# Q2 2020 Results

July 2020

# Safe Harbour

This presentation contains forward-looking statements that are based on our management's current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Although we believe that the plans, intentions, expectations, assumptions and strategies reflected in these forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results to be materially different from any future results expressed or implied by these forward-looking statements. Although the forward-looking statements contained in this presentation are based upon what we believe are reasonable assumptions, investors are cautioned against placing undue reliance on these statements since actual results may vary from the forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect our results. These risks include the risks due to the uncertainty around the duration and scope of the COVID-19 pandemic and the impact of the pandemic and actions taken in response on global and regional economies and economic activity and the impact of our shift to operate "digitally by default" and are described in further detail our Management's Discussion and Analysis for the quarter ended June 30, 2020 and in the section entitled "Risk Factors" in our Annual Information Form for the year ended December 31, 2019 and elsewhere in our filings with regulatory agencies. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from those implied or projected by the forward-looking statements. References to long-term trends in our model are forward-looking and made as of the current date. Nothing in this presentation should be regarded as a representation by any person that these long- term trends will be achieved and we undertake no duty to update these long-term trends or any other forward-looking statements contained in this presentation, except as required by law.

We believe that the case studies presented in this presentation provide a representative sample of how our merchants have been able to use various features of our platform to grow their respective businesses. References in this presentation to increased visits, growth and sales following implementation of our platform do not necessarily mean that our platform was the only factor contributing to such increases.

To supplement the financial measures prepared in accordance with generally accepted accounting principles (GAAP), we use non-GAAP financial measures that exclude certain items. Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies and should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP.  Please refer to the slides titled "Non-GAAP Financial Measures"  and "Reconciliation to GAAP Figures" for further information.

