

Q1 2020 Results

May 2020



Safe Harbour

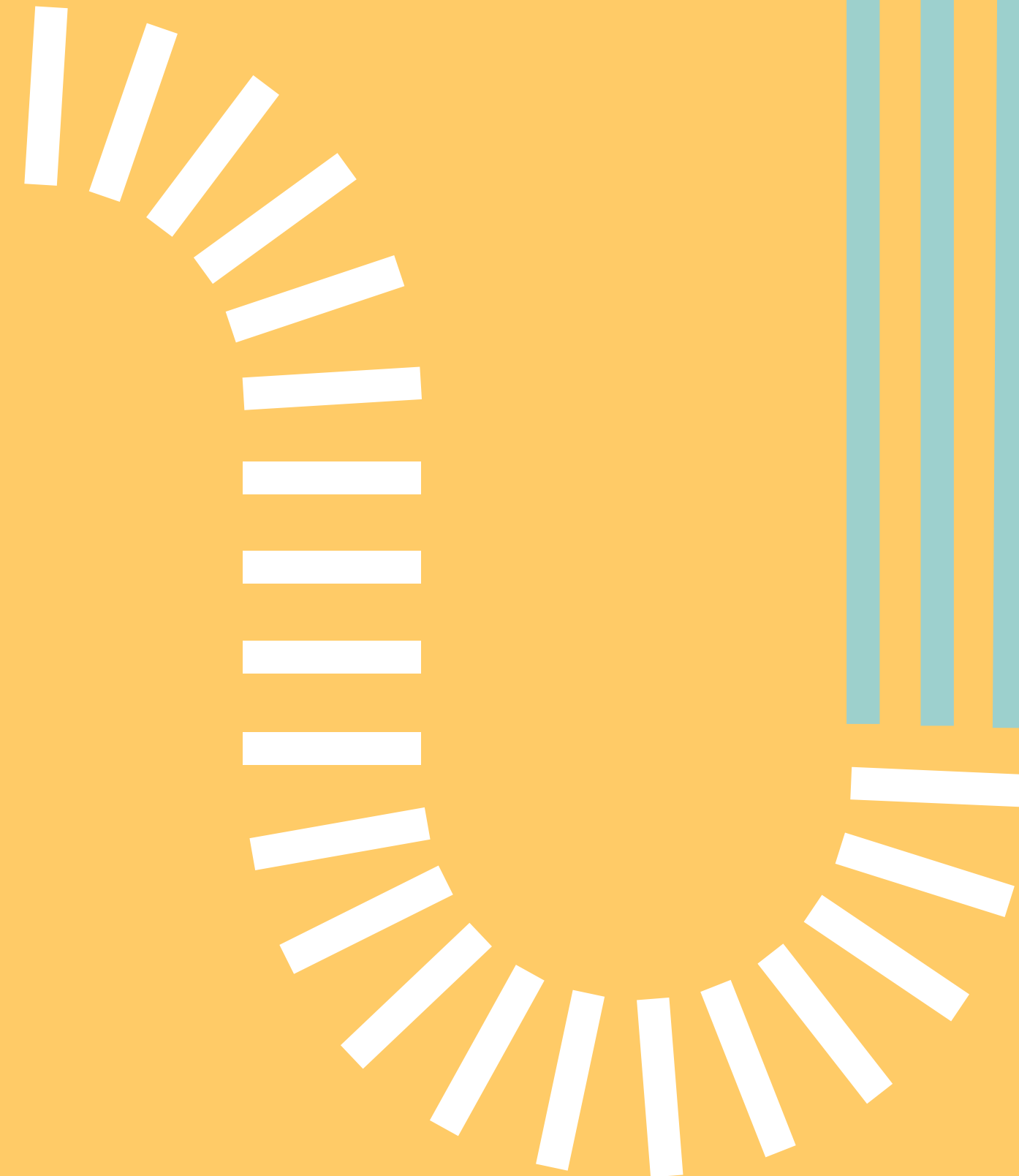
This presentation contains forward-looking statements that are based on our management's current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors management believes are appropriate 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 are described in further detail our Management's Discussion and Analysis for the quarter ended March 31, 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.

May 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

\$2000+ per month

Total Addressable Market

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

Entrepreneur TAM

\$78B
SMB TAM ^{(1) (2)}

Larger Brands
TAM

- (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

Word of Mouth

Search Engine Marketing

Digital Advertising

Shopify Blog

Content Marketing

Global Events

Partners and Affiliates

Shopify Plus Sales Representatives

Entrepreneurs

SMB'S

Larger Brands





Merchant Profile

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Entrepreneur

Lilla Zelenak is the owner of The Green Door, a unique flower shop located in Dublin, Ireland. With the advent of social distancing measures, in light of COVID-19, leading to the closure of non-essential retail stores, Lilla leverages Shopify's multi-channel capabilities, our gift card feature, and Shopify Payments to run her online store.

SMB

Fragola is a food company, providing fresh organic meals to babies and children. Fragola started using Shopify's gift card capability for donations during COVID-19 to help send free food boxes to families in need. Since joining Shopify in 2016, Fragola has used Shopify Shipping, Shopify Payments, and our multi-channel capabilities to run the business.



