

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

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**FORM 6-K**

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**Report of Foreign Private Issuer  
Pursuant to Rule 13a-16 or 15d-16  
of the Securities Exchange Act of 1934**

**For the month of November 2015**

**Commission File Number 001-37400**

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**Shopify Inc.**  
(Translation of registrant's name into English)

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**150 Elgin Street, 8th Floor  
Ottawa, Ontario, Canada K2P 1L4  
(Address of principal executive offices)**

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

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**DOCUMENTS INCLUDED AS PART OF THIS REPORT**

**Exhibit**

- 99.1      Shopify Inc. – Interim Financial Statements for the Third Quarter ended September 30, 2015**
- 99.2      Shopify Inc. – Interim Management’s Discussion and Analysis for the Third Quarter ended September 30, 2015**
- 99.3      Shopify Inc. – Form 52-109F2 Certificate of Interim Filings by CEO (pursuant to Canadian regulations)**
- 99.4      Shopify Inc. – Form 52-109F2 Certificate of Interim Filings by CFO (pursuant to Canadian regulations)**

**This Report on Form 6-K is incorporated by reference into the Registration Statement on Form S-8 of the Registrant, which was originally filed with the Securities and Exchange Commission on May 29, 2015 (File No. 333-204568).**

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

***S HOPIFY INC.***

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(Registrant)

Date: November 4, 2015

By: / s/ J OSEPH F RASCA

Name: Joseph Frasca

Title: General Counsel and Secretary



**Condensed Consolidated  
Financial Statements  
(Unaudited)  
September 30, 2015**

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**Shopify Inc.**  
**Condensed Consolidated Balance Sheets**  
**(Unaudited)**

Expressed in US \$000's except share amounts

	<u>Note</u>	<u>As at</u>		
		<u>September 30, 2015</u>		
		\$	\$	
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	4, 5	115,315	41,953	
Marketable securities	4	71,621	17,709	
Trade and other receivables		3,836	7,227	
Other current assets		4,704	1,495	
		<u>195,476</u>	<u>68,384</u>	
<b>Long term assets</b>				
Long-term marketable securities		4,545	—	
Property and equipment		29,105	21,728	
Intangible assets		4,140	2,708	
Goodwill		2,373	2,373	
		<u>40,163</u>	<u>26,809</u>	
<b>Total assets</b>		<u>235,639</u>	<u>95,193</u>	
<b>Liabilities and shareholders' equity</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities		16,713	12,514	
Current portion of deferred revenue		11,013	6,775	
Current portion of lease incentives		784	485	
		<u>28,510</u>	<u>19,774</u>	
<b>Long term liabilities</b>				
Deferred revenue		597	394	
Lease incentives		9,226	7,293	
		<u>9,823</u>	<u>7,687</u>	
<b>Commitments and contingencies</b>	6			
<b>Shareholders' equity</b>				
Convertible preferred shares; nil and 27,159,277 shares authorized, issued and outstanding (aggregate liquidation preference of nil and \$87,500)		—	87,056	
Common shares – unlimited shares authorized; nil and 39,310,446 issued and outstanding		—	4,055	
Common stock, unlimited Class A subordinate voting shares authorized, 14,869,652 and nil issued and outstanding; unlimited Class B multiple voting shares authorized, 61,287,769 and nil issued and outstanding		228,197	—	
Additional paid-in capital		10,656	5,685	
Accumulated deficit		(41,547)	(29,064)	
<b>Total shareholders' equity</b>		<u>197,306</u>	<u>67,732</u>	
<b>Total liabilities and shareholders' equity</b>		<u>235,639</u>	<u>95,193</u>	

The accompanying notes are an integral part of these consolidated financial statements.

**Shopify Inc.**  
**Condensed Consolidated Statements of Changes in Shareholders' Equity**  
(Uaudited)

Expressed in US \$000's except share amounts

	Series A Convertible Preferred Shares		Series B Convertible Preferred Shares		Series C Convertible Preferred Shares		Common Stock		Additional Paid-In Capital \$	Accumulated Deficit \$	Total \$
	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$			
<b>As at December 31, 2013</b>	<b>13,025,765</b>	<b>5,346</b>	<b>7,247,070</b>	<b>11,952</b>	<b>6,886,442</b>	<b>69,758</b>	<b>38,563,121</b>	<b>3,009</b>	<b>2,069</b>	<b>(6,753)</b>	<b>85,381</b>
Exercise of stock options	—	—	—	—	—	—	227,187	353	(238)	—	115
Stock-based compensation	—	—	—	—	—	—	—	—	2,484	—	2,484
Vesting of restricted shares	—	—	—	—	—	—	368,855	539	—	—	539
Net loss and comprehensive loss for the period	—	—	—	—	—	—	—	—	—	(17,513)	(17,513)
<b>As at September 30, 2014</b>	<b>13,025,765</b>	<b>5,346</b>	<b>7,247,070</b>	<b>11,952</b>	<b>6,886,442</b>	<b>69,758</b>	<b>39,159,163</b>	<b>3,901</b>	<b>4,315</b>	<b>(24,266)</b>	<b>71,006</b>
	Series A Convertible Preferred Shares		Series B Convertible Preferred Shares		Series C Convertible Preferred Shares		Common Stock		Additional Paid-In Capital \$	Accumulated Deficit \$	Total \$
	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$			
<b>As at December 31, 2014</b>	<b>13,025,765</b>	<b>5,346</b>	<b>7,247,070</b>	<b>11,952</b>	<b>6,886,442</b>	<b>69,758</b>	<b>39,310,446</b>	<b>4,055</b>	<b>5,685</b>	<b>(29,064)</b>	<b>67,732</b>
Exercise of stock options	—	—	—	—	—	—	753,299	568	(327)	—	241
Stock-based compensation	—	—	—	—	—	—	—	—	5,298	—	5,298
Vesting of restricted shares	—	—	—	—	—	—	79,399	267	—	—	267
Issuance of Class A subordinate voting shares upon initial public offering, net of offering costs of \$14,284	—	—	—	—	—	—	8,855,000	136,251	—	—	136,251
Conversion of preferred shares to Class B multiple voting shares upon initial public offering	(13,025,765)	(5,346)	(7,247,070)	(11,952)	(6,886,442)	(69,758)	27,159,277	87,056	—	—	—
Net loss and comprehensive loss for the period	—	—	—	—	—	—	—	—	—	(12,483)	(12,483)
<b>As at September 30, 2015</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>76,157,421</b>	<b>228,197</b>	<b>10,656</b>	<b>(41,547)</b>	<b>197,306</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Shopify Inc.**  
**Condensed Consolidated Statements of Operations and Comprehensive Loss**  
**(Unaudited)**

Expressed in US \$000's, except share and per share amounts

	Note	Three months ended		Nine months ended	
		September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
		\$	\$	\$	\$
<b>Revenues</b>					
Subscription solutions		<b>29,560</b>	17,690	<b>77,371</b>	46,310
Merchant solutions		<b>23,226</b>	9,656	<b>57,689</b>	23,526
		<b>52,786</b>	27,346	<b>135,060</b>	69,836
<b>Cost of revenues</b>					
Subscription solutions		<b>6,414</b>	4,615	<b>16,869</b>	11,741
Merchant solutions		<b>17,629</b>	6,492	<b>42,630</b>	15,913
		<b>24,043</b>	11,107	<b>59,499</b>	27,654
<b>Gross profit</b>		<b>28,743</b>	16,239	<b>75,561</b>	42,182
<b>Operating expenses</b>					
Sales and marketing		<b>18,216</b>	11,433	<b>47,847</b>	33,720
Research and development, net of refundable tax credits of \$223 and \$523 (2014 – \$240 and \$720)		<b>10,068</b>	6,563	<b>26,181</b>	19,296
General and administrative		<b>4,759</b>	2,352	<b>12,770</b>	6,286
Total operating expenses		<b>33,043</b>	20,348	<b>86,798</b>	59,302
Loss from operations		<b>(4,300)</b>	(4,109)	<b>(11,237)</b>	(17,120)
<b>Other income (expenses)</b>					
Interest income, net		<b>57</b>	15	<b>98</b>	38
Foreign exchange loss		<b>(414)</b>	(174)	<b>(1,344)</b>	(431)
		<b>(357)</b>	(159)	<b>(1,246)</b>	(393)
<b>Net loss and comprehensive loss</b>		<b>(4,657)</b>	(4,268)	<b>(12,483)</b>	(17,513)
Basic and diluted net loss per share attributable to shareholders	8	\$ <b>(0.06)</b>	\$ (0.11)	\$ <b>(0.22)</b>	\$ (0.45)
Weighted average shares used to compute basic and diluted net loss per share attributable to shareholders	8	<b>75,901,840</b>	39,036,334	<b>56,229,575</b>	38,850,291

The accompanying notes are an integral part of these consolidated financial statements.

**Shopify Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

Expressed in US \$000's

	<u>Note</u>	Nine months ended	
		September 30, 2015	September 30, 2014
<b>Cash flows from operating activities</b>		\$	\$
Net loss for the period			
		(12,483)	(17,513)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization and depreciation		5,034	3,363
Stock-based compensation		5,012	2,428
Vesting of restricted shares		267	539
Unrealized foreign exchange loss		1,507	261
Changes in lease incentives		2,232	3,099
Change in deferred revenue		4,442	1,977
Changes in non-cash working capital items	9	4,788	674
Net cash provided by (used in) operating activities		<b>10,799</b>	<b>(5,172)</b>
<b>Cash flows from investing activities</b>			
Purchase of marketable securities		(82,812)	(20,162)
Sale of marketable securities		23,975	—
Acquisitions of property and equipment		(11,367)	(11,143)
Acquisitions of intangible assets		(2,397)	(1,441)
Net cash used in investing activities		<b>(72,601)</b>	<b>(32,746)</b>
<b>Cash flows from financing activities</b>			
Proceeds from initial public offering, net of issuance costs		136,251	—
Proceeds from the exercise of stock options		241	115
Net cash provided by financing activities		<b>136,492</b>	<b>115</b>
Effect of foreign exchange on cash and cash equivalents		(1,328)	(361)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>73,362</b>	<b>(38,164)</b>
<b>Cash and cash equivalents – Beginning of Period</b>		<b>41,953</b>	<b>83,529</b>
<b>Cash and cash equivalents – End of Period</b>		<b>115,315</b>	<b>45,365</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Shopify Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

Expressed in US \$000's except share and per share amount \$

**1 Nature of Business**

Shopify Inc. ("Shopify" or "the Company") was incorporated as a Canadian corporation on September 28, 2004.