July 2020

# Retail is changing.

# One Platform, Every Channel, Any Device

# Single Integrated Back Office.

## Our Market

**Basic**

$29 per month

Entrepreneurs

**Shopify**

$79 per month

SMBs

**Advanced**

$299 per month

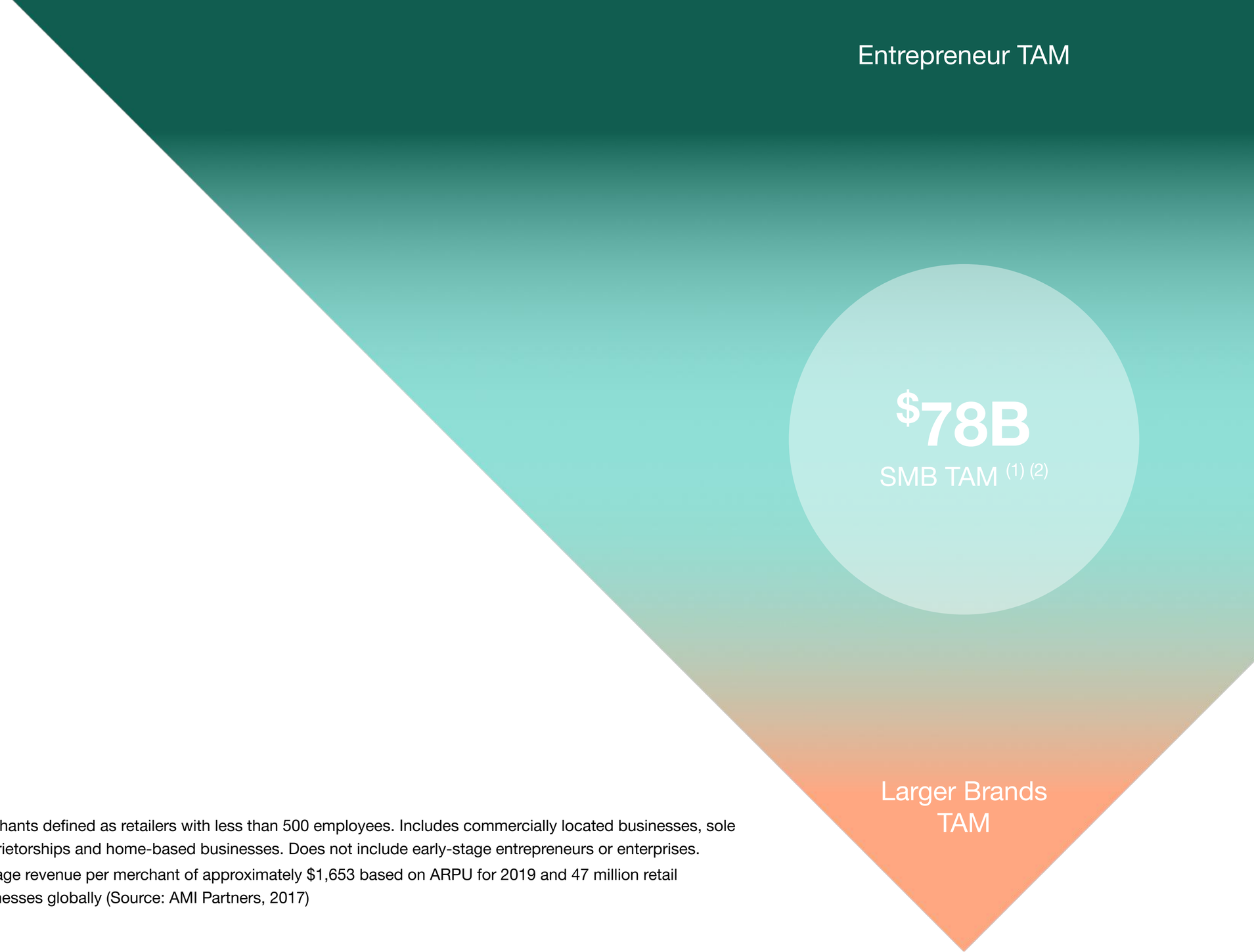
Larger Brands

**Shopify Plus**

$2,000+ per month

# Total Addressable Market

Anyone who wants to make more money from their site than they pay for it

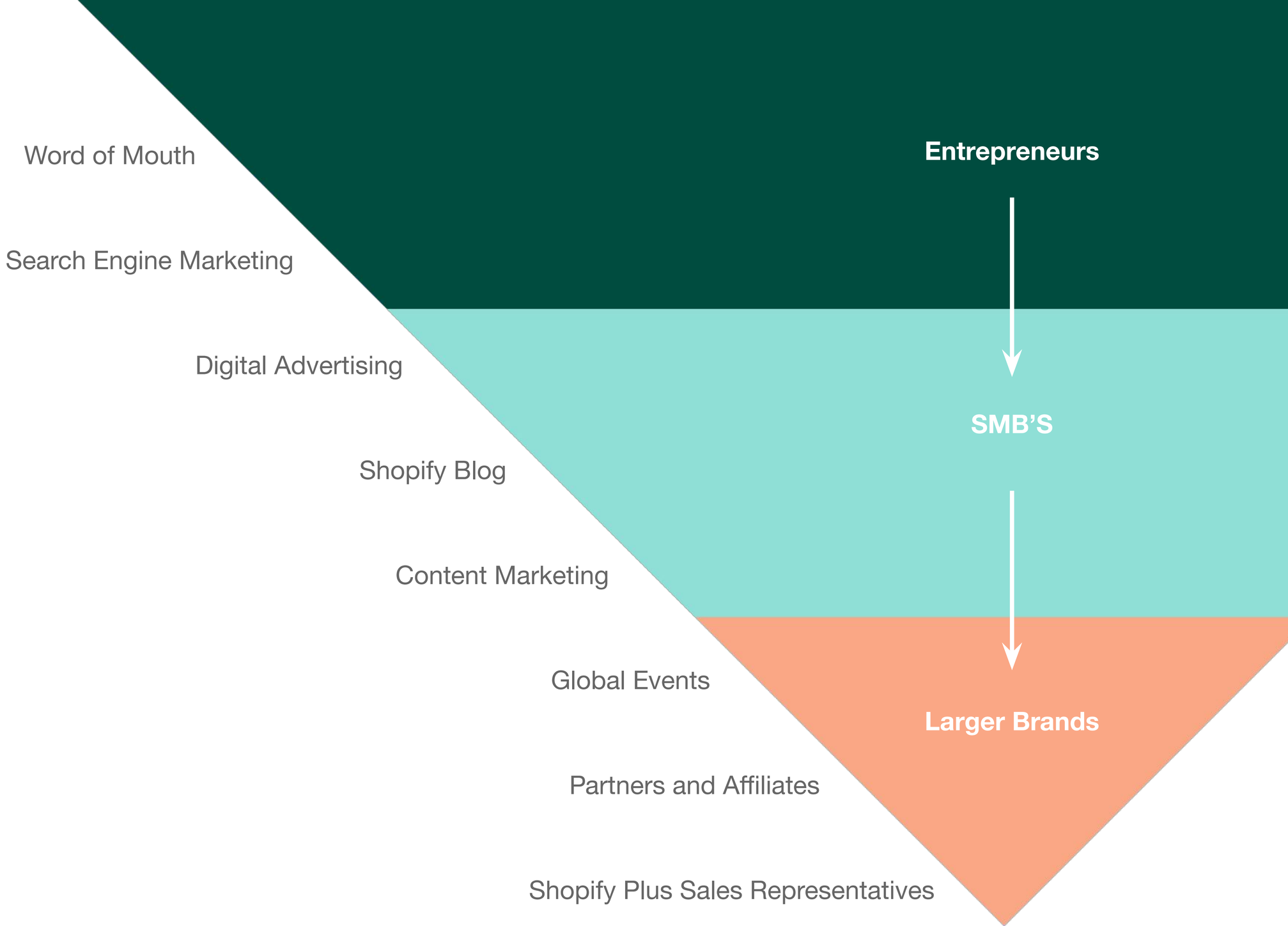



(1) Merchants defined as retailers with less than 500 employees. Includes commercially located businesses, sole proprietorships and home-based businesses. Does not include early-stage entrepreneurs or enterprises.

(2) Average revenue per merchant of approximately $1,653 based on ARPU for 2019 and 47 million retail businesses globally (Source: AMI Partners, 2017)

## Merchant Acquisition

Casting a very wide net



# Entrepreneur

Coco and Breezy Eyewear was founded in 2009 by sisters Corianna and Brianna Dotson. Their early designs were an instant hit, and can be found in many major fashion publications.

They sell their eyewear through multiple channels, including their online store, and are using Shopify POS at their brick-and-mortar store in NYC. They are also leveraging Shopify Shipping to fulfill customer orders while their store is temporarily closed due to COVID-19.

# SMB

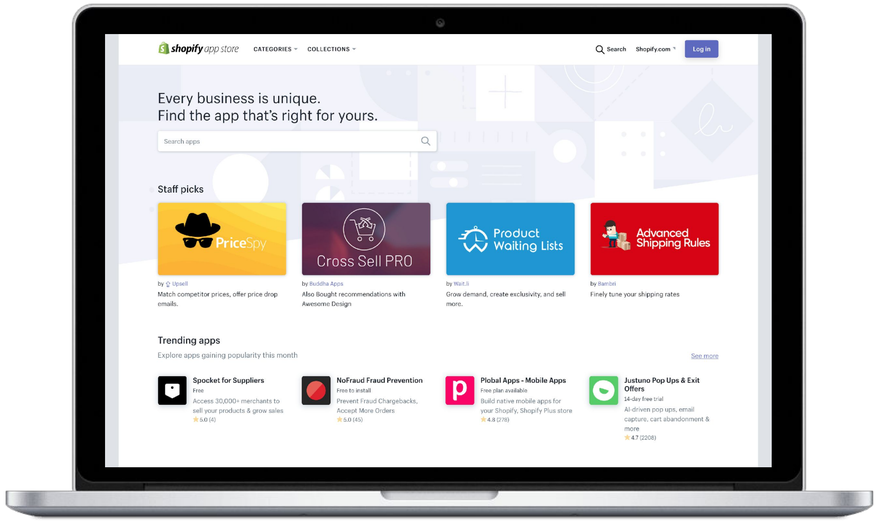
**Aishwarya Iyer founded Brightland out of a desire for better, more honest food production.**

**Brightland sells products, such as olive oil, through multiple channels, including her online store, and uses Shopify Payments and Shopify Shipping.**