Larger Brands



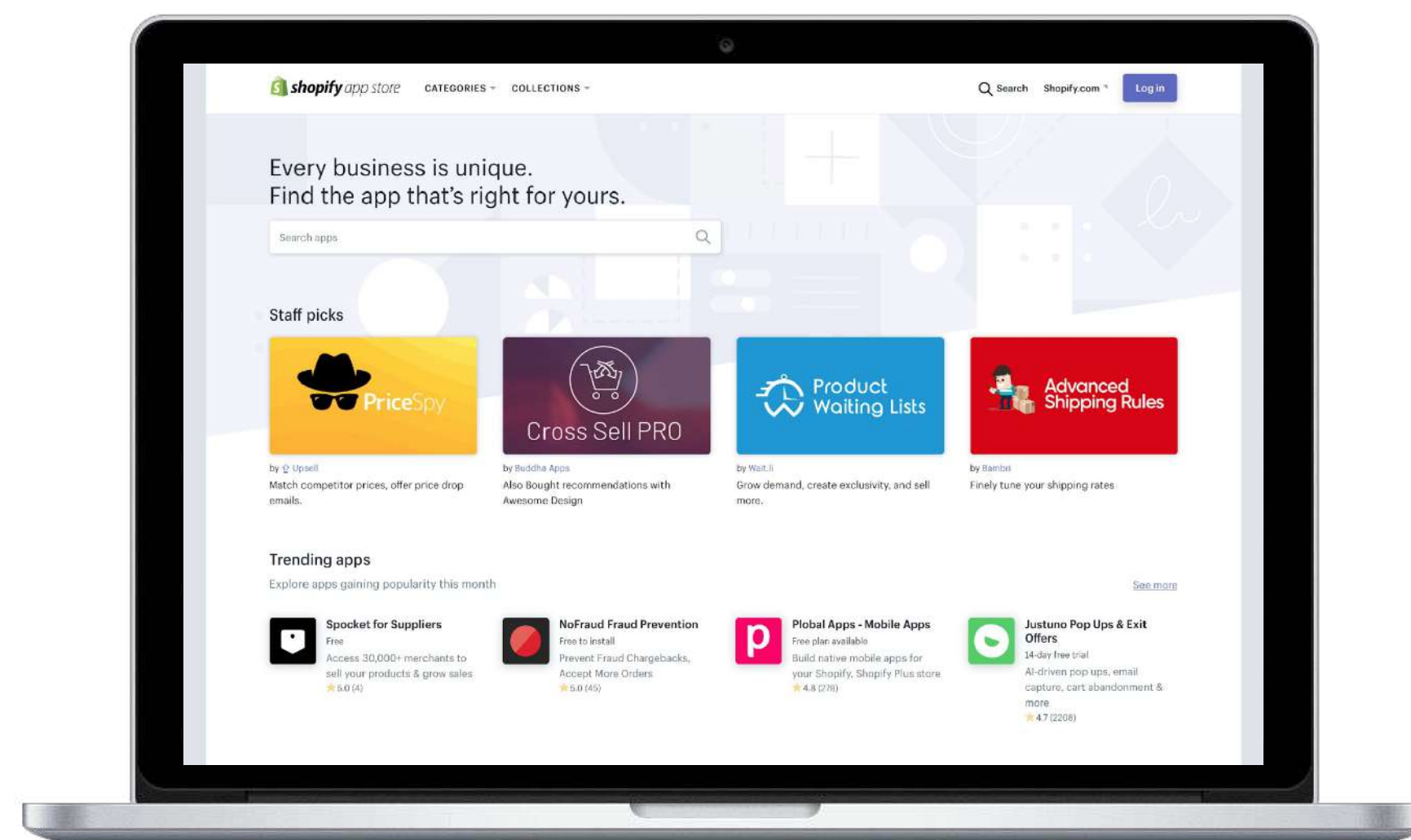
CIRQUE DU SOLEIL

FASHION NOVA



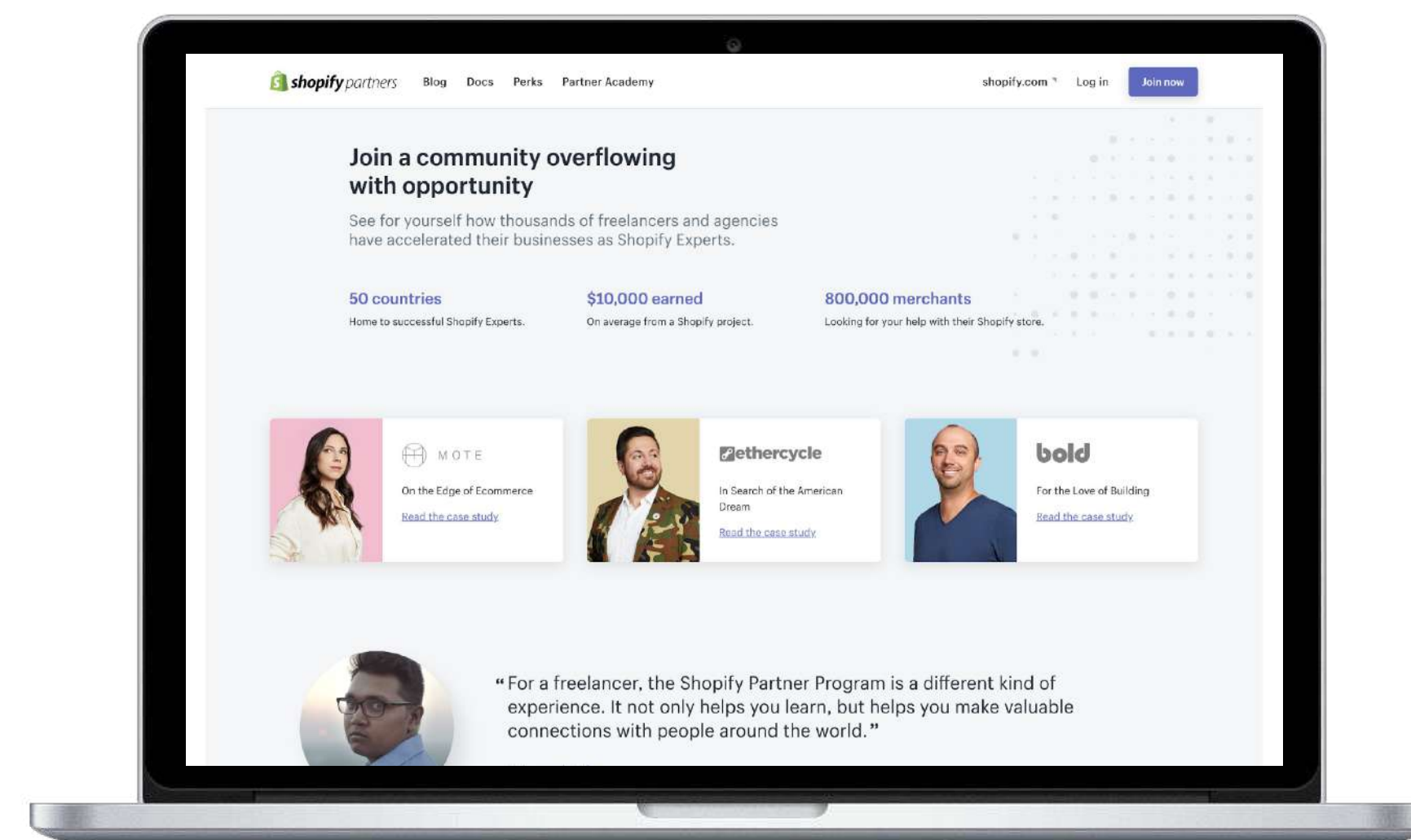
Extensive Partner Ecosystem

4,100
Apps



Apps extending product capabilities

26,400
Agencies & Web Designers



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

Growth-Minded Culture



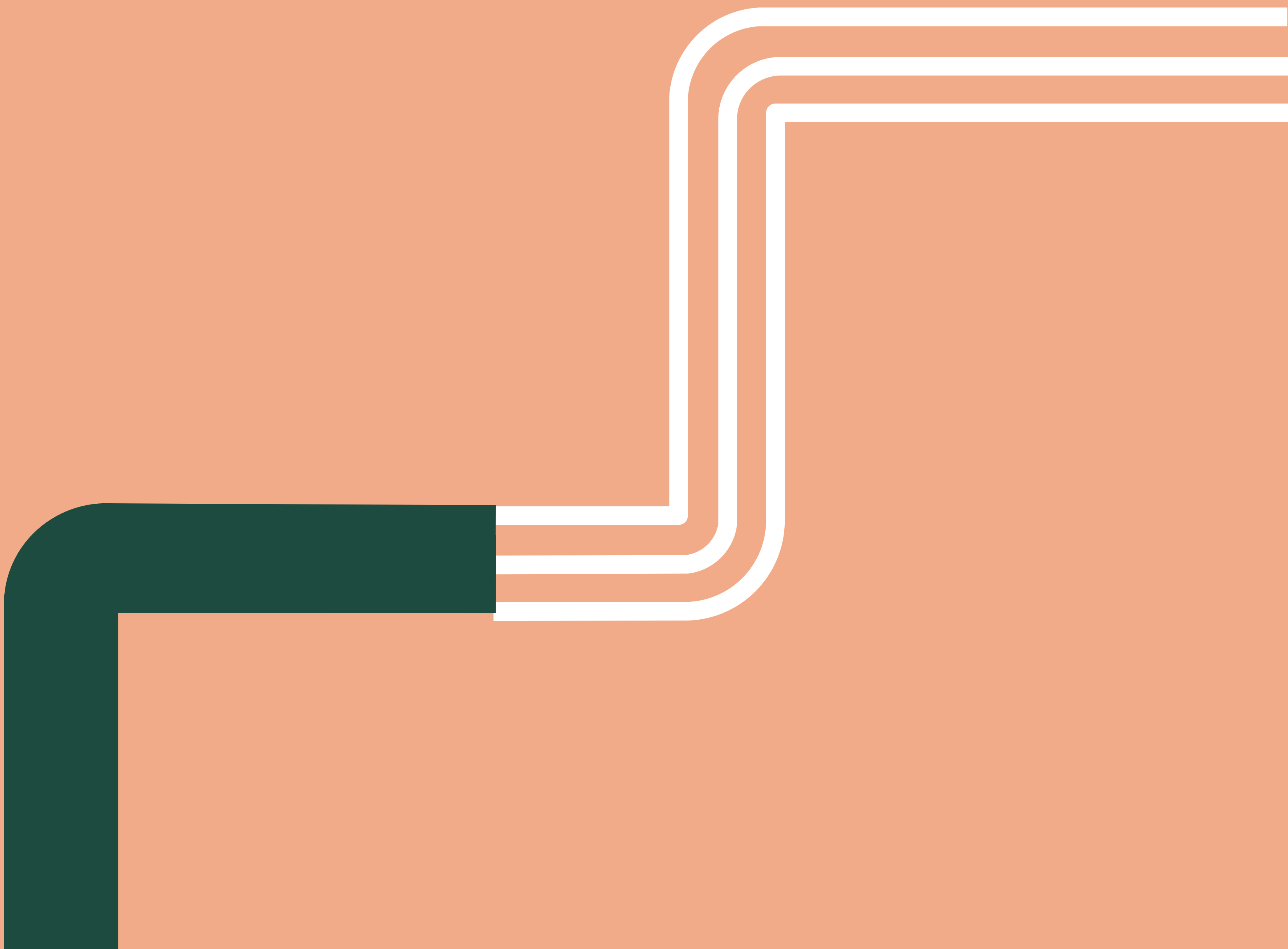
Recruit talented, deeply caring individuals