The Company's mission is to make commerce better for everyone. The Company provides a leading cloud-based multichannel commerce platform designed for small and medium-sized businesses. Using a single interface, the Company's merchants can design, set up and manage their business across multiple sales channels, including web, mobile storefronts, social media storefronts, and brick-and-mortar and pop-up shops. The Company's platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage products and inventory, process orders and payments, build customer relationships and leverage analytics and reporting. The Company's platform is engineered to enterprise-level standards and functionality while designed for simplicity and ease-of-use.

The Company's headquarters and principal place of business are in Ottawa, Canada.

**Initial Public Offering**

In May 2015, the Company completed its initial public offering, or IPO, in which it issued and sold 8,855,000 Class A subordinate voting shares at a public offering price of \$17.00 per share (including the 1,155,000 Class A subordinate voting shares purchased by the underwriters pursuant to the exercise of the over-allotment option). The Company received net proceeds of \$136,251 after deducting underwriting discounts and commissions of \$10,537 and other offering expenses of \$3,747. Immediately prior to consummation of the IPO, all of the then-outstanding common shares were redesignated as an aggregate of 39,780,952 Class B multiple voting shares, and upon consummation of the IPO, all of the then-outstanding redeemable convertible preferred stock automatically converted into an aggregate of 27,159,277 Class B multiple voting shares.

**2. Basis of Presentation and Consolidation**

These unaudited condensed consolidated financial statements include the accounts of the Company and its directly and indirectly wholly owned subsidiaries: Shopify Payments (Canada) Inc., incorporated in Canada; Shopify (Ireland) Limited., incorporated in Ireland; Shopify (Australia) Pty Ltd., incorporated in Australia; and the following United States subsidiaries each incorporated in Delaware: Shopify Payments (USA) Inc., Shopify Data Processing (USA) Inc., Shopify LLC and Shopify Holdings (USA) Inc. On February 19, 2015 the Company dissolved and wound up two inactive shell subsidiaries, Jet Cooper Ltd., incorporated in Canada; and Atatomic Inc., incorporated in Canada. The wind-up had no accounting impact on the unaudited condensed consolidated financial statements. All intercompany accounts and transactions have been eliminated upon consolidation.

These unaudited condensed consolidated financial statements of the Company have been presented in United States dollars (USD) and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), including the applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding financial reporting. Certain information and note disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for a fair statement of its financial position, results of operations and comprehensive loss, cash flows and changes in shareholders' equity for the interim periods. The financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2014. The condensed consolidated balance sheet at December 31, 2014 was derived from the audited annual financial statements, but does not contain all of the footnote disclosures from the annual financial statements.

The results for the three and nine months ended September 30, 2015 are not necessarily indicative of the results expected for the full fiscal year.

**Shopify Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

Expressed in US \$000's except share and per share amount \$

**3. Significant accounting policies**

The unaudited condensed consolidated financial statements follow the same accounting policies as the most recent annual consolidated financial statements.

The Company has not adopted any new accounting policies in the three and nine months ended September 30, 2015 .

*Use of Estimates*

The preparation of consolidated financial statements, in accordance with U.S. GAAP, requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items that are subject to estimation and assumptions include: estimates related to contingencies and refundable tax credits; chargebacks on Shopify Payments transactions that are unrecoverable from merchants; recoverability of deferred tax assets; fair values of assets and liabilities acquired in business combinations; capitalization of software development costs; estimated useful life of property and equipment and intangible assets; and estimates relating to the recoverability of lease inducements; assumptions used when employing the Black-Scholes valuation model to estimate the fair value of stock-based awards. Actual results may differ from the estimates made by management.

*Concentration of Credit Risk*

The Company's cash and cash equivalents, marketable securities, trade and other receivables, and foreign exchange forward contracts subject the Company to concentrations of credit risk. Management mitigates this risk associated with cash and cash equivalents by making deposits and entering into foreign exchange forward contracts only with large Canadian and United States banks and financial institutions that are considered to be highly creditworthy. Management mitigates the risks associated with marketable securities by adhering to its investment policy, which stipulates minimum rating requirements, maximum investment exposures and maximum maturities. Due to the Company's diversified merchant base, there is no particular concentration of credit risk related to the Company's trade receivables. Trade and other receivables are monitored on an ongoing basis to ensure timely collection of amounts. There are no receivables from individual merchants accounting for 10% or more of revenues or receivables.

*Interest Rate Risk*

Certain of the Company's cash equivalents and marketable securities earn interest. The Company's trade and other receivables, accounts payable and accrued liabilities and lease liabilities do not bear interest. The Company is not exposed to material interest rate risk.

*Foreign Exchange Risk*

The Company's exposure to foreign exchange risk is primarily related to fluctuations between the Canadian dollar and the United States dollar. The Company is exposed to foreign exchange fluctuations on the revaluation of foreign currency assets and liabilities. The Company uses foreign exchange derivative products to manage the impact of foreign exchange fluctuations. By their nature, derivative financial instruments involve risk, including the credit risk of non-performance by counterparties.

*Recent Accounting Pronouncements*

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-9 "Revenue from Contracts with Customers." The new accounting standards update requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015 the Financial Accounting Standards Board issued ASU No. 2015-14, which deferred the effective date for all entities by one year. The standard becomes effective for reporting periods beginning after December 15, 2017. Early adoption is permitted starting January 1, 2017. The Company is currently assessing the impact of these standards.

**Shopify Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

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In February 2015, the Financial Accounting Standards Board issued ASU No. 2015-02 "Consolidations (Topic 810)—Amendments to the Consolidation Analysis". The new standard makes amendments to the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. Under this analysis, limited partnerships and other similar entities will be considered a variable-interest entity ("VIE") unless the limited partners hold substantive kick-out rights or participating rights. The standard is effective for annual periods beginning after December 15, 2015. The Company is currently assessing the impact of these amendments.

In April 2015, the Financial Accounting Standards Board issued ASU No. 2015-05, "Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. The amendment is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. The Company is currently assessing the impact of this new standard.

In May 2015, the Financial Accounting Standards Board issued ASU 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)", which amends ASC 820, Fair Value Measurement. The standard removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient and removes certain related disclosure requirements. The standard will be effective for the Company's fiscal year beginning January 1, 2016. The Company is currently assessing the impact of this new standard.

#### 4. Fair Value Measurements

The carrying amounts for cash and cash equivalents, marketable securities, trade receivables, other receivables, trade accounts payable and accruals, and employee related accruals approximate fair value due to the short-term maturities of these instruments.

The Company measures the fair value of its financial assets and liabilities using a fair value hierarchy.

As of September 30, 2015, the Company's financial instruments, measured at fair value on a recurring and non-recurring basis, were as follows:

	Amount at Fair Value \$	Fair Value Measurements Using			
		Level 1 \$	Level 2 \$	Level 3 \$	
<b>Assets:</b>					
Cash equivalents:					
Money market funds	13,540	13,540	—	—	
U.S. term deposits	1,250	1,250	—	—	
Marketable securities:					
U.S. federal bonds	32,061	32,061	—	—	
Corporate bonds	39,560	—	39,560	—	
Long-term marketable securities:					
Corporate bonds	4,545	—	4,545	—	

All cash equivalents and marketable securities mature within the next year of the consolidated balance sheet date. All long-term marketable securities mature within the next two years of the consolidated balance sheet date.

**Shopify Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

Expressed in US \$000's except share and per share amount \$

As of December 31, 2014, the Company's financial instruments, measured at fair value on a recurring and non-recurring basis, were as follows:

	Amount at Fair Value \$	Fair Value Measurements Using			
		Level 1 \$	Level 2 \$	Level 3 \$	
<b>Assets:</b>					
Cash equivalents:					
Money market funds	31,271	31,271	—	—	
Canadian guaranteed investment certificates	1,294	1,294	—	—	
U.S. term deposits	3,500	3,500	—	—	
Marketable securities:					
U.S. federal bonds	5,502	5,502	—	—	
Corporate bonds	12,207	—	12,207	—	
Derivatives:					
Foreign exchange forward contracts	7	—	7	—	

As at December 31, 2014 the Company held foreign exchange forward contracts to convert USD into CAD to fund a portion of its operations. The fair value of foreign exchange forward contracts and corporate bonds was based upon Level 2 inputs, which included period-end mid-market quotations for each underlying contract as calculated by the financial institution with which the Company has transacted. The quotations are based on bid/ask quotations and represent the discounted future settlement amounts based on current market rates.

There were no transfers between Levels 1, 2 and 3 during the three and nine months ended September 30, 2015.

## 5. Credit facility

In March 2015, the Company entered into a credit facility with Silicon Valley Bank, which provides for a \$25,000 revolving line of credit bearing interest at the U.S. prime rate, as established by the Wall Street Journal plus or minus 25 basis points per annum. As at September 30, 2015 the effective rate was 3.00%. The credit facility is collateralized by substantially all of the Company's assets, including the stock of its subsidiaries, but excluding the Company's intellectual property, which is subject to a negative pledge, and has a maturity date of March 11, 2016. As of September 30, 2015, no amounts have been drawn under this credit facility and the Company is in compliance with all of the covenants contained therein.

## 6. Commitments and Contingencies

### Operating Leases

Rent expense was \$1,644 and \$1,262 for the three months ended September 30, 2015 and 2014, respectively, and \$4,666 and \$3,157 for the nine months ended September 30, 2015 and 2014, respectively.

Amounts of minimum future annual rental commitments under non-cancellable operating leases in each of the next five years and thereafter are as follows:

Fiscal Year	Amount (\$)
Remainder of 2015	1,469
2016	6,378
2017	8,482
2018	8,577
2019	8,629
Thereafter	52,851
<b>Total future minimum lease payments</b>	<b>86,386</b>

**Shopify Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

Expressed in US \$000's except share and per share amount \$

#### **Sales taxes**

In fiscal 2014, the Company determined that it owed amounts related to sales and use taxes in various states and local jurisdictions and as a result recorded a sales tax liability of \$2,182, which was included in general and administrative expenses for the year ended December 31, 2014. During the nine months ended September 30, 2015 the Company registered in applicable states, filed all necessary voluntary disclosure agreements and began charging sales taxes to its merchants. As a result of business activities, in the three and nine months ended September 30, 2015, the Company recognized additional sales taxes of nil and \$ 566 within general and administrative expenses. During the nine months ended September 30, 2015, all voluntary disclosure agreements were accepted by state authorities and fully paid.

