



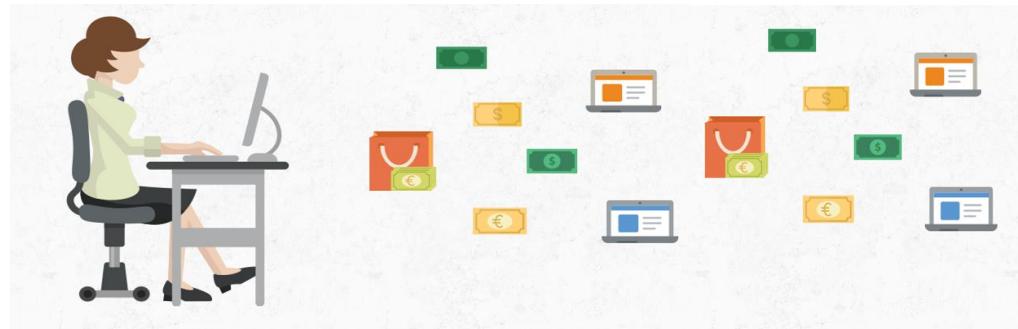
# BUS 417 Group 2

## E-Commerce

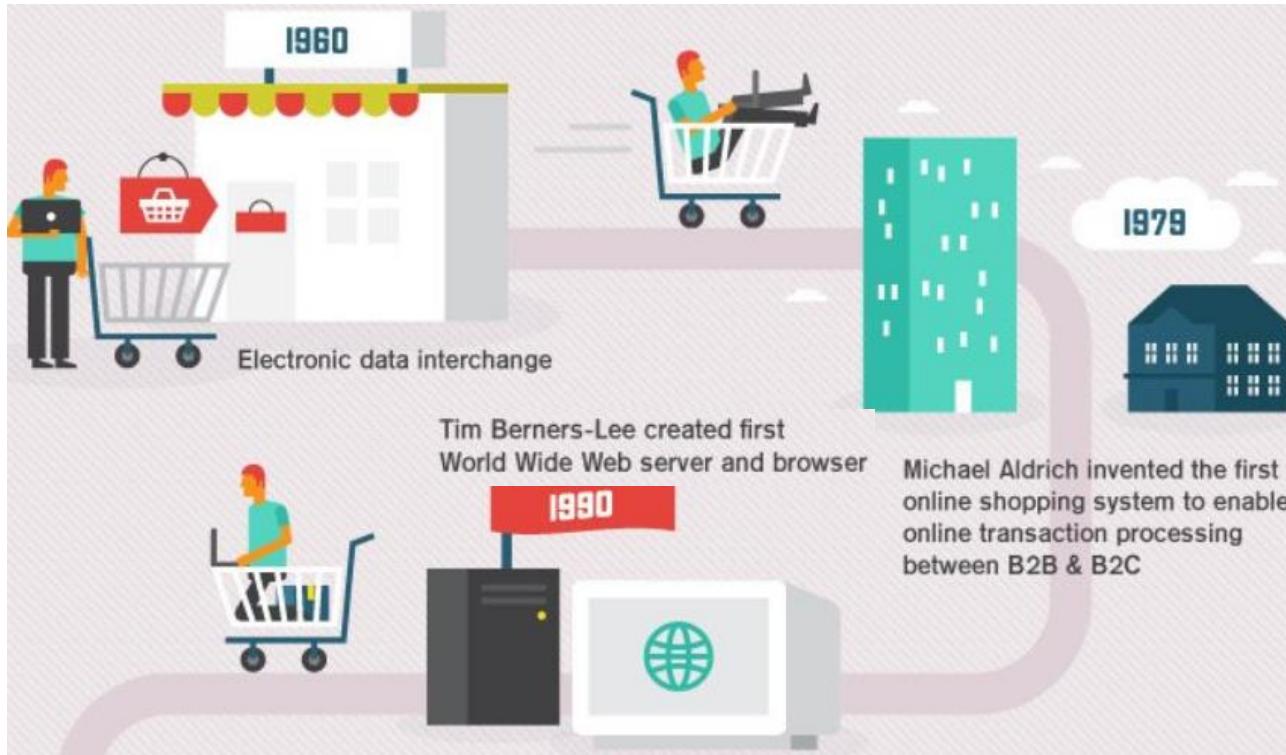
Roxanne Mak  
Victor Vargas  
Yi Shen  
Steven Lee  
Chris Zhang