Hack Days as an innovation engine

Invest heavily in personal growth and development

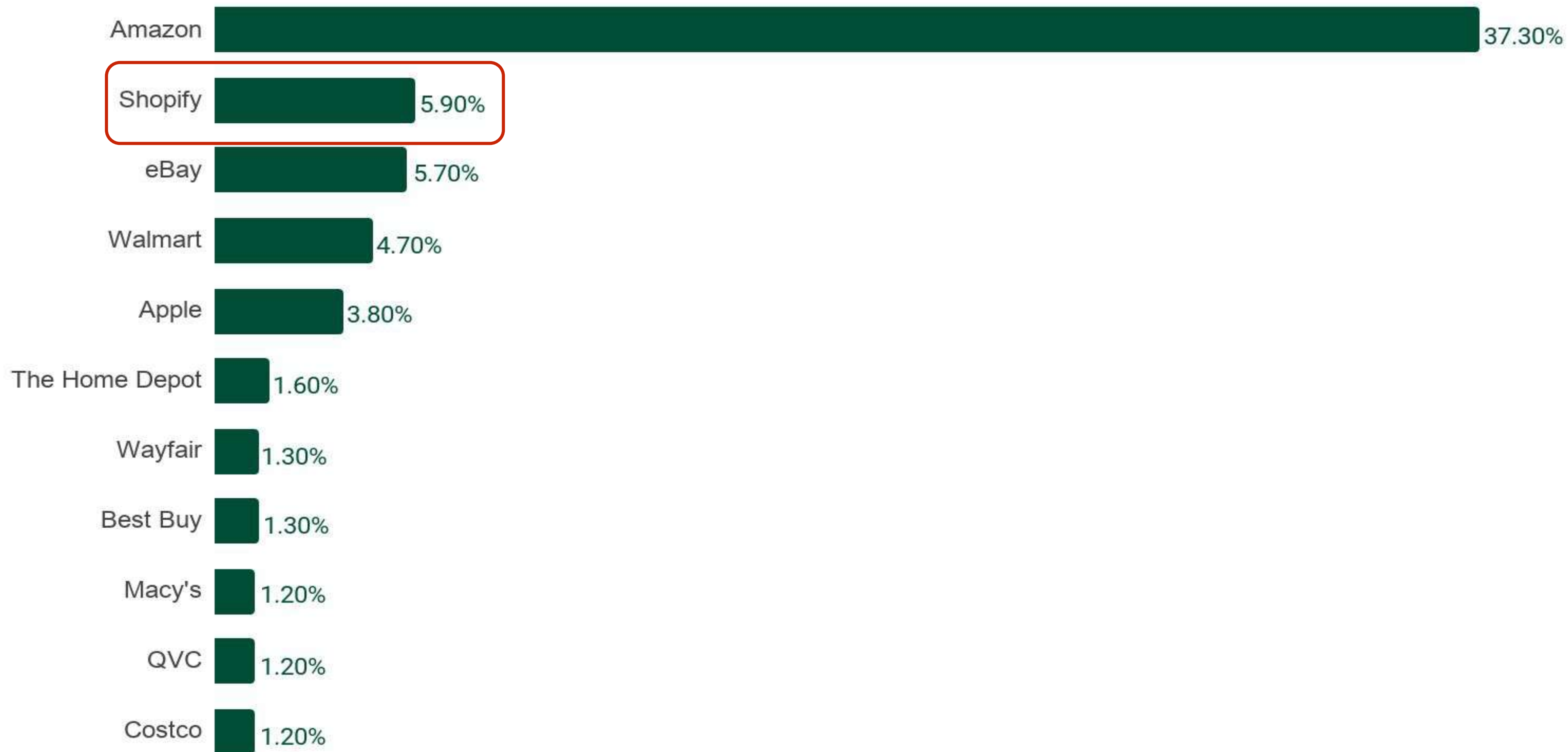
Global reach

The Numbers



Strong & Competitive Market Position

Share of
U.S. Retail
eCommerce
Sales 2019



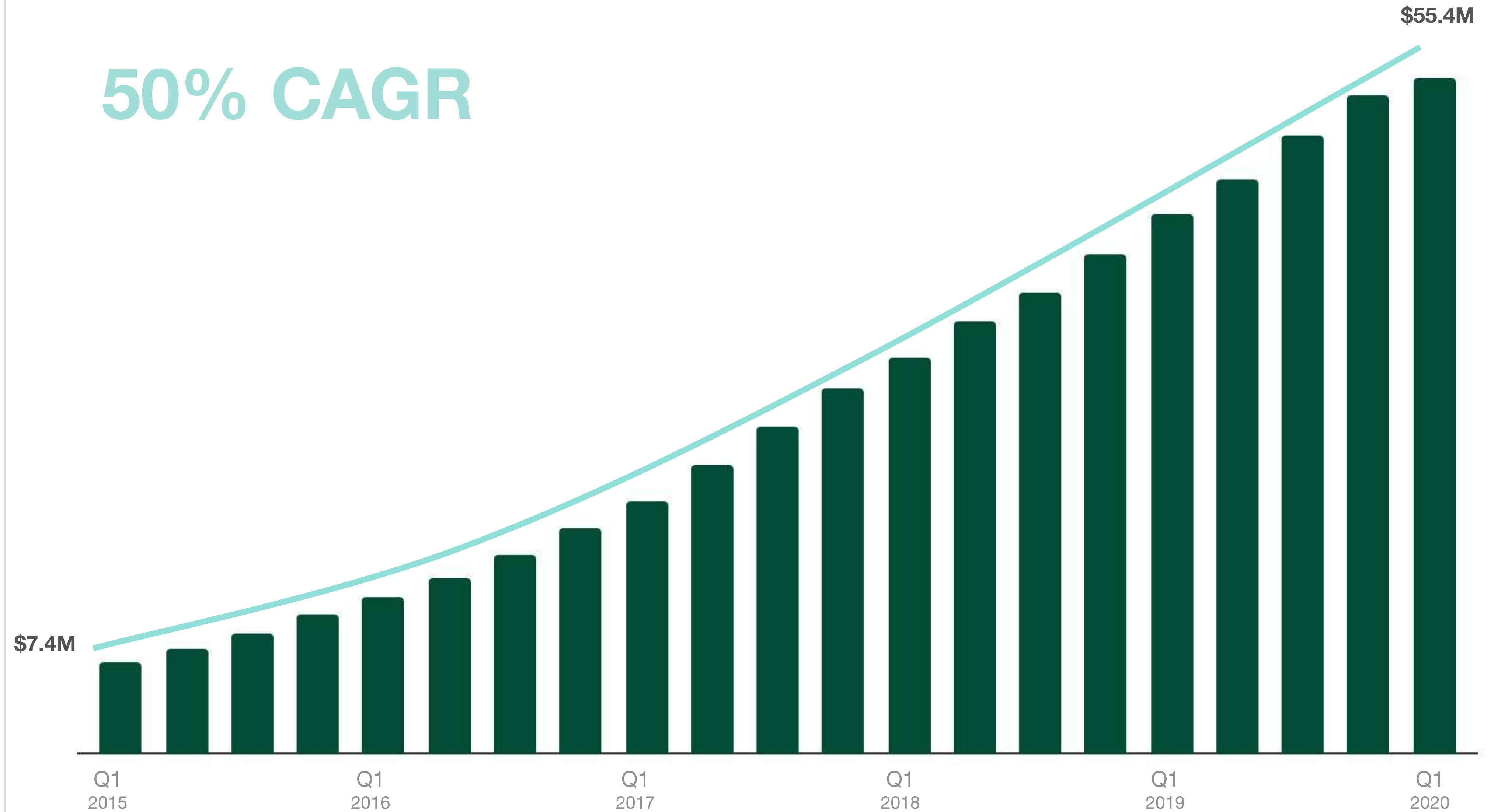
Source: eMarketer, October 2019, Shopify

* Market share based on Shopify's 2019 US GMV (excluding merchant sales made through POS)

