

November 29, 2021

Rating:

OUTPERFORM

Price:

\$1,576.70

12-Month Price Target:

\$1,800.00

Analysts

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Company Information

Market Cap (M)	\$198,837
Enterprise Value (M)	\$192,527
Shares Outst (M)	127.6
52-Week Range	\$971.24 - \$1,690.60
Cash/sh	\$0.00
Tangible Book Value/sh	\$0.00
Net Debt (M)	\$(6,310.11)
Yield	0.00%

REV (M)		in \$	
FYE Dec	2020A	2021E	2022E
Q1 Mar	470.0A	988.6A	1,358.5E
Q2 Jun	714.3A	1,119.4A	1,523.4E
Q3 Sep	767.4A	1,123.7A	1,631.2E
Q4 Dec	977.7A	1,435.1E	2,098.1E
Year*	2,929.5A	4,667.0E	6,611.3E

EPS		in \$	
FYE Dec	2020A	2021E	2022E
Q1 Mar	0.19A	2.06A	1.46E
Q2 Jun	1.09A	2.23A	1.58E
Q3 Sep	1.17A	0.81A	1.58E
Q4 Dec	1.63A	0.80E	1.78E
Year*	3.90A	5.61E	6.40E
P/E	NM	NM	NM

Pricing data provided by Thomson Reuters.

*Numbers may not add up due to rounding.

Shopify (SHOP)

Takeaways from Meetings with Management: Multiple Growth Vectors

We hosted investor meetings last week with Shopify's Senior Manager, Investor Relations, Ana Raman, and offer our key takeaways. Shopify remains well-positioned to outgrow total ecommerce and benefit from both a reopening through physical commerce/POS and growth in ecommerce. Shopify continues to see multiple growth levers including in more mature areas like payments where Shopify Payments is seeing growing adoption from Shopify Plus merchants as it grows its value-added offerings. Integrations with Facebook and Google, including its accelerated checkout Shop Pay are also positioning Shopify to benefit from long-term trends on social commerce platforms. Growing its merchant solutions offerings internationally also remains a key growth driver. Shopify also [announced over the weekend](#) that Black Friday sales across its platform were +21% y/y, with apparel and accessories, followed by health & beauty, and home & garden the top categories. That is below our +37% 4Q21 GMV estimate, but still a strong figure in our view. While a critical part of the quarter, it still represents only ~5% of total quarter GMV, and with [holiday sales spread out more than usual this year with supply chain concerns](#), we should see stronger GMV than the Black Friday figure. In 2020 as well, Black Friday GMV was +75% vs. +99% for the full 4Q.

The macro environment remains in flux, but Shopify has been set up to benefit from a reopening through POS exposure and generally speaking lockdowns do end up being positive factors for total GMV. Management noted that it's too early to tell what the impact from lockdown in Europe will be, and obviously there have been further developments on new variants since our meetings last Tuesday.

Shopify is currently seeing strong and growing merchant adoption of Shopify Payments through product enhancements and geographic expansion. Shopify is seeing current features like Shop Pay, POS adoption, Shop Pay Installments, Capital, and Balance as driving greater adoption. In particular Shop Pay, Shopify's accelerated checkout product, has been a factor in starting to see greater adoption from Shopify Plus merchants. Shopify Payments/Shop Pay also helps drive economics for transactions off-platform.

Shopify sees social commerce as a big opportunity over time, that is still in very early stages, and will become a bigger part of commerce. Shopify is setting itself up to be a central component of that, in our view. What should continue to make Shopify the core ecommerce software for SMB merchants is that merchants will still need a single central source to manage all their sales, whether through the website, marketplaces, social channels, or offline through POS, and Shopify is building to provide all of that.

International expansion remains an important component of Shopify's growth, with management still viewing it as in very early stages. In particular, Shopify is early in bringing its merchant solutions broadly outside of North America, even with Shopify Payments.

PT & Valuation: We reiterate our \$1800 PT which implies 34x EV/Revenue and 64x EV/GP on our 2022 estimates.

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Positioned for Online and Offline Puts and Takes; Supply Chain Not Yet Posing Significant Challenges

The macro environment remains in flux, but Shopify has been set up to benefit from a reopening through POS exposure, and generally speaking lockdowns do end up being positive factors for total GMV. Management noted that it's too early to tell what the impact from lockdown in Europe will be, and obviously there have been further developments on new variants since our meetings last Tuesday. Broadly, in geographies where lockdowns have eased, Shopify has seen a return to a normalization in growth rates, meaning ecommerce should continue to take share of total retail, but at a slower pace. Additionally, Shopify staying ahead of commerce trends has allowed it, and should continue to, take share of total ecommerce as well. Shopify's multi-channel capabilities, particularly through POS, helps merchants operate in an omnichannel manner through offline and online channels. That helps merchants be resilient with the puts and takes from Covid, and has helped Shopify take share of ecommerce.

So far Shopify merchants have not seen a significant impact from supply chain challenges with solid inventory levels, but Shopify is also able to step in and use its scale to help merchants navigate the challenges. Shopify highlighted on its 3Q earnings call that it did not see a material difference in its merchants' inventory levels y/y. Shopify is now seeing supply chain challenges begin to improve with some solutions in place. But if the challenges continue, Shopify is able to help merchants absorb some of the headwinds with an ability to connect with suppliers, manage relationships with multiple carriers and local delivery partners, provide educational courses, and other content like blog posts. That said, higher shipping and input costs, could lead to lower demand for goods in 4Q, but Shopify still expects that to largely be offset by holiday sales starting earlier and product replacements like gift cards.

