SIGNALCORE RESEARCH

Cricut (CRCT): 6.6x EV/EBITDA and 5.2x EV/FCF Price an Ex-Growth Hardware Story Despite 17.3% ROIC and 14.6% FCF Yield

CRCT | Cricut, Inc. | Technology | Computer Hardware | FY 2025 | 2026-06-12T09:39:57.477Z

> *At 6.6x EV/EBITDA and 5.2x EV/FCF, CRCT is priced as a declining hardware business, yet ROIC of 17.3%, ROE of 21.4%, and a 14.6% FCF yield suggest the current multiple embeds skepticism that recent profitability and cash generation can offset -0.5% revenue growth and -28.7% FCF growth.*

SIGNALCORE VIEW	SIGNAL SCORE	FUNDAMENTAL QUALITY	EXPANSION POTENTIAL	THESIS RISK
Mixed but researchable candidate Value / Quality Candidate	**63 / 100**	**73 / 100**	**0 / 100**	**3 / 100**

PRIMARY DEBATE — The debate centers on whether Cricut is an ex-growth hardware manufacturer with revenue growth of -0.5% and 5Y average revenue growth of -3.4%, or a cash-generative ecosystem business earning ROIC of 17.3% and ROE of 21.4%. Evidence shows EPS growth of 24.1% and net income growth of 22.1% despite flat revenue, implying margin and mix expansion. The implication is that if subscription and materials monetization offset hardware maturity, the earnings profile may remain durable even without topline expansion.

INVESTMENT NARRATIVE

Archetype	**Ex-growth cash generator with ecosystem/AI optionality**
Company Type	**Consumer creative hardware + subscription ecosystem**
Key Monitoring Metric	**Trailing-12M FCF growth inflection (sustained move from -28.7 toward >=0 while maintaining ROIC > 15%).**

Core Tension: Hardware unit maturity and flat/declining revenue versus high-margin subscription/materials monetization and new AI/product initiatives that could re-accelerate engagement and stabilize growth.

Market Assumption: CRCT is a low-growth, hardware-centric business where recent EPS strength is not durable; negative FCF trend and stagnant revenue justify low multiples.

Trajectory: Currently: revenue slightly declining while EPS improves; valuation reflects skepticism. Forward: outcomes hinge on execution of product strategy/AI and the ability to stabilize FCF and grow subscriptions/materials.

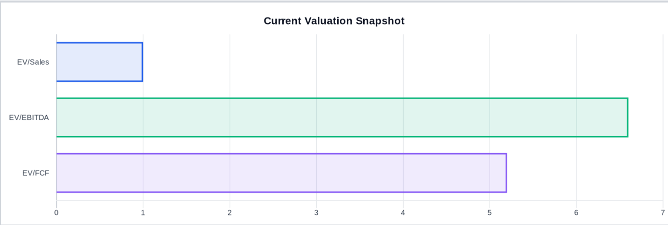
Mispricing Hypothesis: The market extrapolates negative FCF growth and flat revenue, overlooking net cash, high ROIC/ROE, consistent EPS beats, and a 14%+ FCF yield. If management stabilizes top line and/or expands subscription/material attach, even modest improvements could drive multiple valuation reassessment from ~5x EV/FCF.

EVIDENCE MAP

SUPPORTING EVIDENCE	CONTRADICTING EVIDENCE
Latest Revenue Growth: -0.5; 5Y Revenue Growth: -3.4 (signals stagnation/decline).	FCF Yield: 14.63% and EV/FCF: 5.19 (implies market prices in significant risk; potential undervaluation).
FCF Growth: -28.7 (pressured cash generation).	EV/EBITDA: 6.56 (undemanding multiple for a profitable, asset-light ecosystem).
Revenue Beat Rate: 50 (mixed topline execution).	ROE: 21.37% and ROIC: 17.29% (supported returns suggest durable economics).
Coverage concentrated on earnings_guidance (market anchored to cautious outlook).	Net Debt/EBITDA: -2.08 (net cash balance sheet reduces negative scenario risk).
	Latest EPS Growth: 24.1 with EPS Beat Rate: 75 (profitability trend and execution).
	Coverage also clusters around product_strategy and ai_technology (signals active initiatives that could bolster engagement/monetization).