Strong Consistent Revenue Growth

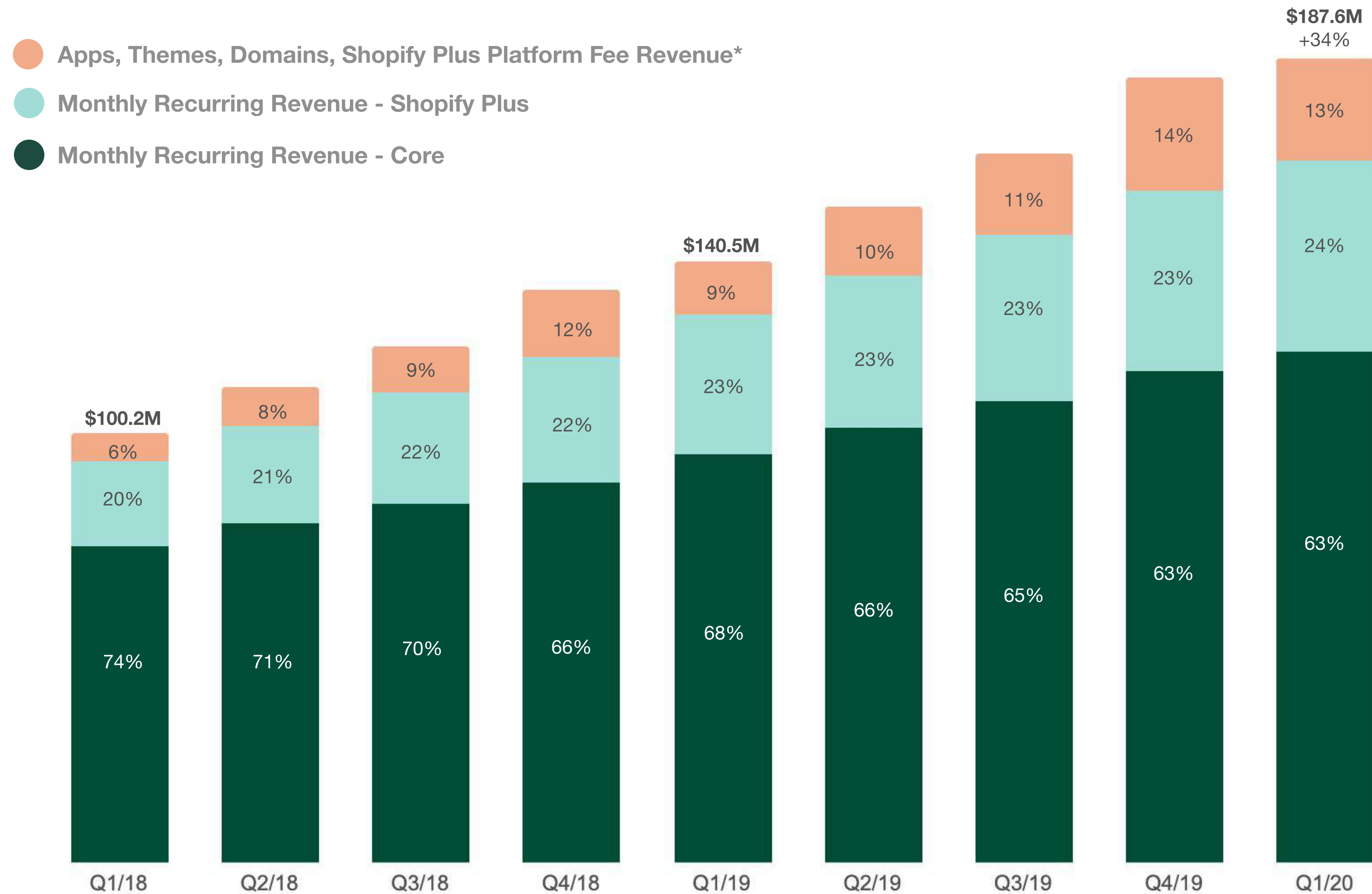


**Strong
Consistent
MRR
Growth...**



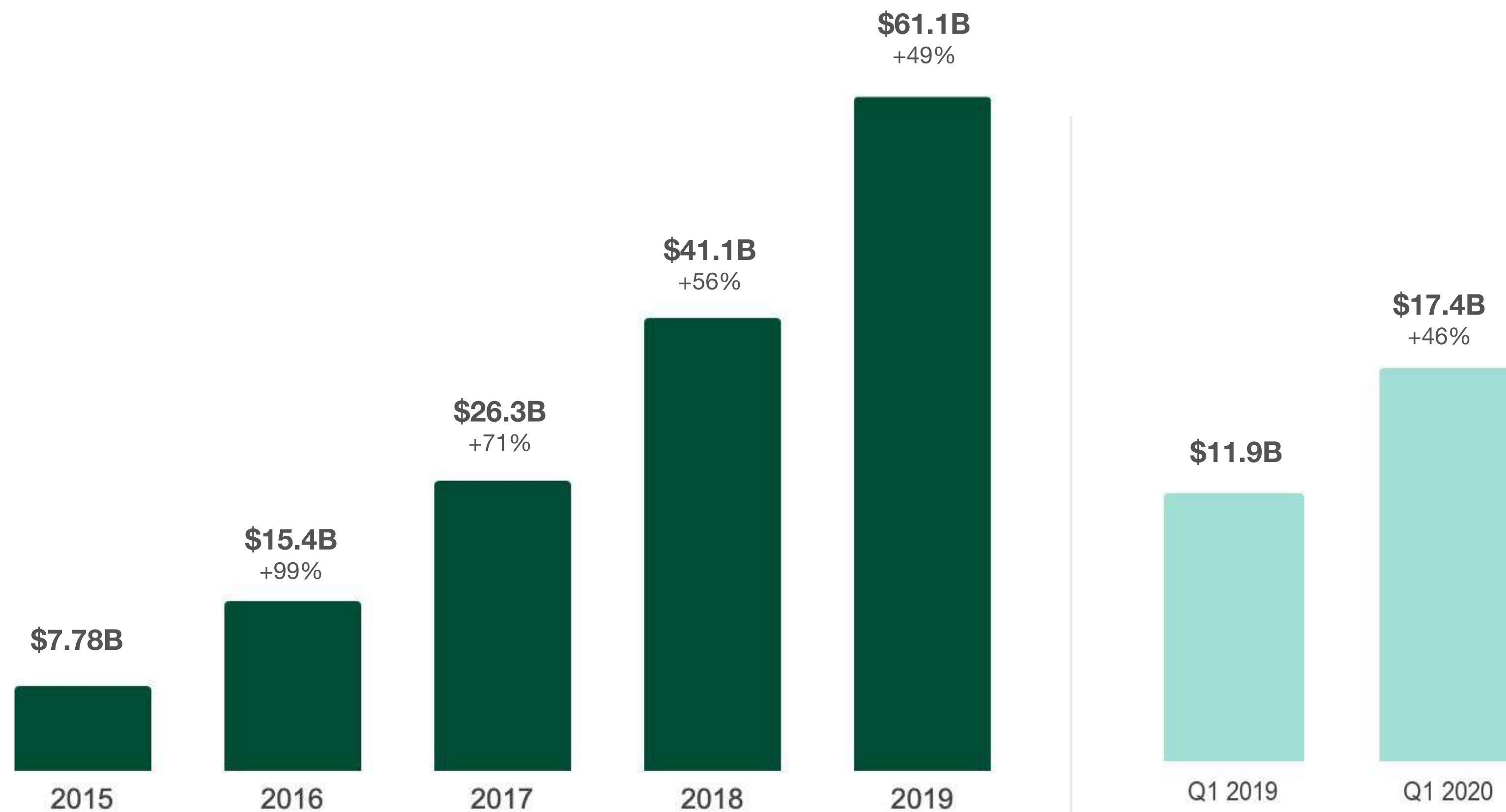
*Monthly Recurring Revenue, or MRR, is calculated at the end of each period by multiplying the number of merchants who have subscription plans with us at the period end date by the average monthly subscription plan fee revenue in effect on the last