7.

#### **Shareholders' Equity**

##### **Convertible Preferred Shares**

Upon the completion of the Company's IPO, all of the then outstanding convertible preferred shares were converted into 27,159,277 Class B multiple voting shares.

##### **Common Stock Authorized**

Immediately prior to the completion of the Company's IPO, all of the then outstanding 39,780,952 common shares were redesignated as Class B multiple voting shares. The Company is authorized to issue an unlimited amount of Class A subordinate voting shares and an unlimited amount of Class B multiple voting shares. The Class A subordinate voting shares have one vote per share and the Class B multiple voting shares have 10 votes per share. The Class A subordinate voting shares are not convertible into any other class of shares, including Class B multiple voting shares. The Class B multiple voting shares are convertible into Class A subordinate voting shares on a one-for-one basis at the option of the holder. In addition, Class B multiple voting shares will automatically convert into Class A subordinate voting shares in certain other circumstances. In connection with historical acquisitions, the Company has also issued restricted shares. The restricted shares vest evenly, on a month-by-month basis, and are contingent on future services being provided.

##### **Preferred Shares**

The Company is authorized to issue an unlimited number of preferred shares issuable in series. Each series of preferred shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Company's board of directors prior to the issuance thereof. Holders of preferred shares, except as otherwise provided in the terms specific to a series of preferred shares or as required by law, will not be entitled to vote at meetings of holders of shares.

##### **Stock-based compensation**

In 2008, the Board of Directors adopted and the Company's shareholders approved the Legacy Stock Option Plan ("the Legacy Option Plan"). Under the Legacy Option Plan, the Board of Directors was authorized to grant options to purchase common shares to both employees and non-employees. The Compensation Committee, or in their absence, the Board of Directors, was given the authority to set the exercise prices of all options granted based upon not less than the fair market value of the common shares of the Company on the date of grant. In October 2010, an amendment was made to the Legacy Option Plan to set all future option grants, unless otherwise specified by the Board at the time of grant, on a vesting schedule over four years with 25% vesting after one year and the remainder vesting 1/48 each month thereafter. In April 2013, an amendment was made to the Legacy Option Plan to provide that the term of the options shall be exercisable until the tenth anniversary of their grant date. In December 2013 the Board of Directors approved a modification to the Legacy Option Plan which allowed for uniform vesting at 1/48 each month starting immediately in the first month after an option grant for any grant issued to employees subsequent to their initial grant. At that time, the Board of Directors also approved a modification that changed the initial vesting commencement date from three months following the employment or engagement start date to the actual employment or engagement start date. Immediately prior to the completion of the Company's IPO, a total of 14,982,341 options were outstanding under the Legacy Option Plan, and, in connection with the closing of the offering, each such option became exercisable for one Class B multiple voting share. Following the closing of the Company's IPO, no further awards were made under the Legacy Option Plan.

**Shopify Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

Expressed in US \$000's except share and per share amount \$

The Company's Board of Directors and shareholders have approved a new stock option plan ("Stock Option Plan"), which became effective on May 27, 2015, as well as a long-term incentive plan ("LTIP"). The Stock Option Plan will allow for the grant of options to the Company's officers, directors, employees and consultants. All options granted under the Stock Option Plan will have an exercise price determined and approved by the Company's Board of Directors at the time of grant, which shall not be less than the market price of the Class A subordinate voting shares at such time. For purposes of the Stock Option Plan, the market price of the Class A subordinate voting shares shall be the volume weighted average trading price of the Class A subordinate voting shares on the NYSE for the five trading days ending on the last trading day before the day on which the option is granted. Options granted under the Stock Option Plan are exercisable for Class A subordinate voting shares. Both the vesting period and term of the options in the Stock Option Plan are determined by the Board of Directors at the time of grant.

The LTIP provides for the grant of share units, or LTIP Units, consisting of restricted share units ("RSU"), performance share units ("PSU"), and deferred share units ("DSU"). Each LTIP Unit represents the right to receive one Class A subordinate voting share in accordance with the terms of the LTIP. Unless otherwise approved by the Board of Directors, RSUs will vest as to 1/3 each on the first, second and third anniversary dates of the date of grant. A PSU participant's grant agreement will describe the performance criteria established by the Company's Board of Directors that must be achieved for PSUs to vest to the PSU participant, provided the participant is continuously employed by or in the Company's service or the service or employment of any of the Company's affiliates from the date of grant until such PSU vesting date. DSUs will be granted solely to directors of the Company, at their option, in lieu of their board retainer fees, DSUs will vest upon a director ceasing to act as a director. As at the balance sheet date there have been nil PSU or DSU granted.

The following table summarizes the stock option and RSU award activities under the Company's share-based compensation plans for the nine months ended September 30, 2015 :

	Shares Subject to Options Outstanding				Outstanding RSUs	
	Number of Options <sup>(1)</sup>	Weighted Average Exercise Price \$	Remaining Contractual Term (in years)	Aggregate Intrinsic Value <sup>(2)</sup> \$	Outstanding RSUs	Weighted Average Grant Date Fair Value \$
Balance as at December 31, 2014	15,031,388	1.32	7.16	73,642	—	—
Stock options granted	919,650	19.31			—	—
Stock options exercised	(753,299)	0.32			—	—
Stock options forfeited	(253,293)	3.11			—	—
RSUs granted	—	—			221,415	35.14
RSUs forfeited/cancelled	—	—			(3,985)	35.14
Balance as at September 30, 2015	<u>14,944,446</u>	2.44	6.65	489,583	<u>217,430</u>	35.14
Stock options exercisable as of September 30, 2015	<u>10,288,924</u>	0.56	5.76	356,400		

(1) As at September 30, 2015 14,465,546 of the outstanding stock options were granted under the Company's Legacy Option Plan and are exercisable for Class B multiple voting shares and 478,900 of the outstanding stock options were granted under the Company's Stock Option Plan and are exercisable for Class A subordinate voting shares.

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock option awards and the assessed fair value of our common stock as of December 31, 2014 and the closing market price of our common stock as of September 30, 2015 .

**Shopify Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

Expressed in US \$000's except share and per share amount \$

The following table illustrates the classification of stock-based compensation in the Consolidated Statements of Operations and Comprehensive Loss, which includes both stock-based compensation and restricted share-based compensation expense.

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
	\$	\$	\$	\$
Cost of revenues	67	54	198	159
Sales and marketing	325	161	681	451
Research and development	1,248	512	2,853	2,010
General and administrative	628	156	1,547	347
	<b>2,268</b>	<b>883</b>	<b>5,279</b>	<b>2,967</b>

The Company capitalized \$ 92 and \$ 23 of stock-based compensation as software development costs in the three-month periods ended September 30, 2015 and 2014 and \$ 286 and \$ 56 of stock-based compensation as software development costs in the nine-month periods ended September 30, 2015 and 2014 .

## 8. Earnings per Share

The Company applied the two-class method to calculate its basic and diluted net loss per share as both classes of its voting shares are participating securities with equal participation rights and are entitled to receive dividends on a share for share basis.

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding.

	Three months ended		Nine months ended	
	September 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Basic weighted average number of shares outstanding	<b>75,901,840</b>	<b>39,036,334</b>	<b>56,229,575</b>	<b>38,850,291</b>
The following items have been excluded from the diluted weighted average number of shares outstanding because they are anti-dilutive:				
Stock options	14,944,446	13,213,518	14,944,446	13,213,518
Restricted share units	217,430	—	217,430	—
Restricted shares	68,915	221,123	68,915	221,123
Convertible preferred shares	—	27,159,277	—	27,159,277
	<b>15,230,791</b>	<b>40,593,918</b>	<b>15,230,791</b>	<b>40,593,918</b>

In the three and nine months ended September 30, 2015 and 2014 , the Company was in a loss position and therefore fully diluted loss per share is equal to basic loss per share.

**Shopify Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**

Expressed in US \$000's except share and per share amount s

**9. Supplemental Cash Flow Information Items**

The following table presents the changes in non-cash working capital items.

	<b>Nine months ended</b>	
	<b>September 30, 2015</b>	<b>September 30, 2014</b>
	\$	\$
Trade and other receivables	3,463	(2,559)
Other current assets	(3,209)	(293)
Accounts payable and accrued liabilities	4,534	3,526
	<b>4,788</b>	<b>674</b>

As of September 30, 2015 and 2014, \$ 884 and \$ 3,074 of acquired property and equipment remained unpaid and in accounts payable.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

November 2, 2015

*In this Management's Discussion and Analysis (MD&A), "we", "Shopify" and "the Company" refer to Shopify Inc. and its subsidiaries. In this MD&A, we explain Shopify's results of operations and cash flows for the three and nine months ended September 30, 2015, and our financial position as of September 30, 2015. You should read this MD&A together with our unaudited condensed consolidated financial statements and the related notes for the same period. You should also refer to the Company's audited consolidated financial statements and the accompanying notes, and management's discussion and analysis of the financial condition and results of operations for the fiscal year ending December 31, 2014, which information is contained in our supplemented PREP Prospectus dated May 20, 2015 (Prospectus). These documents and additional information regarding Shopify are available on our website at [www.shopify.com](http://www.shopify.com), or at [www.sedar.com](http://www.sedar.com) and [www.sec.gov](http://www.sec.gov).*

*Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). All amounts are in U.S. dollars except where otherwise indicated.*

*Our MD&A is intended to enable readers to gain an understanding of Shopify's current results of operations, cash flows and financial position. To do so, we provide information and analysis comparing our results of operations, cash flows and financial position for the current quarter and year-to-date periods with the same periods from the preceding fiscal year. We also provide analysis and commentary that we believe will help investors assess our future prospects. In addition, we provide "forward-looking statements" that are not historical facts, but that are based on our current expectations, which are subject to known and unknown important risks, uncertainties, assumptions and other factors that could cause actual results or events to differ materially from current expectations. Forward-looking statements are intended to assist readers in understanding managements' expectations as of the date of this MD&A and may not be suitable for other purposes. See "Forward-looking statements" below.*

### Forward-looking statements

This MD&A contains certain forward-looking statements within the meaning of applicable securities laws. These forward-looking statements include, among other things, statements relating to:

- the Company's expectations regarding its revenue, costs, expenses and operations;
- the Company's anticipated cash needs and its needs for additional financing;
- the acceptance by the Company's merchants and the marketplace of new technologies and solutions;
- the Company's ability to attract new merchants and develop and maintain existing merchants;
- the Company's sales and marketing efforts;
- the Company's ability to attract and retain personnel;
- the Company's ability to manage its growth;
- the Company's ability to grow merchants' revenue, expand the number of sales channels, develop new solutions and enhance our ecosystem;
- the Company's expectations with respect to acceptance and advancement of its product offerings;
- the costs of regulatory compliance;
- the Company's expectations regarding foreign exchange and interest rates; and
- anticipated trends and challenges in the Company's business and the markets in which it operates.

