Q2 2023
Financial Results
August 2, 2023
Safe harbor

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

To supplement the financial measures prepared in accordance with generally accepted accounting principles (GAAP), we use non-GAAP financial measures that exclude certain items. Non-GAAP financial measures are not prepared in accordance with GAAP; therefore, the information is not necessarily comparable to other companies and should be considered as a supplement to, not a substitute for, or superior to, the corresponding measures calculated in accordance with GAAP. Please refer to the reconciliation tables in our Q2 2023 Earnings Release for further information.

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August 2023
We’ve been focused on becoming the unified commerce operating system for our merchants since 2006
This quarter was incredibly strong for both Shopify and our merchants:

- **We increased revenue** in the quarter by 31% year-over-year.
- **We provided greater value** for our merchants and **expanded our product attach rate**.
- **We delivered our third consecutive quarter of positive free cash flow**.
We are making purposeful changes that support our core focus on commerce and unlock a **new era of data-driven entrepreneurship and growth**

**An era where:**

01. AI becomes the most powerful sidekick for business creation

02. Commerce is available everywhere, anywhere, and always

03. Shopify’s cutting-edge solutions will enable more businesses to achieve even greater success
Key investment themes

01 From first sale to full scale

02 Build consumer relationships

03 Going global
We believe **AI is making the impossible possible**

That’s why we’re building AI solutions directly into Shopify

**Shopify Magic** is a suite of AI-enabled features integrated across Shopify’s products and workflows

**Sidekick** is a natural language AI-enabled commerce assistant under the Shopify Magic umbrella
We build the right tools for commerce to be available everywhere, anywhere, and always.
Shopify Collective enables merchants to source products from other brands on Shopify and have them shipped directly to their customers.

Drake Related recently leveraged Shopify Collective to launch a curated collection of brands on their online store.
B2B on Shopify is gaining traction

+45 customizable features launched in the past year

GMV* up 61% in the first half of 2023

Well known brands around the world are adopting our B2B solution

brooklinen
Kraft Heinz
Momofuku

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

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

Well-known brands are leveraging Shopify’s omnichannel capabilities both online and in-store.

+23% Q2 offline GMV YoY
Shop Pay Installments on Shopify POS

Shop Pay Installments (SPI) on Shopify POS allows retail merchants the ability to offer in-store shoppers the same payment flexibility offered online.

Early results show a 5X increase in retail Average Order Value from installments transactions compared to standard in-store transactions.

100% of in-store SPI orders attributed to a buyer.
Hydrogen and Oxygen give Plus merchants an **easier development path to headless commerce** and helps them **get to market faster**.

$1B

Cumulative GMV since launch*

* Cumulative Hydrogen GMV since launch in 2021
We are **transforming our go-to-market engine**…

- Implementing **new tactics, KPIs, and capabilities** to accelerate sales, reduce costs, and ensure merchant success

- Establishing an **end-to-end sales process** and methodology designed for increased effectiveness and efficiency

…**and it’s working**

In the past two quarters alone we have seen Capital, Retail, and Payments sales volumes gain momentum leading to some of **highest cross-sell volumes we have ever achieved**
Recently signed agreements with **large enterprise brands**

- Shopify Plus
- Soft Surroundings
- Jafra
- Hunter
- Meta
Brands across a broad spectrum of verticals and geographies joined Shopify Plus.
Key investment themes

01 From first sale to full scale

02 Build consumer relationships

03 Going global
**Shopify Checkout** is the world’s highest-converting, customizable, one-click checkout

While we’ve known for years that our checkout is the best, a recent external study by a leading global management consultancy has confirmed it.

36% of Shopify’s overall conversion rate outpaces the competition by up to 36%.

15% ...and converts on average 15% more than others.
In a recent external study by a leading global management consultancy, the study found that:

The mere presence of Shop Pay on checkout drives a 5% lift in lower funnel conversion

When Shop Pay is used, conversion was lifted by as much as 50%, outpacing other accelerated checkouts by ~10%
Shop app

Shop gives merchants an out-of-the-box mobile storefront, making it easy for them to leverage Shop’s existing buyer audience to drive new and repeat customers to their brand.

Sign in with Shop

Enables customers to use their Shop account to log in to merchants’ online stores, lowering friction and making the checkout process even easier.

Custom storefronts

Major brands like Thrive Causemetics, Vessi, and Todd Snyder are launching custom Shop storefronts to optimize for the shift in mobile shopping behavior.
Key investment themes

01 From first sale to full scale

02 Build consumer relationships

03 Going global
We make selling globally as easy as it is to sell locally.

Approximately 15% of total GMV in Q2 came from cross-border sales.

