Shopify Announces Second-Quarter 2024 Financial Results

August 7, 2024

Revenue up 21%, and up 25% Adjusting for the Sale of Our Logistics Businesses;
Gross Profit up 25% Year Over Year;
Free Cash Flow Margin More Than Doubled Year Over Year to 16%

Internet, Everywhere - August 7, 2024 - Shopify Inc. (NYSE, TSX: SHOP), announced today financial results for the quarter ended June 30, 2024.

“Our Q2 results make it clear: Shopify is rapidly strengthening its position as a leading enabler of global commerce and entrepreneurship,” said Harley Finkelstein, President of Shopify. “More and more merchants across the world are putting their trust in Shopify’s unified commerce operating system to fuel growth and simplify complex operations. We’re fully committed to executing our growth strategies and delivering immense value to our merchants for years to come.”

“We are proud to report another quarter of robust financial performance. We drove strong growth in GMV, revenue, and gross profit, all amidst a mixed consumer spend environment, continued to take share and concurrently expanded our free cash flow margin. We delivered across every metric,” said Jeff Hoffmeister, Chief Financial Officer of Shopify. “Our results underscore our commitment to providing exceptional value to our merchants through focused operating execution and efficiency. As a high-growth global technology leader in commerce, we remain committed to leveraging our core strengths and investing in opportunities to achieve sustainable growth and long-term profitability.”

Second-Quarter Financial Highlights (all comparisons are to the second quarter of 2023)

- **Gross Merchandise Volume** [1] (“GMV”) increased 22% to $67.2 billion
- **Revenue** increased 21% to $2.0 billion, which translates into year-over-year growth of 25% after adjusting for the sale of our logistics businesses
- **Merchant Solutions revenue** increased 19% to $1.5 billion, driven primarily by the growth of GMV and continued penetration of Shopify Payments
- **Gross Payments Volume** [2] (“GPV”) grew to $41.1 billion, representing 61% of GMV processed in the quarter, versus $31.7 billion, or 58%
- **Subscription Solutions revenue** increased 27% to $563 million, driven by growth in the number of merchants and pricing increases on our subscription plans
- **Monthly Recurring Revenue** [3] (“MRR”) as of June 30, 2024 increased 25% to $169 million, driven by growth in merchants. Shopify Plus contributed $52 million, or 31%, of MRR
- **Gross profit** dollars grew 25% to $1.0 billion. Gross margin for the quarter was 51.1% compared to 49.3%, driven primarily by the lack of the dilutive impact of the logistics businesses and changes in pricing plans partially offset by continued growth of payments
- **Free cash flow** [4] was $333 million compared to free cash flow of $97 million
- **Free cash flow margin** [4] for the quarter was 16% compared to free cash flow margin of 6%
- **Cash and marketable securities** were $5.0 billion as of June 30, 2024, and we had a net cash position of $4.1 billion after consideration of our outstanding convertible notes

2024 Outlook

The outlook that follows supersedes all prior financial outlook statements made by Shopify, constitutes forward- looking information within the meaning of applicable securities laws, and is based on a number of assumptions and subject to a number of risks. Actual results could vary materially as a result of numerous factors, including certain risk factors, many of which are beyond Shopify’s control. Please see “Forward-looking Statements” below for more information.

For the third quarter of 2024, we expect:

- Revenue to grow at a low-to-mid-twenties percentage rate on a year-over-year basis;
- Gross margin to be higher by approximately 50 basis points compared to Q2 2024;
- GAAP operating expense as a percentage of revenue to be 41% to 42%;
- Stock-based compensation to be $120 million; and
- Free cash flow margin to be similar to Q2 2024. We continue to expect to deliver double-digit free cash flow margin for the rest of the year.

1. Gross Merchandise Volume, or 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.

2. Gross Payments Volume, or GPV, is the amount of GMV processed through Shopify Payments.

3. Monthly Recurring Revenue, or MRR, is calculated by multiplying the number of merchants by the average monthly subscription plan fee in effect on the last day of that period and is used by management as a directional indicator of subscription solutions revenue going forward assuming merchants maintain their subscription plan the following month. In the three months ended March 31, 2024, the Company revised the inclusion of paid trials in the calculation of MRR. Please refer to “Key Performance Indicators” below for more information.

4. Free Cash Flow and Free Cash Flow Margin are non-GAAP financial measures. Please refer to “Non-GAAP and Other Financial Measures” below for more information.

Quarterly Conference Call

Shopify’s management team will hold a conference call to discuss our first-quarter results today, August 7, 2024, at 8:30 a.m. ET. The conference call will be webcast on the investor relations section of Shopify’s website at https://investors.shopify.com/news-and-events/. An archived replay of the webcast will be available following the conclusion of the call.