In some cases, these forward-looking statements can be identified by words or phrases such as "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "potential", "seek", "believe", "predicts" or "continue", or the negative of these terms, or other similar expressions intended to identify forward-looking statements.

These forward-looking statements are based on the Company's current projections and expectations about future events and financial trends that management believes might affect its financial condition, results of operations, business strategy and financial needs, and on certain assumptions and analysis made by the Company in light of the experience and perception of historical trends, current conditions and expected future developments and other factors management believes are appropriate. These projections, expectations, assumptions and analyses are subject to known and unknown risks, uncertainties, assumptions and other factors that could cause actual results, performance, events and achievements to differ materially from those anticipated in these forward-looking statements. Although we believe that the assumptions underlying these forward-looking statements are reasonable, they may prove to be incorrect, and we cannot assure readers that actual results will be consistent with these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors which may include, but are not limited to, risks and uncertainties that are discussed in greater detail in the "Risk Factors" section in our Prospectus and elsewhere in this MD&A, including but not limited to risks related to:

- merchant acquisition and retention
- managing our growth
- our history of losses
- our limited operating history
- our ability to innovate
- payments processed through Shopify Payments
- our reliance on a single supplier to provide the technology we offer through Shopify Payments
- serious software errors or defects
- a disruption of service
- achieving or maintaining data transmission capacity
- our reliance on strategic relationships with third parties
- maintaining a consistently high level of customer service
- our ability to adapt to changing technologies
- worldwide economic conditions
- security of merchant and customer information
- protection of our intellectual property
- intellectual property infringement
- our use of "open source" software
- our ability and the ability of our merchants to generate traffic
- maintaining, promoting and enhancing our brand
- our ability to hire, retain and motivate qualified personnel
- our reliance on key personnel
- activities of our merchants
- exchange rate fluctuations
- fluctuations in quarterly operating results
- international sales and expansion
- our ability to maintain compatibility of our solutions with third-party apps and themes
- reliance on third-party hardware and software
- competition in our industry and markets
- managing acquisitions and investments

- provisions of our current or potential future debt instruments which may restrict our ability to pursue our business strategies
- our ability to raise sufficient debt or equity financing to continue our operations or support our business growth
- tax matters
- consumers' and merchants' willingness to use the internet for commerce

The forward-looking statements made in this MD&A are provided as of the date of this MD&A, or as of the date they are otherwise stated to be made, and are subject to change after such date. We caution readers that actual events and results may differ materially from those anticipated in these forward-looking statements. We do not undertake any obligation to update or revise any forward-looking statements that may be contained in this MD&A, except as required by law. Any investors or readers of this document should not place undue reliance on forward-looking statements or the information contained in those statements.

## Overview

Shopify provides a leading cloud-based multichannel commerce platform designed for small and medium-sized businesses, or SMBs. Merchants use our software to run their business across all of their sales channels, including web and mobile storefronts, social media storefronts, such as Facebook, Twitter, and Pinterest, and brick-and-mortar and pop-up shops. While we started Shopify to help merchants design, set up and manage their online stores, we have expanded far beyond that. Whether a merchant is starting their business online or offline, we provide a platform for merchants to create an omni-channel experience that helps showcase the merchant's brand and grow its business. The Shopify platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage products and inventory, process orders and payments, build customer relationships and leverage analytics and reporting. Merchants can also use Shopify Mobile, our iPhone and Android application, to manage their business on the go. The Shopify platform has been engineered to enterprise-level standards and functionality while being designed for simplicity and ease-of-use. We have also designed our platform with a robust technical infrastructure able to manage large spikes in traffic. We are constantly innovating and enhancing our platform, with our continuously deployed, multi-tenant architecture ensuring all merchants are always using the latest technology.

A rich ecosystem of app developers, theme designers and other partners has evolved around the Shopify platform. The platform's functionality is highly extensible and can be expanded through our application program interface, or API, and the over 1,000 apps available in the Shopify App Store. This ecosystem helps drive growth of our merchant base, which in turn further accelerates growth of the ecosystem.

We principally generate revenues through the sale of subscriptions to our platform. During the nine months ended September 30, 2015, subscription solutions revenues accounted for 57.3% of our total revenues ( 66.3% in the nine months ended September 30, 2014 ). We offer a range of plans that increase in price depending on additional features and economic considerations. We also offer Shopify Plus, which caters to merchants with higher volume sales and additional functionality requirements. The flexibility of our pricing plans is designed to help our merchants grow and to provide more advanced features and support as their business needs evolve. Our Basic Plan allows merchants to sell unlimited products with unlimited file storage (along with unlimited bandwidth and chat and email support). Our Professional Plan provides additional features including gift cards, professional reports and abandoned cart recovery. For larger, higher-volume businesses, we offer premium features and dedicated support to allow merchants to easily manage millions of orders. Revenue from subscription solutions is generated through the sale of subscriptions to our platform as well as from the sale of themes and apps and registration of domain names. Our merchants typically enter into monthly subscription plans so we do not believe deferred revenue is an accurate indicator of future revenue. Instead, we believe Monthly Recurring Revenue, or MRR, is most closely correlated with the long-term value of our merchant relationships. Subscription solutions revenues increased from \$ 46.3 million in the nine months ended September 30, 2014 to \$ 77.4 million in the nine months ended September 30, 2015, representing an increase of 67.1% .

We also offer a variety of merchant solutions that are intended to add value to our merchants and supplement our subscription solutions. We principally generate merchant solutions revenues from payment processing fees from Shopify Payments. During the nine months ended September 30, 2015, merchant solutions revenues accounted for 42.7% of total revenues ( 33.7% in the nine months ended September 30, 2014 ). In August 2013, we launched Shopify Payments in the United States and have since released Shopify Payments in other jurisdictions. Shopify Payments is a fully integrated payment processing service that allows our merchants to accept and process payment cards online and offline. As a result of the launch of Shopify Payments, we have seen significant growth in the revenues generated from our merchant solutions. In addition to payment processing fees from Shopify Payments, we also generate revenue from transaction fees, referral fees from partners, and sales of point-of-sale, or POS,

hardware. Our merchant solutions revenues are directionally correlated with the level of Gross Merchandise Volume, or GMV, that our merchants process through our platform. Merchant solutions revenues increased from \$ 23.5 million in the nine months ended September 30, 2014 to \$ 57.7 million in the nine months ended September 30, 2015 , representing an increase of 145.2% .

Our business model is driven by our ability to attract new merchants, retain existing merchants and increase sales to both new and existing merchants. We believe that our future success is dependent on many factors, including our ability to expand our merchant base, grow our merchants' revenue on our platform, offer more sales channels that can connect to the platform, develop new solutions to extend the functionality of our platform, enhance our ecosystem and partner programs, provide a high level of merchant service and support, and hire, retain and motivate qualified personnel. As of September 30, 2015 , Shopify has surpassed 900 employees.

We have focused on rapidly growing our business and plan to continue making investments to drive future growth. We believe that our investments will increase our revenue base, improve the retention of this base and strengthen our ability to increase sales to our merchants. We further believe this will result in revenue increasing faster than the increase in sales and marketing, research and development and general and administrative expenses as we reach economies of scale. However, we expect to continue to incur losses in the near term. If we are unable to achieve our revenue growth objectives, we may not be able to achieve profitability.

## **Key Performance Indicators**

Key performance indicators that we use to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions include Monthly Recurring Revenue and Gross Merchandise Volume. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

### ***Monthly Recurring Revenue***

We calculate Monthly Recurring Revenue, or MRR, 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. MRR allows us to average our various pricing plans and billing periods into a single, consistent number that we can track over time. We also analyze the factors that make up MRR, specifically the number of paying merchants using our platform and changes in our average revenue earned from subscription plan fees per paying merchant. In addition, we use MRR to forecast and predict monthly, quarterly and annual subscription solutions revenue. We had \$ 9.8 million of MRR as at September 30, 2015 .

### ***Gross Merchandise Volume***

Gross Merchandise Volume, or GMV, is the total dollar value of orders processed through our platform in the period, net of refunds, inclusive of shipping and handling, duty and value-added taxes. GMV does not represent revenue earned by us. However, the volume of GMV processed through our platform is an indicator of the success of our merchants and the strength of our platform. For the three and nine months ended September 30, 2015 we had GMV of \$ 1.9 billion and \$ 4.9 billion , respectively.

## **Key Components of Results of Operations**

### ***Revenues***

We derive revenues from subscription solutions and merchant solutions.

### ***Subscription Solutions***

We principally generate subscription solutions revenues through the sale of subscriptions to our platform. We also generate associated subscription solutions revenues from the sale of themes and apps and registration of domain names.

We offer subscription plans with various price points, from starter plans to Shopify Plus, a plan for merchants with higher volume sales and additional functionality requirements. Our subscription plans typically have a one-month term, although a small number of our merchants have annual or multi-year subscription terms that allow them to realize a small discount relative to our monthly subscription terms. Subscription terms automatically renew unless notice of cancellation is provided in advance. Most merchants purchase subscription plans directly from us, although a small number of subscription plans are purchased through

third-parties with whom we have reseller agreements in place. Where we contract directly with the merchant, subscription fees are paid to us at the start of the applicable subscription period, regardless of the length of the subscription period. As subscription fees are received in advance of providing the related services, we record deferred revenue on our consolidated balance sheet for the unearned revenue and recognize revenue ratably over the related subscription period. These subscription fees are non-refundable. Where we have reseller agreements in place, we bill the reseller for eligible merchants on a monthly basis and do not record deferred revenues on our consolidated balance sheet in connection with these subscriptions.

We also generate additional subscription solutions revenues from merchants that have subscription plans with us through the sale of themes and apps and the registration of domain names. Revenues from the sale of themes and apps are recognized at the time of the transaction. The right to use domain names is sold separately and is recognized on a ratable basis over the contractual term, which is generally an annual term. Revenues from the sale of apps are recognized net of amounts attributable to the third-party app developers, while revenues from the sale of themes and domains are recognized on a gross basis. Revenues from the sale of themes and apps and the registration of domain names have been classified within subscription solutions on the basis that they are typically sold at the time the merchant enters into the subscriptions arrangement or because they are charged on a recurring basis.