Payments Penetration Improving Through Adoption of Value-Added Features

Shopify is currently seeing strong and growing merchant adoption of Shopify Payments through product enhancements and geographic expansion. Shopify is seeing current features like Shop Pay, POS adoption, Shop Pay Installments, Capital, and Balance as driving greater adoption. In particular Shop Pay, Shopify's accelerated checkout product, has been a factor in starting to see greater adoption from Shopify Plus merchants. The continued roll out of payments internationally should drive further adoption as well. 90+% of domestic merchants have adopted Shopify Payments and where it has launched internationally, Shopify is seeing similar adoption curves as well.

Shopify believes in giving merchants choice, but also providing the best checkout product; Shopify Payments/Shop Pay also helps drive economics for transactions off-platform. Shopify believes [Shop Pay is the best checkout product globally](#), noting that it increases conversion rates and speed to checkout, reduces friction and creates an overall better shopping experience. Bringing Shop Pay to other surfaces like Instagram and Google is also critical, as Shopify sees social commerce as a significant component of overall commerce over the coming years (we discuss that further below). Shop Pay is [currently available on Facebook and Instagram](#), and is expected to [launch on Google by year end](#). When a consumer uses Shop Pay to make a purchase Shopify Payments is the underlying payments processor for Shopify merchants, but is not for non-Shopify merchants. Where Shopify Payments is the processor, the economics are similar to if the checkout happened on the Shopify store. While Shopify aims to present Shop Pay along with other checkout options, it is of course aiming to build the best product that will drive strong

adoption. Overall, payments should be one of the critical components (but not the only one; see below) that allows Shopify to monetize transactions off Shopify sites.

Social Commerce A Complimentary Feature to Core Shopify Platform, Including Payments

Shopify sees social commerce as a big opportunity over time, that is still in very early stages, and will become a bigger part of commerce. Shopify is setting itself up to be a central component of that, in our view. Shopify expects that as buyers become more comfortable and it becomes more sophisticated, more merchants will move onto these surfaces. Currently, Shopify sees social commerce as more of a merchant discovery channel, however. There is generally lower intent on social channels, and when consumers do engage with social commerce, they are still often going to that brand's site to learn more, allowing that brand to capture the relationship back on the online store, surface more product, and deal in a more personalized manner with that buyer. In other words, Shopify sees social commerce as more additive for brands. Developing tools for checkout should help drive better conversion on those channels, and that is what Shopify is setting up for. Shopify wants to help merchants sell wherever their customers are. What should continue to make Shopify the core ecommerce software for SMB merchants is that merchants will still need a single central source to manage all their sales, whether through the website, marketplaces, social channels, or offline through POS, fulfillment through Shopify Fulfillment Network, and Shopify is building to provide all of that. Shopify's integrations back into the single admin gives merchants that one single source in a centralized back end, and with Shopify Payments integrated into social channels and others like Google, it creates a strong yet simple experience for merchants.

Shopify Fulfillment Network Seeing Demand but Still in Market Fit Phase

While we didn't dig too deeply into Shopify Fulfillment Network during our meetings, management did highlight that Shopify is seeing strong demand for it, but that it is still in product market fit phase. Shopify is aiming to build a simple, affordable, and reliable fulfillment offering for its merchants that helps with demand forecasting, optimal order routing, and inventory management. It is still building the blocks for the foundation of SFN, adding capabilities like product bundling, inventory management, tax settings, etc. Shopify is working with warehouse and transportation partners to build the "brains" of the fulfillment network and is integrating Shopify's tech stack back into its node partners

Shopify is also leveraging its Six Rivers Systems automated robotics technology into its partner nodes; it views 6RS as integral to SFN's success for merchants. 6RS embedded within SFN nodes enables higher productivity and efficiency, helps drive factors like two-day shipping and overall optimizes the broader warehouse fulfillment. With the acquisition, Shopify views having acquired strong technology, software, and talent that can help drive its efforts in fulfillment. Shopify also continues to expect to leverage 6RS to outside partners like 3PLs and other larger warehouses.

International Expansion Still in Early Stages

International expansion remains an important component of Shopify's growth, with management still viewing it as in very early stages. In particular Shopify is early in bringing its merchant solutions broadly outside of North America, even with Shopify Payments. Shopify is aiming to continue to expand Shopify Payments where it makes sense. Payments is in 17 countries now. But Shopify is also looking to go beyond that internationally and offer localized offerings in markets where it doesn't make as much sense to launch a full payments product. For

example, it [announced at Unite this year that it is better integration with payments developers](#) where partners can plug into APIs to integrate and help merchants participate and benefit even where it doesn't have Shopify Payments launched.