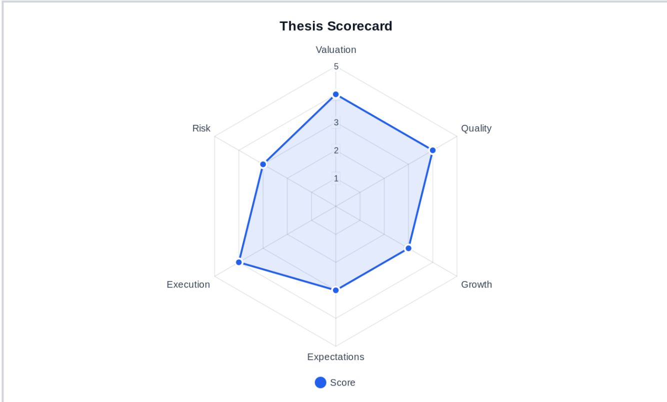
SCORECARD

VALUATION	QUALITY	GROWTH	EXPECTATIONS	EXECUTION	RISK	OVERALL
4	4	3	3	4	3	3
SUPPORTED	SUPPORTED	MIXED	MIXED	SUPPORTED	MODERATE	MIXED



CURRENT VALUATION SNAPSHOT

Current multiples are shown separately from historical fiscal-year trend metrics.



THESIS SCORECARD RADAR

Evidence scores summarise valuation, quality, growth, expectations, execution, and risk.

KEY METRICS

CURRENT EV/EBITDA	CURRENT EV/FCF	FCF YIELD	ROIC	REVENUE GROWTH	EPS GROWTH	FCF GROWTH	EPS BEAT RATE
6.6x	**5.2x**	**14.6%**	**17.3%**	**-0.5%**	**24.1%**	**-28.7%**	**75.0%**

EXECUTIVE SUMMARY

Core Tension	Hardware unit maturity and flat/declining revenue versus high-margin subscription/materials monetization and new AI/product initiatives that could re-accelerate engagement and stabilize growth.
Market Assumption	CRCT is a low-growth, hardware-centric business where recent EPS strength is not durable; negative FCF trend and stagnant revenue justify low multiples.
Current Pricing	At a price of $4.47 and market cap of $938.3M, the company trades at EV/Sales of 1.0x, EV/EBITDA of 6.6x, and EV/FCF of 5.2x.
Valuation	Current EV/EBITDA of 6.6x is below the fiscal-year latest EV/EBITDA of 8.5x and below the 3Y average of 9.6x, while ROIC of 17.3% exceeds the 3Y average of 12.7%.
Quality	Return metrics support classification beyond a simple hardware profile, with ROE of 21.4% and ROIC of 17.3% on invested capital of $329.7M.
Growth	Growth is mixed.
Cash Flow	Latest operating cash flow growth of -24.4% and free cash flow growth of -28.7% are both negative, while 3Y averages are 37.5% and 59.9% respectively.
Execution	Over 8 quarters, EPS beat rate of 75% exceeds revenue beat rate of 50%, and average EPS surprise of 56.4% contrasts with average revenue surprise of -3.4%.
Primary Monitor	Can free cash flow growth reverse from -28.7% toward the 3Y average of 59.9%?