day of that period, assuming they maintain their subscription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

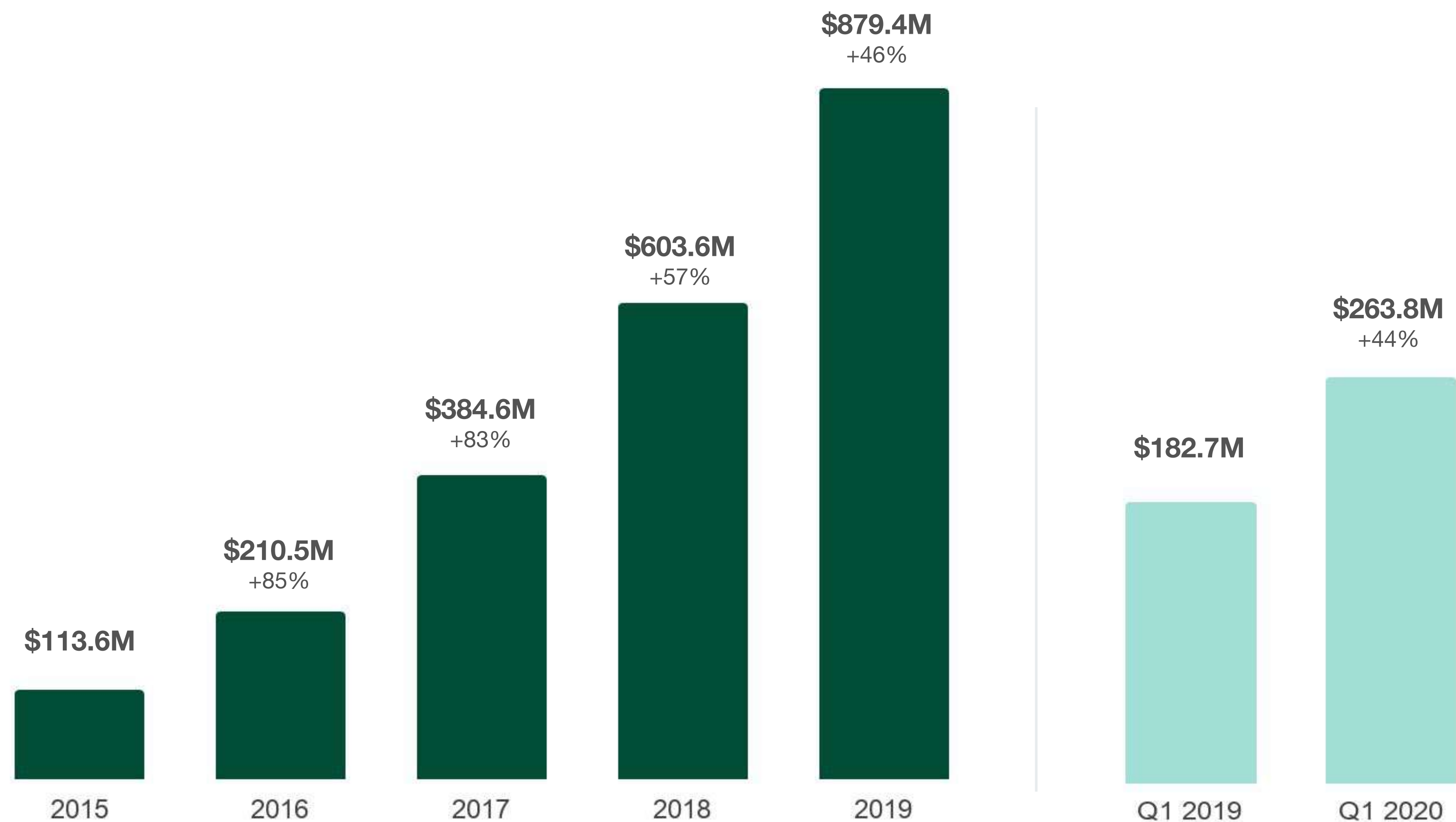
Strong Consistent GMV Growth



*Gross Merchandise Volume, or GMV, represents the total dollar value of orders processed on the Shopify platform in the period, net of refunds, and inclusive of shipping and handling, duty and value-added taxes.