Shopify relies on organic growth, paid marketing, and partners to grow internationally, which has grown as a mix of GMV, MRR and revenue. Shopify wants to get really strong in its focus regions and is using localized approaches to do so. Shopify is aiming to build local networks to get really strong in those regions, test and learn, build from the learnings there and then expand further geographically. Cross border is also a key focus for Shopify and building features locally like languages, duties and taxes. Shopify's partnership with Global E is an example of a strategic partner that Shopify leverages for more complex larger international merchants that have more cross border type of volume. Global E has merchant of record capabilities to help these larger and more complex merchants do things like tax liability, returns, international customer service, and more complex types of operations that it can bring to Shopify merchants.

Shopify Inc Income Statement

	2019A FY	2020A FY	2021E				2021E FY	2022E				2022E FY	2023E FY
			1Q21A Mar-21	2Q21A Jun-21	3Q21A Sep-21	4Q21E Dec-21		1Q22E Mar-22	2Q22E Jun-22	3Q22E Sep-22	4Q22E Dec-22		
Total Revenue	1,578,173	2,929,491	988,647	1,119,445	1,123,740	1,435,144	4,666,976	1,358,503	1,523,428	1,631,208	2,098,136	6,611,275	9,039,681
Subscription Solutions	642,241	908,757	320,681	334,237	336,208	365,947	1,357,073	393,168	392,991	391,113	428,547	1,605,819	1,910,845
Merchant Solutions	935,932	2,020,734	667,966	785,208	787,532	1,069,197	3,309,903	965,335	1,130,437	1,240,096	1,669,589	5,005,456	7,128,837
COGS	712,530	1,387,971	429,931	498,585	514,831	677,595	2,120,942	608,536	701,164	776,777	1,030,649	3,117,126	4,349,742
SS COGS	128,155	193,532	58,382	63,027	67,355	70,273	259,037	71,579	74,106	78,354	82,294	306,334	364,485
MS COGS	584,375	1,194,439	371,549	435,558	447,476	607,322	1,861,905	536,957	627,058	698,422	948,354	2,810,792	3,985,257
Gross profit	865,643	1,541,520	558,716	620,860	608,909	757,549	2,546,034	749,967	822,264	854,432	1,067,487	3,494,149	4,689,939
Subscription Solutions GP	514,086	715,225	262,299	271,210	268,853	295,674	1,098,036	321,590	318,884	312,758	346,253	1,299,485	1,546,359
Merchant Solutions GP	351,557	826,295	296,417	349,650	340,056	461,875	1,447,998	428,378	503,379	541,673	721,234	2,194,664	3,143,580
Total opex	1,006,790	1,419,744	439,817	481,419	613,010	757,038	2,291,284	700,135	787,836	823,023	1,028,087	3,339,080	4,167,500
Opex growth yoy (%)	+46%	+41%	+33%	+28%	+73%	+93%	+61%	+59%	+64%	+34%	+36%	+46%	+25%
Opex ratio (%)	64%	48%	44.5%	43.0%	54.6%	52.8%	49%	51.5%	51.7%	50.5%	49.0%	51%	46%
Operating Income	(141,147)	121,776	118,899	139,441	(4,101)	511	254,750	49,832	34,427	31,409	39,400	155,069	522,439
Operating margin (%)	-8.9%	4.2%	12.0%	12.5%	-0.4%	0.0%	5.5%	3.7%	2.3%	1.9%	1.9%	2.3%	5.8%
change yoy (bp)	-38bp	+131bp	+276bp	+1242bp	-695bp	-1147bp	+130bp	-836bp	-1020bp	+229bp	+184bp	-311bp	+343bp
(+) SBC	158,456	246,940	69,156	81,958	81,340	83,956	316,410	124,253	144,896	152,811	167,851	589,811	720,442
(+) SBC-related payroll taxes	18,307	47,366	17,812	10,588	26,798	30,139	85,337	39,668	51,808	46,596	54,019	192,091	234,189
(+) Amortization of acquisitions	14,959	21,269	4,975	4,816	5,980	5,980	21,751	5,980	5,980	5,980	5,980	23,920	23,920
Non-GAAP operating income (co. def.)	50,575	437,351	210,842	236,803	140,162	120,585	678,247	219,733	237,111	236,796	267,250	960,890	1,500,989