#### *Merchant Solutions*

We generate merchant solutions revenues from payment processing fees from Shopify Payments, transaction fees, referral fees from partners and sales of POS hardware.

The majority of merchant solutions revenues are generated from Shopify Payments. Revenue from processing payments is recognized at the time of the transaction. For Shopify Payments transactions, fees are determined based on a percentage of the dollar amount processed.

For subscription plans where the merchant does not sign up for Shopify Payments, we typically charge a transaction fee based on a percentage of GMV processed. We bill our merchants for transaction fees at the end of a 30-day billing cycle and any fees that have not been billed are accrued as an unbilled receivable at the end of the reporting period.

We also generate revenues in the form of referral fees from partners to whom we direct business. Pursuant to terms of the agreements with our partners, these revenues can be recurring or non-recurring. Where the agreement provides for recurring payments to us, we continue to earn revenues so long as the merchant that we have referred to the partner continues to use the services of the partner. Non-recurring revenues generally take the form of one-time payments that we receive when we initially refer the merchant to the partner. In either case, we recognize referral revenues when we are entitled to receive payment from the partner pursuant to the terms of the underlying agreement.

In connection with Shopify POS, a mobile application that lets merchants sell their products in a physical or retail setting, we sell compatible hardware products which are sourced from third-party vendors. We recognize revenues from the sale of POS hardware when title passes to the merchant in accordance with the shipping terms of the sale.

#### *Cost of Revenues*

##### *Cost of Subscription Solutions*

Cost of subscription solutions consists primarily of costs associated with hosting infrastructure, billing processing fees and operations and merchant support expenses. Operations and merchant support expenses include costs associated with our data and network infrastructure and personnel-related costs directly associated with operations and merchant support, including salaries, benefits and stock-based compensation, as well as allocated overhead. Overhead associated with facilities, information technology and depreciation is allocated to our cost of revenues and operating expenses based on headcount. We expect that cost of subscription solutions will increase in absolute dollars as we continue to invest in growing our business and over time we expect that our subscription solutions gross margin percentage will fluctuate modestly based on the mix of subscription plans that our merchants select.

Additionally, cost of subscription solutions includes costs we are required to pay to third-party developers in connection with sales of themes. Our paid themes are primarily designed by third-party developers who earn fees for each theme sold by us. The amount paid to the third-party developer varies depending on whether the developer has agreed to provide ongoing support to the merchant in connection with the merchant's use of the theme.

Also included as cost of subscription solutions are domain registration fees and amortization of internal use software relating to the capitalized costs associated with the development of the platform and data infrastructure.

#### *Cost of Merchant Solutions*

Cost of merchant solutions primarily consists of costs that we incur when transactions are processed using Shopify Payments, such as credit card interchange and network fees (charged by credit card providers such as Visa, Mastercard and American Express) as well as third-party processing fees. In August 2013, we launched Shopify Payments in the United States and have since released Shopify Payments in other jurisdictions. Principally as a result of introducing Shopify Payments, our cost of merchant solutions has increased significantly. Cost of merchant solutions also consists of costs associated with hosting infrastructure and operations and merchant support expenses, including personnel-related costs directly associated with merchant solutions such as salaries, benefits and stock-based compensation, as well as allocated overhead. Overhead associated with facilities, information technology and depreciation is allocated to our cost of revenues and operating expenses based on headcount.

Cost of merchant solutions also includes costs associated with POS hardware, such as the cost of acquiring the hardware inventory, including hardware purchase price, expenses associated with a third-party fulfillment company, shipping and handling and inventory adjustments. Also included within cost of merchant solutions is amortization of internal use software relating to capitalized costs associated with the development of merchant solutions.

We expect that the cost of merchant solutions will increase in absolute dollars in future periods as the number of merchants utilizing these solutions increases and the volume processed also grows. The gross margin percentage on merchant solutions is expected to stabilize in the short term. In the longer term, we believe that we will see increases in our gross margin as additional merchant solutions offerings are launched.

#### *Operating Expenses*

##### *Sales and Marketing*

Sales and marketing expenses consist primarily of marketing programs, partner referral payments, employee-related expenses for marketing, business development and sales, as well as the portion of merchant support required for the onboarding of prospective new merchants. Other costs within sales and marketing include commissions, travel-related expenses and corporate overhead allocations. Costs to acquire merchants are expensed as incurred. We plan to continue to expand sales and marketing efforts to attract new merchants, retain existing merchants and increase revenues from both new and existing merchants. This growth will include adding outbound sales personnel and expanding our marketing activities to continue to generate additional leads and build brand awareness. Over time, we expect sales and marketing expenses will continue to decline as a percentage of total revenues.

##### *Research and Development*

Research and development expenses consist primarily of employee-related expenses for product management, product development and product design, contractor and consultant fees and corporate overhead allocations. We continue to focus our research and development efforts on adding new features and solutions, and increasing the functionality and enhancing the ease of use of our platform. In the past, these expenses have been reduced by Canadian federal Scientific Research and Experimental Development Program, or SR&ED, tax credits. As a public company, we are no longer able to reduce our research and development expenses through refundable SR&ED credits, which has caused our research and development expenses to increase. While we expect research and development expenses to increase in absolute dollars as we continue to increase the functionality of our platform, we expect our research and development expenses will continue to decline as a percentage of total revenues.

##### *General and Administrative*

General and administrative expenses consist of employee-related expenses for finance and accounting, legal, data analytics, administrative, human resources and IT personnel, legal costs, professional fees, other corporate expenses and corporate overhead allocations. We expect that general and administrative expenses will increase on an absolute dollar basis but decrease as a percentage of total revenues as we focus on processes, systems and controls to enable our internal support functions to scale with the growth of our business. We also anticipate increases to general and administrative expenses as we incur the costs of compliance associated with being a public company, including increased accounting and legal expenses.

### Other Income (Expenses)

Other income (expenses) consists primarily of transaction gains or losses on foreign currency, interest income net of interest expense and gains or losses on asset disposals.

### Results of Operations

The following table sets forth our consolidated statement of operations for the three and nine -month periods ended September 30, 2015 and 2014 .

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands, except share and per share data)			
Revenues:				
Subscription solutions	\$ 29,560	\$ 17,690	\$ 77,371	\$ 46,310
Merchant solutions	23,226	9,656	57,689	23,526
	52,786	27,346	135,060	69,836
Cost of revenues <sup>(1)</sup> :				
Subscription solutions	6,414	4,615	16,869	11,741
Merchant solutions	17,629	6,492	42,630	15,913
	24,043	11,107	59,499	27,654
Gross profit	28,743	16,239	75,561	42,182
Operating expenses:				
Sales and marketing <sup>(1)</sup>	18,216	11,433	47,847	33,720
Research and development <sup>(1)(2)</sup>	10,068	6,563	26,181	19,296
General and administrative <sup>(1)</sup>	4,759	2,352	12,770	6,286
	33,043	20,348	86,798	59,302
Loss from operations	(4,300)	(4,109)	(11,237)	(17,120)
Other income (expense):				
Interest income, net	57	15	98	38
Foreign exchange loss	(414)	(174)	(1,344)	(431)
	(357)	(159)	(1,246)	(393)
Net loss and comprehensive loss	\$ (4,657)	\$ (4,268)	\$ (12,483)	\$ (17,513)
Net loss per share—basic and fully diluted <sup>(3)</sup>	\$ (0.06)	\$ (0.11)	\$ (0.22)	\$ (0.45)
Weighted average shares used to compute net loss per share attributable to shareholders	75,901,840	39,036,334	56,229,575	38,850,291

(1) Includes stock-based compensation expense as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in thousands)			
Cost of revenues	67	54	198	159
Sales and marketing	325	161	681	451
Research and development	1,248	512	2,853	2,010
General and administrative	628	156	1,547	347
Total stock-based compensation expense	\$ 2,268	\$ 883	\$ 5,279	\$ 2,967

(2) Net of refundable tax credits (\$ 523 and \$ 720 for the nine months ended September 30, 2015 and 2014 , respectively, and \$ 223 and \$ 240 for the three months ended September 30, 2015 and 2014 , respectively).

(3) Does not give effect to the conversion of our Series A, Series B and Series C convertible preferred shares into Class B multiple voting shares, which occurred upon the consummation of our initial public offering.

The following table sets forth our consolidated statement of operations as a percentage of total revenues for the three and nine months period ended September 30, 2015 and 2014 :

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015		2014	
	2015	2014	2015	2014
Revenues				
Subscription solutions	56.0 %	64.7 %	57.3 %	66.3 %
Merchant solutions	44.0 %	35.3 %	42.7 %	33.7 %
	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenues				
Subscription solutions	12.2 %	16.9 %	12.5 %	16.8 %
Merchant solutions	33.4 %	23.7 %	31.6 %	22.8 %
	45.5 %	40.6 %	44.1 %	39.6 %
Gross profit	54.5 %	59.4 %	55.9 %	60.4 %
Operating expenses				
Sales and marketing	34.5 %	41.8 %	35.4 %	48.3 %
Research and development	19.1 %	24.0 %	19.4 %	27.6 %
General and administrative	9.0 %	8.6 %	9.5 %	9.0 %
Total operating expenses	62.6 %	74.4 %	64.3 %	84.9 %
Loss from operations	(8.1)%	(15.0)%	(8.3)%	(24.5)%
Other income (expenses)	(0.7)%	(0.6)%	(0.9)%	(0.6)%
Net loss and comprehensive loss	(8.8)%	(15.6)%	(9.2)%	(25.1)%

#### Results of Operations for the Three and Nine Months Ended September 30, 2015 and 2014

##### Revenues

	Three Months Ended September 30,		Change	Nine Months Ended September 30,		Change		
	2015	2014		Amount	%			
	(in thousands, except percentages)							
Revenues:								
Subscription solutions	\$ 29,560	\$ 17,690	\$ 11,870	67.1 %	\$ 77,371	\$ 46,310	\$ 31,061	67.1 %
Merchant solutions	23,226	9,656	13,570	140.5 %	57,689	23,526	34,163	145.2 %
	<u>\$ 52,786</u>	<u>\$ 27,346</u>	<u>\$ 25,440</u>	<u>93.0 %</u>	<u>\$ 135,060</u>	<u>\$ 69,836</u>	<u>\$ 65,224</u>	<u>93.4 %</u>
Percentage of revenues:								
Subscription solutions	56.0 %	64.7 %			57.3 %	66.3 %		
Merchant solutions	44.0 %	35.3 %			42.7 %	33.7 %		
Total revenues	<u>100.0 %</u>	<u>100.0 %</u>			<u>100.0 %</u>	<u>100.0 %</u>		

##### Subscription Solutions

Subscription solutions revenues increased \$ 11.9 million , or 67.1% , for the three months ended September 30, 2015 compared to the same period in 2014 . The increase was primarily a result of growth in the number of merchants using our platform.

