



# Q2 2022 Results

July 27, 2022



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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.

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July 2022

# Financial highlights

- + Revenue Revenue grew 16% YoY to \$1.3B in Q2/22, representing a 3-year CAGR of 53%
  - + Solid uptake of Shopify Payments, Shopify Capital, and Shopify Markets helped drive YoY Merchant Solutions revenue growth to 18%
  - Change in app / theme store partner terms<sup>1</sup> (not in place in Q2/21)
  - Strengthening of USD relative to foreign currencies
  - Macro impacts: high inflation, shift in consumer spending

- + GMV GMV grew 11% YoY to \$46.9B in Q2/22, representing a 3-year CAGR of 50%
  - + Online and offline GMV each outpaced performance in respective markets in the U.S.
  - + Strong performance by merchants on Shopify Payments, growing adoption of Shopify Payments by Shopify Plus merchants, Shop Pay and Shop Markets payments penetration gains
  - Macro impacts: high inflation shifted spend to travel/services and discount retailers

- + MRR MRR grew 13% YoY to \$107.2M in Q2/22
  - + More merchants joined Shopify
  - + Number of retail locations using POS Pro increased
  - + Shopify Plus MRR contribution increased to 31% (vs. 26% in Q2/21)

<sup>1</sup> In Q3 2021, we changed our app and theme store partner terms, eliminating our revenue share on our partners' first \$1M of revenue, which is annually reset on January 1st

# Quarterly highlights



Omnichannel is critical

- Offline GMV up 47% YoY
- Online commerce and POS GMV YoY growth outpaced respective markets in the U.S.
- GMV through key partner integrations like Google, Facebook, & Instagram grew 5x over Q2/21



We have built trust with our merchants

- Shopify Payments GPV penetration increased to 53% vs. 48% in Q2/21
- Shopify Capital surpassed \$400 million funded to merchants for the first time in a quarter
- Released first ever Shopify Editions semi-annual publication featuring 100+ product releases
- Launched Shopify Audiences to create high-purchase-intent audiences for digital advertising



We're investing to stay ahead of the curve

- Deliverr acquisition completed (July), integration underway to accelerate simple and scalable fulfillment
- Continued focus across key investment themes - building buyer relationships, go global, first sale to full scale, simplifying logistics

# Key investment themes



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**01** Building buyer relationships

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**02** Going global

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**03** From first sale to full scale

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**04** Simplifying logistics

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# Building buyer relationships



## Shop

- More users signed up to our digital shopping companion, Shop, in Q2/22
- Introduced search to the home screen to continue to help buyers discover products from their favourite brands on Shopify



## Shop Pay

- Ended the quarter as #1 accelerated checkout on Shopify
- Facilitated \$58B in GMV since inception



## Shopify Audiences

- Launched in Q2, a marketing tool that helps merchants find new customers



## Channels

- June was strongest month ever for merchants adding POS Pro
- Launched Twitter Shopping and YouTube channels
- Launched Tokengated commerce (early access) enabling deeper connections between our merchants and their customers
- Strong growth YoY in Q2/22 GMV through integrations we built (includes social and search channels)

# Shopify POS

Offering integration with Shopify Payments and seamless connection with online sales, our point-of-sale offering is quickly becoming the POS of choice for merchants of scale



Growth in offline GMV YoY

**JAMES PERSE**

BEYOND YOGA 

**Our Place**

# Shopify Audiences

With ROAS under pressure, merchants are leveraging Shopify Audiences to create high-purchase-intent audiences for digital audiences to improve buyer conversion and return on advertising spend



6x return on ad spend



Targeting and performance significantly improved



Key part of advertising strategy

## L'AMARUE



2.5x return on ad spend



48% uptick in click-through rate



26% decline in customer acquisition costs



# Key investment themes



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**01** Building buyer relationships

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**02** **Going global**

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**03** From first sale to full scale

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**04** Simplifying logistics

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# Going global



## International

- Shopify POS hardware with integrated payments now available in 13 countries with the additions of Italy (Q2) and Singapore (July)
- Introduced localized subscription pricing to over 200 countries
- Q2/22 ROW MRR contribution expanded YoY