THESIS DRIVERS

SUPPORTING DRIVERS

1	EPS Beat Rate	**75.0%**
2	EPS Growth	**24.1%**
3	ROIC	**17.3%**
4	FCF Yield	**14.6%**

CONSTRAINTS / MONITORS

1	FCF Growth	**-28.7%**
2	Revenue Growth	**-0.5%**

COMPANY & BUSINESS MODEL

Cricut, Inc. offers an innovative creative platform that empowers individuals to transform their imaginative concepts into high-quality, handcrafted items. The company's business model is structured around three core divisions: Connected Machines, Subscriptions, and Accessories & Materials. At the heart of its offerings are intelligent cutting machines, including models like Cricut Joy, Cricut Explore, and Cricut Maker. These devices are engineered to precisely cut, write, score, and apply decorative effects to a diverse range of materials, such as paper, vinyl, and leather. Complementing the hardware are intuitive design applications, such as the comprehensive Design Space app and a specialized app for Cricut Joy, all integrated by proprietary software. Cricut also provides various subscription tiers, including Cricut Access and Cricut Access Premium, alongside in-app purchasing options, to further enhance the user experience. The creative ecosystem is rounded out by an extensive selection of accessories, such as the Cricut EasyPress and Cricut Mug Press, various hand tools, replacement blades, and project-specific materials. This integrated suite allows users to produce a wide array of personalized goods, from custom birthday cards and bespoke mugs to unique T-shirts and elaborate interior decorations. Cricut products are distributed through numerous third-party retail partners, both online and in physical stores, its dedicated website (cricut.com), and a network of distributors. Headquartered in South Jordan, Utah, the company, which was initially incorporated in 1969 as Provo Craft & Novelty, Inc. before its rebranding in March 2018, maintains a significant global presence, operating across the United States, the United Kingdom, Ireland, Australia, New Zealand, Western Europe, the Middle East, Latin America, South Africa, and Asia.

INVESTMENT THESIS

Cricut operates a connected creative platform spanning machines, subscriptions, and accessories, yet the current EV/EBITDA of 6.6x and EV/FCF of 5.2x imply a low-growth, hardware-centric profile. Evidence of -0.5% revenue growth and -28.7% free cash flow growth supports caution, but ROIC of 17.3%, ROE of 21.4%, and a 14.6% free cash flow yield indicate the ecosystem continues to generate meaningful returns on invested capital of $329.7M. The core tension is whether declining hardware demand and contracting operating cash flow growth of -24.4% overwhelm subscription and materials monetization, or whether capital efficiency and net cash of -2.1x net debt/EBITDA provide a base for stabilization. The mispricing hypothesis rests on the idea that if FCF growth inflects from -28.7% toward 0.0% while ROIC remains above 15.0%, the current valuation may not fully reflect durable ecosystem economics.

INVESTABLE DEBATE

The debate centers on whether Cricut is an ex-growth hardware manufacturer with revenue growth of -0.5% and 5Y average revenue growth of -3.4%, or a cash-generative ecosystem business earning ROIC of 17.3% and ROE of 21.4%. Evidence shows EPS growth of 24.1% and net income growth of 22.1% despite flat revenue, implying margin and mix expansion. The implication is that if subscription and materials monetization offset hardware maturity, the earnings profile may remain durable even without topline expansion.

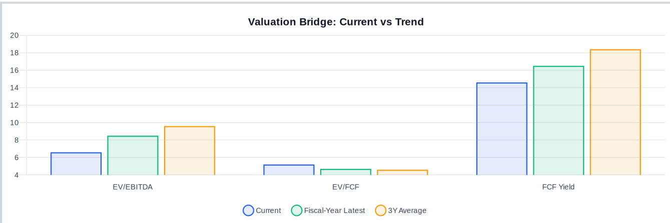
MARKET EXPECTATIONS

At a price of $4.47 and market cap of $938.3M, the company trades at EV/Sales of 1.0x, EV/EBITDA of 6.6x, and EV/FCF of 5.2x. Combined with an earnings yield of 7.8% and free cash flow yield of 14.6%, the valuation implies skepticism that current free cash flow to firm of $137.7M is sustainable given free cash flow growth of -28.7%. The market appears to assume that declining revenue of -0.5% and contracting operating cash flow growth of -24.4% will limit durability of recent EPS growth of 24.1%.