Subscription solutions revenues increased \$ 31.1 million , or 67.1% , for the nine months ended September 30, 2015 compared to the same period in 2014 . The increase was primarily a result of growth in the number of merchants using our platform.

##### Merchant Solutions

Merchant solutions revenues increased \$ 13.6 million , or 140.5% , for the three months ended September 30, 2015 compared to the same period in 2014 . The increase in merchant solutions revenues was primarily a result of Shopify Payments revenue growing by \$ 11.8 million compared to the same period in 2014 . Additionally, revenue from transaction fees and referral fees from partners increased by \$ 1.1 million and \$ 0.4 million , respectively, during the three months ended September 30, 2015 as a result

of the increase in GMV processed through our platform compared to the same period in 2014 . Merchant solutions also includes the sale of POS hardware, which increased by \$ 0.3 million in the three months ended September 30, 2015 as a result of increased demand for our POS solution compared to the same period in 2014 .

Merchant solutions revenues increased \$ 34.2 million , or 145.2% , for the nine months ended September 30, 2015 compared to the same period in 2014 . The increase in merchant solutions revenues was primarily a result of Shopify Payments revenue growing by \$ 29.2 million compared to the same period in 2014 . Additionally, revenue from transaction fees and referral fees from partners increased by \$ 2.7 million and \$ 1.4 million , respectively, during the nine months ended September 30, 2015 as a result of the increase in GMV processed through our platform compared to the same period in 2014 . Merchant solutions also includes the sale of POS hardware, which increased by \$ 0.8 million in the nine months ended September 30, 2015 as a result of increased demand for our POS solution compared to the same period in 2014 .

#### ***Cost of Revenues***

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(in thousands, except percentages)							
<b>Cost of revenues:</b>								
Cost of subscription solutions	\$ 6,414	\$ 4,615	\$ 1,799	39.0 %	\$ 16,869	\$ 11,741	\$ 5,128	43.7 %
Cost of merchant solutions	17,629	6,492	11,137	171.5 %	42,630	15,913	26,717	167.9 %
Total cost of revenues	<u>\$ 24,043</u>	<u>\$ 11,107</u>	<u>\$ 12,936</u>	<u>116.5 %</u>	<u>\$ 59,499</u>	<u>\$ 27,654</u>	<u>\$ 31,845</u>	<u>115.2 %</u>
Percentage of total revenues	12.2 %	16.9 %			12.5 %	16.8 %		
	33.4 %	23.7 %			31.6 %	22.8 %		
	<u>45.6 %</u>	<u>40.6 %</u>			<u>44.1 %</u>	<u>39.6 %</u>		

#### ***Cost of Subscription Solutions***

Cost of subscription solutions increased \$ 1.8 million , or 39.0% , for the three months ended September 30, 2015 compared to the same period in 2014 . The increase was primarily due to an increase in the costs necessary to support a greater number of merchants using our platform, resulting in a \$0.2 million increase in employee-related costs, a \$0.2 million increase in payments to third-party theme developers and domain registration providers, a \$0.4 million increase in amortization from our investment in software and hardware relating to our data centers, a \$0.4 million increase in credit card fees for processing merchant billings and a \$0.7 million increase in third-party server costs.

Cost of subscription solutions increased \$ 5.1 million , or 43.7% , for the nine months ended September 30, 2015 compared to the same period in 2014 . The increase was primarily due to an increase in the costs necessary to support a greater number of merchants using our platform, resulting in a \$0.7 million increase in employee-related costs, a \$0.9 million increase in payments to third-party theme developers and domain registration providers, a \$1.4 million increase in amortization from our investment in software and hardware relating to our data centers, a \$0.9 million increase in credit card fees for processing merchant billings and a \$1.3 million increase in third-party server costs.

#### ***Cost of Merchant Solutions***

Cost of merchant solutions increased \$ 11.1 million , or 171.5% , for the three months ended September 30, 2015 compared to the same period in 2014 . The increase was primarily due to the increase in GMV processed through Shopify Payments, which resulted in payment processing fees increasing by \$10.6 million for the three months ended September 30, 2015 as compared to the same period in 2014 .

Cost of merchant solutions increased \$ 26.7 million , or 167.9% , for the nine months ended September 30, 2015 compared to the same period in 2014 . The increase was primarily due to the increase in GMV processed through Shopify Payments, which resulted in payment processing fees increasing by \$25.5 million for the nine months ended September 30, 2015 as compared to the same period in 2014 .

## Gross Profit

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(in thousands, except percentages)							
Gross profit	\$ 28,743	\$ 16,239	\$ 12,504	77.0 %	\$ 75,561	\$ 42,182	\$ 33,379	79.1 %
Percentage of total revenues	54.5 %	59.4 %			55.9 %	60.4 %		

Gross profit increased \$ 12.5 million , or 77.0% , for the three months ended September 30, 2015 compared to the same period in 2014 . As a percentage of total revenues, gross profit decreased from 59.4% in the three months ended September 30, 2014 to 54.5% in the three months ended September 30, 2015 , principally due to the faster growth of merchant solutions revenue compared to subscription solutions revenue. Merchant solutions are intended to supplement subscription solutions by providing additional value to our merchants and increasing their use of our platform. The lower gross margin percentage on merchant solutions is primarily due to third-party costs associated with providing payment-processing services such as credit card interchange and network fees (charged by credit card providers such as Visa, Mastercard and American Express) as well as third-party processing fees.

Gross profit increased \$ 33.4 million , or 79.1% , for the nine months ended September 30, 2015 compared to the same period in 2014 . As a percentage of total revenues, gross profit decreased from 60.4% in the nine months ended September 30, 2014 to 55.9% in the nine months ended September 30, 2015 , principally due to the faster growth of merchant solutions revenue compared to subscription solutions revenue.

## Operating Expenses

### Sales and Marketing

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(in thousands, except percentages)							
Sales and marketing	\$ 18,216	\$ 11,433	\$ 6,783	59.3 %	\$ 47,847	\$ 33,720	\$ 14,127	41.9 %
Percentage of total revenues	34.5 %	41.8 %			35.4 %	48.3 %		

Sales and marketing expenses increased \$ 6.8 million , or 59.3% , for the three months ended September 30, 2015 compared to the same period in 2014 , primarily due to an increase of \$4.4 million in marketing programs, such as advertisements on search engines and social media, to support the growth of our business. In addition, employee-related costs increased by \$2.0 million in the three months ended September 30, 2015 resulting from the growth in sales and marketing headcount.

Sales and marketing expenses increased \$ 14.1 million , or 41.9% , for the nine months ended September 30, 2015 compared to the same period in 2014 , due to an increase of \$8.9 million in marketing programs, such as advertisements on search engines and social media, to support the growth of our business. In addition, employee-related costs increased by \$4.2 million in the nine months ended September 30, 2015 resulting from the growth in sales and marketing headcount. Allocated facilities expenses increased \$0.2 million in the nine months ended September 30, 2015 relative to the nine months ended September 30, 2014 as a result of the facilities expansion required to support the growth in our employee base and software license costs increased by \$0.6 million as a result of the growth of our business.

### Research and Development

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(in thousands, except percentages)							
Research and development	\$ 10,068	\$ 6,563	\$ 3,505	53.4 %	\$ 26,181	\$ 19,296	\$ 6,885	35.7 %
Percentage of total revenues	19.1 %	24.0 %			19.4 %	27.6 %		

Research and development expenses increased \$ 3.5 million , or 53.4% , for the three months ended September 30, 2015 compared to the same period in 2014 , primarily due to an increase of \$2.6 million in employee-related costs resulting from the growth in research and development headcount. Allocated facilities expenses increased \$0.3 million in the three months ended September 30, 2015 relative to the three months ended September 30, 2014 as a result of the facilities expansion required to support the growth in our employee base, and software license costs increased by \$0.5 million as a result of the growth of our business.

Research and development expenses increased \$ 6.9 million , or 35.7% , for the nine months ended September 30, 2015 compared to the same period in 2014 , due to an increase of \$3.8 million in employee-related costs resulting from the growth in research and development headcount. Allocated facilities expenses increased \$1.1 million in the nine months ended September 30, 2015 relative to the nine months ended September 30, 2014 as a result of the facilities expansion required to support the growth in our employee base and software license costs increased by \$1.8 million as a result of the growth of our business.

*General and Administrative*

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(in thousands, except percentages)							
General and administrative	\$ 4,759	\$ 2,352	\$ 2,407	102.3 %	\$ 12,770	\$ 6,286	\$ 6,484	103.1 %
Percentage of total revenues	9.0 %	8.6 %			9.5 %	9.0 %		

General and administrative expenses increased \$ 2.4 million , or 102.3% , for the three months ended September 30, 2015 compared to the same period in 2014, due to an increase of \$1.3 million in employee-related costs, \$0.2 million in allocated facilities expense, \$0.2 million in software license costs, and \$0.5 million in professional service fees. The increase in general and administrative headcount drove the increase in employee-related costs, which along with the increase in allocated facilities expense and software license costs was a result of the growth of our business. The increase in professional fees was attributable to higher fees for legal, accounting and tax services, resulting from the increased costs of being a public company.

General and administrative expenses increased \$ 6.5 million , or 103.1% , for the nine months ended September 30, 2015 compared to the same period in 2014 , due to an increase of \$3.3 million in employee-related costs, \$0.5 million in allocated facilities expense, \$0.4 million in software license costs, \$0.4 million in insurance costs, \$1.2 million in professional service fees and \$0.6 million in sales tax expenses. The increase in employee-related costs was associated with higher general and administrative headcount, which, along with the increase in allocated facilities expense and software license costs, was a result of the growth of our business. As a result of being a public company it has become more expensive to obtain director and officer liability insurance, which resulted in increased insurance costs. The increase in professional fees was attributable to higher fees for legal, accounting and tax services, resulting from the increased costs of being a public company. In 2014 , we determined that we owed amounts related to sales and use taxes in various U.S. states and local jurisdictions. During the nine months ended September 30, 2015 we registered in applicable states, filed voluntary disclosure agreements and began charging sales taxes to our merchants. In the nine months ended September 30, 2015 , we recognized sales taxes of \$0.6 million within general and administrative expenses, while no sales tax expense was recognized for the nine months ended September 30, 2014 .