Total other income	45,332	150,211	1,250,645	779,874	1,344,553	0	3,375,072	0	0	0	0	0	0
PBT	(95,815)	271,987	1,369,544	919,315	1,340,452	511	3,629,822	49,832	34,427	31,409	39,400	155,069	522,439
Income tax expense (benefit)	29,027	(79,145)	111,099	40,222	192,020	77	343,418	7,475	5,164	4,711	5,910	23,260	62,693
GAAP net income	(124,842)	351,132	1,258,445	879,093	1,148,432	434	3,286,404	42,357	29,263	26,698	33,490	131,808	459,746
GAAP EPS	(1.10)	2.84	10.21	6.90	9.00	0.00	25.81	0.33	0.23	0.21	0.26	1.03	3.60
Non-GAAP EPS	0.35	3.90	2.06	2.23	0.81	0.80	5.61	1.46	1.58	1.58	1.78	6.40	10.12
Non-GAAP EPS (adjusted for amort. and Inc. Tax effects)													
Basic Shares Outstanding	113,012	119,560	123,244	124,548	125,071	125,071	124,484	125,071	125,071	125,071	125,071	125,071	125,071
Dilutive Shares	5,753	4,274	3,431	2,928	2,548	2,548	2,863	2,548	2,548	2,548	2,548	2,548	2,548
Fully Diluted Shares Outstanding	119,529	123,834	126,674	127,475	127,619	127,619	127,347	127,619	127,619	127,619	127,619	127,619	127,619
EBITDA build													
Operating Income	(141,147)	90,153	118,899	139,441	(4,101)	511	254,750	49,832	34,427	31,409	39,400	155,069	522,439
Stock Based Comp	158,456	246,940	69,156	81,958	81,340	83,956	316,410	124,253	144,896	152,811	167,851	589,811	720,442
Depreciation and Amortization	35,651	78,825	15,800	14,663	15,360	16,267	62,090	16,206	15,734	15,644	15,764	63,348	69,972
EBITDA	52,960	415,918	203,855	236,062	92,599	100,733	633,249	190,290	195,057	199,864	223,015	808,227	1,312,852
EBTIDA margin (%)	3.4%	14.2%	20.6%	21.1%	8.2%	7.0%	13.6%	14.0%	12.8%	12.3%	10.6%	12.2%	14.5%
change yoy (bp)	+336bp	+1084bp	+2171bp	+953bp	-915bp	-1395bp	-63bp	-661bp	-828bp	+401bp	+361bp	-134bp	+230bp
Margin Analysis													
SS GPM (%)	80.0%	78.7%	81.8%	81.1%	80.0%	80.8%	80.9%	81.8%	81.1%	80.0%	80.8%	80.9%	80.9%
MS GPM (%)	37.6%	40.9%	44.4%	44.5%	43.2%	43.2%	43.7%	44.4%	44.5%	43.7%	43.2%	43.8%	44.1%
Gross margin (%)	54.9%	52.6%	56.5%	55.5%	54.2%	52.8%	54.6%	55.2%	54.0%	52.4%	50.9%	52.9%	51.9%
Non-GAAP operating margin (%)	3.2%	14.9%	21.2%	21.2%	12.5%	8.4%	14.5%	16.2%	15.6%	14.5%	12.7%	14.5%	16.6%
Opex ratio (%)	63.8%	48.5%	44.5%	43.0%	54.6%	52.8%	49.1%	51.5%	51.7%	50.5%	49.0%	50.5%	46.1%
tax rate	-30.3%	-29.1%	8.1%	4.4%	14.3%	15.0%	9.5%	15.0%	15.0%	15.0%	15.0%	15.0%	12.0%
EBITDA margin (%)	3.4%	14.2%	20.6%	21.1%	8.2%	7.0%	13.6%	14.0%	12.8%	12.3%	10.6%	12.2%	14.5%
SBC ratio (%)	10.0%	8.4%	7.0%	7.3%	7.2%	5.9%	6.8%	9.1%	9.5%	9.4%	8.0%	8.9%	8.0%
D&A ratio (%)	2.3%	2.7%	1.6%	1.3%	1.4%	1.1%	1.3%	1.2%	1.0%	1.0%	0.8%	1.0%	0.8%
Non-GAAP net margin (%)	2.5%	16.5%	25.7%	25.4%	9.1%	7.1%	15.3%	13.7%	13.2%	12.3%	10.8%	12.4%	14.3%
Y/Y Growth													
SS revenue	+38%	+41%	+71%	+70%	+37%	+31%	+49%	+23%	+18%	+16%	+17%	+18%	+19%
MS revenue	+54%	+116%	+137%	+52%	+51%	+57%	+54%	+64%	+44%	+57%	+56%	+42%	+42%
Net revenue	+47%	+86%	+110%	+57%	+46%	+47%	+59%	+37%	+36%	+45%	+46%	+42%	+37%
Gross profit	+45%	+78%	+117%	+66%	+50%	+50%	+65%	+34%	+32%	+40%	+41%	+37%	+34%
Total opex	+46%	+41%	+33%	+28%	+73%	+93%	+61%	+59%	+64%	+34%	+36%	+46%	+25%
EBITDA	+73%	+685%	-4085%	+186%	-31%	-91%	+52%	-7%	+116%	+116%	+128%	+28%	+62%
SBC	+66%	+56%	+29%	+32%	+27%	+25%	+28%	+80%	+77%	+88%	+100%	+86%	+22%
Non-GAAP net income	+52%	+1135%	+1038%	+120%	-27%	-48%	+48%	-26%	-29%	+96%	+122%	+14%	+58%
Non-GAAP EPS	+42%	+1027%	+978%	+105%	-31%	-51%	+44%	-29%	-29%	+96%	+122%	+14%	+58%