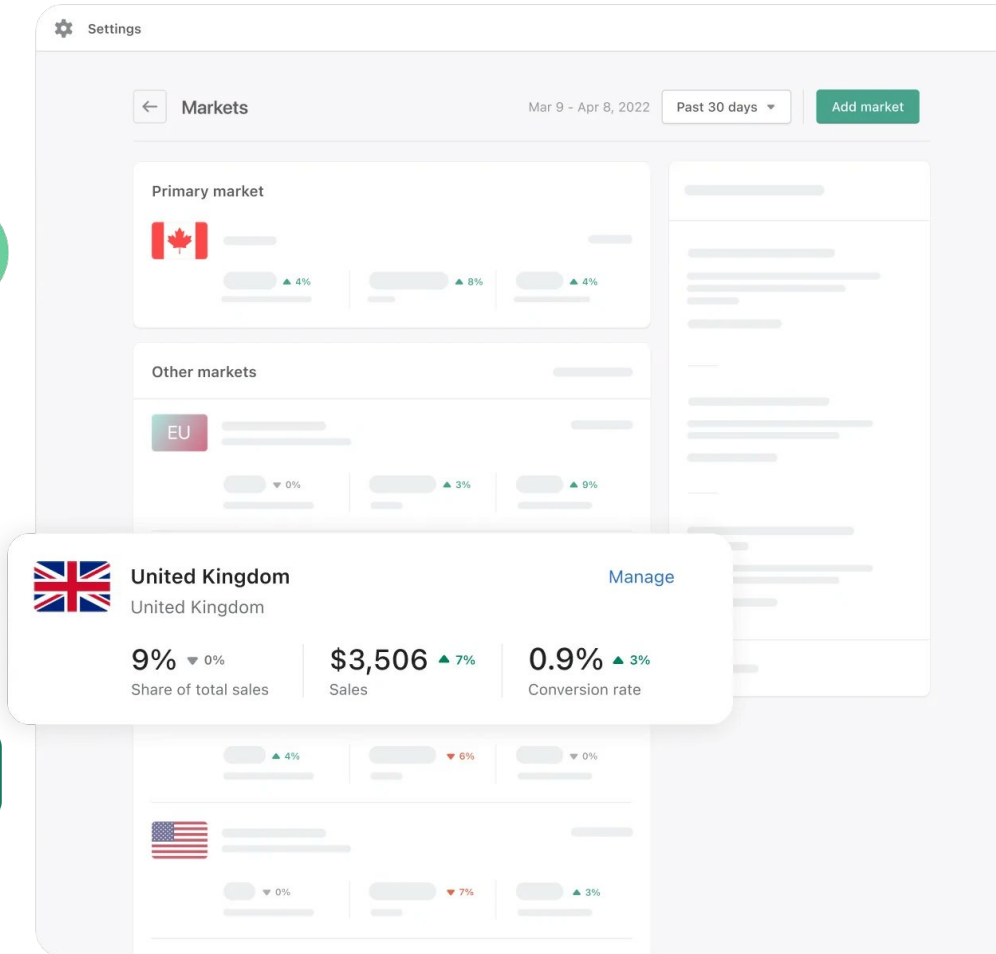
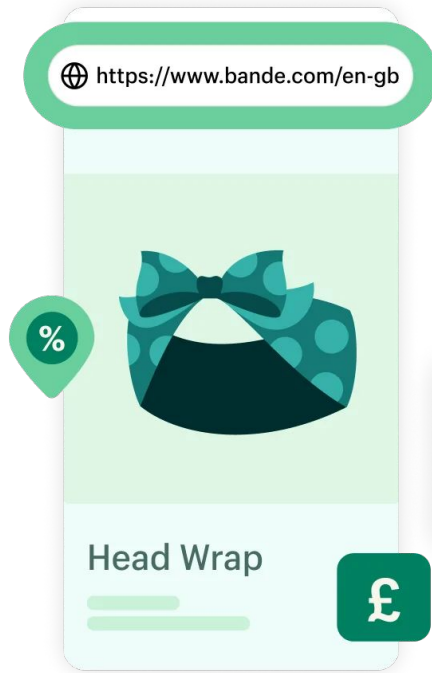


## Shopify Markets

- Since roll-out in Q1/22, 100,000+ merchants are offering localized experiences to customers
- From our studies, customizing storefronts for each international market can drive up to 40% higher conversion rates

# Shopify Markets

More than 100,000 merchants are offering a localized shopping experience to buyers to build trust and increase conversion rates



# Platform localization

We continue to expand our feature set to merchants across the globe



Launched Shopify Payments and Shopify Shipping in **France**



Launched Shopify POS with integrated payments in **Italy** in June and **Singapore** in July



Introduced localized subscription pricing to **over 200 countries**

# Key investment themes



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**01** Building buyer relationships

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**02** Going global

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# From first sale to full scale