Powerful Business Model

Adjusted Gross Profit*



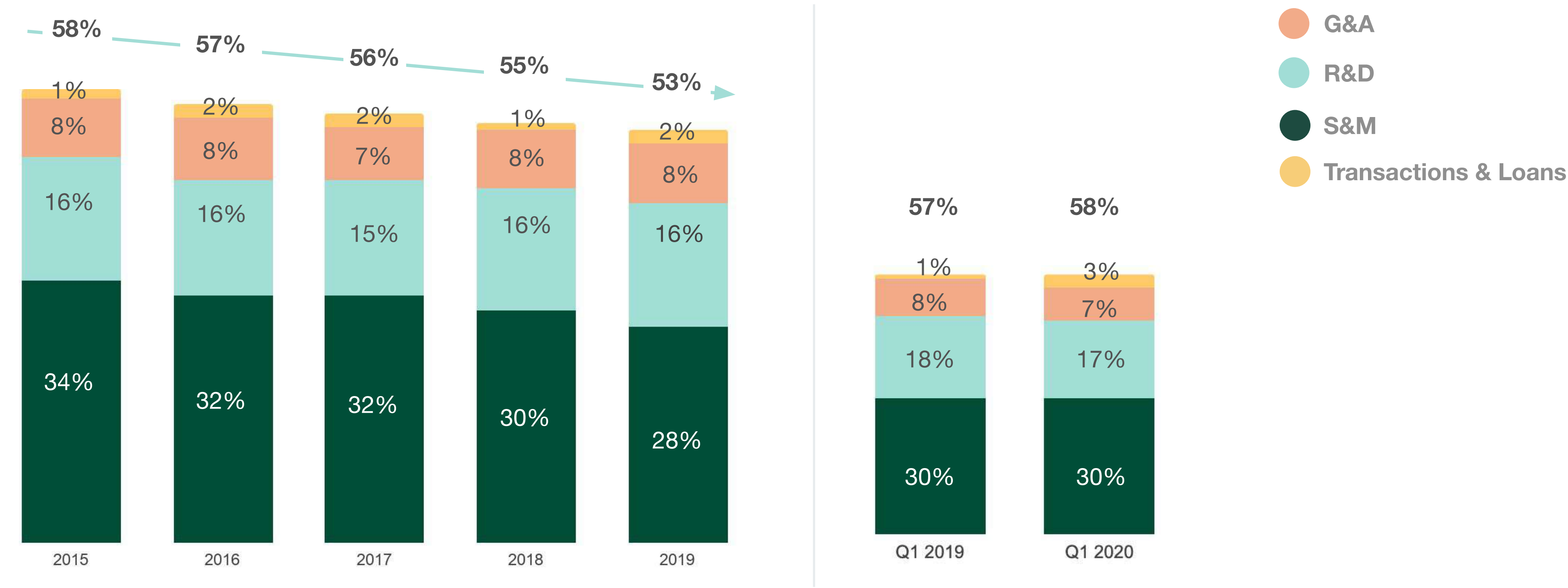
*Excludes the effect of stock-based compensation (SBC) expenses and related payroll taxes, and amortization of acquired intangibles. See Appendix for reconciliation.

Operating Leverage

Adjusted Operating Expenses* as a Percentage of Revenue

2020 Investments

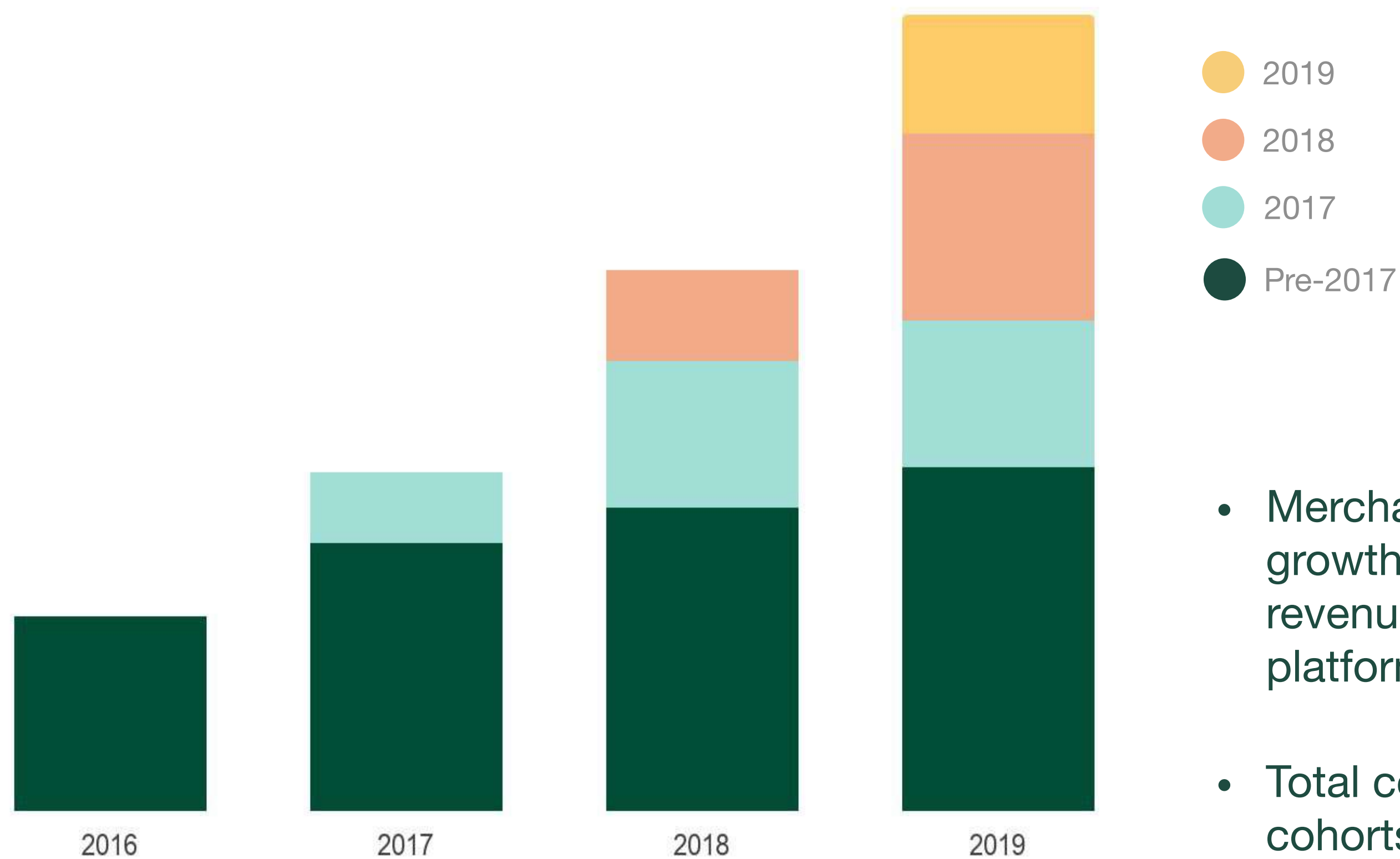
Shopify is investing to help businesses adapt to a fast-changing commerce landscape resulting from COVID-19, while advancing certain investments that will serve merchants now and in the long-term, including **Shopify Fulfillment Network/6 River Systems, International Localization, Shopify Plus, Retail POS, and Financial Solutions**



*Excludes the effect of stock-based compensation expenses and related payroll taxes, and amortization of acquired intangibles. 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