# Larger Brands

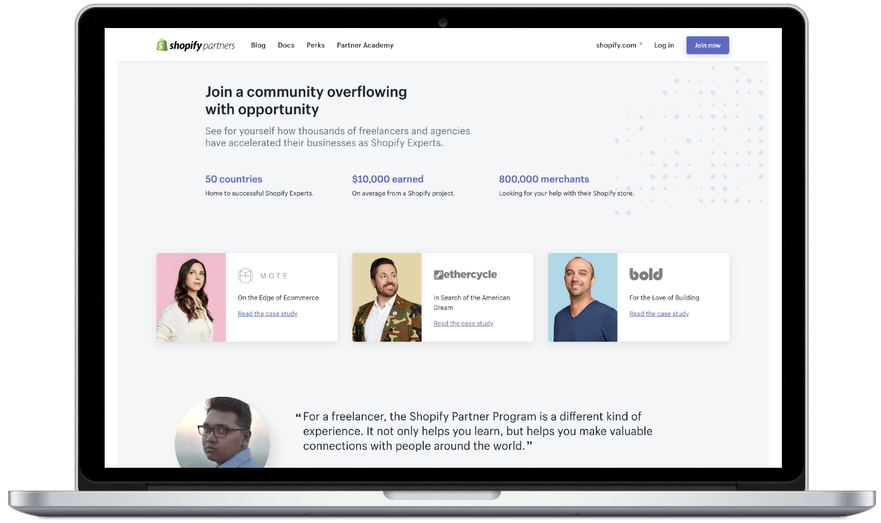
# Extensive Partner Ecosystem

## 4,600
### Apps




Apps extending product capabilities

## 30,300
### Agencies & Web Designers




Referred at least one merchant to Shopify in the last 12 months

# Growth-Minded Culture

**FAST COMPANY'S BEST WORKPLACES FOR INNOVATORS 2020 HONOREE**

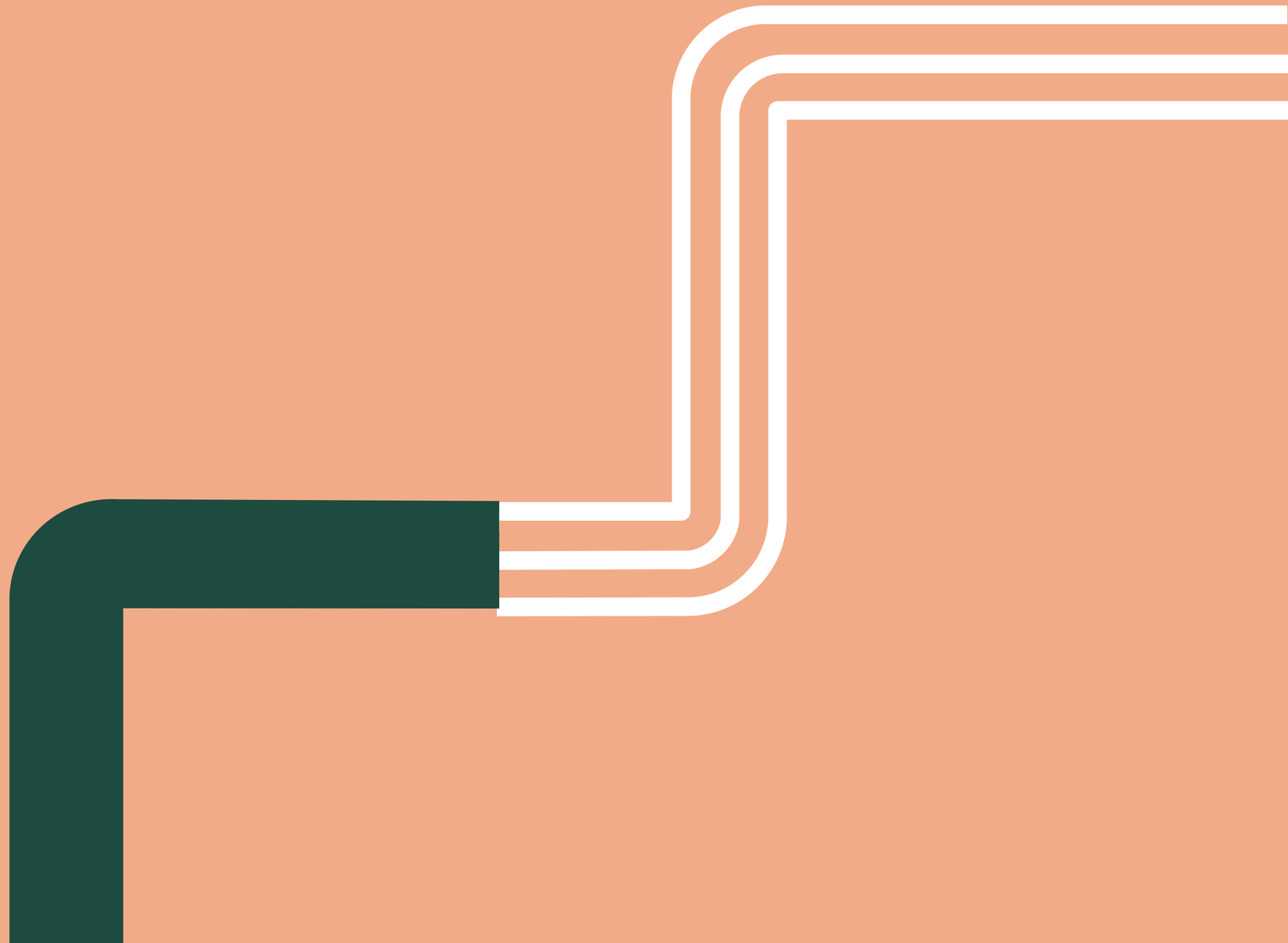
Recruit talented, deeply caring individuals