-  Shopify Payments
  - Q2/22 GPV penetration of 53% vs. 48% in Q2/21 growing across all merchant types, regions, and channels
  - Introduced Shopify Payments in France in Q2/22, now available in 18 countries
-  Shopify Capital
  - \$416.4M in MCAs and loans funded by Shopify Capital in Q2/22, up 15% YoY
  - Funded \$3.8 billion in cumulative capital since inception in April 2016
-  B2B Solution Upgrade
  - Recent enhancements enable merchants to use one platform to sell B2B and D2C
-  Shopify Functions
  - Extends platform customization for merchants to build unique experiences for consumers including customized discounts
-  Shopify Plus
  - GMV growth continues to outpace overall GMV growth
  - Notable brands that launched in Q2/22 include Allure, ASICS, Ashley HomeStore, Gold's Gym, HP Dev One, Masterlock, Pond's, Tetley Teas, Greatest Wins, Proudly, SKKN BY KIM, Rhode Skin

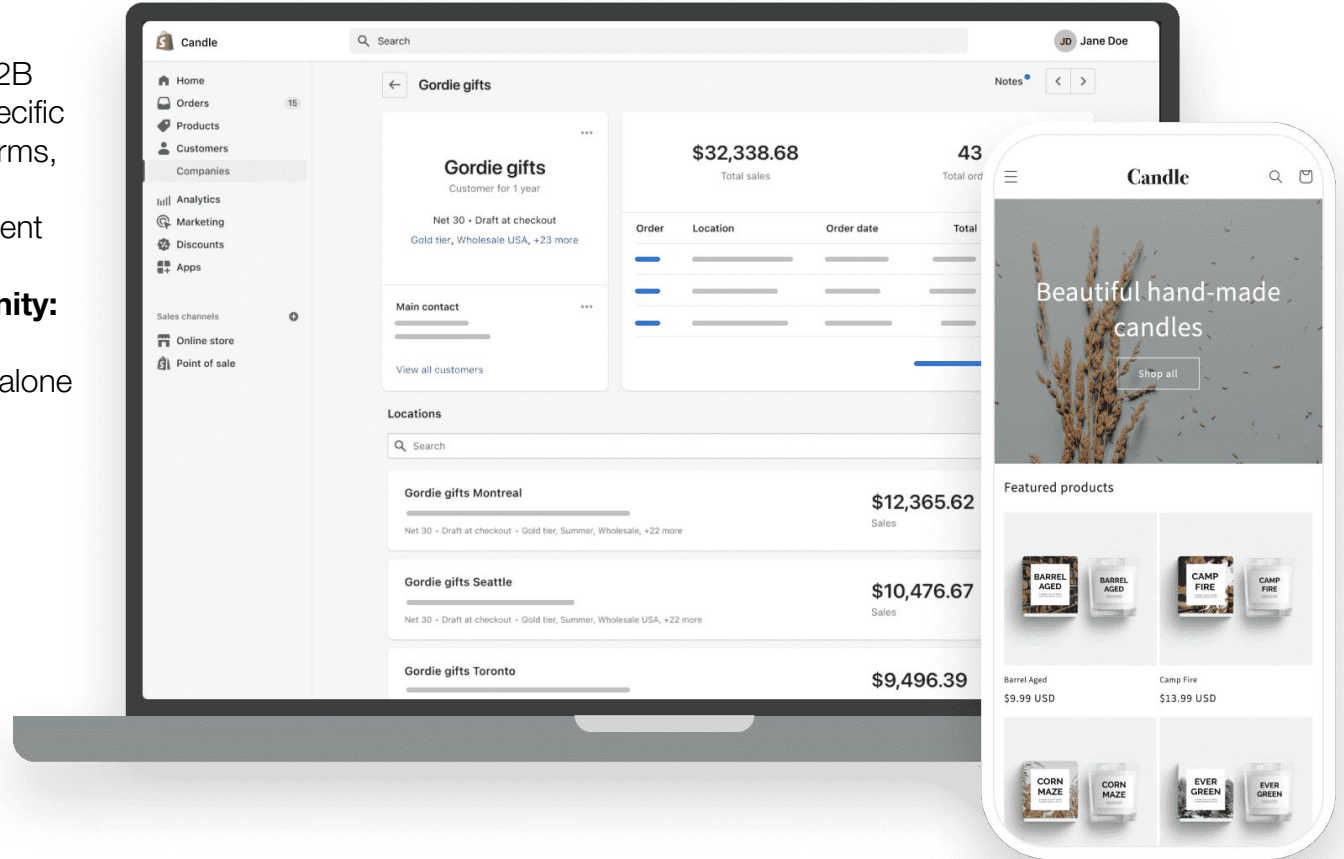
# B2B ecommerce

## Enhanced features:

One platform and store for B2B and D2C sales, customer-specific pricing, assigned payment terms, ERP partner integration, and self-serve account management

## Attractive market opportunity:

Estimate more than 50% of merchants - on Shopify Plus alone - could utilize B2B offering



