-	-	
Pixartprinting	4/3/2014	€ 128.0	2.3x	8.5x	56	15	26.8%
Printdeal	4/1/2014	€ 25.0	0.7x	8.3x	34	3	8.8%
<b>Average</b>		<b>€ 68.1</b>	<b>1.4x</b>	<b>8.0x</b>	<b>29</b>	<b>5</b>	<b>16.4%</b>

Source: Barclays, CMPR 2015 Investor Day

## Rest of World

Cimpress also has operations in emerging markets, including India, Japan, Brazil and China. These investments have a much longer payback period, and management views them as 10+ year investments with correspondingly higher return requirements.

### Target Markets:

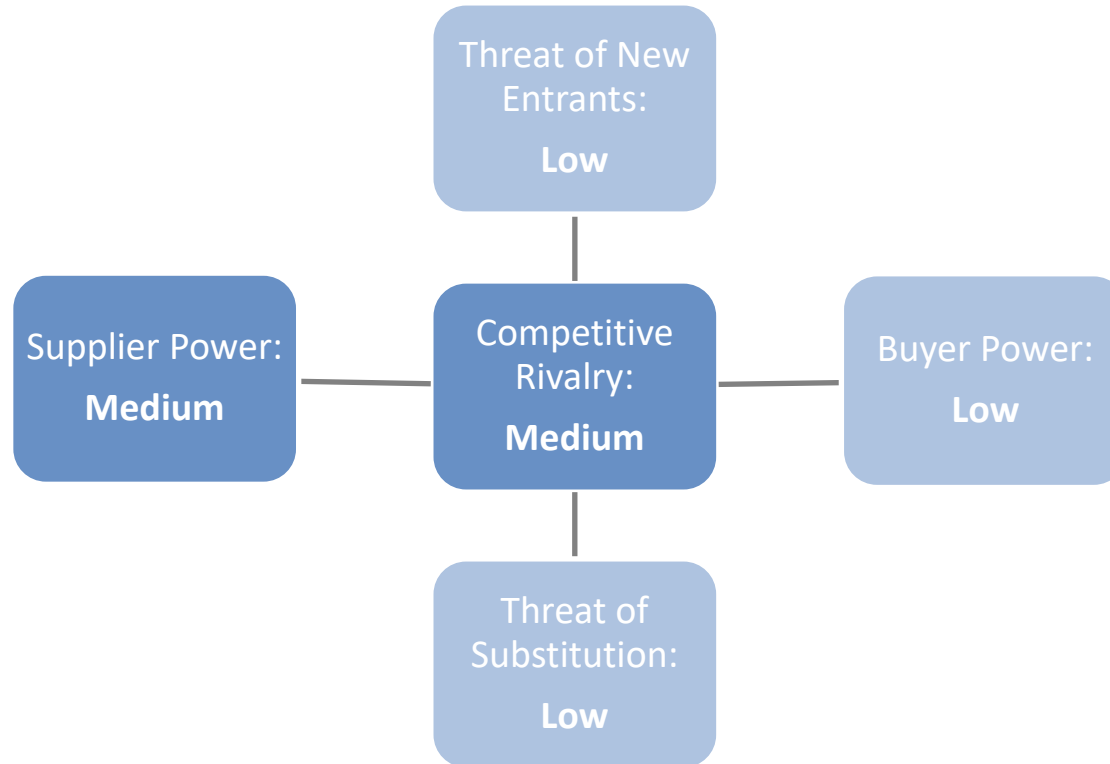
- **India (Vistaprint):** Targeting aspirational vs. traditional price-conscious customers. Hard to compete on price in the market, so aiming to position the business as high-quality, in terms of service, product quality, on-time delivery, etc.
- **Japan (Vistaprint, Digipri):** In addition to the traditional online business, also has a JV partnership (51% ownership) with Plaza Create who owns 600 retail locations. Japan is a high-service market, so having a retail presence allows customers to purchase, pick up, and return orders in-store, as well as make purchases online.
- **Brazil (Printi):** Partial ownership (49.99%) of Printi, an upload & print company. Pricing in Brazil is similar to that of North America and Europe, however, the cost structure is significantly lower. The business is growing 100%+ y/y.
- **China (Vistaprint):** This is Vistaprint's second foray into China (lost \$18M the first time in 2014 with a minority interest in "Namex"). It learned that foreign companies can't compete on price in China, so Cimpress is going to follow an "aspirational" positioning similar to the strategy in India this time around.
  - \$2M investment in 2016, and plan to go to market in 2017.