CURRENT VALUATION VS HISTORICAL TREND

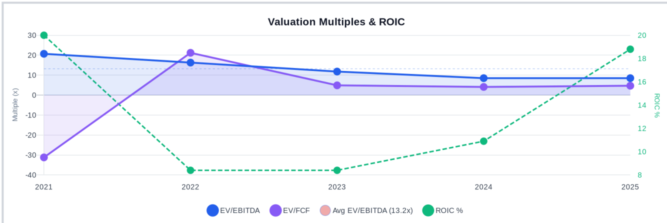
METRIC	CURRENT	FISCAL-YEAR LATEST	3Y AVG	5Y AVG
EV/EBITDA	6.6x	8.5x	9.6x	13.2x
EV/FCF	5.2x	4.7x	4.6x	0.7x
FCF Yield	14.6%	16.5%	18.4%	11.2%

Current EV/EBITDA is 6.6x, while fiscal-year trend data shows latest EV/EBITDA of 8.5x versus a 3Y average of 9.6x. Current EV/FCF is 5.2x, while fiscal-year trend data shows latest EV/FCF of 4.7x versus a 3Y average of 4.6x.



VALUATION BRIDGE: CURRENT VS HISTORICAL TREND

Current EV/EBITDA is 6.6x, while fiscal-year trend data shows latest EV/EBITDA of 8.5x versus a 3Y average of 9.6x.



VALUATION MULTIPLES & ROIC OVERLAY

Current EV/EBITDA of 6.6x is below the fiscal-year latest EV/EBITDA of 8.5x and below the 3Y average of 9.6x, while ROIC of 17.3% exceeds the 3Y average of 12.7%.

VALUATION ANALYSIS

Current EV/EBITDA of 6.6x is below the fiscal-year latest EV/EBITDA of 8.5x and below the 3Y average of 9.6x, while ROIC of 17.3% exceeds the 3Y average of 12.7%. This divergence indicates that capital efficiency has improved while the multiple has compressed. EV/FCF of 5.2x is modestly above the fiscal-year latest EV/FCF of 4.7x and near the 3Y average of 4.6x, while current FCF yield of 14.6% compares to a 3Y average of 18.4%, implying cash yield has compressed from prior highs but remains elevated relative to earnings yield of 7.8%. The valuation therefore reflects caution around growth durability rather than a premium for capital efficiency.

QUALITY & CAPITAL EFFICIENCY

Return metrics support classification beyond a simple hardware profile, with ROE of 21.4% and ROIC of 17.3% on invested capital of $329.7M. These exceed 3Y averages of 15.3% for ROE and 12.7% for ROIC, indicating improved capital deployment. Net debt/EBITDA of -2.1x and a current ratio of 2.7 provide balance sheet flexibility, while working capital of $292.1M supports operations. Income quality of 2.3 suggests accounting earnings are backed by cash generation, though not at prior levels of 2.6 in the latest fiscal-year trend data.

QUALITY & RETURN PROFILE

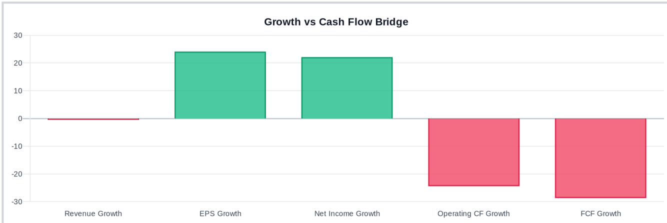
Return metrics support classification beyond a simple hardware profile, with ROE of 21.4% and ROIC of 17.3% on invested capital of $329.7M.