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

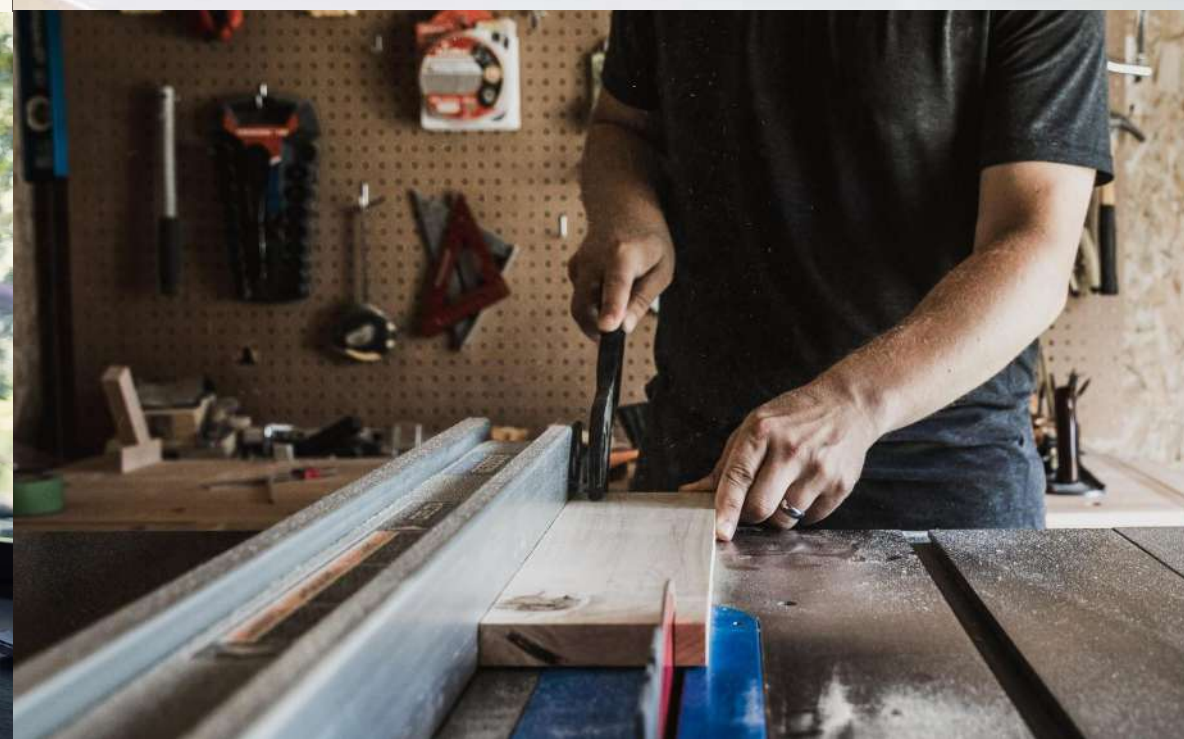
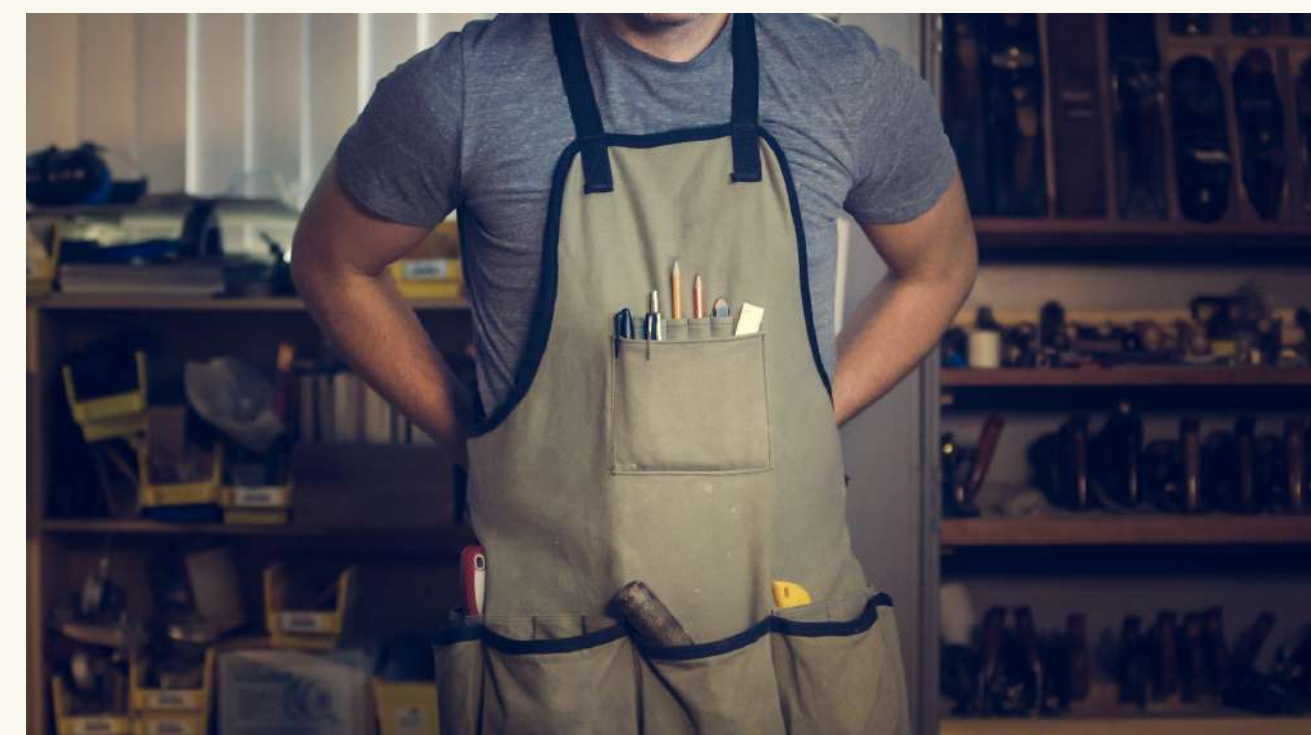
World-class Product