Source: Company reports and Wedbush Securities estimates

Shopify Inc Balance Sheet

	2019A FY	2020A FY	2021E				2021E FY	2022E				2022E FY	2023E FY
			1Q21A Mar-21	2Q21A Jun-21	3Q21A Sep-21	4Q21E Dec-21		1Q22E Mar-22	2Q22E Jun-22	3Q22E Sep-22	4Q22E Dec-22		
Assets													
Cash and cash equivalents	649,916	2,703,597	2,785,571	2,364,670	2,189,613	2,202,038	2,202,038	2,275,418	2,315,782	2,604,222	2,718,199	2,718,199	3,672,437
Short-term investments	1,805,278	3,684,370	5,086,877	5,390,717	5,329,081	5,329,081	5,329,081	5,329,081	5,329,081	5,329,081	5,329,081	5,329,081	5,329,081
Trade and other receivables	90,529	120,752	163,461	153,400	151,773	177,241	177,241	224,612	208,759	220,312	259,121	259,121	355,702
Merchant cash advances receivable, net	150,172	244,723	312,771	415,354	524,020	604,011	604,011	711,108	836,866	950,043	1,038,717	1,038,717	1,534,822
Other current assets	48,833	124,314	134,426	136,025	138,264	138,264	138,264	138,264	138,264	138,264	138,264	138,264	138,264
Total Current Assets	2,744,728	6,877,756	8,483,106	8,460,166	8,332,751	8,450,635	8,450,635	8,678,484	8,828,751	9,241,922	9,483,382	9,483,382	11,030,305
Long Term Marketable Securities	0	0	0	0	0	0	0	0	0	0	0	0	0
Property and equipment	111,398	92,104	87,152	86,671	91,787	90,031	90,031	87,410	86,911	87,579	92,796	92,796	113,221
Intangible assets	167,282	135,676	129,692	124,203	141,929	141,929	141,929	141,929	141,929	141,929	141,929	141,929	141,929
Goodwill and Other	466,071	657,369	2,124,938	3,284,638	4,970,051	4,970,051	4,970,051	4,970,051	4,970,051	4,970,051	4,970,051	4,970,051	4,970,051
Total Assets	3,489,479	7,762,905	10,824,888	11,955,678	13,536,518	13,652,646	13,652,646	13,877,874	14,027,642	14,441,481	14,688,158	14,688,158	16,255,507
Liabilities and shareholders' equity													
Accounts payable and accrued liabilities	181,193	300,795	338,876	289,537	350,588	430,579	430,579	479,654	407,178	528,967	654,928	654,928	914,486
Current portion of deferred revenue	56,691	107,809	114,725	183,160	203,853	177,854	177,854	182,995	208,904	269,543	226,101	226,101	294,856
Current portion of lease incentives/Other	78,498	29,728	41,502	38,386	42,116	42,116	42,116	42,116	42,116	42,116	42,116	42,116	42,116
Total Current Liabilities	316,382	438,332	495,103	511,083	596,557	650,549	650,549	704,766	658,198	840,626	923,145	923,145	1,251,457
Deferred revenue	5,969	21,006	22,417	135,321	174,483	152,229	152,229	156,630	178,807	230,709	193,526	193,526	252,375
Lease incentives	142,641	144,836	153,918	151,162	174,190	174,190	174,190	174,190	174,190	174,190	174,190	174,190	174,190
Deferred tax liability and other incl. LT debt	8,753	758,008	1,011,579	1,037,568	1,221,011	1,221,011	1,221,011	1,221,011	1,221,011	1,221,011	1,221,011	1,221,011	1,221,011
Total Long Term Liabilities	157,363	923,850	1,187,914	1,324,051	1,569,684	1,547,430	1,547,430	1,551,831	1,574,008	1,625,910	1,588,727	1,588,727	1,647,576
Shareholders' equity													
Convertible preferred shares	0	0	0	0	0	0	0	0	0	0	0	0	0
Common Stock	3,256,284	6,115,232	7,760,984	7,837,824	7,930,690	7,930,690	7,930,690	7,930,690	7,930,690	7,930,690	7,930,690	7,930,690	7,930,690
Additional paid-in capital	62,628	261,436	92,913	118,396	136,024	219,980	219,980	344,233	489,128	641,940	809,791	809,791	1,530,232
Accumulated deficit	(303,178)	24,055	1,287,974	2,164,324	3,303,563	3,303,997	3,303,997	3,346,354	3,375,617	3,402,315	3,435,805	3,435,805	3,895,551
Total Shareholder's Equity	3,015,734	6,400,723	9,141,871	10,120,544	11,370,277	11,454,667	11,454,667	11,621,277	11,795,436	11,974,945	12,176,286	12,176,286	13,356,474
Total Liabilities and Shareholder's Equity	3,489,479	7,762,905	10,824,888	11,955,678	13,536,518	13,652,646	13,652,646	13,877,874	14,027,642	14,441,481	14,688,158	14,688,158	16,255,507