Hack Days as an innovation engine

Invest heavily in personal growth and development

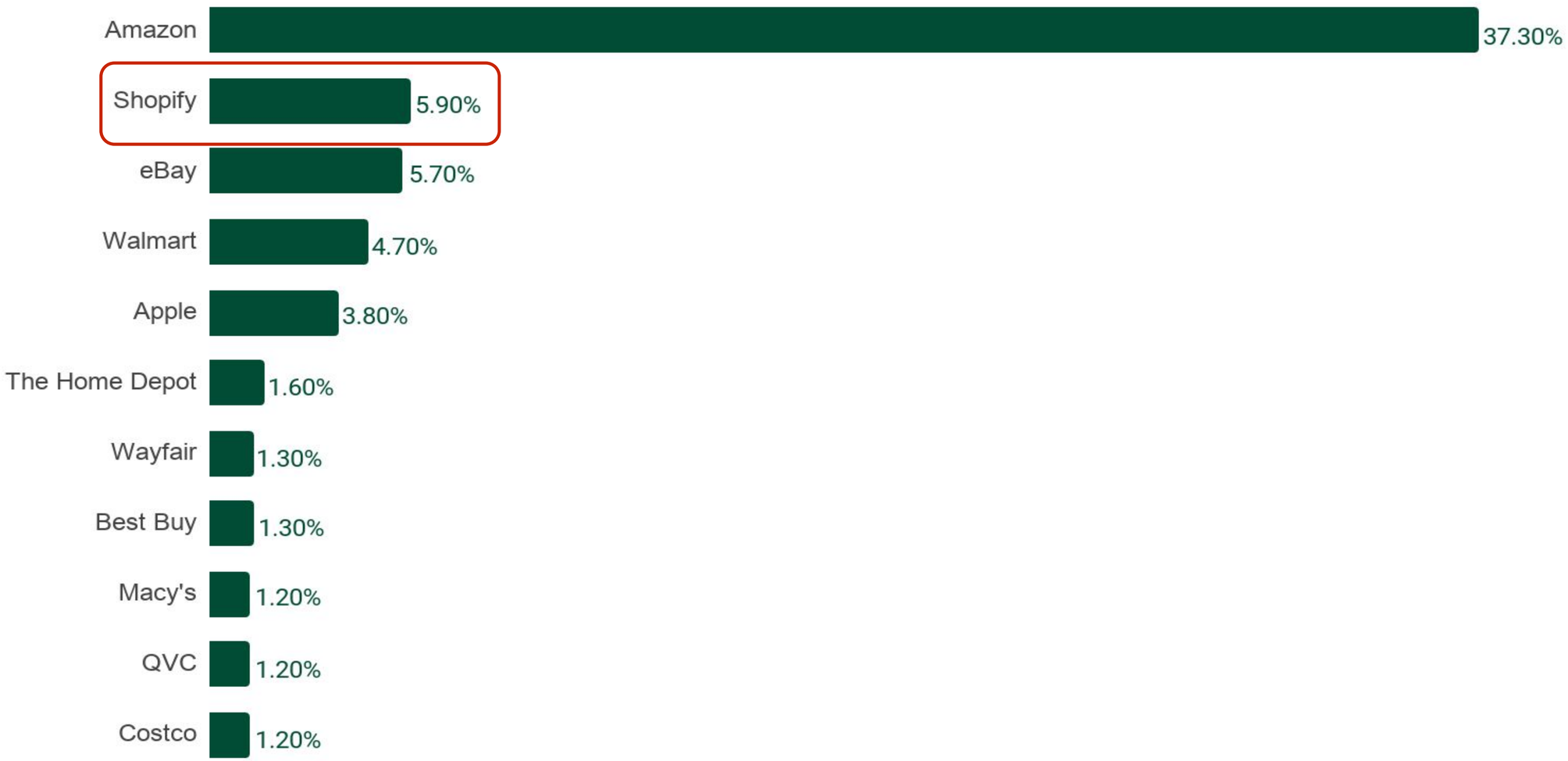
Global reach

# The Numbers



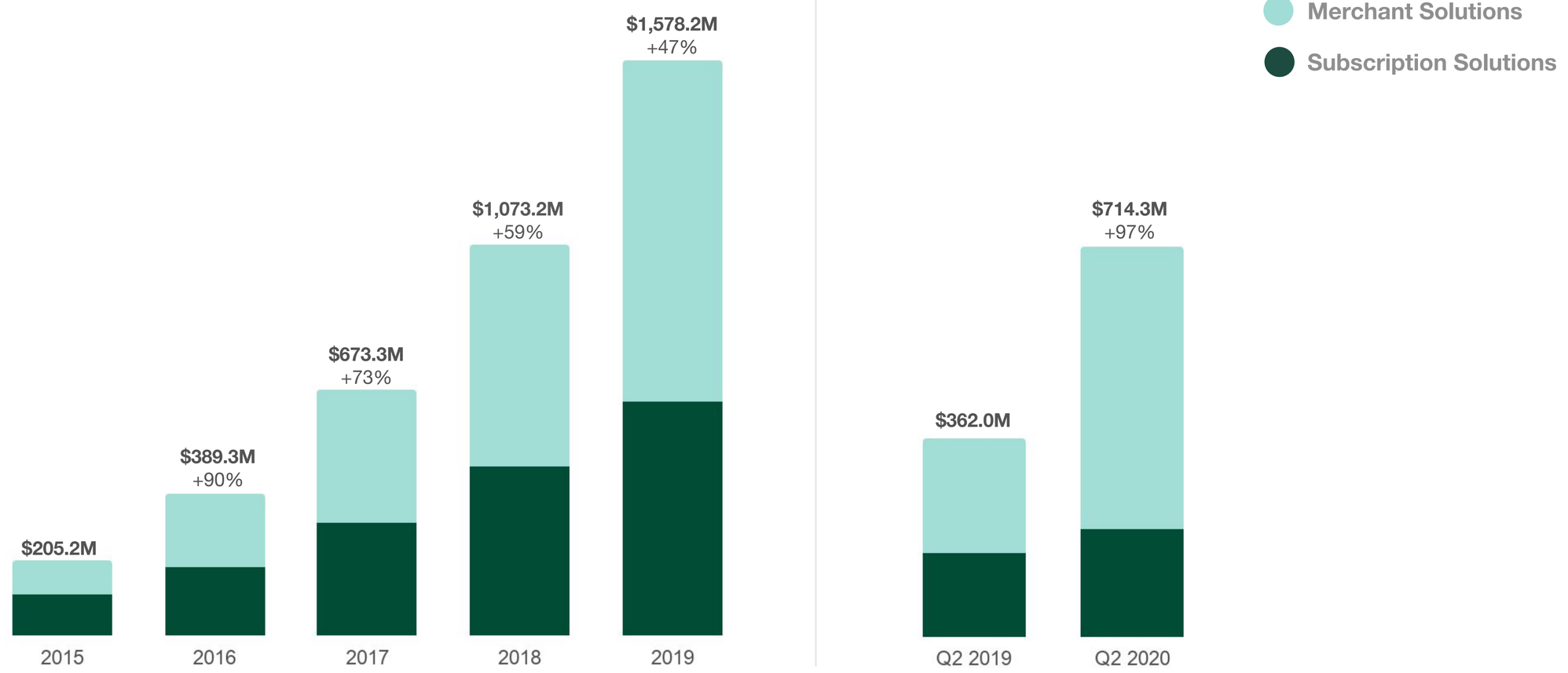
# Strong & Competitive Market Position

Share of U.S. Retail eCommerce Sales 2019

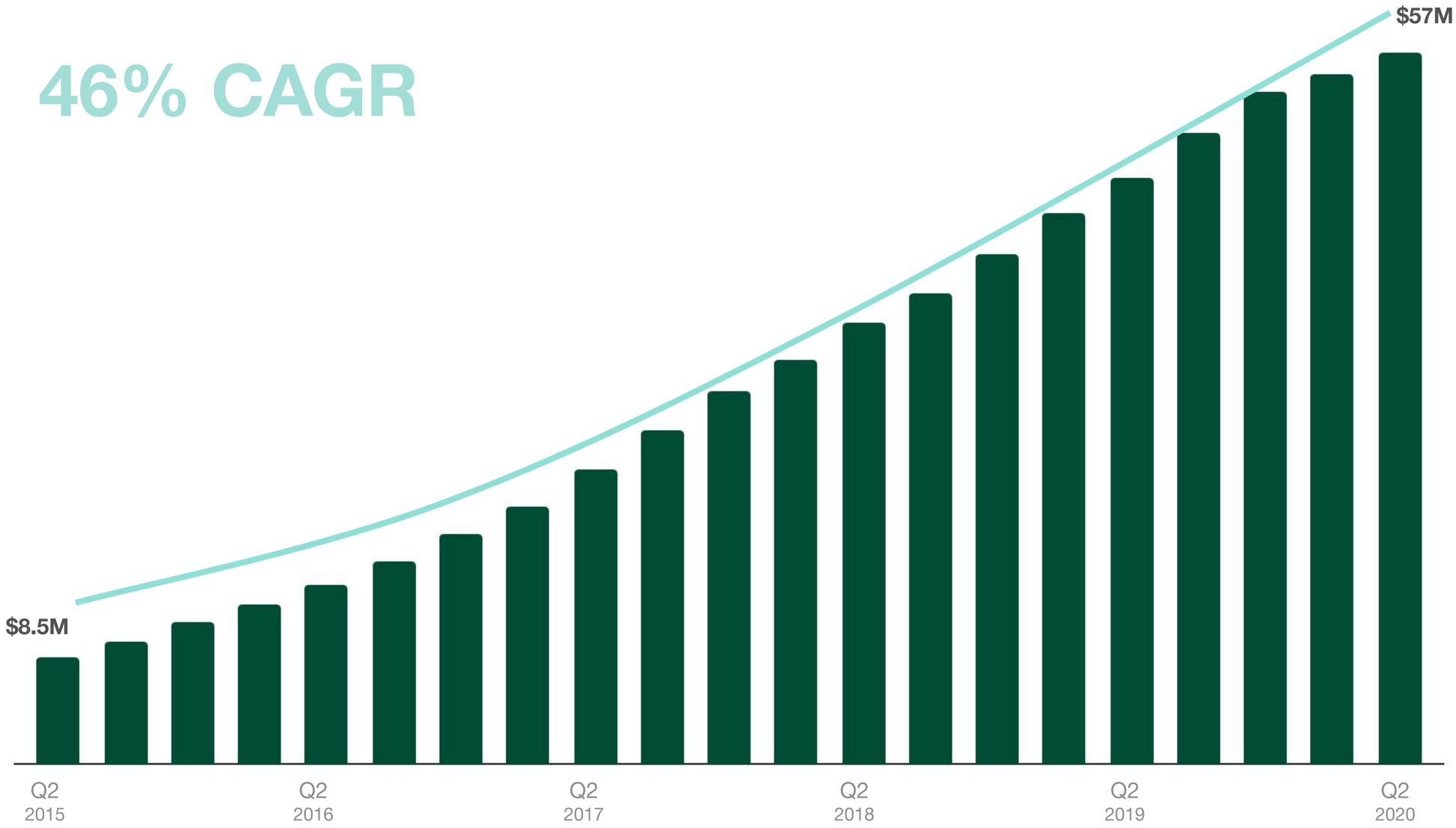



Source: eMarketer, October 2019, Shopify
* Market share based on Shopify's 2019 US GMV (excluding merchant sales made through POS)