Well-crafted for simplicity and scalability

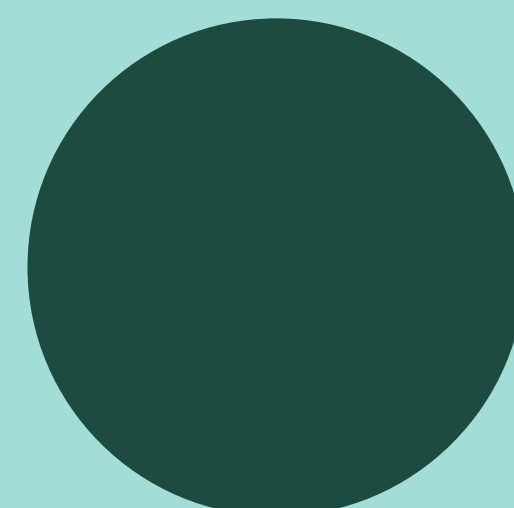
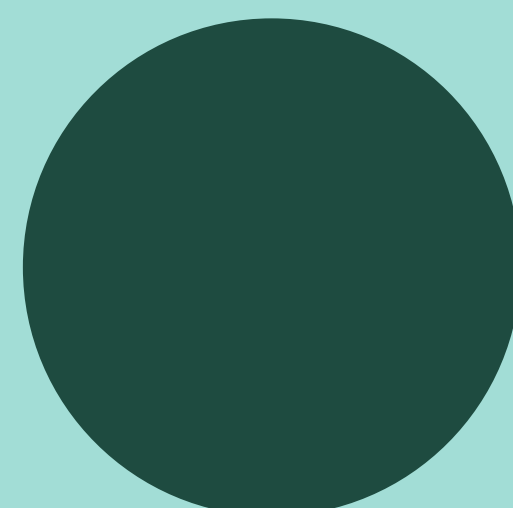
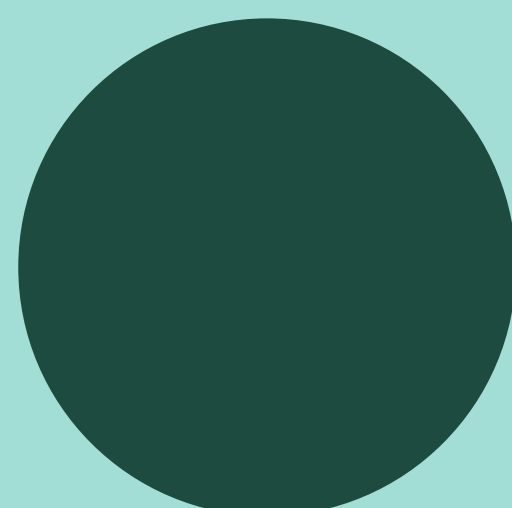
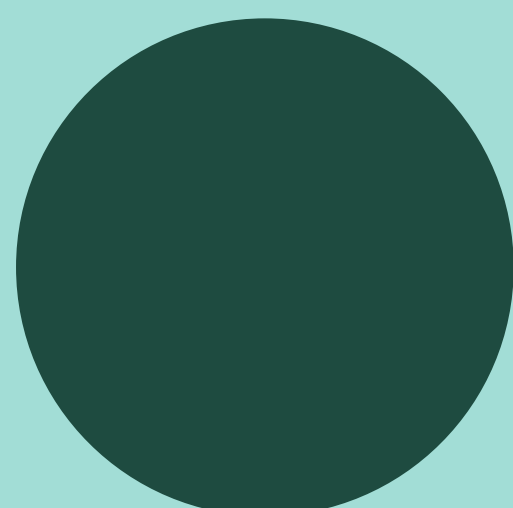
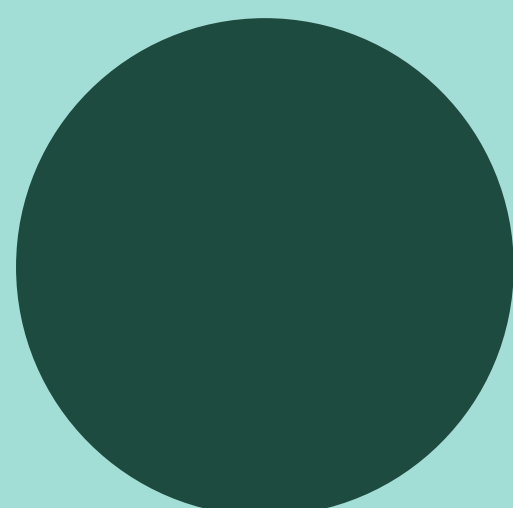
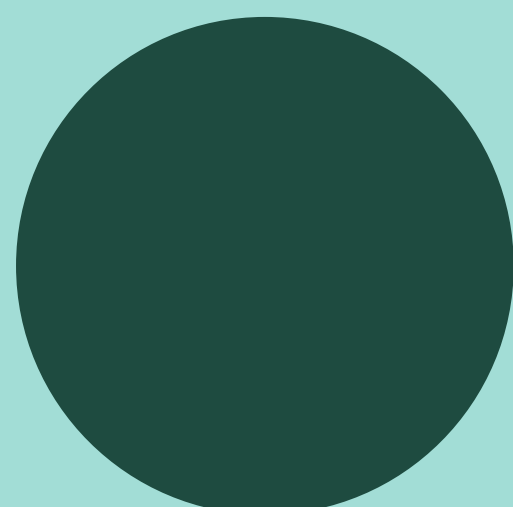
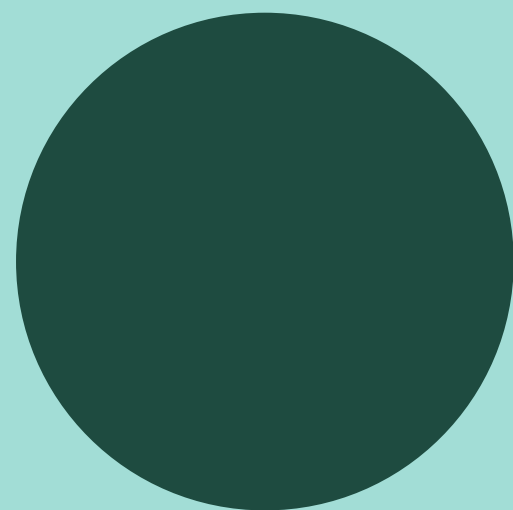
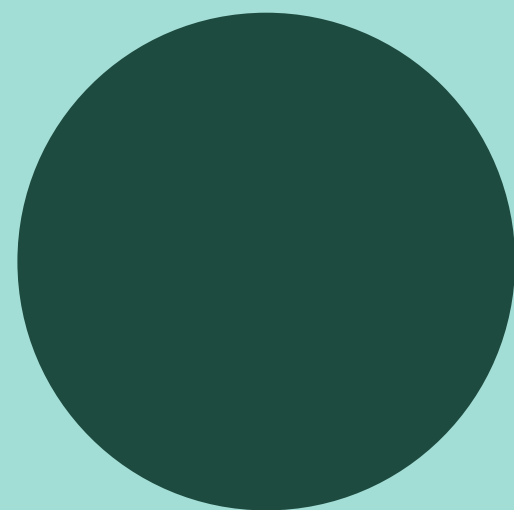
Mission Driven

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 and amortization of acquired intangibles. Adjusted net income (loss) and adjusted net income (loss) per share also exclude taxes 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	Q1'19	Q1'20
GAAP Gross Profit	380,253	596,267	865,643	180,291	256,950
add: SBC and SBC-related payroll taxes	1,281	2,441	4,090	814	1,324
add: Amortization of Acquired Intangibles	3,101	4,914	9,624	1,625	5,569
Non-GAAP Gross Profit	384,635	603,622	879,357	182,730	263,843
% of Revenue	57%	56%	56%	57%	56%
GAAP Sales and marketing	225,694	350,069	472,841	105,022	154,862
less: Sales and marketing SBC and SBC-related payroll taxes	9,876	24,056	38,167	7,645	12,434
less: Amortization of Acquired Intangibles	-	-	283	-	388
Non-GAAP Sales and Marketing	215,818	326,013	434,391	97,377	142,040
% of Revenue	32%	30%	28%	30%	30%

Reconciliation of GAAP to Non-GAAP Figures

	2017	2018	2019	Q1'19	Q1'20
GAAP Research and development	135,997	230,674	355,015	76,355	116,396
less: Research and development SBC and SBC-related payroll taxes	34,560	59,575	104,645	19,923	36,421
less: Amortization of Acquired Intangibles	-	-	232	58	58
Non-GAAP Research and development	101,437	171,099	250,138	56,374	79,917
% of Revenue	15%	16%	16%	18%	17%
GAAP General and administrative	55,446	99,196	153,765	30,303	44,842
less: General and administrative SBC and SBC-related payroll taxes	9,485	17,690	29,861	6,031	9,767
Non-GAAP General and administrative	45,961	81,506	123,904	24,272	35,075
% of Revenue	7%	8%	8%	8%	7%
GAAP Transaction and loan losses	12,273	8,248	25,169	4,401	14,083
% of Revenue	2%	1%	2%	1%	3%
GAAP Operating Expenses	429,410	688,187	1,006,790	216,081	330,183
less: Operating SBC and SBC-related payroll taxes	53,921	101,321	172,673	33,599	58,622
less: Amortization of Acquired Intangibles	-	-	515	58	446
Non-GAAP Operating Expenses	375,489	586,866	833,602	182,424	271,115
% of Revenue	56%	55%	53%	57%	58%