

Mossberg's Investor Digest

Best Idea Profile:

CafePress Inc. (NASDAQ:PRSS)

DESCRIPTION:

CafePress Inc. has an e-commerce platform that enables customers worldwide to create, buy and sell customized and personalized products. It uses print-on-demand services through a portfolio of brands, lead by its flagship website, CafePress.com. Some of its other websites and companies include CanvasOnDemand.com, GreatBigCanvas.com, InvitationBox.com, and EZ Prints, Inc. CafePress customers include individuals, non-profit groups and businesses. It has a catalog of more than 300 million products that range from Type 1 Diabetes t-shirts and Iron Man coffee mugs to customized GPS systems and wall art. Through two million shops, customers can choose from product designs, many of which are available on over 600 product SKUs. Alternatively, customers can make their own designs online and buy them, or sell them on their own online sites. The company was launched in 1999, went public in March 2012 and is headquartered in Louisville, Kentucky.

KEY INVESTMENT CONSIDERATIONS:

Not Just T-shirts – A few years ago, t-shirts comprised 80% of CafePress business. Although still growing, t-shirts now represent approximately 50% of the business. More than six million products are printed and shipped every year, with more than 11 million people visiting CafePress sites each month.

Three Solid Segments – Half of the company's business comes from the CafePress Marketplace incorporating user-generated content, which, in the most recently reported quarter, showed year-over-year growth of 15%. The next largest segment is "create and buy." It represents one-third of the business and grew about 40% in the last quarter. This business is fueled by logo sportswear and canvas creations. The final 20% comes from CafePress-powered shops. The Shop business is all about providing platforms for CafePress to work with large partners so that they can provide and enable customization on their brands. This includes fan purchases of products from Smithsonian, abc.com, National Geographic, and many others.

Growth Coming from Multiple Channels – CafePress is growing its business organically and through acquisitions. A year ago it acquired LogoSportswear.com which expanded its ability to market team apparel. It intends to add personalized sports gear next. CafePress is seizing opportunities generated through its growth into new markets to cross market its products.

CafePress doubled the size of its Shops business through an acquisition of EZ Prints, Inc. in October 2012. This business offers companies and entertainment studios an inventory-less model to offer thousands of designs and products related to the currently hot topics or characters. The acquisition also added software technology that can more efficiently build and scale large corporate shops, fuel traffic growth and open up content library to a wider audience across the internet.

Expectations of Growth – CafePress appears to be emerging from a period of bumps and bruises to a solid financial outlook. Fiscal year 2013 guidance is for revenue to increase 14-20% year over year and for net income of 7 to 22 cents per share. These appear to be reasonable expectations given the first quarter revenue growth of 32%. It is processing 1 million orders per year with the average order of \$25 increasing because of the expansion in its product line and large group sales.

VALUATION:

Although CafePress generates negative working capital, its valuation of \$100 million is low given its \$40 million in cash, little debt, and expectations for further growth.

CafePress Inc. (NASDAQ:PRSS) Investment Data (as of 6/4/13)

Recent Price	\$6.81
52-Week Range	\$4.44 - \$15.81
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	17.1 M
Average Trading Volume (3 mos)	49k
Market Capitalization	\$111.8 M
Cash	\$26.1 M
Long-term Debt	\$2.7 M
Enterprise Value (EV)	\$88.1 M
Book Value	\$5.28
TTM Revenue	\$230 M
P/ Revenue	0.5x
TTM EPS	\$(0.21)
P/ EPS	NA
TTM EBITDA	\$10.4 M
EV/ EBITDA	8.5x

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