GROWTH TRAJECTORY

Growth is mixed. Revenue growth of -0.5% contrasts with 3Y average revenue growth of -7.0%, implying contraction has moderated. EPS growth of 24.1% exceeds the 3Y average of 9.8% and 5Y average of -6.6%, indicating profitability trend. However, EBITDA growth of -18.8% and free cash flow growth of -28.7% show that cash metrics are not yet aligned with EPS gains. The implication is that margin expansion is driving EPS rather than revenue acceleration.

HISTORICAL GROWTH TRENDS

Growth is mixed.



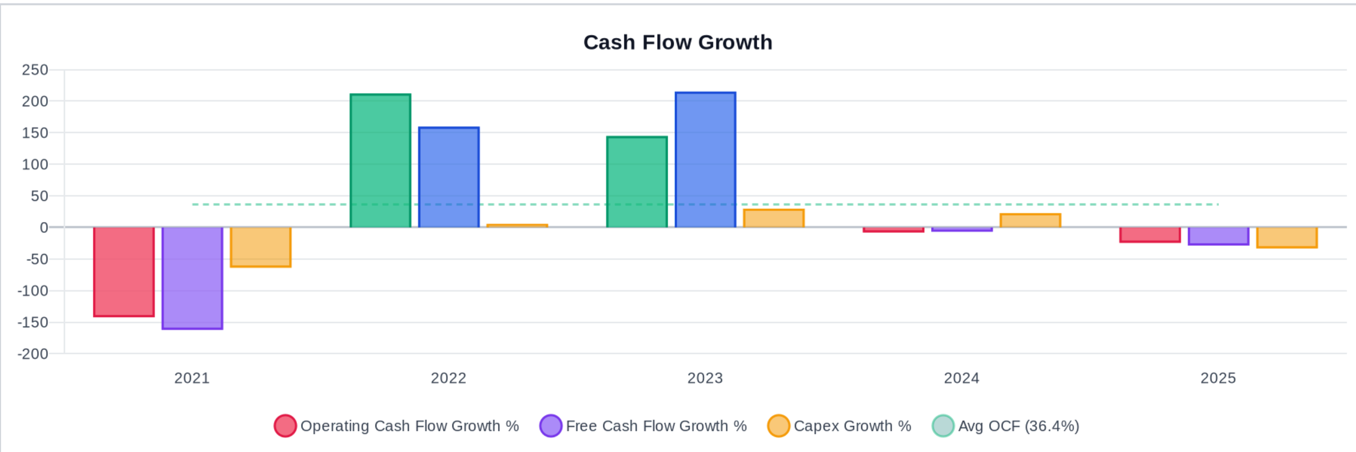
GROWTH VS CASH FLOW BRIDGE

Growth is mixed.

CASH FLOW GROWTH & CONVERSION

Latest operating cash flow growth of -24.4% and free cash flow growth of -28.7% are both negative, while 3Y averages are 37.5% and 59.9% respectively. This deterioration indicates cash-flow trend has reversed relative to the prior recovery period. Although capex growth of -33.2% reduced capital outlays, it did not offset the decline in operating cash flow, resulting in negative FCF growth. The implication is that stabilization of operating cash flow is required before free cash flow can re-accelerate.

Operating cash flow growth of -24.4% and free cash flow growth of -28.7% both indicate contraction, so conversion is directionally aligned but negative. Capex to revenue of 3.4% is near the 3Y average of 3.0%, suggesting capital intensity remains stable rather than expanding. With stock-based compensation growth of -22.8% below net income growth of 22.1%, dilution pressure has declined, supporting earnings quality despite cash flow contraction.



CASH FLOW GROWTH — OCF, FCF & CAPEX

Latest operating cash flow growth of -24.4% and free cash flow growth of -28.7% are both negative, while 3Y averages are 37.5% and 59.9% respectively.