# Strong Consistent Revenue Growth

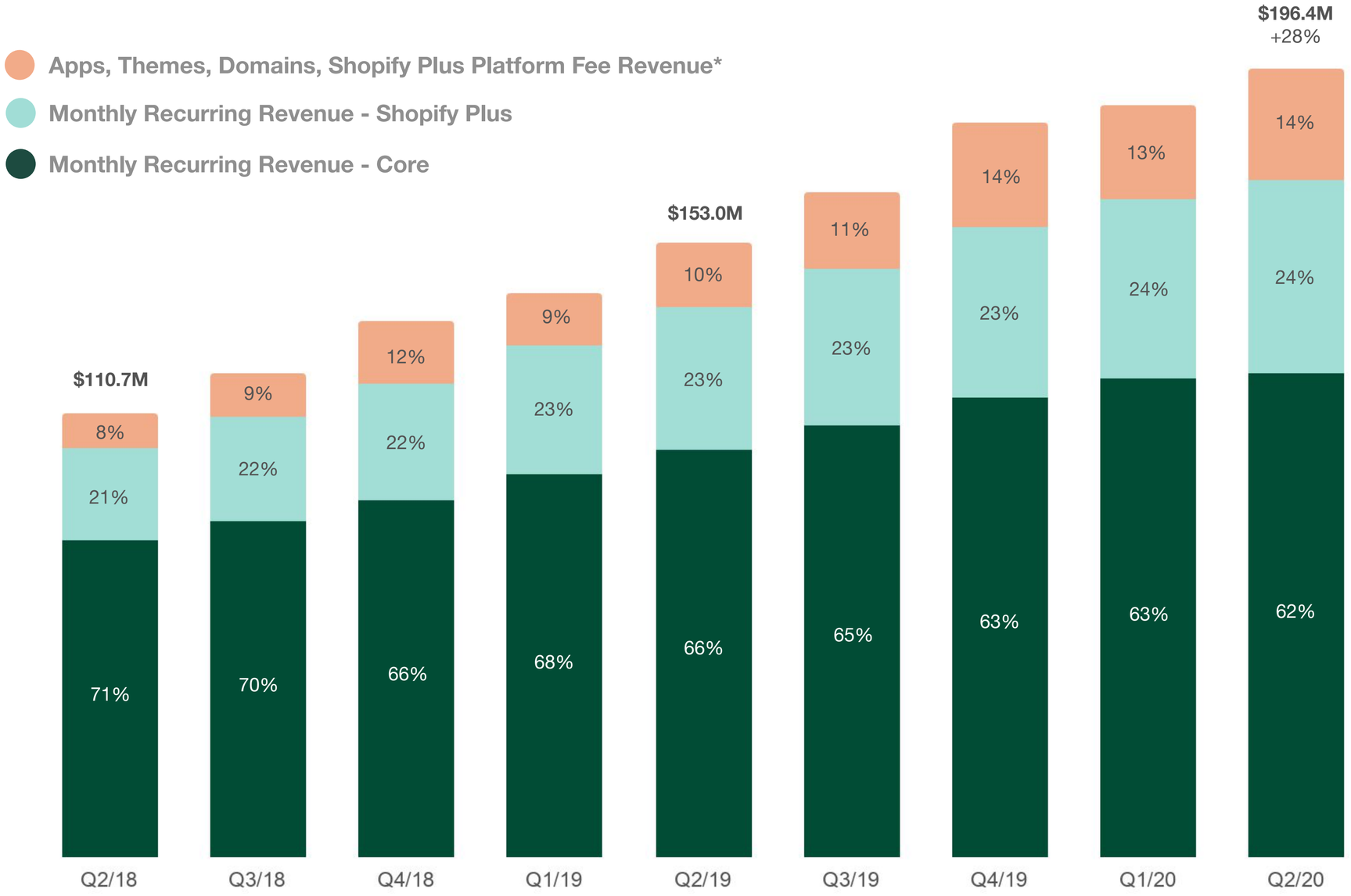


# Strong Consistent MRR Growth…



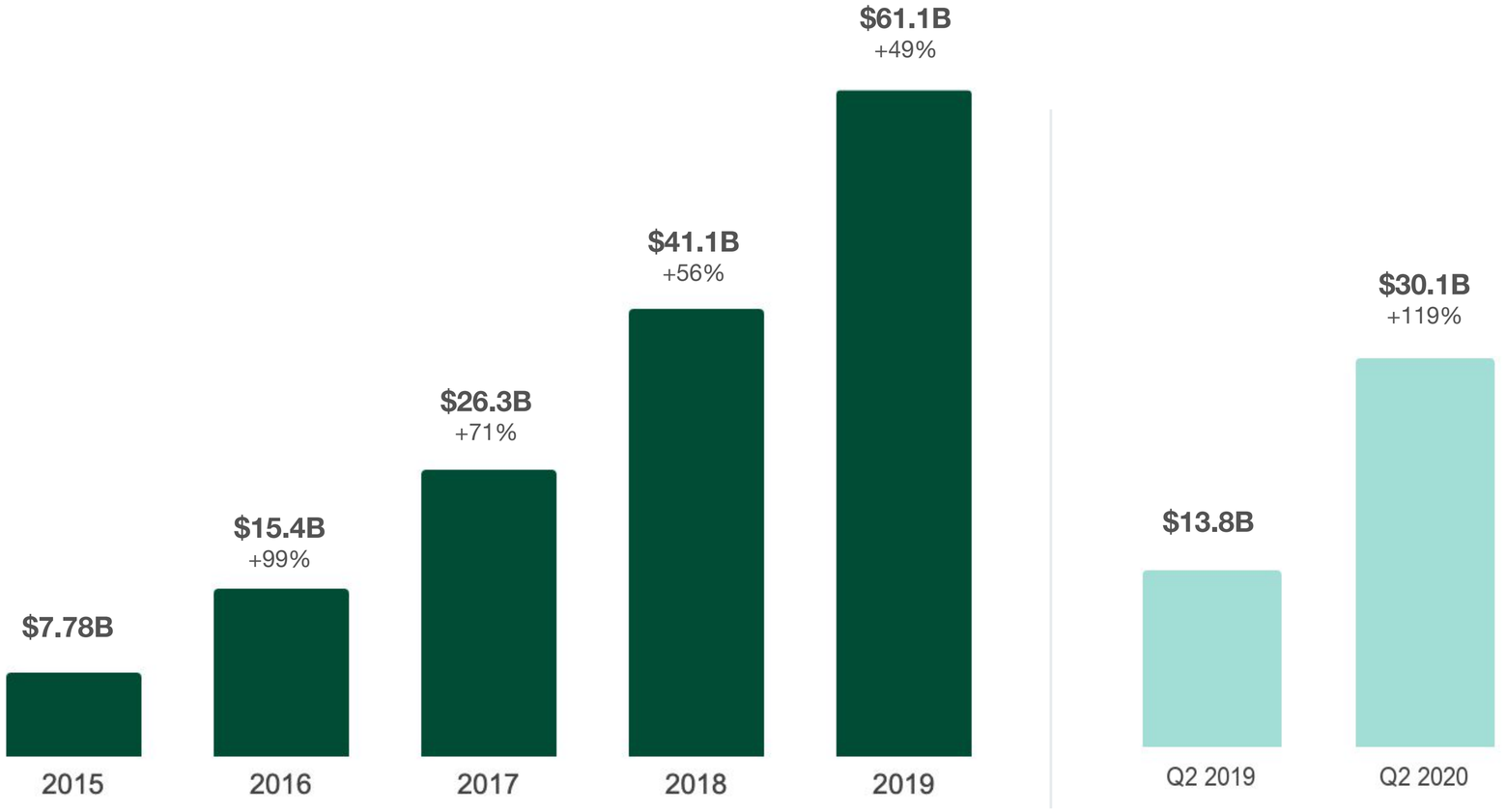

*Monthly Recurring Revenue, or MRR, is calculated at the end of each period by multiplying the number of merchants who have subscription plans with us at the period end date by the average monthly subscription plan fee revenue in effect on the last day of that period, assuming they maintain their subscription plans the following month.

