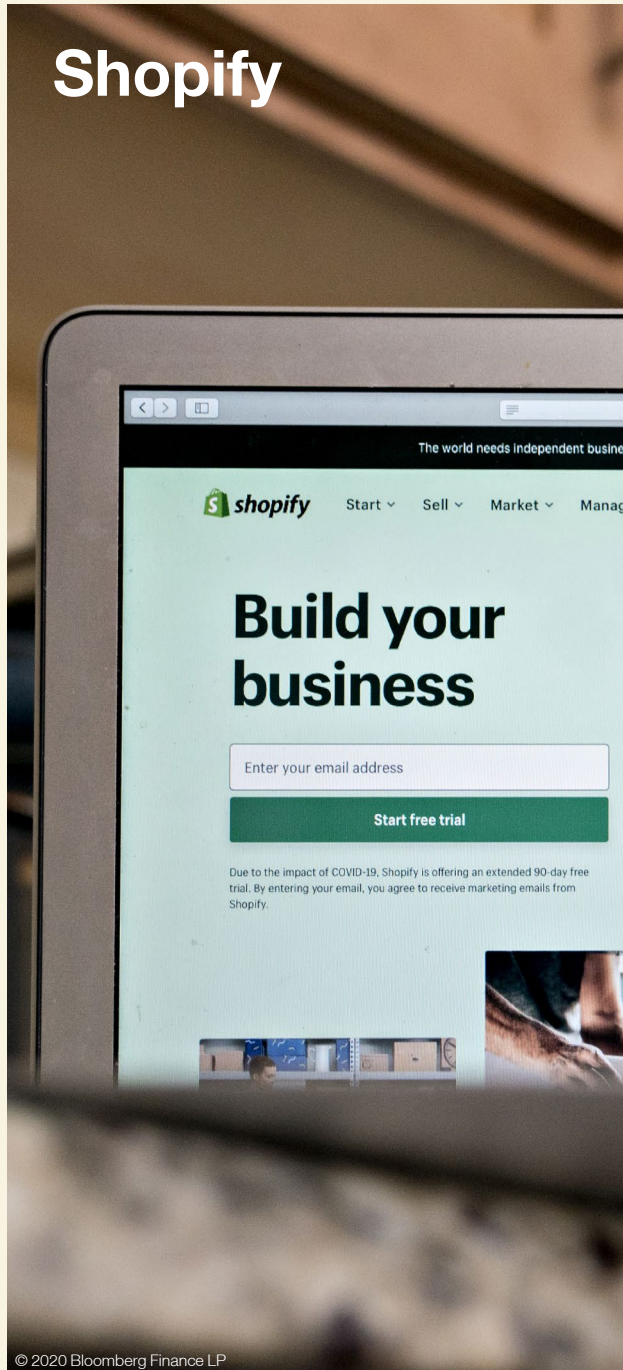


Shopify



What it does

Shopify is a Canadian technology company that enables small businesses to set up and sell products online.

Why we own it

- Shopify provides simple, low-cost software and hosting services that enable budding ecommerce entrepreneurs to move online quickly and efficiently. In a sense, it provides scale as a service to these merchants.
- With <1% of US retail sales currently flowing through its platform there is abundant scope for continued rapid growth.
- Attracts growing number of merchants via world-class products, increasing partner ecosystem, providing the depth and breadth of functionality, which in turn attracts more merchants, creating a powerful flywheel that distances itself from competitors.
- Founder remains actively involved, as CEO and major shareholder.

How it could be worth many times more

Shopify's adoption expands as it helps merchants of all sizes manage their businesses across every channel and any device, creating stickiness with high utility products. GMV grows 25% to 2030.

Shopify has plenty of levers to drive the take rate higher over the long term, with increasing flywheel dynamics of Shopify Payments, Shopify Plus, Shopify Capital, Shop App, Shopify Audiences, International, POS, shipping and fulfillment.

Where we might be wrong

- Retailers stick to traditional sales methods.
- Large companies centralise sourcing of online tools – new business goes to SAP, Salesforce and Adobe.
- Competition heats up from Hybris, Demandware and Magento.
- Regulators scrutinise the use of social media and targeted advertising to sell products.

Short 10 questions

Can sales double in the next five years? **1**

Yes. Retailers discover the attraction of selling through new media channels.

Ten years and beyond? **2**

Ecosystem keeps expanding as does Shopify's services such as Shop Pay plus fulfillment.

Competitive advantage? **3**

Innovative cloud-based model driven by commissions rather than licenses. Flexible, lowest friction model compared to competition.

Is the business culture different? **4**

Long-term, collaborative culture from a founder with deep technical expertise.

Customers like you? Contribute to society? **5**

A consistent reputation of excellence that is transforming small businesses.

Are returns worthwhile? **6**

Not yet.

Will they rise or fall? **7**

Rise as R&D spend falls due to scale benefits.

How is capital allocated? **8**

Mainly into building its fulfillment capabilities.

Could it be worth 5x as much? **9**

Large merchant adoption and increase in take rate.

What doesn't the market understand? **10**

Market unable to think past existing models of retail.

Risk factors

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