*Other Income (Expenses)*

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(in thousands, except percentages)							
Other income (expenses), net	\$ (357)	\$ (159)	\$ (198)	*	\$ (1,246)	\$ (393)	\$ (853)	*

\* Not a meaningful comparison

Other expenses increased by \$0.2 million in the three months ended September 30, 2015 compared to the same period in 2014 . In the three months ended September 30, 2015 , we recognized \$0.4 million of foreign exchange losses due to fluctuations in foreign exchange rates, whereas in the three months ended September 30, 2014 , we recognized \$0.2 million of foreign exchange losses.

Other expenses increased by \$ 0.9 million in the nine months ended September 30, 2015 compared to the same period in 2014 . In the nine months ended September 30, 2015 , we recognized \$1.3 million of foreign exchange losses due to fluctuations in foreign exchange rates, whereas in the nine months ended September 30, 2014 , we recognized \$0.4 million of foreign exchange losses.

**Profit (Loss)**

	Three Months Ended September 30,		Change		Nine Months Ended September 30,		Change	
	2015	2014	Amount	%	2015	2014	Amount	%
	(in thousands, except per share)							
Net loss and comprehensive loss	\$ (4,657)	\$ (4,268)	\$ (389)	*	\$ (12,483)	\$ (17,513)	\$ 5,030	*
Basic and fully diluted net loss per share attributable to shareholders	\$ (0.06)	\$ (0.11)	\$ (0.22)		\$ (0.45)			
Weighted average shares used to compute net loss per share attributable to shareholders	75,901,840	39,036,334	56,229,575		38,850,291			

\* Not a meaningful comparison

The basic and fully diluted net loss per share attributable to shareholders for the three and nine month periods ended September 30, 2015 are not necessarily comparable with the same periods in 2014 as a result of our Initial Public Offering (“IPO”) of Class A subordinate voting shares in May 2015 and the conversion of convertible preferred shares into class B multiple voting shares.

## Quarterly Results of Operations

The following table sets forth selected unaudited quarterly statements of operations data for each of the eight quarters ended September 30, 2015. The information for each of these quarters has been prepared on the same basis as the audited annual financial statements and, in the opinion of management, reflects all adjustments, which includes only normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods in accordance with U.S. GAAP. This data should be read in conjunction with our audited consolidated financial statements and related notes. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three Months Ended							
	Dec 31, 2013	Mar 31, 2014	Jun 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	June 30, 2015	Sep 30, 2015
(in thousands, except per share data)								
<b>Revenues</b>								
Subscription solutions	\$ 12,068	\$ 13,053	\$ 15,567	\$ 17,690	\$ 20,358	\$ 22,352	\$ 25,459	\$ 29,560
Merchant solutions	5,667	5,757	8,113	9,656	14,824	14,996	19,467	23,226
	17,735	18,810	23,680	27,346	35,182	37,348	44,926	52,786
<b>Cost of revenues<sup>(1)</sup></b>								
Subscription solutions	2,730	3,284	3,842	4,615	5,049	5,033	5,422	6,414
Merchant solutions	3,756	3,898	5,523	6,492	10,520	10,749	14,252	17,629
	6,486	7,182	9,365	11,107	15,569	15,782	19,674	24,043
<b>Gross profit</b>	11,249	11,628	14,315	16,239	19,613	21,566	25,252	28,743
<b>Operating expenses:</b>								
Sales and marketing <sup>(1)</sup>	7,828	9,718	12,569	11,433	12,209	13,540	16,091	18,216
Research and development <sup>(1)(2)</sup>	5,218	6,086	6,647	6,563	6,619	7,313	8,800	10,068
General and administrative <sup>(1)</sup> <sup>(3)</sup>	1,432	1,796	2,138	2,352	5,280	4,189	3,822	4,759
	14,478	17,600	21,354	20,348	24,108	25,042	28,713	33,043
<b>Loss from operations</b>	(3,229)	(5,972)	(7,039)	(4,109)	(4,495)	(3,476)	(3,461)	(4,300)
<b>Other income (expense):</b>								
Interest income, net	17	10	12	15	20	11	30	57
Gain / (loss) on asset disposal	(73)	—	1	—	(101)	0	—	—
Foreign exchange gain (loss)	(97)	(403)	146	(174)	(222)	(1,065)	135	(414)
	(153)	(393)	159	(159)	(303)	(1,054)	165	(357)
<b>Net loss and comprehensive loss</b>	\$ (3,382)	\$ (6,365)	\$ (6,880)	\$ (4,268)	\$ (4,798)	\$ (4,530)	\$ (3,296)	\$ (4,657)
<b>Net loss per share—basic and fully diluted<sup>(4)</sup></b>	\$ (0.09)	\$ (0.16)	\$ (0.18)	\$ (0.11)	\$ (0.12)	\$ (0.12)	\$ (0.06)	\$ (0.06)

(1) Includes stock-based compensation expense as follows:

	Three Months Ended							
	Dec 31, 2013	Mar 31, 2014	Jun 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	June 30, 2015	Sep 30, 2015
(in thousands)								
<b>Cost of revenues</b>	\$ 60	\$ 40	\$ 65	\$ 54	\$ 100	\$ 59	\$ 72	\$ 67
Sales and marketing	151	133	157	161	245	174	182	325
Research and development	514	869	628	512	766	779	826	1,248
General and administrative	54	73	118	156	365	428	491	628
<b>Total stock-based compensation expense</b>	\$ 779	\$ 1,115	\$ 968	\$ 883	\$ 1,476	\$ 1,440	\$ 1,571	\$ 2,268

(2)

Includes refundable tax credits as follows:

	Three Months Ended							
	Dec 31, 2013	Mar 31, 2014	Jun 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	June 30, 2015	Sep 30, 2015
(in thousands)								
Refundable tax credits	\$ 333	\$ 240	\$ 240	\$ 240	\$ 575	\$ 300	\$ —	\$ 223

(3)

Includes non-recurring sales and use tax expense as follows:

	Three Months Ended							
	Dec 31, 2013	Mar 31, 2014	Jun 30, 2014	Sep 30, 2014	Dec 31, 2014	Mar 31, 2015	June 30, 2015	Sep 30, 2015
(in thousands)								
Sales and Use Tax Expense	\$ —	\$ —	\$ —	\$ —	\$ 2,182	\$ 566	\$ —	\$ —

(4)

Does not give effect to the conversion of our Series A, Series B and Series C convertible preferred shares into Class B multiple voting shares, which occurred upon the consummation of our IPO.

We believe that year-over-year comparisons are more meaningful than our sequential results due to seasonality in our business. While we believe that this seasonality has affected and will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date. Our merchant solutions revenues are directionally correlated with the level of GMV that our merchants process through our platform. Our merchants typically process additional GMV during the holiday season. As a result, we have historically generated higher merchant solutions revenues in our fourth quarter than in other quarters. As a result of the continued growth of our merchant solutions offerings, we believe that our business may become more seasonal in the future, and that historical patterns in our business may not be a reliable indicator of our future performance.

### Quarterly Revenue and Gross Margin Trends

Our quarterly revenue increased sequentially for each period presented, primarily due to sales of new subscriptions to our platform as well as the introduction and growth of merchant solutions. We cannot assure you that this pattern of sequential growth in revenue will continue.

Our gross margin percentage has declined over the past eight quarters primarily due to the impact of Shopify Payments. Merchant solutions are intended to supplement subscription solutions by providing additional value to our merchants and increasing their use of our platform. As a result, while our total revenues have increased in recent periods as a result of offering Shopify Payments, our cost of revenues has correspondingly increased in these periods. Although merchant solutions generally have a lower gross margin than subscription solutions, we believe that our merchant solutions make it easier for our merchants to start a business and grow on our platform.

### Quarterly Operating Expenses Trends

Total operating expenses generally increased sequentially for each period presented primarily due to the addition of personnel in connection with the expansion of our business as well as additional marketing initiatives to attract potential merchants.

### Liquidity and Capital Resources

To date, we have financed our operations primarily through the sale of equity securities, raising approximately \$226.0 million, net of issuance costs, from investors to date.

In 2011, we entered into a revolving credit facility with a Canadian chartered bank that is renewable annually. In 2013, the borrowing limit on this credit facility was increased to C\$1.5 million. This credit facility is secured by cash and cash equivalents and its interest rate is tied to the Bank of Canada prime lending rate plus 0.3%. As at the date of this MD&A, no amounts were drawn on this credit facility and C\$1.0 million under the facility was pledged as collateral for letters of credit.

In March 2015, we entered into a credit facility with Silicon Valley Bank, which provides for a \$25.0 million revolving line of credit bearing interest at the U.S. prime rate, as established by the Wall Street Journal plus or minus 25 basis points per annum.

As at September 30, 2015 the effective rate was 3.00%. The credit facility is collateralized by substantially all of our assets, including the stock of our subsidiaries, but excluding our intellectual property, which is subject to a negative pledge, and has a maturity date of March 11, 2016. As at the date of this MD&A, no amounts have been drawn under this credit facility and we are in compliance with all of the covenants contained therein.

Our principal cash requirements are for working capital and capital expenditures. Excluding deferred revenue, working capital at September 30, 2015 was \$ 178.0 million. Given the ongoing cash generated from operations and our existing cash and credit facilities, we believe there is sufficient liquidity to meet our current and planned financial obligations.

#### *Cash, Cash Equivalents and Marketable Securities*

Cash, cash equivalents, and marketable securities increased by \$ 131.8 million to \$ 191.5 million as at September 30, 2015 from \$ 59.7 million as at December 31, 2014, primarily as a result of the proceeds from the IPO and net changes in working capital, while partially offset by cash used in investing activities. Included in marketable securities are \$4.5 million of long-term marketable securities, which mature between 12 to 18 months from the date of the consolidated balance sheet.

