Q3 FY 2017 Reorganization Details and Guide to Reporting Changes

Summary

On January 25, 2017, Cimpress announced it would implement organizational changes to deeply decentralize the company's operations in order to improve accountability for customer satisfaction and capital returns, simplify decision-making, improve the speed of execution, further develop the company's cadre of general managers, and preserve and release entrepreneurial energy.

As of April 26, 2017, these organizational changes have been implemented. We have moved many Cimpress teams that had previously been part of company-wide central groups in technology, manufacturing and supply chain and other corporate functions into the company's business units or related portfolio-management teams. Cimpress' central groups are now limited to global procurement and supplier research, a central technology team whose primary focus is building the Cimpress mass customization platform, and essential corporate services. Along with the changes, Cimpress eliminated approximately 135 team members, including senior team members.

As described in January, the reorganization would result in several financial and reporting impacts, including restructuring charges, anticipated future savings, and the movement of many previously centralized costs into our operating segments. This guide documents these impacts in detail.

Restructuring Charges

As a result of our reorganization and the associated role eliminations, Cimpress incurred year-to-date total restructuring charges of $25.9 million through the income statement ($23.2 million is severance related and $2.7 million is other restructuring costs). We believe the income statement charges are substantially complete, though subject to minor adjustments in the coming quarters. The table below represents our current estimate of the nature of these charges and the expected timing of their impact to our cash flow statement.

Income Statement View:

	Q2 FY 2017	Q3 FY 2017	Notes
Total Restructuring Charges (Cash and Non-Cash)	$1.1 million	$24.8 million	YTD restructuring expenses of $25.9 million are subject to minor adjustments in the coming quarters.

Cash Flow Statement View:

	Q3 FY 2017	Q4 FY 2017	FY 2018	Notes
Total Cash Restructuring Charges	$7.5 million	~$9 million	~$3 million	Q3 FY 2017 actuals plus estimates for future quarters. Total cash payments will be approximately $19 million.

Anticipated Restructuring Savings

As a result of the restructuring implementation, Cimpress continues to expect annualized pre-tax operating expense savings of approximately $55 million to $60 million and pre-tax free cash flow savings of approximately $45 million to $50 million. The primary difference between the operating expense and free cash flow savings is share-based compensation. These estimates include estimated savings from headcount reductions, a targeted reduction of previously planned new hires in fiscal year 2017, and related non-compensation savings. These savings do not include the restructuring charges.

We expect the vast majority of savings to be realized in operating expenses, with less than 5% of the savings impacting COGS. Within operating expenses, the savings will be primarily in the General and Administrative and Technology and Development lines of our P&L.

On a segment basis, we expect the vast majority of the savings will be realized in "Corporate and global functions" expense.

Impact of Reorganization on Segment Reporting

The reorganization moved significant expense that was previously reported as "Corporate and global functions" into the costs of our reportable segments. We have recast these costs for fiscal years 2015, 2016 and the year-to-date period in fiscal 2017 in our segment reporting as outlined in the following table:

($ in thousands)	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17
Adjusted Net Operating Profit (NOP):											
Vistaprint business unit	$ 39,068	$ 75,648	$ 34,518	$ 35,356	$ 32,982	$ 81,946	$ 42,424	$ 45,038	$ 21,702	$ 63,749	37,003
Upload and Print business units	$ 4,541	$ 5,008	$ 2,889	$ 11,073	$ 10,652	$ 14,986	$ 15,557	$ 17,448	$ 13,612	$ 16,959	13,144
National Pen business unit	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	(3,226)
All Other business units	$ 1,433	$ 9,032	$ 854	$ (620)	$ (1,112)	$ 6,851	$ (3,895)	$ (10,768)	$ (9,612)	$ (1,968)	(9,945)
Total	**$ 45,042**	**$ 89,688**	**$ 38,261**	**$ 45,809**	**$ 42,522**	**$ 103,783**	**$ 54,086**	**$ 51,718**	**$ 25,702**	**$ 78,740**	**$ 36,976**
Corporate and global functions	$ (17,101)	$ (19,377)	$ (19,874)	$ (19,812)	$ (19,643)	$ (20,240)	$ (23,080)	$ (22,992)	$ (24,917)	$ (28,261)	$ (27,705)
Acquisition-related amortization and depreciation	$ (6,908)	$ (5,468)	$ (4,515)	$ (7,374)	$ (9,782)	$ (9,655)	$ (10,879)	$ (10,518)	$ (10,213)	$ (10,019)	$ (13,508)
Earn-out related charges[1]	$ (3,677)	$ (3,701)	$ (7,512)	$ (386)	$ (289)	$ (3,413)	$ (883)	$ (1,793)	$ (16,247)	$ (7,010)	$ (4,882)
Share-based compensation related to investment consideration	$ (497)	$ (1,100)	$ (1,499)	$ (473)	$ (802)	$ (1,735)	$ (1,168)	$ (1,130)	$ (4,103)	$ (601)	$ (375)
Certain impairments	$ —	$ —	$ —	$ —	$ —	$ (3,022)	$ (37,582)	$ (1,216)	$ —	$ —	$ (9,556)
Restructuring related charges	$ —	$ (154)	$ (520)	$ (2,528)	$ (271)	$ (110)	$ —	$ —	$ —	$ (1,100)	$ (24,790)
Interest expense for Waltham lease	$ —	$ —	$ —	$ —	$ 350	$ 2,001	$ 1,975	$ 1,961	$ 1,970	$ 1,956	$ 1,897
Total (loss) income from operations	**$ 16,859**	**$ 59,888**	**$ 4,341**	**$ 15,236**	**$ 12,085**	**$ 67,609**	**$ (17,531)**	**$ 16,030**	**$ (27,808)**	**$ 33,705**	**$ (41,943)**

The following table summarizes the change to each line item compared to previously reported results:

($ in thousands)	Q1 FY15	Q2 FY15	Q3 FY15	Q4 FY15	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	Q1 FY17	Q2 FY17	Q3 FY17
Adjusted Net Operating Profit (NOP):											
Vistaprint business unit	$ (30,240)	$ (31,748)	$ (33,110)	$ (37,419)	$ (31,480)	$ (33,788)	$ (35,214)	$ (38,958)	$ (36,515)	$ (37,823)	$ —
Upload and Print business units	$ (93)	$ (613)	$ (340)	$ (462)	$ (798)	$ (534)	$ (779)	$ (1,447)	$ (2,502)	$ (2,379)	$ —
National Pen business unit	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
All Other business units	$ —	$ 1	$ —	$ (41)	$ (27)	$ (30)	$ (29)	$ (66)	$ (3)	$ —	$ —
Total	**$ (30,333)**	**$ (32,360)**	**$ (33,450)**	**$ (37,922)**	**$ (32,305)**	**$ (34,352)**	**$ (36,022)**	**$ (40,471)**	**$ (39,020)**	**$ (40,202)**	**$ —**
Corporate and global functions	$ 30,333	$ 32,360	$ 33,450	$ 37,922	$ 32,305	$ 34,352	$ 36,022	$ 40,471	$ 39,020	$ 40,202	$ —
Acquisition-related amortization and depreciation	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Earn-out related charges[1]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Share-based compensation related to investment consideration	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Certain impairments[2]	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Restructuring related charges	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Interest expense for Waltham lease	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Total (loss) income from operations	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

Forward-Looking Statements

This document contains statements about the expected results of our recent organizational changes and projections of our restructuring charges and anticipated savings resulting from the organizational changes that constitute forward-looking statements for purposes of the safe harbor provisions under the Private Securities Litigation Reform Act of 1995. Forward-looking projections and expectations are inherently uncertain, are based on assumptions and judgments by management, and may turn out to be wrong. Our actual results may differ materially from those indicated by these forward-looking statements as a result of various important factors, including but not limited to our ability to recognize the expected savings from the organizational changes associated with the decentralization of our operations, our ability to realize the anticipated benefits of the decentralization of our operations, our failure to manage the disruptive effects of the organizational changes, our failure to execute our strategy, our inability to make the investments in our business that we plan to make or the failure of those investments to achieve the results we expect, general economic conditions, and other factors described in our Form 10-Q for the quarter ended December 31, 2016 and the other documents we periodically file with the U.S. SEC.