# Shopify Plus

Household names across a broad spectrum of verticals joined Shopify Plus in the quarter



allure



**Master**  
**Lock.**

**asics**





# Key investment themes



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**04** Simplifying logistics

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# Simplifying logistics



Simplifying the end-to-end platform

- Freight: Launched pilot program with Flexport that provides shipping inventory at the pallet-level and accessing pre-booked container ships to improve service levels from port, reduce costs and increase inventory agility
- Distribution: Integration process has begun with Deliverr's asset-lite, technology-driven service with SFN hubs/spoke partner model to further simplify inventory management across multiple channels and increase delivery speeds
- 2-Day Fulfillment & Delivery: completed rollout of Shopify's warehouse management system to our fulfillment network, increasing orders with predicted delivery of 2 days or less to over **70%** from less than 2% prior to software updates



Acquisition of Deliverr:

- Deliverr \$2.1B acquisition closed on July 8, 2022
- Strengthens Shopify Fulfillment Network with Deliverr's software, talent, data, and scale
- Ships over a million orders per month for thousands of merchants across the U.S.
- Enhances our capacity to manage merchants' inventory from 'port to porch' and across all their sales channels, including Walmart, eBay, Etsy, and Amazon, and social channels like Facebook, Instagram, and TikTok
- Reinforces SFN benefits including simplified inventory management across multiple channels, demand-driven inventory placement, and faster delivery

# Shopify Fulfillment Network = An end-to-end logistics platform

Helping merchants of all sizes remove the complexity of supply chain, from port to porch and across all sales channels

**flexport.**

**Deliverr**

## Inventory inbounding to the network



### Supplier

- Materials
- Manufacturing
- Product assembly

### Freight

- Land, sea, & air transport
- Receiving & assessment

## Inventory distribution within network and across channels



### Distribution

- Cross-docking
- Prep services
- Multi-channel: retail, wholesale, marketplaces

### Fulfillment Centers

- Inventory balancing
- Sorting facilities
- Last mile delivery
- Returns processing

**6 RIVER SYSTEMS**

Fulfillment Solutions & Warehouse Automation

## Direct-to-consumer order fulfillment



**shop Promise**

### Customers

Two-day delivery guarantee, plus returns

Across your online store, social channels, and marketplaces



# Balancing investments in growth...

With an **efficient**  
operating model

Streamlining commercial  
organization & overall workforce

Integrating Deliverr's software,  
technology, and team

Implementing market-competitive  
compensation system

# 2022 Full-Year Outlook



Expectations based on:

- Higher inflation and rising interest rates to pressure consumer spend for rest of 2022
- Impact of Deliverr acquisition and new compensation structure

FY22 Outlook:

- **GMV** growth to outpace overall retail growth in 2H22
- Number of **new merchants** joining the platform to be higher in 2H22 compared to 1H22
- **Merchant solutions** revenue growth YoY to be more than double that of **subscription solutions** revenue growth for FY22
- **GMV** and **total revenue** to be more evenly distributed across the four quarters, similar to 2021
- **Operating expense** growth to decelerate in Q3 and again in Q4
- An **adjusted operating loss** in 2H22

# 2022 full-year outlook considerations

## Full Year 2022

<b>Revenue</b>	<ul style="list-style-type: none"><li>• Quarters spread more evenly (similar to 2021)</li><li>• Merchant solutions revenue growth 2x subscription solutions revenue growth</li></ul>
<b>Gross profit</b>	<ul style="list-style-type: none"><li>• Gross profit dollar growth to trail revenue growth due to a larger mix of Merchant Solutions and Deliverr, which we expect to be dilutive</li></ul>
<b>Operating expense</b>	<ul style="list-style-type: none"><li>• Exit the year with OpEx growth decelerating</li></ul>
<b>Adjusted operating loss</b>	<ul style="list-style-type: none"><li>• Re-investment year for future long-term growth</li></ul>
<b>Stock-based compensation</b>	<ul style="list-style-type: none"><li>• \$750M (previously \$800M)</li></ul>
<b>Capital expenditures</b>	<ul style="list-style-type: none"><li>• \$200M (unchanged from previous outlook)</li></ul>
<b>Amortization of acquired intangibles</b>	<ul style="list-style-type: none"><li>• \$62M (unchanged from previous outlook)</li></ul>

### *Additional commentary related to 2H22:*

#### Deliverr acquisition

- Accretive to revenue growth
- Dilutive to gross margin
- +450 employees

#### OpEx Considerations for 2H22:

- Compensation structure change (+\$50M)
- Other expenses (+\$50M)
- Adjusted operating loss:
  - Q3 AOL to materially increase from Q2 22
  - Q4 AOL significantly smaller than Q3 and larger than Q2



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