Shopify Markets and Shopify Markets Pro make international expansion to +150 markets easier for our merchants.
Merchant-focused flywheel generates strong financial performance
$55.0B

GMV*

17% vs Q2 2022

Factors driving Q2

- Growth in our merchant base
- Continued resilience of our merchants’ consumers spend with particular strength in Europe
- Existing merchants’ same-store sales strength

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$1.7B
Revenue
31% vs Q2 2022
(Includes ~3 percentage points from Deliverr)

$1.3B
Merchant Solutions
35% vs Q2 2022

$444M
Subscription Solutions
21% vs Q2 2022
Q2 product attach rate reaches highest level in company history

Product Attach Rate

- Q2 2018: 2.68%
- Q2 2019: 2.77%
- Q2 2020: 2.85%
- Q2 2021: 2.92%
- Q2 2022: 3.07%
- Q2 2023: 3.08%

1 Product attach rate is defined as revenue divided by GMV
2 Product attach rate inclusive of Deliver acquisition (+7bps)
$31.7B

GMV processed on Shopify Payments (GPV)

27% vs Q2 2022

GPV penetration
58% vs 56% in Q1 2023
Monthly Recurring Revenue (MRR)*

$139M

Factors driving Q2

- Pricing change was the largest contributor of growth in absolute dollars
- Growth across Plus, Standard, and POS

Shopify Plus penetration 30% vs 31% in Q2 2022

* Monthly Recurring Revenue, or MRR, is calculated at the end of each period by multiplying the number of merchants who have subscription plans with us at the period end date by the average monthly subscription plan fee in effect on the last day of that period, assuming they maintain their subscription plans the following month.
$835M

Gross Profit

27% vs Q2 2022

49.3%
Gross Margin
↓ vs 50.7% in Q2 2022

80.9%
Subscription Solutions Gross Margin
↑ vs 76.7% in Q2 2022

38.1%
Merchant Solutions Gross Margin
↓ vs 40.3% in Q2 2022
$2.5B
GAAP Operating Expenses

$818M
Operating Expenses, excluding $1.7B in one-time items

Q2 factors
- Operating Expenses includes $1.7B in one-time items
  - $1.3B on the impairment on the sale of our logistics businesses
  - $165M in accelerated stock-based compensation
  - $148M related to severance
Stock-based compensation

$280M

from $139M in Q2 2022

(includes $165M in accelerated stock-based compensation related to the sales of the logistics businesses)

Adjusted operating income*

$146M

from ($42M) in Q2 2022

* Adjusted Operating Income excludes the effect of stock-based compensation (SBC) expenses and related payroll taxes, accelerated SBC, amortization of acquired intangibles, severance related costs, and impairment on sales of Shopify’s logistics businesses. Adjusted Operating Income is non-GAAP measure. Please see the reconciliation in our Q2 Earnings Release.
Free cash flow*  
from ($87M) in Q2 2022

Cash and marketable securities  
from $7.0B in Q2 2022

* Free cash flow is defined as cash from operations less capital expenditures. Free Cash Flow is non-GAAP measure. Please see the reconciliation in our Q2 Earnings Release.
Q3 2023 Outlook Considerations

Revenue

Low-twenties % growth

Q3 Revenue growth YoY

Mid-twenties % growth

Q3 Revenue growth YoY, adjusting for 300-400 basis point impact from the sale of the logistics businesses

Gross Margin

2 to 3 percentage points higher than Q2/23 gross margin of 49.3%
Q3 2023 Outlook Considerations

Operating Expenses

Flat to up slightly

Compared to Q2/23 operating expense dollars of $818M*, when excluding one-time items from Q2/23

Lower headcount and the removal of the logistics operating expenses to be counterbalanced by targeted investments

Areas of investment

Marketing
- Point-of-sale (POS)
- Offline (TV, audio, direct mail)

Compensation
- Annual compensation review cycle

* Operating Expenses on a GAAP basis were $2.5B for Q2/23. When excluding $1.7B in one-time items, our Operating Expenses for Q2/23 were $818M.
Q3 2023 Outlook Considerations

Revenue
Q3/23 revenue to grow at a low-twenties percentage rate year-over-year which is a mid-twenties growth rate when excluding the 300 - 400 bps impact of the sale of the logistics businesses

Gross margin
Q3/23 gross margin rate to be approximately 2 to 3 percentage points higher than Q2/23 gross margin of 49.3%

Operating expense
Q3/23 operating expenses to flat to up slightly vs our Q2/23 operating expenses, excluding one-time charges

Stock-based compensation
Q3/23 stock-based compensation to be approximately $110M

Free cash flow
Expect Q3/23 to achieve free cash flow profitability greater than the total first half of 2023

Capital expenditures
Expect to be approximately $45M for the full year 2023

Additional commentary related to Q3 2023

Sale of logistics businesses
- Q3 Revenue: Approx. 300 - 400 basis points headwind
- Q3 Gross margin: Approx. 300 - 400 basis points tailwind

Q3/23:
- Incremental investment into marketing (offline and POS)
- Annual compensation increase
- Disciplined approach to investment with operating expenses to grow significantly slower than revenue
Make commerce better for everyone