# …with Increased Diversification in Subscription Solutions Revenue




*Approximate Apps, Themes, Domains, Shopify Plus Platform Fee Revenue is calculated by averaging current and previous quarter MRR, multiplying by 3 and subtracting total from Subscription Solutions revenue

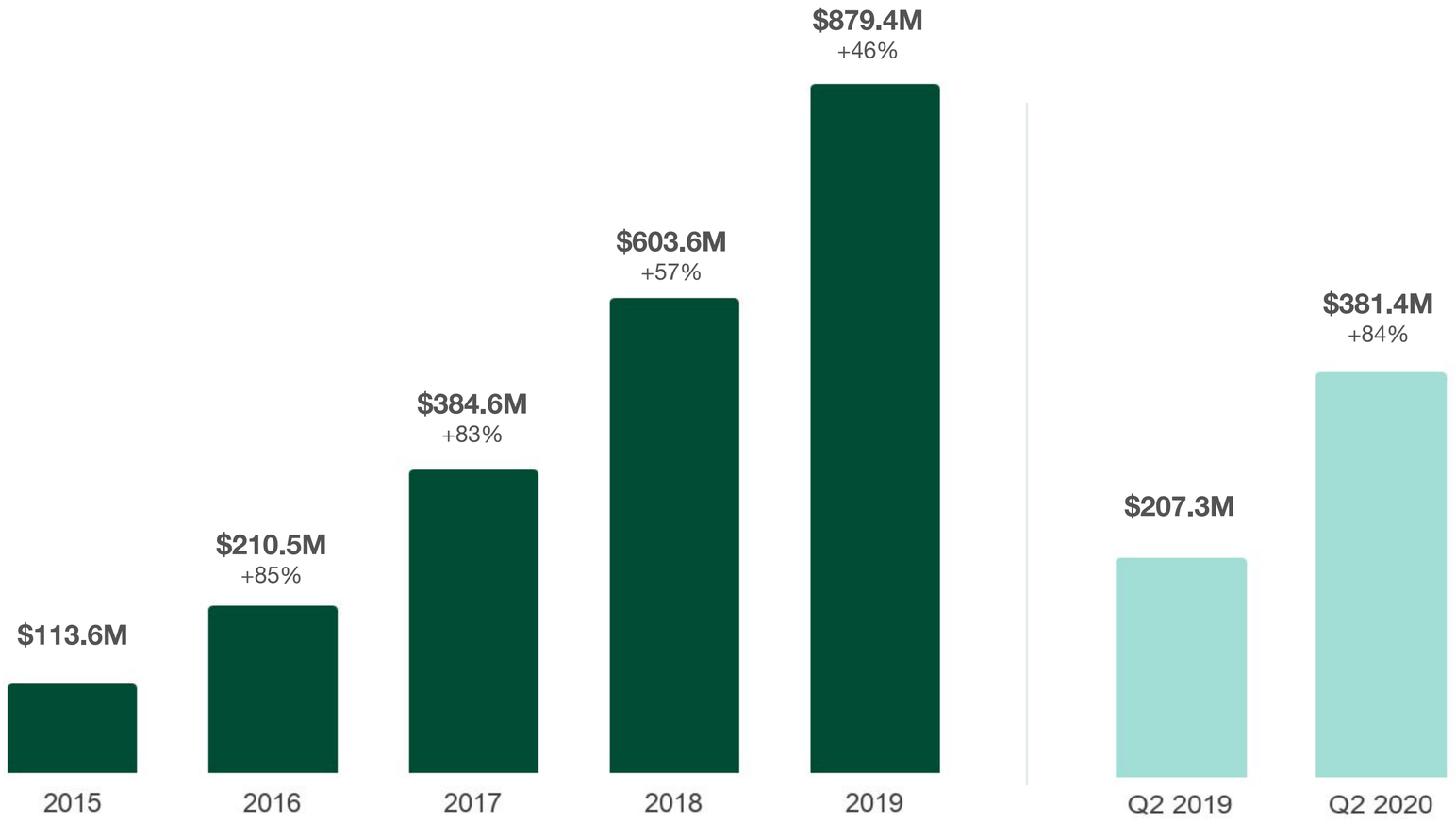
# Strong Consistent GMV Growth




*Gross Merchandise Volume, or GMV, represents the total dollar value of orders facilitated on the Shopify platform including certain apps and channels for which a revenue-sharing arrangement is in place in the period, net of refunds, and inclusive of shipping and handling, duty and value-added taxes.