# What is E-Commerce?

- E-Commerce = Electronic commerce
- Buying and Selling of products or services via the Internet
- For many Americans, ecommerce is something we participate in on a daily basis, like **online bill payments** or **purchasing from an e-tailer**



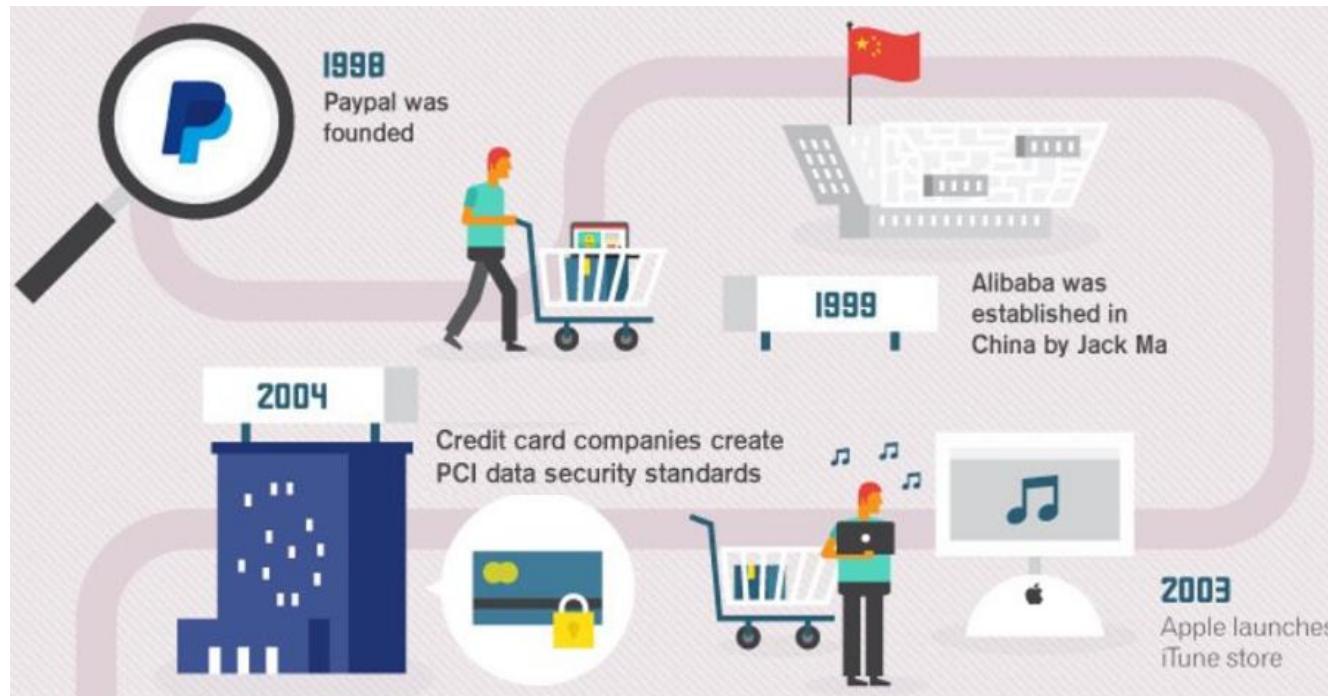
# E-Commerce History



# E-Commerce History



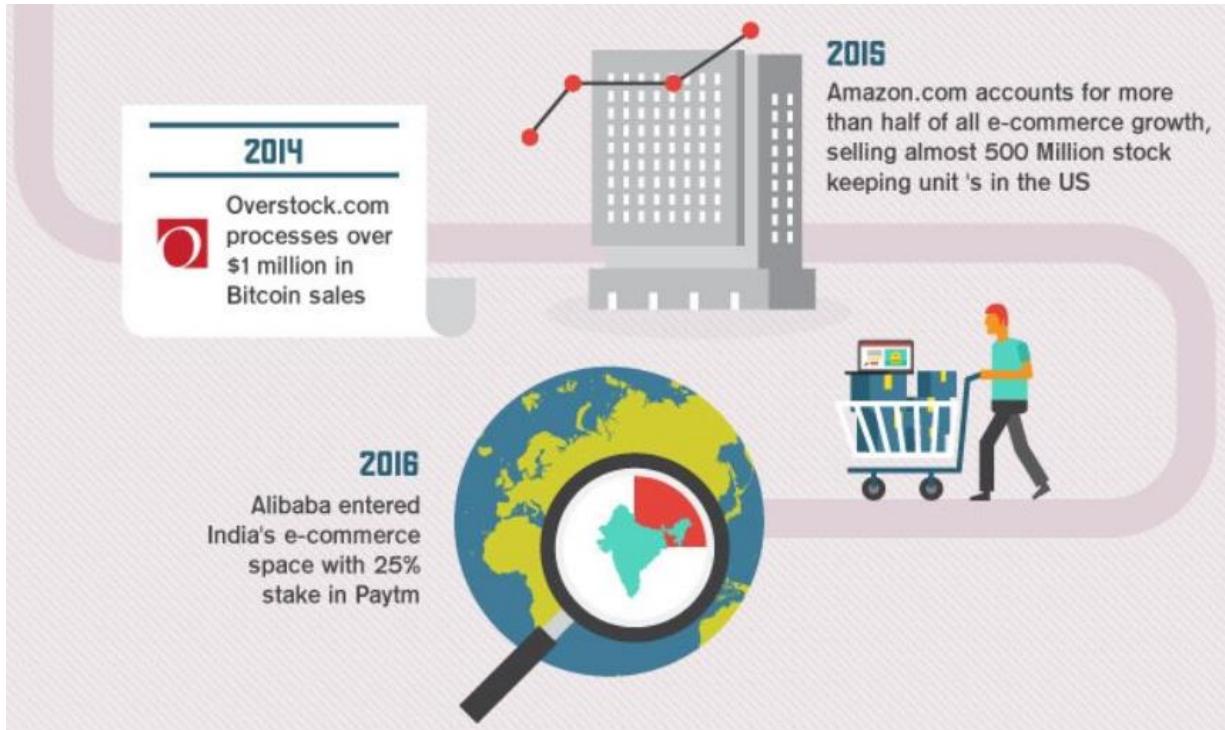
# E-Commerce History



# E-Commerce History



# E-Commerce History



# Types of E-Commerce Companies

1. Business-to-Consumer (B2C)
2. Business-to-Business (B2B)
3. Consumer-to-Consumer (C2C)
4. Consumer-to-Business (C2B)
5. Business-to-Administration (B2A)
6. Consumer-to-Administration (C2A)

## Business-to-Consumer (B2C)

- The transactions conducted directly between a company and consumers who are the end-users of its products or services.