Current marketable securities include money market funds, U.S. term deposits, U.S federal bonds and corporate bonds, all maturing within the next year from the date of the consolidated balance sheet. We believe our existing cash, cash equivalents and current marketable securities will be sufficient to meet our operating working capital and capital expenditure requirements over the next 12 months and beyond. Our future financing requirements will depend on many factors including our growth rate, subscription renewal activity, the timing and extent of spending to support development of our platform, potential mergers and acquisitions, and the expansion of sales and marketing activities.

The following table summarizes our total cash, cash equivalents and marketable securities as at September 30, 2015 and 2014 as well as our operating, investing and financing activities for the nine months ended September 30, 2015 and 2014 .

	Nine Months Ended September 30,	
	2015	2014
Cash, cash equivalents and marketable securities (end of period)	\$ 191,481	\$ 65,478
Net cash provided by (used in):		
Operating activities	\$ 10,799	\$ (5,172)
Investing activities	(72,601)	(32,746)
Financing activities	136,492	115
Effect of foreign exchange on cash and cash equivalents	(1,328)	(361)
Net increase (decrease) in cash and cash equivalents	73,362	(38,164)
Change in marketable securities	58,457	20,113
Net increase (decrease) in cash, cash equivalents and marketable securities	\$ 131,819	\$ (18,051)

#### *Cash Flows From Operating Activities*

Net cash flows from operating activities for the nine months ended September 30, 2015 as compared to the same period of 2014 improved by \$ 16.0 million primarily as a result of the Company's lower net loss, which was driven by the growth in gross profit along with decreases in selling and marketing and research and development expenses as a percentage of revenue as compared to the same period in the prior fiscal year. The Company's net loss was adjusted by non-cash charges including \$5 million of amortization and depreciation, \$5 million of stock-based compensation expense, and \$0.3 million from the vesting of restricted shares. The changes in our operating assets and liabilities resulted in a net source of cash of \$11.2 million compared to the same period of 2014, primarily attributable to an increase of \$4.4 million in deferred revenue due to the growth in sales of our subscription solutions; a \$4.2 million increase in accounts payable and accrued liabilities due to an increase in payment processing costs, marketing costs and third-party partner commissions; and \$2.2 million of lease incentives related to our facilities in Ottawa, Toronto, and Montreal.

#### *Cash Flows From Investing Activities*

To date, cash flows used in investing activities have primarily related to the purchase and sale of marketable securities, purchases of computer and hosting equipment, leasehold improvements and furniture and fixtures to support our expanding infrastructure and workforce as well as capitalized software development costs.

Net cash used in investing activities in the nine months ended September 30, 2015 was \$ 72.6 million , reflecting net purchases of \$ 58.5 million in marketable securities. Cash used in investing activities also included \$11.4 million used to purchase property and equipment, which primarily consists of expenditures on leasehold improvements, equipment used in our data centers to support our expanding merchant base and equipment to support our growing workforce. Additionally, \$1.5 million was spent on capitalized software development costs associated with internal use software and software to support the growth of the business, while a further \$1.0 million was used to purchase intangible assets to complement our platform.

Net cash used in investing activities in the nine months ended September 30, 2014 was \$ 32.7 million , reflecting net purchases of \$20.1 million in marketable securities. Cash used in investing activities also included \$11.1 million used to purchase property and equipment, which primarily consists of expenditures on leasehold improvements, equipment used in our data centers to support our expanding customer base and equipment to support our growing workforce. Additionally, \$0.9 million was spent on capitalized software development costs associated with internal use software and software to support the growth of the business, while a further \$0.5 million was used to purchase intangible assets to complement our platform.

#### *Cash Flows From Financing Activities*

To date, cash flows from financing activities have related to proceeds from private placements, our IPO and exercises of stock options.

Net cash provided by financing activities in the nine months ended September 30, 2015 was \$ 136.5 million , reflecting \$ 136.3 million in proceeds from the IPO, net of issuance costs, and \$0.2 million in proceeds from the issuance of class B multiple voting shares as a result of stock option exercises.

Net cash provided by financing activities in the nine months ended September 30, 2014 was \$ 0.1 million , reflecting \$0.1 million in proceeds from the issuance of class B multiple voting shares as a result of stock option exercises.

#### **Contractual Obligations and Contingencies**

Our principal commitments consist of obligations under our credit facility and operating leases for equipment and office space. The following table summarizes our contractual obligations as of September 30, 2015 :

	Payments Due by Period					
	Remainder of 2015		2016	2017	2018	2019
	(in thousands)					
Bank indebtedness	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Operating lease obligations <sup>(1)</sup>	1,469	6,378	8,482	8,577	8,629	52,851
<b>Total contractual obligations</b>	<b>\$ 1,469</b>	<b>\$ 6,378</b>	<b>\$ 8,482</b>	<b>\$ 8,577</b>	<b>\$ 8,629</b>	<b>\$ 52,851</b>

(1) Consists of payment obligations under our office leases in Ottawa, Toronto, Montreal and Kitchener-Waterloo.

#### **Off-Balance Sheet Arrangements**

We have no material off-balance sheet arrangements, other than operating leases (which have been disclosed under “Contractual Obligations and Contingencies”).

## **Quantitative and Qualitative Disclosures about Market Risk**

### **Foreign Currency Exchange Risk**

While most of our revenues are denominated in U.S. dollars, the majority of our operating expenses are incurred in Canadian dollars. As a result, our results of operations will be adversely impacted by an increase in the value of the Canadian dollar relative to the U.S. dollar. In addition, a portion of Shopify Payments revenue is based on the local currency of the country in which the applicable merchant is located. As a result, we will be further exposed to currency fluctuations to the extent non-U.S. dollar based payment processing revenues increase.

### **Interest Rate Sensitivity**

We had cash, cash equivalents and marketable securities totaling \$ 191.5 million as of September 30, 2015, of which \$ 57.6 million was invested in money market funds and corporate bonds. The cash and cash equivalents are held for working capital purposes. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. Our future investment income may fall short of our expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our debt securities as "held to maturity," no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other than temporary.

## **Financial Outlook**

A discussion of management's expectations as to our outlook is contained in our earnings press release dated November 4, 2015 under the section entitled "Financial Outlook". The press release is available on the SEDAR website at [www.sedar.com](http://www.sedar.com), on the EDGAR website at [www.sec.gov](http://www.sec.gov) and on our website at [www.shopify.com](http://www.shopify.com).

## **Critical Accounting Policies and Estimates**

We prepare our unaudited condensed consolidated financial statements in accordance with U.S. GAAP. In the preparation of these unaudited condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we re-evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates, which we discuss below.

There have been no significant changes in our critical accounting policies and estimates during the nine months ended September 30, 2015 as compared to the critical accounting policies and estimates described in our most recent annual consolidated financial statements.

## **Recently Issued Accounting Standards not yet Adopted**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") No. 2014-9 "Revenue from Contracts with Customers." The new accounting standards update requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers. In August 2015 the Financial Accounting Standards Board issued ASU No. 2015-14, which deferred the effective date for all entities by one year. The standard becomes effective for reporting periods beginning after December 15, 2017, with early adoption permitted. The Company is currently assessing the impact of these standards.

In February 2015, the Financial Accounting Standards Board issued ASU No. 2015-02 “Consolidations (Topic 810)—Amendments to the Consolidation Analysis”. The new standard makes amendments to the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. Under this analysis, limited partnerships and other similar entities will be considered a variable-interest entity (“VIE”) unless the limited partners hold substantive kick-out rights or participating rights. The standard is effective for annual periods beginning after December 15, 2015. We are currently assessing the impact of this new standard.

In April 2015, the Financial Accounting Standards Board issued ASU No. 2015-05, “Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement.” The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. The amendment is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. We are currently assessing the impact of this new standard.

In May 2015, the Financial Accounting Standards Board issued ASU 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)”, which amends ASC 820, Fair Value Measurement. The standard removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient and removes certain related disclosure requirements. The standard will be effective for our fiscal year beginning January 1, 2016. We are currently assessing the impact of this new standard.

### **Shares Outstanding**

Shopify is a publicly traded company listed on the New York Stock Exchange (NYSE: SHOP) and on the Toronto Stock Exchange (TSX: SH). As of October 30, 2015 there were 16,087,126 Class A subordinate voting shares issued and outstanding, and 60,276,872 Class B multiple voting shares outstanding.

As of October 30, 2015 there were 14,322,821 options outstanding under the Company’s Legacy Option Plan, 10,320,987 of which were vested as of such date. Each such option is or will become exercisable for one Class B multiple voting share. As of October 30, 2015 there were 478,900 options outstanding under the Company’s new Stock Option Plan, zero of which were vested as of such date. Each such option is or will become exercisable for one Class A subordinate voting share.

As of October 30, 2015 there were 217,430 RSUs outstanding under the Company’s Long Term Incentive Plan.

FORM 52-109F2  
*CERTIFICATION OF INTERIM FILINGS*  
*FULL CERTIFICATE*

I, **Tobias Lütke, Chief Executive Officer of Shopify Inc.**, certify the following:

1. **Review** : I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of **Shopify Inc.** (the “issuer”) for the interim period ended **September 30, 2015** .
2. **No misrepresentations** : Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation** : Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility** : The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, for the issuer.
5. **Design** : Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officers and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filing or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 **Control framework** : The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 **ICFR - material weakness relating to design** : N/A

5.3 **Limitation on scope of design** : N/A

6. **Reporting changes in ICFR** : The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **July 1, 2015** and ended on **September 30, 2015** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **November 4, 2015**

/s/ *Tobias Lütke*

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Tobias Lütke  
 Chief Executive Officer

FORM 52-109F2  
*CERTIFICATION OF INTERIM FILINGS*  
*FULL CERTIFICATE*

I, **Russell Jones, Chief Financial Officer of Shopify Inc.**, certify the following:

1. **Review** : I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of **Shopify Inc.** (the “issuer”) for the interim period ended **September 30, 2015**.
2. **No misrepresentations** : Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation** : Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility** : The issuer's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 Certification of Disclosure in Issuer's Annual and Interim Filings, for the issuer.
5. **Design** : Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officers and I have, as at the end of the period covered by the interim filings
  - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
    - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
    - (ii) information required to be disclosed by the issuer in its annual filings, interim filing or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
  - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 **Control framework** : The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 **ICFR - material weakness relating to design** : N/A

5.3 **Limitation on scope of design** : N/A

- 6. **Reporting changes in ICFR** : The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **July 1, 2015** and ended on **September 30, 2015** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **November 4, 2015**

/s/ *Russell Jones*

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Russell Jones  
 Chief Financial Officer