Source: Company reports and Wedbush Securities estimates

Shopify Inc Cash Flow Statement

	2019A FY	2020A FY	2021E				2021E FY	2022E				2022E FY	2023E FY
			1Q21A Mar-21	2Q21A Jun-21	3Q21A Sep-21	4Q21E Dec-21		1Q22E Mar-22	2Q22E Jun-22	3Q22E Sep-22	4Q22E Dec-22		
Cash flows from operating activities													
Net Income for the period	(124,842)	319,509	1,258,445	879,093	1,148,432	434	3,286,404	42,357	29,263	26,698	33,490	131,808	459,746
Adjustments to reconcile net income to net cash provided by operating activities													
Amortization and depreciation	35,651	78,825	15,800	14,663	15,360	16,267	62,090	16,206	15,734	15,644	15,764	63,348	69,972
Stock-based compensation	158,456	246,940	69,156	81,958	81,340	83,956	316,410	124,253	144,896	152,811	167,851	589,811	720,442
Vesting of restricted shares	0	0	0	0	0	0	0	0	0	0	0	0	0
Loss on Asset disposal	0	31,623	0	0	30,145	0	30,145	0	0	0	0	0	0
Unrealized foreign exchange loss	3,181	(1,689)	1,734	(283)	2,290	0	3,741	0	0	0	0	0	0
Provision for uncollectible receivables related to merchant cash advances/C	15,912	(149,909)	4,236	10,619	(3,089,243)	(3,897,459)	(6,971,847)	(4,492,402)	(5,288,951)	(6,224,285)	(7,066,055)	(23,071,692)	(36,288,110)
Changes in operating assets and liabilities													
Trade and other receivables	(56,181)	(29,146)	(39,063)	11,657	(2,861)	(25,468)	(55,735)	(47,371)	15,854	(11,553)	(38,809)	(81,880)	(96,581)
Merchant cash advances receivable	(74,211)	(112,721)	(74,561)	(113,522)	(119,162)	3,817,468	3,510,223	4,385,305	5,163,193	6,111,107	6,977,381	22,636,986	35,792,005
Other current assets	(12,401)	(11,404)	(3,680)	(198,364)	174,743	0	(27,301)	0	0	0	0	0	0
Accounts payable and accrued liabilities	84,563	118,588	39,756	(49,918)	49,554	79,991	119,383	49,075	(72,476)	121,789	125,961	224,349	259,558
Total Non-cash working capital Items	(58,230)	(34,683)	(77,548)	(350,147)	102,274	3,871,991	3,546,570	4,387,009	5,106,571	6,221,343	7,064,533	22,779,455	35,954,982
Deferred revenue	0	66,155	8,327	199,460	79,159	(48,253)	238,693	9,543	48,085	112,541	(80,625)	89,544	127,603
Lease assets and liabilities	12,305	(1,204)	4,938	(1,048)	(1,206)	0	2,684	0	0	0	0	0	0
Other	28,182	(130,609)	(1,149,405)	(767,894)	1,673,315	0	(243,984)	0	0	0	0	0	0
Net cash provided by (used in) operating activities	70,615	424,958	135,683	66,421	41,866	26,935	270,905	86,965	55,598	304,752	134,959	582,274	1,044,635
Cash flows from investing activities													
Purchase of Short Term Investment	(2,718,604)	(5,611,258)	(2,651,507)	(1,900,224)	(1,707,314)	0	(6,259,045)	0	0	0	0	0	0
Sale of short-term investments	2,477,038	3,721,405	1,038,316	1,399,635	1,527,804	0	3,965,755	0	0	0	0	0	0
Acquisitions of property and equipment	(56,759)	(41,733)	(5,188)	(8,263)	(11,362)	(14,511)	(39,324)	(13,585)	(15,234)	(16,312)	(20,981)	(66,113)	(90,397)
Proceeds from disposal of property & equipment	0	0	0	0	0	0	0	0	0	0	0	0	0
Acquisitions of intangible assets	(5,638)	(262)	0	0	0	0	0	0	0	0	0	0	0
Acquisitions of businesses, net of cash acquired	(265,512)	3	0	0	(49,800)	0	(49,800)	0	0	0	0	0	0
Net cash (used in) provided by investing activities	(569,475)	(1,931,845)	(1,618,379)	(508,852)	(240,672)	(14,511)	(2,382,414)	(13,585)	(15,234)	(16,312)	(20,981)	(66,113)	(90,397)
Cash flows from financing activities													
Proceeds from the issuance of common stock	688,014	2,578,591	1,541,168	0	0	0	1,541,168	0	0	0	0	0	0
Issuance of convertible shares, net of issuance costs	0	907,950	0	0	0	0	0	0	0	0	0	0	0
Proceeds from the exercise of stock options	48,337	70,809	22,925	20,365	29,154	0	72,444	0	0	0	0	0	0
Net cash provided by financing activities	736,351	3,557,350	1,564,093	20,365	29,154	0	1,613,612	0	0	0	0	0	0
Effect of foreign exchange on cash and cash equivalents	1,742	3,218	577	1,165	(5,405)	0	(3,663)	0	0	0	0	0	0
Net increase (decrease) in cash and cash equivalents	239,233	2,053,681	81,974	(420,901)	(175,057)	12,425	(501,559)	73,380	40,364	288,440	113,977	516,161	954,238
Cash and cash equivalents—Beginning of Period	410,683	649,916	2,703,597	2,785,571	2,364,670	2,189,613	2,703,597	2,202,038	2,275,418	2,315,782	2,604,222	2,202,038	2,718,199
Cash and cash equivalents—End of Period	649,916	2,703,597	2,785,571	2,364,670	2,189,613	2,202,038	2,202,038	2,275,418	2,315,782	2,604,222	2,718,199	2,718,199	3,672,437
Free cash flow build													
Operating Cash Flow	70,615	424,958	135,683	66,421	41,866	26,935	270,905	86,965	55,598	304,752	134,959	582,274	1,044,635
growth yoy (%)	657%	502%	NM	-60%	-58%	-89%	-36%	-36%	-16%	628%	401%	115%	79%
Capex	(56,759)	(41,733)	(5,188)	(8,263)	(11,362)	(14,511)	(39,324)	(13,585)	(15,234)	(16,312)	(20,981)	(66,113)	(90,397)
growth yoy (%)	103%	-26%	-69%	-4%	13%	128%	-6%	162%	84%	44%	45%	68%	37%
Free cash flow	13,856	383,225	130,495	58,158	30,504	12,425	231,582	73,380	40,364	288,440	113,977	516,161	954,238
growth yoy (%)	NM	2666%	NM	-63%	-66%	-95%	-40%	-44%	-31%	846%	817%	123%	85%
% margin	0.88%	13.08%	13.20%	5.20%	2.71%	0.87%	4.96%	5.40%	2.65%	17.68%	5.43%	7.81%	10.56%
FCF per share	0.12	3.21	1.06	0.47	0.24	0.10	1.86	0.59	0.32	2.31	0.91	4.13	7.63