# Powerful Business Model

Adjusted Gross Profit*



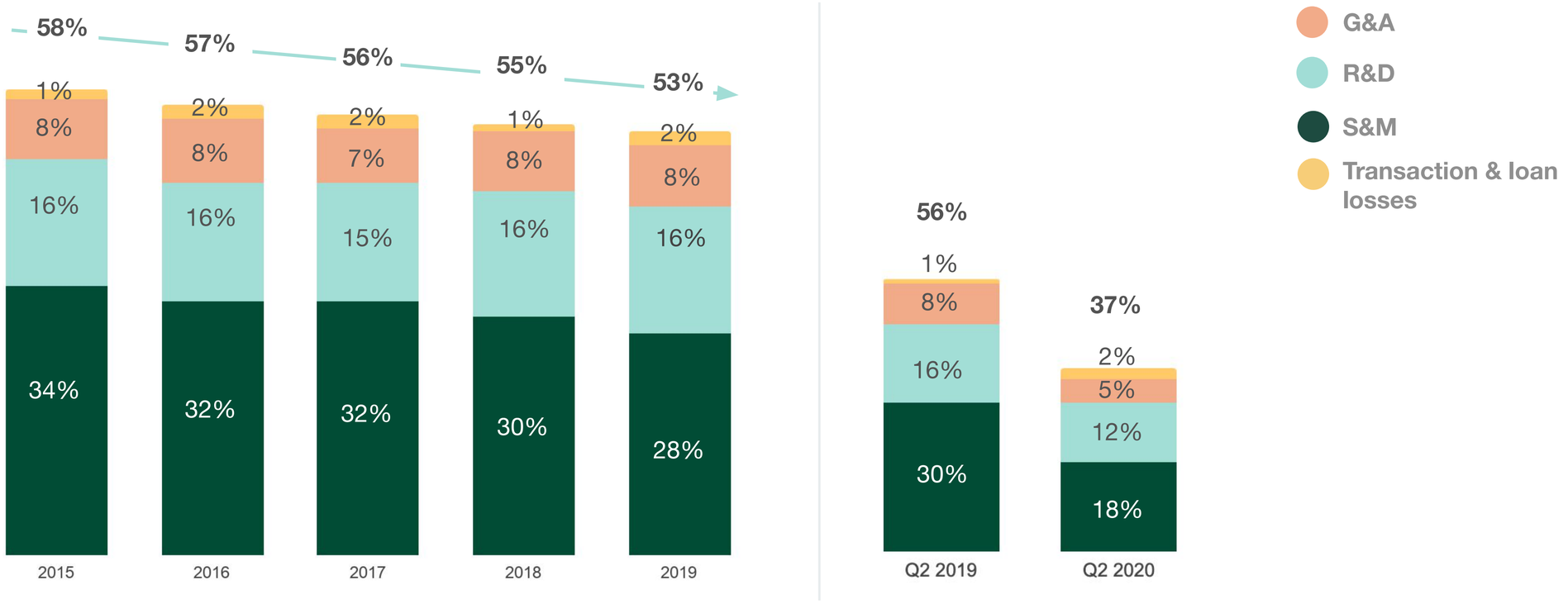

*Excludes the effect of stock-based compensation (SBC) expenses and related payroll taxes, and amortization of acquired intangibles. See Appendix for reconciliation.

# Operating Leverage

Adjusted Operating Expenses* as a Percentage of Revenue

## 2020 Investments

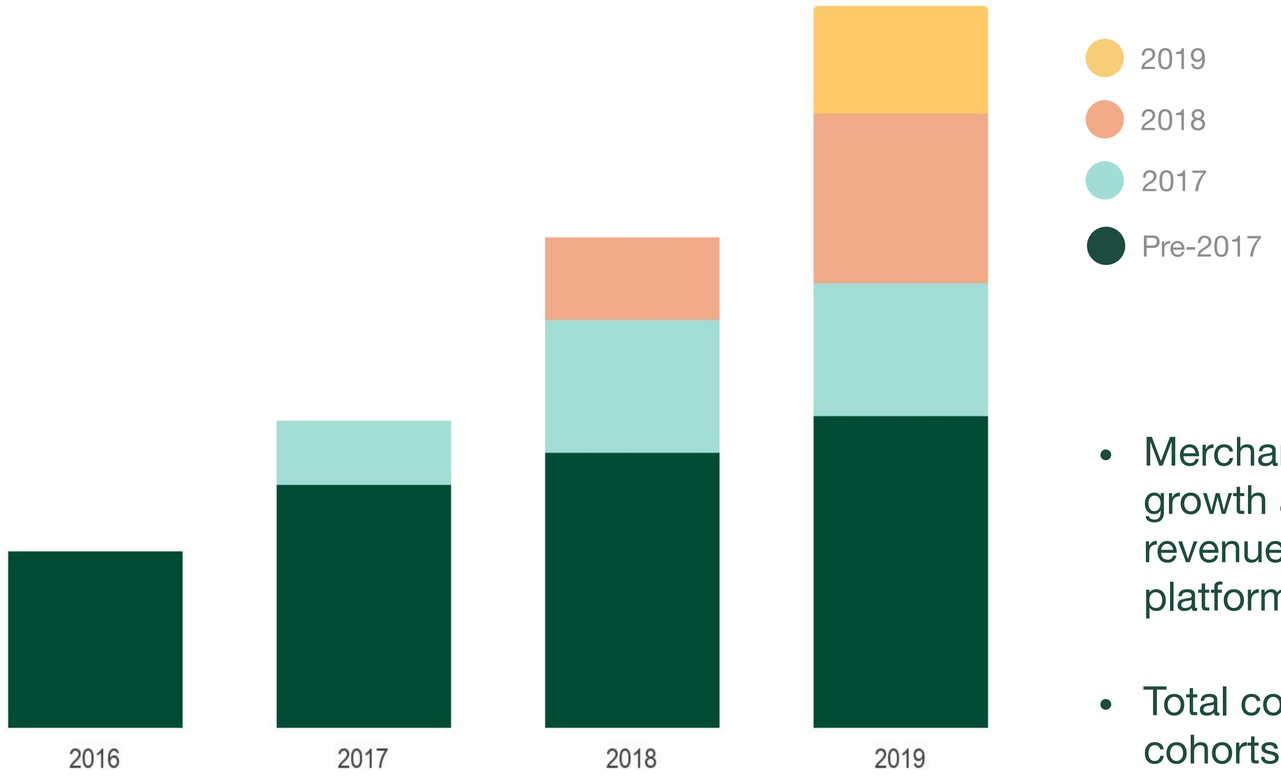
Shopify is investing in key areas to help businesses adapt to the accelerated shift to online commerce, including **Shopify Fulfillment Network/6 River Systems**, **International Growth**, **Shopify Plus**, **Retail POS**, and **Financial Solutions**




*Excludes the effect of stock-based compensation expenses and related payroll taxes, amortization of acquired intangibles and related taxes, and a real estate-related impairment charge. See Appendix for reconciliation.
Numbers may not foot due to rounding.