# Business-to-Business (B2B)

- A form of transaction between businesses, such as one involving a **manufacturer** and **wholesaler**, or a wholesaler and a **retailer**.

# What about B2B E-Commerce?

Business-to-business – “B2B” – refers to commerce between two businesses rather than to commerce between a business and an individual consumer. Transactions at the wholesale level are usually business-to-business.

Businesses are more likely to purchase higher priced goods and services, at a higher quantity, making transactions more risky.

Transactions usually involve multiple stakeholders.

# Main Differences between B2B and B2C

Selling sometimes requires participating in a bidding process by responding to a purchaser's request for proposals.

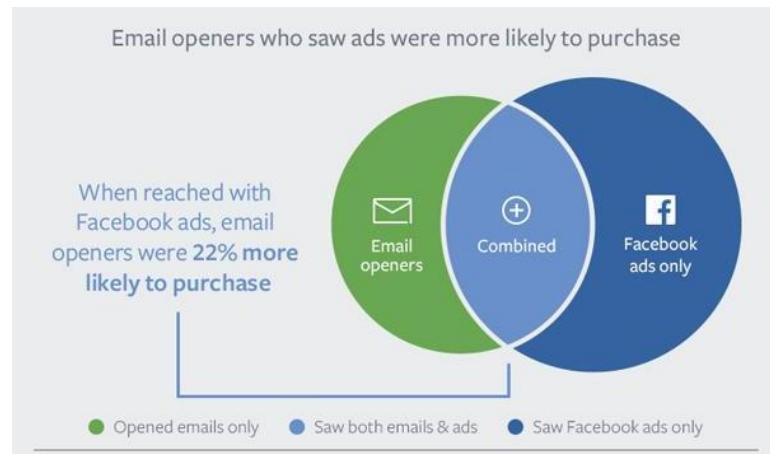
The decision-making process on a purchase can take days, weeks, or months, depending on how the purchasing company works and the size and nature of the order.