**Expected Returns:** 25%+ Target IRRs for emerging markets, with a 10 year time horizon.



## May The (Five) Forces Be With You...

---





# Cimpress' "Right To Win"

Cimpress' core competency is mass customization – being able to produce unique products, in small quantities, at low prices.

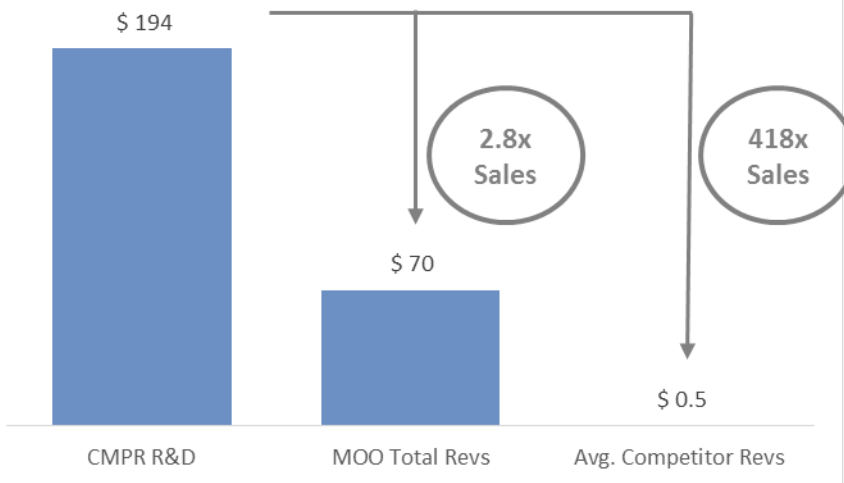
- Doing this requires significant investments in technology, supply chain management, and equipment.
- This is an Economics of Scale business, in which high fixed cost investments are only profitable in large volumes. The company that is first to market and has the most customers will command a substantial advantage. There is a “flywheel” effect.

Using R&D as an example, Cimpress spent \$194M in R&D when their top competitor (MOO.com) only generated \$70M in sales.

- Even if MOO spends 25% of revenues on R&D, this would equate to \$18M a year. How can it expect to catch up to Cimpress, who spends 10x that amount in a year? Cimpress has invested over \$1.3BN in R&D, far more than each of its competitors combined.
- Cimpress' ability to invest significantly in R&D is exemplified by its proprietary software and automated manufacturing process which allows it to produce 250 business cards using only 14 seconds of labor... compared to over 1 hour for traditional printers.

## CMPR's R&D Advantage

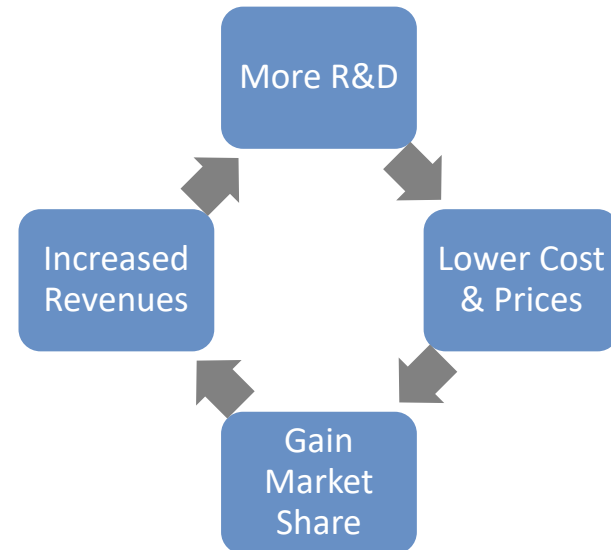
*\$ in millions, 2015 fiscal year*



Source: Hayden Capital Estimates

## The Flywheel

*CMPR's competitive advantage*



---

# The Numbers

# Refocusing On High Value Customers

**Problem:** Cimpres has saturated Vistaprint's addressable market of template and price-driven micro-businesses.

- **Solution:** Move up the value chain to Higher Expectation customers.