Source: Company data and Wedbush Securities

Valuation

Our SHOP PT is based on a 50/50 blend of (i) a FCF DCF and (ii) a target 32x 2022E EV/Revenue multiple.

Risks to the Attainment of Our Price Target and Rating:

Risks to the attainment of our price target and rating include competition from larger tech companies, slower-than-expected e-commerce market growth, adverse foreign currency fluctuations (namely CAD), customer attrition, inability to grow share in the enterprise market, and a general downturn in the overall economy.

Analyst Certification

We, Ygal Arounian and Chad Larkin, certify that the views expressed in this report accurately reflect our personal opinions and that we have not and will not, directly or indirectly, receive compensation or other payments in connection with our specific recommendations or views contained in this report.

Mentioned Companies

Company	Rating	Price	Target
Alphabet	OUTPERFORM	\$2,843.66	\$3,530.00
Facebook	NEUTRAL	\$333.12	\$325.00

Investment Rating System:

OUTPERFORM: Expect the total return of the stock to outperform relative to the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

NEUTRAL: Expect the total return of the stock to perform in-line with the median total return of the analyst's (or the analyst's team) coverage universe over the next 6-12 months.

UNDERPERFORM: Expect the total return of the stock to underperform relative to the median total return of the analyst's (or the analyst's team) coverage universe of the next 6-12 months.

The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating distribution (as of November 29, 2021)	Investment Banking Relationships (as of November 29, 2021)
OUTPERFORM: 68.56%	OUTPERFORM: 20.95%
NEUTRAL: 28.73%	NEUTRAL: 9.43%
UNDERPERFORM: 2.71%	UNDERPERFORM: 0.00%

The Distribution of Ratings is required by FINRA rules; however, WS' stock ratings of Outperform, Neutral, and Underperform most closely conform to Buy, Hold, and Sell, respectively. Please note, however, the definitions are not the same as WS' stock ratings are on a relative basis.

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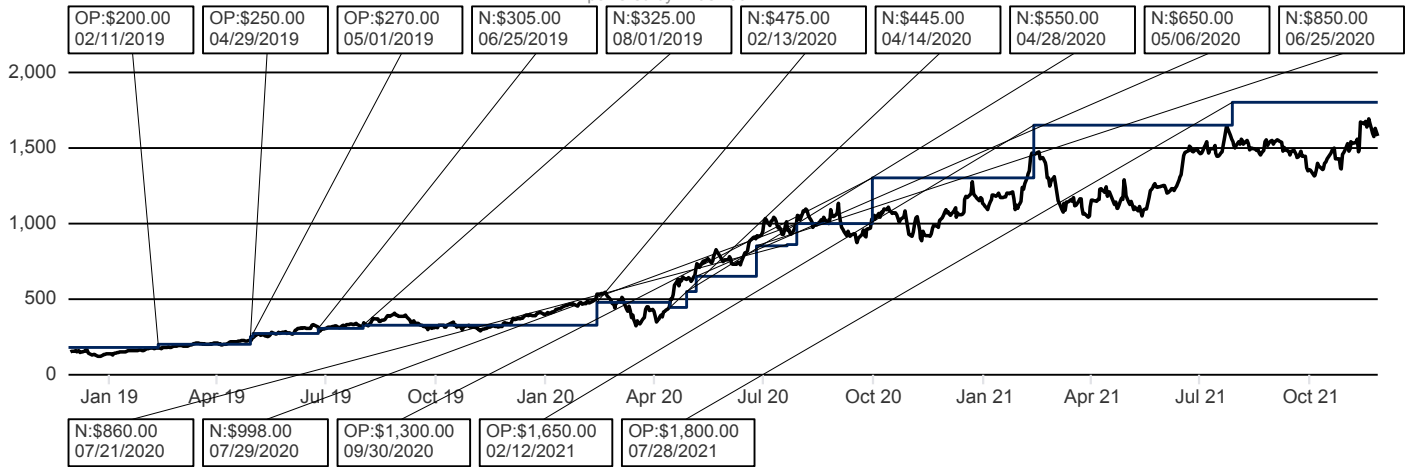
Company Specific Disclosures