Purchasing decisions are often made by committees, so each member needs to be educated and "sold."

# B2B E-Commerce Best Practices

89% of buyers research online before connecting directly with a supplier. In most cases, this means they will have performed over a dozen searches.

Social media heavily impacts purchasing decisions:



# B2B E-Commerce Best Practices

Dynamic pricing is key:

- This means factoring in all types of variables — like volume, purchasing history, or market specs — to quickly produce a reliable, transparent price.
- At 62%, automated pricing optimization is the number one investment in B2B E-Commerce

 **Transparent pricing and product details** is the number one factor in repeat B2B orders.

 Consistently lower prices is only the fourth most important.

 85% of buyers want **full transparency**: "All relevant shipping fees, duties, and taxes, so they know what they are paying."

 Giving customers a loyalty or rewards program that is equally transparent incentivizes repeat purchases all the more.



# Consumer-to-Consumer (C2C)

- A business model whereby customers can trade with each other, typically, in the online environment.
- Two implementations of C2C markets are **auctions** and **classified advertisements**.

craigslist



airbnb

ebay

amazon

# Consumer-to-Business (C2B)

- A business model in which consumers (individuals) create value and businesses consume that value.
- The electronic commerce business model in which consumers can offer products and services to companies, and the companies pay the consumers.
- Example: a Blog owner sells advertisement space to Target on their Blog

## Business-to-Administration (B2A)

- All transactions that are carried out between businesses and government bodies using the Internet as a medium.

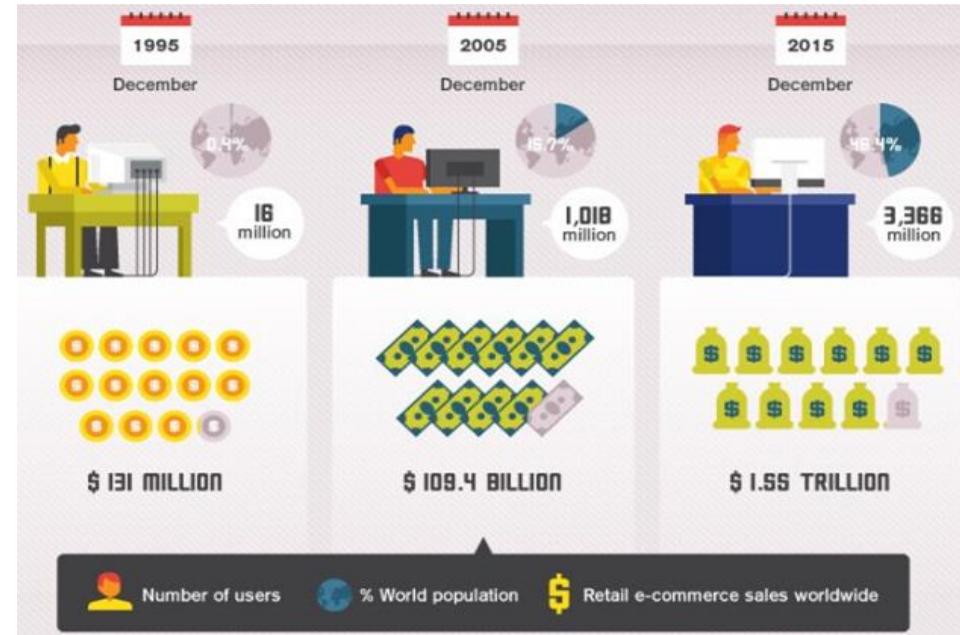
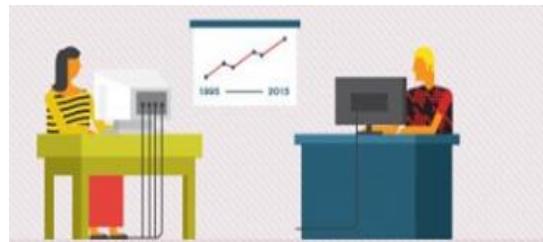


# Consumer-to-Administration (C2A)

- A model encompasses all electronic transactions conducted between individuals and public administration
  - Education – disseminating information, distance learning, etc.
  - Social Security – through the distribution of information, making payments, etc.
  - Taxes – filing tax returns, payments, etc.
  - Health – appointments, information about illnesses, payment of health services, etc.