**Problem:** Higher Expectation customers want a greater selection of SKUs, more customization options, and better quality products.

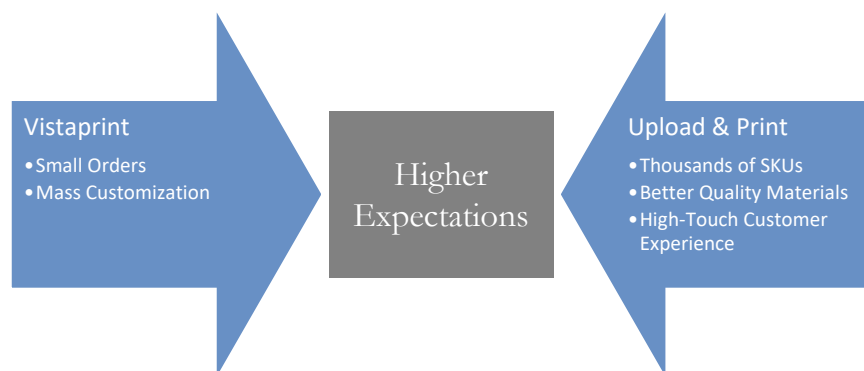
- **Solution:** Acquire Upload & Print businesses that possess expertise in these areas in order to break into the HE market. Additionally, have the opportunity to expand into two new, higher value markets at the same time (i.e. “killing two birds with one stone”).

**Outcome:** The strategy of focusing on Higher Expectation vs. Price Primary customers is working.

- Customers are sticking around for longer, as Cimpres targets the “higher-end” market. This can be seen in the steady increase in customer retention rates since 2014, when Cimpres began actively acquiring Upload & Print businesses.
- Customer acquisition is one of Cimpres' largest costs, so reducing churn is particularly of value.

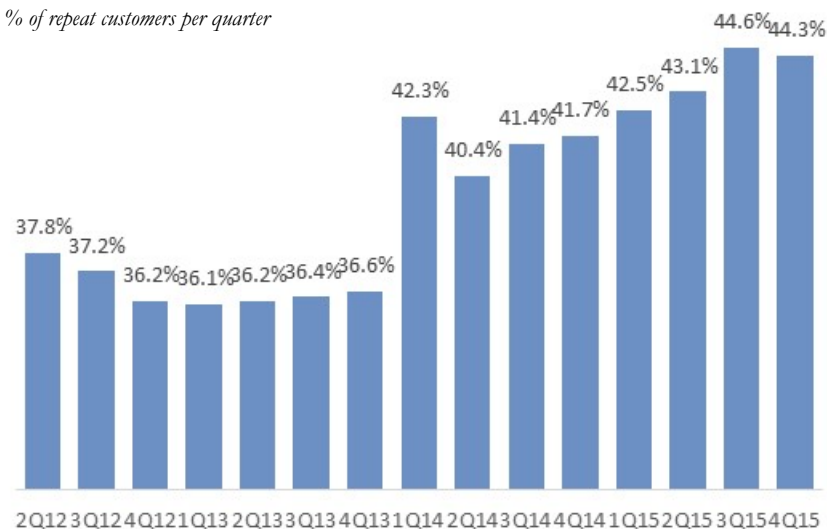
## CMPR's Strategy

*Value of each segment*



## Customer Retention

*% of repeat customers per quarter*



Source: Hayden Capital Estimates

# Vistaprint vs. Upload and Print

Over the last two years, Cimpres has made an aggressive push into Upload & Print. Acquisitions have exceeded €470M during this time period.

Why the shift to Upload & Print?