# Annual Cohorts Provide Strong Foundation for Growth

Revenue by Cohort

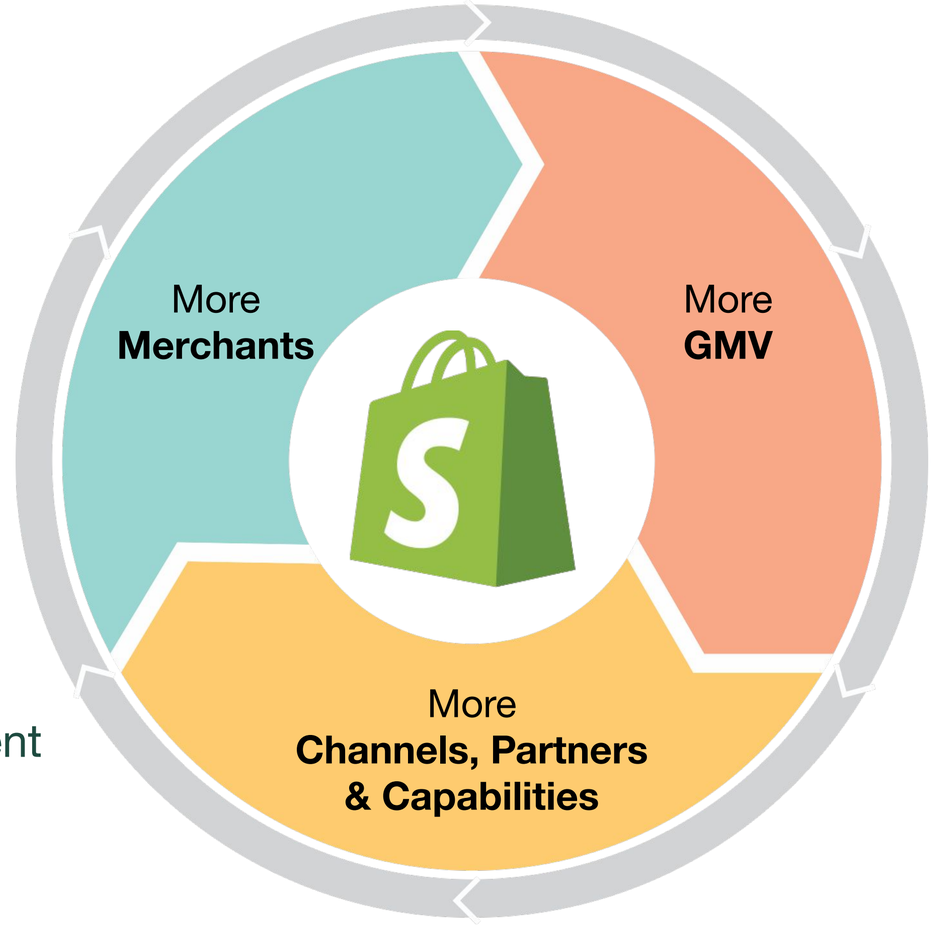



- Merchant revenue growth, driven by GMV growth and expanded wallet share, has offset revenue loss from merchants leaving the platform
- Total combined revenue of all previous cohorts has also grown consistently

*Annual revenue from merchant cohorts that joined the Shopify platform in the period shown.
**Note: the first year a merchant joins the platform may not be 12 full months and therefore is not fully comparable to the subsequent 12 month periods.

# The Shopify Flywheel

**Secular Tailwinds**
- Rise of self-employment
- E-commerce growth
- Consumerization of the enterprise




**Opportunities**
- International
- Share of Wallet
- Machine Learning

# Investment Highlights

## Large and Growing Opportunity

Multichannel commerce platform that enables merchants of all sizes to sell to anyone, anywhere

## Powerful Business Model

Success-based business model that puts merchants first

## Data Advantage

Tens of billions of interactions accumulated over 10+ years now being leveraged through machine learning

## Vast Ecosystem

Engaged and expanding partner ecosystem that is difficult to replicate

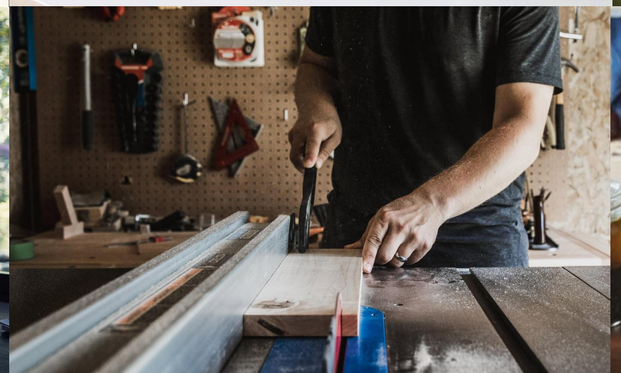
## World-class Product

Well-crafted for simplicity and scalability

## Mission Driven

Product-driven team focused on making commerce better for everyone

# Make commerce
# better for everyone.



# Appendix

# Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with United States generally accepted accounting principles (GAAP), Shopify uses certain non-GAAP financial measures to provide additional information in order to assist investors in understanding our financial and operating performance.

Adjusted gross profit, adjusted operating (loss) income, non-GAAP operating expenses, adjusted net income (loss) and adjusted net income (loss) per share are non-GAAP financial measures that exclude the effect of stock-based compensation expenses and related payroll taxes, amortization of acquired intangibles, and a real estate-related impairment charge. Adjusted net income (loss) and adjusted net income (loss) per share also exclude tax effects related to non-GAAP adjustments.

Management uses non-GAAP financial measures internally for financial and operational decision-making and as a means to evaluate period-to-period comparisons. Shopify believes that these non-GAAP measures provide useful information about operating results, enhance the overall understanding of past financial performance and future prospects, and allow for greater transparency with respect to key metrics used by management in its financial and operational decision making. Non-GAAP financial measures are not recognized measures for financial statement presentation under U.S. GAAP and do not have standardized meanings, and may not be comparable to similar measures presented by other public companies. Such non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. See the financial tables below for a reconciliation of the non-GAAP measures presented herein.

# Reconciliation of GAAP to Non-GAAP Figures

| | 2017 | 2018 | 2019 | Q2'19 | Q2'20 |
|---|---|---|---|---|---|
| GAAP Gross Profit | 380,253 | 596,267 | 865,643 | 204,765 | 375,034 |
| add: SBC and SBC-related payroll taxes | 1,281 | 2,441 | 4,090 | 1,026 | 1,529 |
| add: Amortization of Acquired Intangibles | 3,101 | 4,914 | 9,624 | 1,530 | 4,856 |
| Non-GAAP Gross Profit | 384,635 | 603,622 | 879,357 | 207,321 | 381,419 |
| % of Revenue | 57% | 56% | 56% | 57% | 53% |
| GAAP Sales and marketing | 225,694 | 350,069 | 472,841 | 119,210 | 144,850 |
| less: Sales and marketing SBC and SBC-related payroll taxes | 9,876 | 24,056 | 38,167 | 9,511 | 12,431 |
| less: Amortization of Acquired Intangibles | - | - | 283 | - | 388 |
| Non-GAAP Sales and Marketing | 215,818 | 326,013 | 434,391 | 109,699 | 132,031 |
| % of Revenue | 32% | 30% | 28% | 30% | 18% |

# Reconciliation of GAAP to Non-GAAP Figures

| | 2017 | 2018 | 2019 | Q2'19 | Q2'20 |
|---|---|---|---|---|---|
| GAAP Research and development | 135,997 | 230,674 | 355,015 | 85,520 | 133,227 |
| less: Research and development SBC and SBC-related payroll taxes | 34,560 | 59,575 | 104,645 | 26,448 | 49,825 |
| less: Amortization of Acquired Intangibles | - | - | 232 | 58 | 58 |
| Non-GAAP Research and development | 101,437 | 171,099 | 250,138 | 59,014 | 83,344 |
| % of Revenue | 15% | 16% | 16% | 16% | 12% |
| GAAP General and administrative | 55,446 | 99,196 | 153,765 | 34,922 | 83,307 |
| less: General and administrative SBC and SBC-related payroll taxes | 9,485 | 17,690 | 29,861 | 7,444 | 12,682 |
| less: Impairment of right-of-use assets and leasehold improvements | - | - | - | - | 31,623 |
| Non-GAAP General and administrative | 45,961 | 81,506 | 123,904 | 27,478 | 39,002 |
| % of Revenue | 7% | 8% | 8% | 8% | 5% |
| GAAP Transaction and loan losses | 12,273 | 8,248 | 25,169 | 4,733 | 13,366 |
| % of Revenue | 2% | 1% | 2% | 1% | 2% |
| GAAP Operating Expenses | 429,410 | 688,187 | 1,006,790 | 244,385 | 374,750 |
| less: Operating SBC and SBC-related payroll taxes | 53,921 | 101,321 | 172,673 | 43,403 | 74,938 |
| less: Amortization of Acquired Intangibles | - | - | 515 | 58 | 446 |
| less: Impairment of right-of-use assets and leasehold improvements | - | - | - | - | 31,623 |
| Non-GAAP Operating Expenses | 375,489 | 586,866 | 833,602 | 200,924 | 267,743 |
| % of Revenue | 56% | 55% | 53% | 56% | 37% |