# Fascinating Evolution of Internet Users

In 1995 only **0.4%** of the world population used internet. 20 years later this percentage increased to almost **50%**



# 10 Biggest Markets By Global E-Commerce Sales In 2015



# Consumers Worldwide Go Crazy For British Goods

In 2010, the United Kingdom had the biggest e-commerce market in the world with £121 Billion when measured by the amount spent per capita

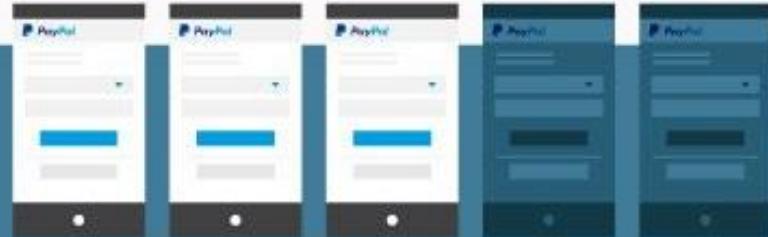


50% of shoppers worldwide seek British goods, especially the USA (21% of cross-border purchases) and China (15%)

Britain is famous for **high quality goods** like fashion and luxury products

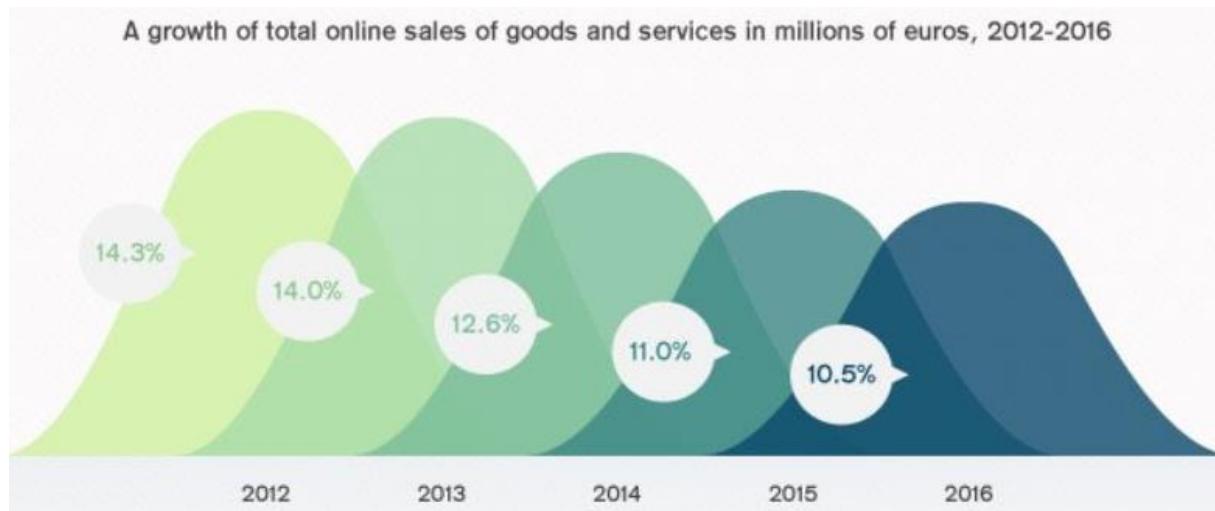
# Consumers Worldwide Go Crazy For British Goods

PayPal has reported that **59%** of online transactions in the U.K. are made via mobile devices