- Vistaprint has seemingly saturated their micro-business market, with growth slowing to the mid-single digits. It needs to move up the customer value chain, which is a more attractive market with wider margins and higher customer retention.
- Upload & Print has a much larger addressable market than that of Vistaprint's more template-driven segment. Graphic designers spend 10-30x more per year than Vistaprint's typical DIY consumer.
- Additionally, Upload & Print has almost double the margins of that of a Vistaprint customer due to a lower ad spend, which is slightly offset by higher COGS. However, Upload & Print customers demand greater customization capabilities and a wider range of SKUs, which will require additional investment.
- More Orders Per Customer + Higher Margins Per Order – Investment in SKUs and Customization = More Valuable Customers

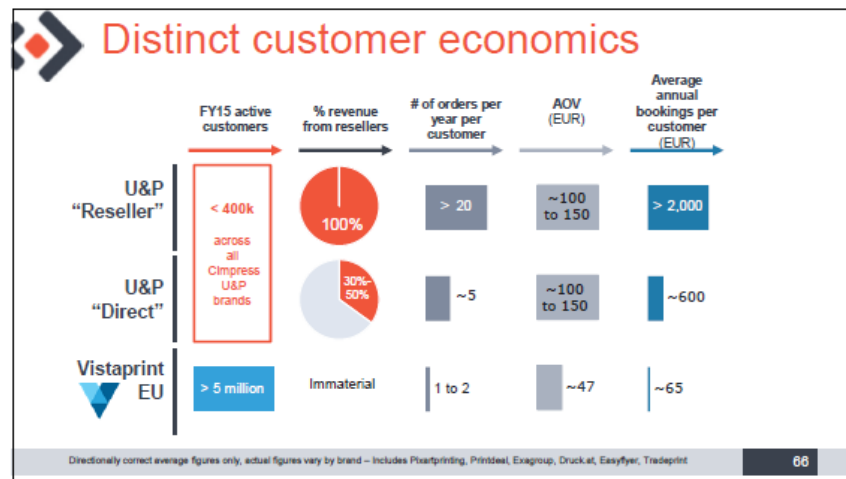
## Unit Economics

\$ per order; Hayden estimates

	Vistaprint	Upload & Print	Total CMPR
Avg. Order Value	\$ 39	\$ 110	\$ 43
- COGS	13	72	17
= Gross Profit	\$ 25	\$ 39	\$ 26
memo: Gross Margin %	65.7%	35.0%	61.0%
- Operating Expenses	14	22	14
- Advertising & Pay. Processing	9	6	9
= Operating Profit	\$ 2	\$ 11	\$ 3
memo: Op. Margin %	5.9%	10.0%	6.5%
memo: Segment Size, as % of Total Orders	94.0%	6.0%	100.0%

## Segment Economics

€



Source: Hayden Capital Estimates

**Robert Keane, CEO:**

Robert is the founder of Cimpress (formerly Vistaprint). Before starting the company in 1995, he was an external consultant to Microsoft, where he researched and advised on the graphic design and printing needs of small businesses in Europe. Robert graduated from Harvard College with a B.A. in Economics and a MBA from INSEAD.

- Age: 52
- Ownership: 9.5% of shares outstanding

**Sean Quinn, CFO:**

Sean is the CFO of Cimpress, and has responsibility for the company's accounting and control, FP&A, investor relations, tax, treasury and internal audit. He became CFO in November 2015, after the former CFO (Ernst Teunissen) left to join TripAdvisor as its CFO. Sean joined Cimpress in 2009 first as a Director in External Reporting & Accounting, then as VP of Global Controller in 2012, Chief Accounting Officer in 2014, and finally as CFO in November 2015. He previously worked at KPMG in Philadelphia, London, and Boston from 2001-09. Sean graduated from Saint Joseph's University with a B.S. in Accounting.

- Age: 36
- Ownership: 0.0% of shares outstanding

**Don Nelson, COO:**

Don is the COO of Cimpress and is responsible for executing the strategy behind the company's mass customization platform, as well as other operational functions. Don joined Cimpress in 2006, having served as Chief Information Officer and SVP of Capabilities Development, with specialties in automated manufacturing, dynamic marketing, optimized supply chain and logistics, state of the art call centers, web experience, technical infrastructure and operations, and strategic partnerships. Prior to joining Cimpress, Don was a software engineer and Chief Information Officer at Sapient (1993-2006). He graduated from Gordon College with a B.S. in Computer Science.