ANALYST EXPECTATIONS

Next Revenue Estimate	**$705.9M**
Revenue Bull Case	**$705.9M**
Revenue Bear Case	**$705.9M**
Next EPS Estimate	**0.2**
EPS Bull Case	**0.2**
EPS Bear Case	**0.2**
Revenue Dispersion	**0%**
EPS Dispersion	**1.34%**
Revenue Coverage	**2**
EPS Coverage	**1**

Next revenue estimate of $705.9M and next EPS estimate of $0.20 reflect limited growth expectations relative to current EPS growth of 24.1%. Revenue dispersion of 0.0% is minimal, while EPS dispersion of 1.3% indicates slightly wider earnings uncertainty. With analyst coverage of 2 for revenue and 1 for EPS, coverage is limited, which constrains estimate supported by supplied metricsness. Expectations are best classified as Reasonable given contained dispersion and modest forward assumptions.

ANALYST EXPECTATIONS RANGE

Next revenue estimate of $705.9M and next EPS estimate of $0.20 reflect limited growth expectations relative to current EPS growth of 24.1%.

EXECUTION HISTORY

Over 8 quarters, EPS beat rate of 75% exceeds revenue beat rate of 50%, and average EPS surprise of 56.4% contrasts with average revenue surprise of -3.4%.

EXECUTION QUALITY

Quarters Analysed	**8**
EPS Beat Rate	**75.0%**
Revenue Beat Rate	**50.0%**
Avg EPS Surprise	**56.4%**
Avg Revenue Surprise	**-3.4%**
EPS Beats / Misses	**6 / 2**
Revenue Beats / Misses	**4 / 4**

Over 8 quarters, EPS beat rate of 75% exceeds revenue beat rate of 50%, and average EPS surprise of 56.4% contrasts with average revenue surprise of -3.4%. This indicates execution has been supporteder at the earnings line than the topline. The most recent quarter on 2026-05-05 showed EPS of $0.10 versus $0.05 estimated, a 100.0% surprise, while revenue of $159.5M missed estimates by -2.9%, reinforcing the pattern of earnings resilience amid revenue variability.

Given EPS beat rate of 75% and contained EPS dispersion of 1.3%, near-term EPS estimates of $0.20 appear grounded in recent execution. However, revenue beat rate of 50% and average revenue surprise of -3.4% indicate topline forecasting is less reliable. The credibility of expectations therefore rests more on cost control and margin management than on revenue acceleration.

BULL / BASE / BEAR SCENARIOS

BULL CASE

If revenue reaches $705.9M and EPS reaches $0.20134 while ROIC remains at or above 17.3%, then the current EV/EBITDA of 6.6x could appear conservative relative to sustained capital efficiency and earnings delivery.

Revenue Estimate $705.9M

EPS Bull Case 0.20134 **ROIC 17.3%**

BASE CASE

If revenue remains near $705.9M and EPS approximates $0.20 while EV/FCF stays near 5.2x, then the company would continue to reflect an ex-growth cash generator profile supported by a 14.6% FCF yield.

EV/FCF 5.2x **FCF Yield 14.6%**

EPS Estimate 0.20

BEAR CASE

If free cash flow growth remains at -28.7% and operating cash flow growth remains at -24.4% while revenue growth stays at -0.5%, then the current EV/Sales of 1.0x may continue to reflect skepticism toward durability of $137.7M in free cash flow to firm.

FCF Growth -28.7%

Operating Cash Flow Growth -24.4%

EV/Sales 1.0x

SCENARIO PROBABILITY MATRIX

BULL SCENARIO	BASE SCENARIO	BEAR SCENARIO	WEIGHTED THESIS SCORE
27%	**52%**	**21%**	**51 / 100**

12–24 MONTH CONDITIONAL OUTLOOK

With latest revenue growth of -0.5% versus a 3Y average of -7.0%, contraction has moderated, but a next revenue estimate of $705.9M implies stabilization rather than expansion.

EPS growth of 24.1% and next EPS estimate of $0.20 suggest earnings resilience, provided net income growth of 22.1% continues.