Shopify’s Second Quarter 2024 Interim Unaudited Condensed Consolidated Financial Statements and Notes and its Second Quarter 2024 Management's Discussion and Analysis will be available on Shopify’s website at www.shopify.com and will be filed on SEDAR+ at www.sedarplus.ca and on EDGAR at www.sec.gov.

Shopify's Second Quarter 2024 press release including financial statements can be found here.

About Shopify

Shopify is the leading global commerce company that provides essential internet infrastructure for commerce, offering trusted tools to start, scale, market, and run a retail business of any size. Shopify makes commerce better for everyone with a platform and services that are engineered for speed, customization, reliability, and security, while delivering a better shopping experience for consumers online, in store and everywhere in between. Shopify powers millions of businesses in more than 175 countries and is trusted by brands such as Mattel, Gymshark, Heinz, FTD, Netflix, Kylie Cosmetics, SKIMS, Supreme, and many more. For more information, visit www.shopify.com.

Forward-looking Statements

This press release contains certain forward-looking statements within the meaning of applicable securities laws, including statements related to Shopify’s planned business initiatives and operations and outlook, the performance of Shopify's merchants, and the impact of Shopify's business on its merchants and other entrepreneurs. Words such as “continue”, “could”, “will”, “believe”, “assume” and “expect” or similar expressions are intended to identify forward-looking statements.

These forward-looking statements are based on Shopify’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 Shopify 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 Shopify believes that the assumptions underlying these forward-looking statements are reasonable, they may prove to be incorrect, and readers cannot be assured that actual results will be consistent with these forward-looking statements. Actual results could differ materially from those projected in the forward-looking statements as a result of numerous factors, including certain risk factors, many of which are beyond Shopify’s control, including but not limited to: sustaining our rapid growth; managing our growth; our potential inability to compete successfully against current and future competitors; the security of personal information we store relating to merchants and their buyers, as well as consumers with whom we have a direct relationship including users of our apps; a cyberattack or security breach; our ability to innovate; the impact of worldwide economic conditions, particularly softening economic growth in key regions including Europe and the United States, including the resulting effect on spending by small and medium- sized businesses or their buyers; our current reliance on a few suppliers to provide the technology we offer through Shopify Payments; the reliance of our business, including the services we provide to merchants, in part on the success of our strategic relationships with third parties; our limited operating history in new and developing markets and new geographic regions; international sales and operations and the use of our platform in various countries; our potential inability to hire, retain and motivate qualified personnel, including key personnel; our reliance on third- party cloud providers to deliver our services; complex and changing laws and regulations worldwide; our

dependence on the continued services and performance of our senior management and other key employees; payments processed through Shopify Payments, Shop Pay Installments, or payments processed or funds managed through Shopify Balance; our potential failure to effectively maintain, promote and enhance our brand; our history of losses and our efforts to maintain profitability; serious errors or defects in our software or hardware; evolving privacy laws and regulations, cross-border data transfer

restrictions, data localization requirements and other domestic or foreign regulations that may limit the use and adoption of our services; acquisitions and investments, including strategic investments and fluctuations in our share of income and loss from equity method investment; risks associated with Shopify Capital, and offering financing to merchants; our potential inability to achieve or maintain data transmission capacity; potential claims by third parties of intellectual property infringement or other third party or governmental claims, litigation, disputes, or other proceedings; activities of merchants or partners or the content of merchants' shops and our ability to detect and address unauthorized activity on our platform; unanticipated changes in tax laws or adverse outcomes resulting from examination of our income or other tax returns; being required to collect federal, state, provincial or local business taxes, sales and use taxes or other indirect taxes in additional jurisdictions on transactions by our merchants; changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers; our potential inability to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our technology; our pricing decisions and changes to our pricing models for our solutions; our use of open source software; seasonal fluctuations in our operating results; exchange rate fluctuations that may negatively affect our results of operations; our dependence upon buyers' and merchants' access to, and willingness to use, the internet for commerce; provisions of our financial instruments including our convertible notes; our potential inability to raise additional funds as may be needed to pursue our growth strategy or continue our operations, on favorable terms or at all; our tax loss carryforwards; the ownership of our shares; our ability to maintain an effective system of internal controls over financial reporting; the perceived impact of a return on investment without issuing a dividend; our status as a foreign private issuer and the laws applicable to us as a foreign private issuer; the impact of provisions of Canadian law applicable to us; provisions of our constating documents and charter documents; and other events and factors disclosed previously and from time to time in Shopify's filings with the U.S. Securities and Exchange Commission and the securities commissions or similar securities regulatory authorities in each of the provinces or territories of Canada. The forward-looking statements contained in this news release, represent Shopify's expectations as of the date of this news release, or as of the date they are otherwise stated to be made, and subsequent events may cause these expectations to change. Shopify undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.