- Age: 47
- Ownership: 0.4% of shares outstanding

# A Rational Capital Allocation Policy...

Cimpress' management has outlined the following project return hurdles. As expected, longer payback and higher risk projects carry higher return hurdles.

- Advertising & Purchase of Capital Equipment: 10%
- Acquisitions, Technology, R&D, Mass Customization Platform: 15%
- “Rest Of World” segment (Expansions in Emerging Markets, Brazil, India, China, Japan): 25%
- All return hurdles significantly > WACC of 6.6% (Hayden) to 8.5% (mgmt. estimate).
  - The difference in WACC estimates is likely due to management using a long-term average risk-free rate, instead of the current risk-free rate based on the 10 year T-Bill.

**Customer Lifetime Value Model:** implies excellent return on existing advertising spend, and gives an example of the attractiveness of Cimpress' reinvestment opportunities. We prefer Cimpress to continue investing in these types of opportunities, rather than returning capital to shareholders. We believe doing so will create greater value for shareholders in the long-run.

## Customer Lifetime Value

\$, 4Q15 Data

	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10
AOV per Quarter	14.0	25.8	25.8	25.8	25.8	25.8	25.8	25.8	25.8	25.8
x Retention Rate (Cummulative)	100.0%	44.3%	19.6%	8.7%	3.9%	1.7%	0.8%	0.3%	0.1%	0.1%
= Adj. AOV per Quarter	14.0	11.4	5.1	2.2	1.0	0.4	0.2	0.1	0.0	0.0
- Cost of Goods	5.7	4.7	2.1	0.9	0.4	0.2	0.1	0.0	0.0	0.0
= Gross Profit	8.3	6.7	3.0	1.3	0.6	0.3	0.1	0.1	0.0	0.0
- Customer Acquisition Cost	12.8	-	-	-	-	-	-	-	-	-
= Operating Profit	(4.6)	6.7	3.0	1.3	0.6	0.3	0.1	0.1	0.0	0.0
x Tax Rate	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%	22.0%
= NOPAT	(\$ 3.57)	\$ 5.25	\$ 2.32	\$ 1.03	\$ 0.46	\$ 0.20	\$ 0.09	\$ 0.04	\$ 0.02	\$ 0.01
x WACC	10.0%									
= NPV	\$ 4.01									
/ Customer Acq Cost	12.8									
= Return on Advertising Spend	31.2%									

Source: Hayden Capital Estimates, Company Data

## ...Leads To Attractive ROICs

Historically strong capital allocation decisions, both organic and inorganic investments, have contributed to strong return on invested capital.

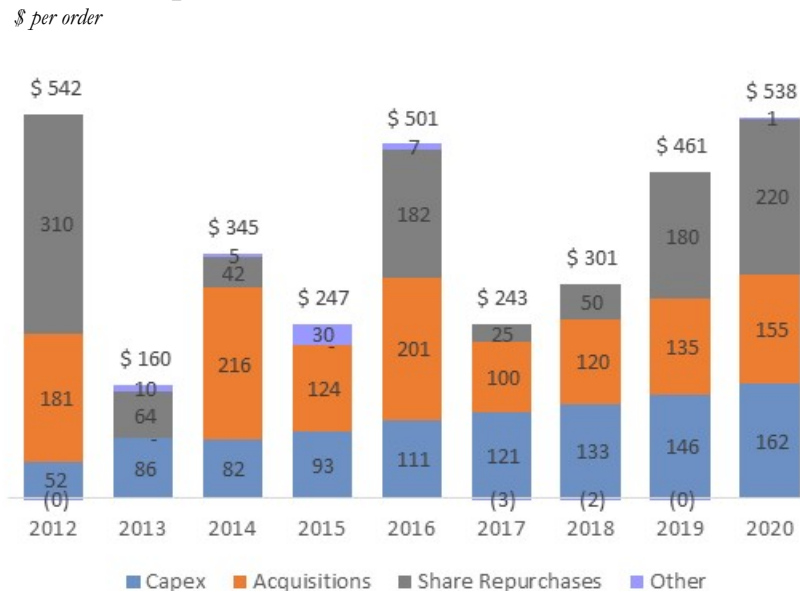
- + Organic Return Hurdles of 10-25%
- + Acquisition Yields of +16% (~6x EV / EBITDA post-synergies)
- = Historical ROIC's of 15-20%.