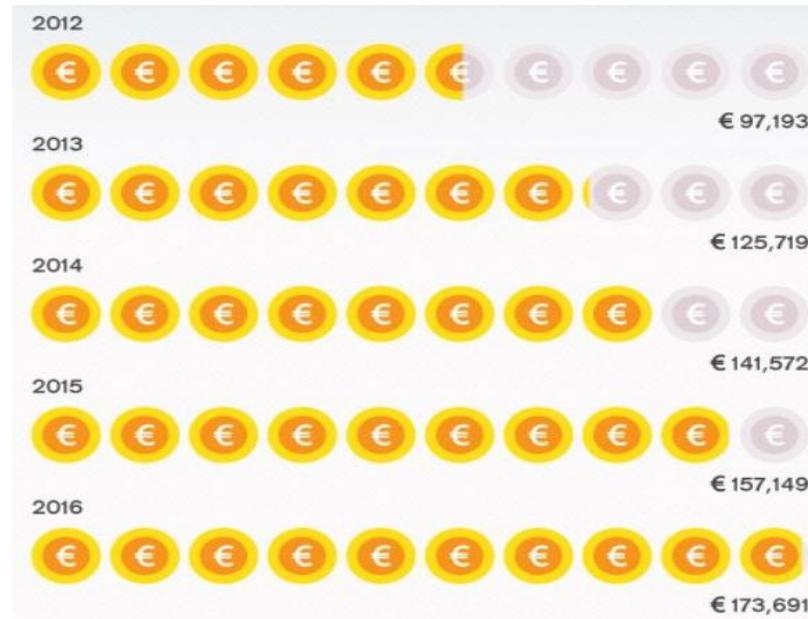


Online retail sales in the U.K. reached an estimated **£ 52.25 BN** in 2015, with the average shopper spending **£ 1,174 BN**

# B2C E-Commerce Turnover And Growth Rate in The U.K.



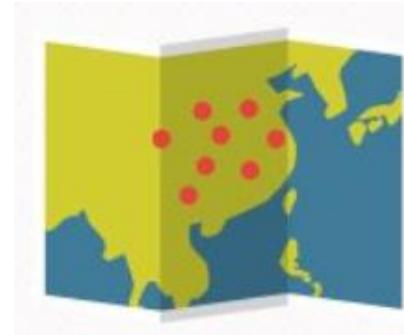
# B2C E-Commerce Turnover And Growth Rate in The U.K.



# Alibaba Makes China Become The Largest E-Commerce Economy



China has **721 million** internet users and it is **52.2%** of China's population

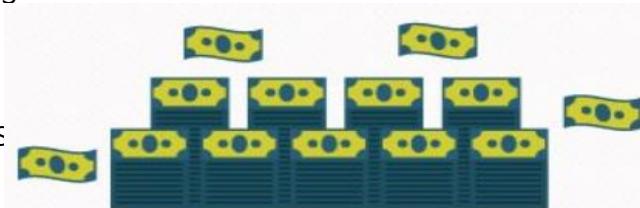


In **March 31 2016**, the Chinese e-commerce corporation recorded **Alibaba's** revenue of **13.08 billion** U.S. dollars

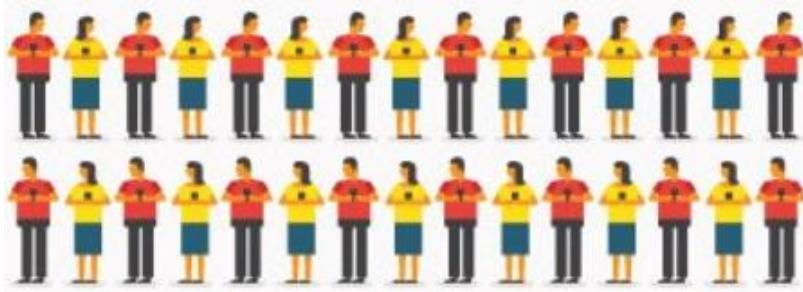
In **2013**, Alibaba had an e-commerce market share of **80%** in China



**Alibaba Group** has largest Initial public offering ever, worth **\$25 Billion** which is twice more than Malta's GDP in **2015**



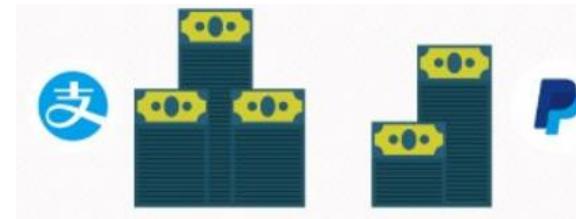
# Alibaba Makes China Become The Largest E-Commerce Economy



Alibaba has **300 Million** customers per year, that is equal to the entire US population