EV/EBITDA of 6.6x relative to a 3Y average of 9.6x indicates the multiple remains below recent history despite ROIC of 17.3% exceeding its 3Y average of 12.7%.

An EPS beat rate of 75% over 8 quarters supports credibility of near-term EPS estimates, though revenue beat rate of 50% signals ongoing topline variability.

If FCF growth moves from -28.7% toward 0.0% while ROIC stays above 15.0%, the valuation case would be supported by stabilization in cash generation rather than revenue acceleration.

THESIS MONITOR

TRACK QUARTERLY	THESIS CHANGES IF	THESIS WEAKENS IF
Can free cash flow growth reverse from -28.7% toward the 3Y average of 59.9%?	If free cash flow growth improves from -28.7% to 0.0% or higher, then the cash-flow stabilization case strengthens.	If ROIC falls below the 3Y average of 12.7%, then the capital efficiency argument challengedens.
Will ROIC of 17.3% remain above the 3Y average of 12.7% if revenue stays near $705.9M?	If ROIC remains above 17.3% while revenue growth turns positive above -0.5%, then capital efficiency would be paired with topline stabilization.	If free cash flow growth declines further below -28.7%, then the cash-generation profile deteriorates relative to the current 14.6% FCF yield.
Does EV/FCF of 5.2x appropriately reflect income quality of 2.3?	If EV/EBITDA expands from 6.6x toward the 3Y average of 9.6x while ROIC stays above 12.7%, then valuation would align more closely with historical norms.	If net debt/EBITDA moves from -2.1x to 0.0x or higher, then balance sheet flexibility would no longer support the current valuation.

RISK & THESIS MONITOR

Can free cash flow growth reverse from -28.7% toward the 3Y average of 59.9%?