Underpenetrated market share of ~6-12% in the micro-business segment  
=  
Ample opportunities for future projects that generate ROICs of 10%+.

**ROIC By Year**



**Use Of Capital**



Source: Hayden Capital Estimates, Company Data

# Valuation – Steady State FCF

Two methods:

1. Steady-State FCF: Management claims that Cimpress' steady-state cash flow in 2015 was between \$210M and \$385M, depending on various definitions of discretionary spending.
  - The midpoint of this range is \$297M.
  - In a steady-state scenario of 1-3% growth (in line with GDP growth), we would be willing accept a 10% FCF / EV annuity stream.
  - **This equates to a value of \$92 / share.**

## CMPR's Steady State FCF Calc.

	Mgmt SS FCF
FCF	144
- PF M&A Adj	(14)
+ Major Organic Investments	80
<b>= Steady-state FCF - Low-End</b>	<b>\$ 210</b>
+ Diverse Organic Investments	175
<b>= Steady-state FCF - High-End</b>	<b>\$ 385</b>

## Steady State FCF Valuation

	Steady-state FCF Low End	Steady-state FCF Mid Point	Steady-state FCF High End
Steady - state FCF	210	297	385
x P / FCF Multiple	10.0x	10.0x	10.0x
= Implied Mkt Cap	2,096	2,971	3,846
/ SHOUT	32	32	32
<b>= Value Per Share</b>	<b>\$ 65</b>	<b>\$ 92</b>	<b>\$ 119</b>
<i>memo: Upside / (Downside)</i>	<i>(25.5%)</i>	<i>5.6%</i>	<i>36.6%</i>

Source: Hayden Capital Estimates, Company Data



# Valuation – Discounted Cash Flow

2. **DCF Valuation:** We assume a 2016-20 revenue CAGR of 14.2%, which translates to an Unlevered FCF (UFCF) CAGR of 15.0%. UFCF of \$138M in 2016E should grow to \$241M by 2020E.
- Importantly, our model assumes ~\$535M of acquisitions of Upload & Print businesses as Cimpress expands more into this segment. Our model assumes a 2016-20 revenue CAGR in Upload & Print of 30.4%, with about half coming from organic growth. This is a very conservative estimate compared to an *organic* growth rate of 31% in the latest quarter, and a constant currency growth rate including acquisitions of 128%.
  - At a WACC of 6.6% and terminal growth rate of 1.5%, we derive a **DCF valuation of \$137 / share**. If management continues its history of accretive M&A, it will significantly contribute to the upside.