1. WS makes a market in the securities of Shopify, Facebook and Alphabet.

Price Charts

Shopify Rating History as of 11-26-2021

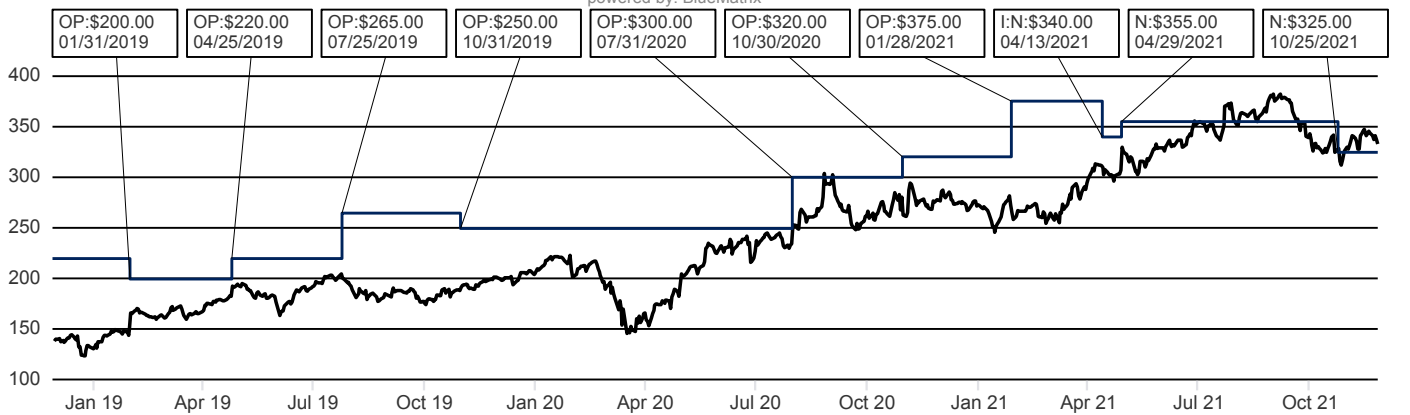
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— Closing Price — Price Target
 Outperform (OP); Neutral (N); Underperform (UP); Not Rated (NR)

Facebook Rating History as of 11-26-2021

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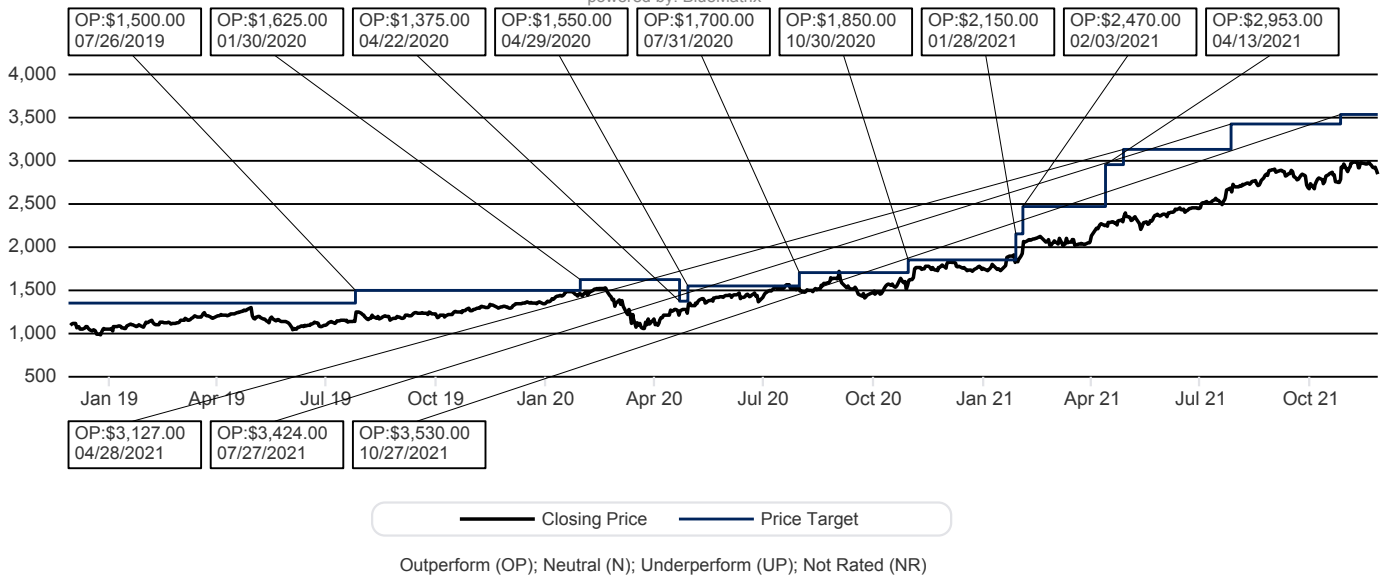


— Closing Price — Price Target
 Outperform (OP); Neutral (N); Underperform (UP); Not Rated (NR)

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Alphabet Rating History as of 11-26-2021

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*WS changed its rating system from (Strong Buy/ Buy/ Hold/ Sell) to (Outperform/ Neutral/ Underperform) on July 14, 2009.

Applicable disclosure information is also available upon request by contacting the Research Department at (212) 833-1375, by email to leslie.lippai@wedbush.com. You may also submit a written request to the following: Wedbush Securities, Attn: Research Department, 142 W 57th Street, New York, NY 10019.

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