RISK ASSESSMENT

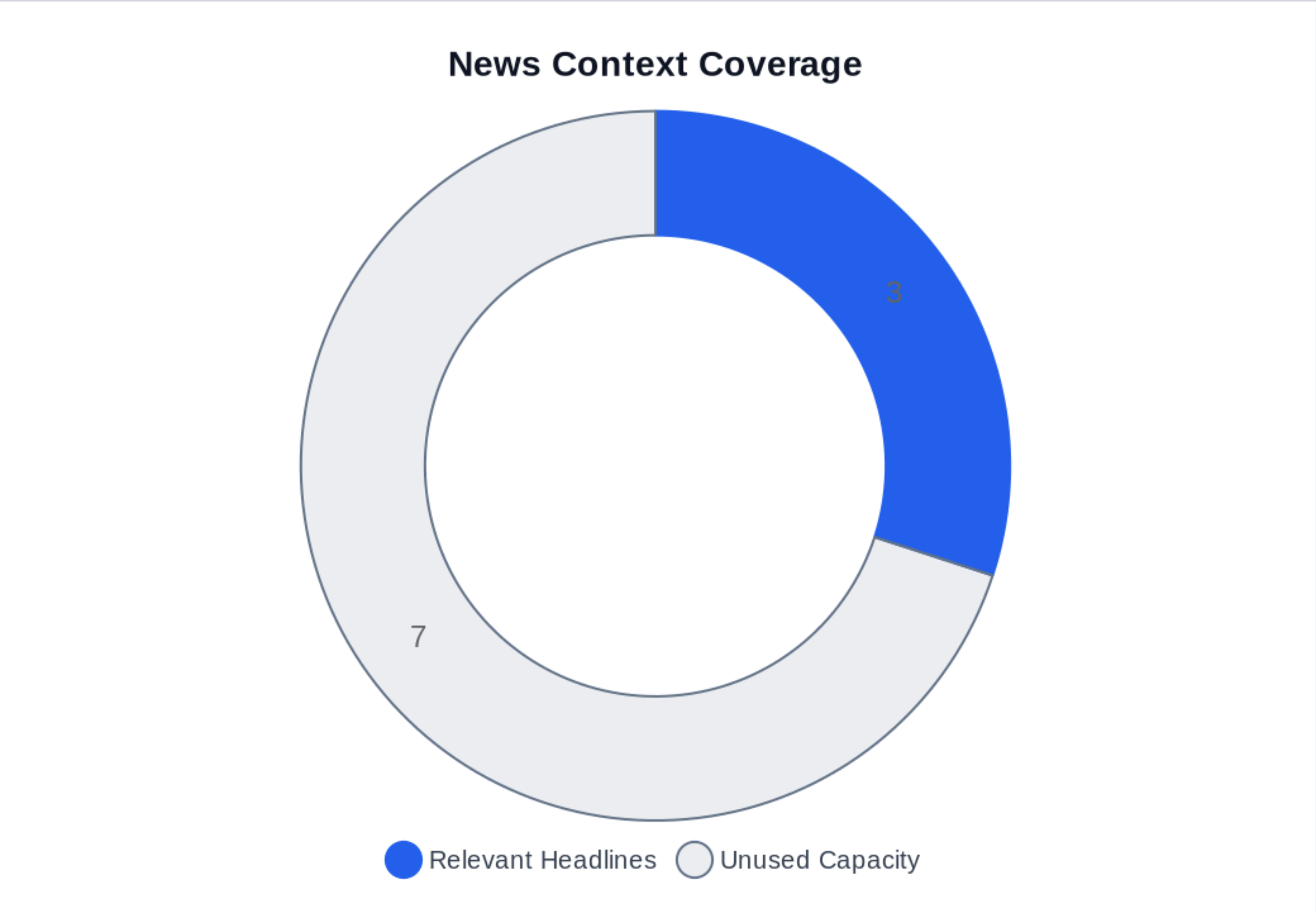
DIMENSION	SCORE	LEVEL
Valuation Risk	2 / 5	Low
Growth Risk	3 / 5	Moderate
Execution Risk	2 / 5	Low
Forecast Risk	3 / 5	Moderate
Quality Risk	2 / 5	Low
Overall Risk	3 / 5	Moderate

DIMENSION	SCORE	LEVEL
Composite Risk Score	**2.5 / 5**	

- Limited analyst coverage of 1 EPS analyst may reduce estimate reliability.
- Average revenue surprise of -3.4% indicates forecasting variability at the topline.
- Latest FCF yield of 14.6% is below the 3Y average of 18.4%, indicating lower cash return relative to recent history.

NEWS NARRATIVE

The headline "Cricut® Launches AI Project Designer for Creating Personalized, Ready-to-Make Designs" is relevant to monitoring engagement and subscription monetization, but additional evidence is required to determine financial impact. The headline "Cricut, Inc. Reports First Quarter 2026 Financial Results" highlights Q1 2026 revenue of $159.5M and net income of $20.3M, which are relevant to assessing sustainability of 24.1% EPS growth.



NEWS CONTEXT COVERAGE

Recent relevant coverage clusters around: earnings_guidance, product_strategy, ai_technology.

INVESTMENT VIEW

EVIDENCE BALANCE	CONVICTION	RISK LEVEL	CLASSIFICATION
Mixed evidence balance	**Medium**	**Moderate**	**Value / Quality Candidate**

Core Thesis: *At 6.6x EV/EBITDA and 5.2x EV/FCF, CRCT is priced as a declining hardware business, yet ROIC of 17.3%, ROE of 21.4%, and a 14.6% FCF yield suggest the current multiple embeds skepticism that recent profitability and cash generation can offset -0.5% revenue growth and -28.7% FCF growth.*

Primary Risk: Sustained operating cash flow growth of -24.4% reducing free cash flow to firm of $137.7M.

Monitor: Can free cash flow growth reverse from -28.7% toward the 3Y average of 59.9%?