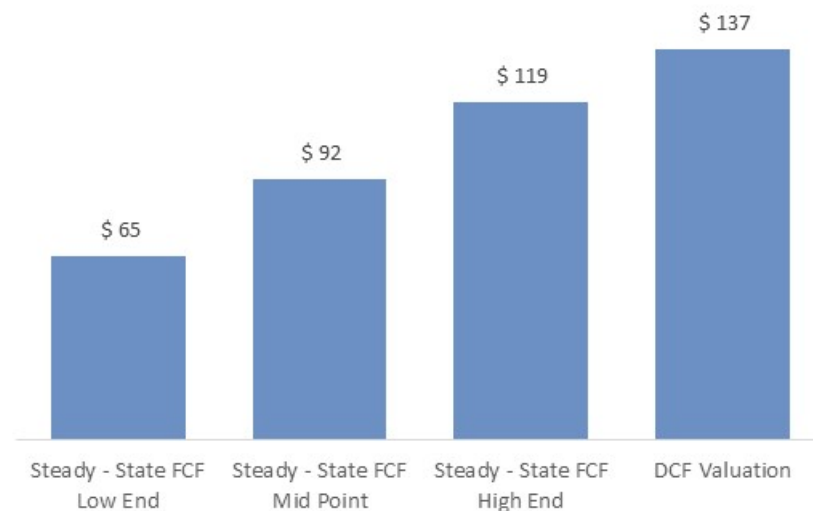
## DCF Model

\$

	2016	2017	2018	2019	2020	TV
Revenue	1,750	1,985	2,272	2,600	2,972	3,399
- Cash Expenses	1,465	1,704	1,951	2,212	2,490	2,847
= EBITDA	285	281	321	388	482	552
- D&A	121	118	117	117	119	136
= EBIT	164	163	204	271	363	415
- Taxes	36	36	45	60	80	91
= EBIT*(1-T)	128	127	159	211	283	324
- Capex	111	121	133	146	162	179
+ D&A	121	118	117	117	119	136
= UFCF	138	124	143	182	241	281
memo: EV / EBITDA	11.5x	11.7x	10.3x	8.5x	6.8x	6.0x

## Value Using Varying Methodologies

\$ per share



Source: Hayden Capital Estimates, Company Data

1. **Traditional commercial printers could enter the micro-business market. These players are much larger, with greater resources for capital investment.**
  - Mitigant: The micro-business market is likely too small to interest the traditional players. For example, RR Donnelley has \$11BN in annual revenues. Even if they are wildly successful and capture 50% of the \$4BN market, this will only be 18% of their total revenues. The “mass customization” business model requires entirely different types of technology, supply chain management, and machinery than those used in the traditional commercial printing market. This would take \$1BN+ in R&D and years of investment, for relatively little payoff to the large traditional commercial printers.
2. **Cimpress’ aggressive acquisition strategy and related debt load place the company at risk in an economic downturn.**
  - Mitigant: Cimpress is expected to have 2.2x turns of leverage after the recent Wir-Machen-DRUCK acquisition. From a debt perspective, there are no maturities until 2019 (\$231M). Annual interest is ~\$40M a year, or 31% of operating income. If Cimpress were to reduce its spending on growth investments in an economic slowdown, the interest payments would be an even lower percentage of operating income.
3. **Economic slowdown affects small business spending and new business formation.**
  - Mitigant: Cimpress’ products are of the low-cost, high-value variety. Business cards, customized invitations, etc., are a small fraction of a business’ budget but are crucial to new customer acquisition. As such, a business would be unlikely to cut down on an expense that is so cheap relative to the value it brings.
  - A survey conducted by MOO.com reported that 68% of small business owners believe business cards are “very impactful” when networking. 44% believe that handing out 100 business cards, will generate +\$5K in revenues ([LINK](#)).
4. **New technologies will replace physical business cards.**
  - Mitigant: It’s highly unlikely that physical business cards will be replaced in the near-term. Given the low-cost nature of physical cards, small businesses have little incentive to switch from the status-quo. Additionally, digital business card apps have yet to hit critical mass and are hampered by network effects. There must be enough small businesses that have digital cards and enough consumers need to have downloaded the appropriate apps in order for either side to switch.
  - The same MOO.com survey indicated that 77% of individuals and 63% of small business owners have never used a digital business card app before.

Source: Hayden Capital Estimates, Company Data, IBISWorld, MOO-Ipsos “Business Card / Networking Study “

---

**We believe Cimpres (CMPR) below \$90 per share is too cheap.**

The stock is trading at fair value under a steady-state, no growth scenario. However if Cimpres can continue growing at double-digits, the equity should likely appreciate at similar rates. We believe there is little downside if growth fails to materialize, based on current steady-state cash flows.

Hayden Capital began establishing positions ~\$66 per share in August 2015.

**For Copies of the Presentation, Model, or Questions**

**Contact Us:**

Fred Liu  
Managing Partner

Hayden Capital  
79 Madison Ave, 2<sup>nd</sup> Floor  
New York, NY. 10016  
Email: [fred.liu@haydencapital.com](mailto:fred.liu@haydencapital.com)