Alipay is a third-party online payment platform in China, established by **Alibaba**



Today Alipay is worth **\$60 Billion** meanwhile PayPal is only **\$49 Billion**

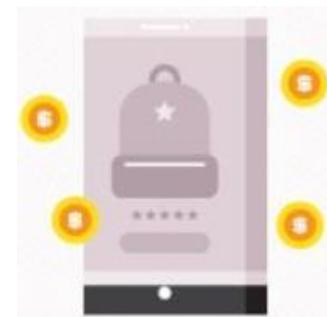
# United States Takes The Second Biggest Bite Of E-Commerce Market In The World



The number of digital shoppers in the U.S. is constantly growing, from **172 Million** in **2010** to an estimated **196 Million** in **2014**



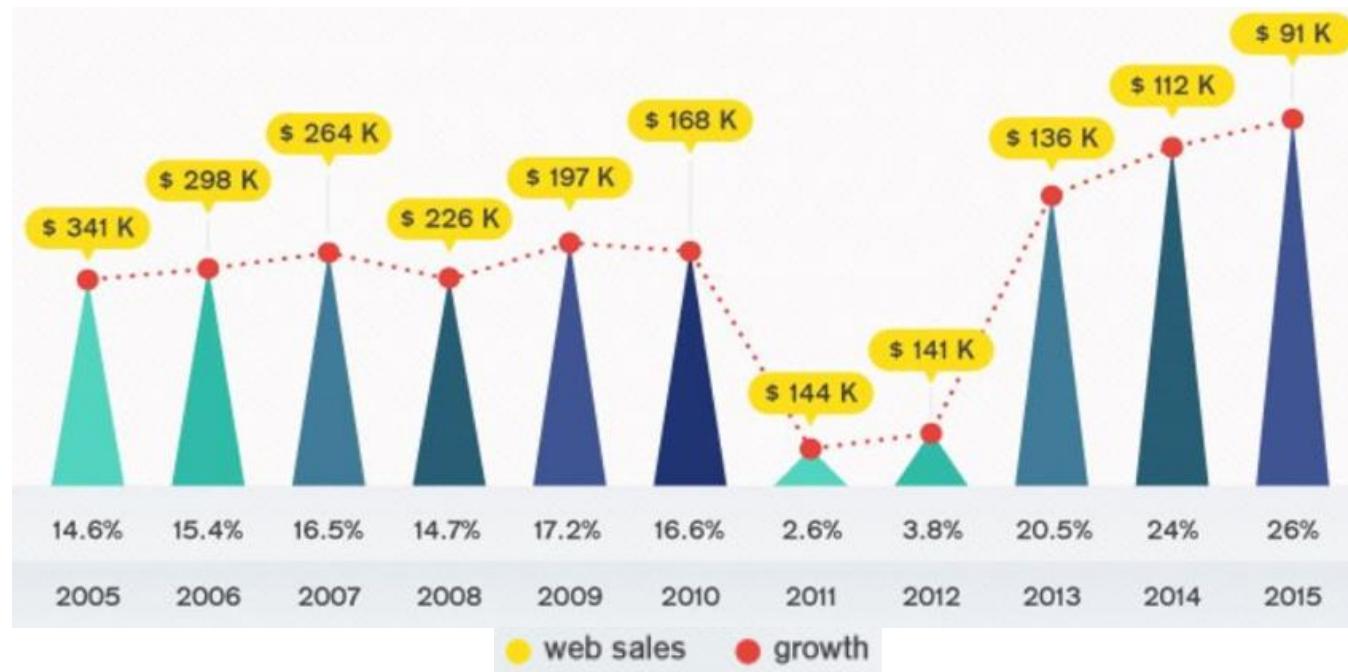
Approximately **73%** of internet users in the U.S. representing more than **60%** of the entire population, had purchased products online



By far the most successful e-retailer in the United States is the webonly B2C platform **Amazon.com**

**10%** of Americans have purchased, at least once, on a mobile device

# The Growth of U.S. E-Commerce



# The Growth of U.S. E-Commerce



By **2015**, Online sales reached **\$341,729 Billion** in the U.S. The amount of online sales are expected to rise to **\$523 Billion** by **2020**, mainly due to mobile devices. This number is equivalent to Romania's, Czech Republic's and Slovakia's GDP combined

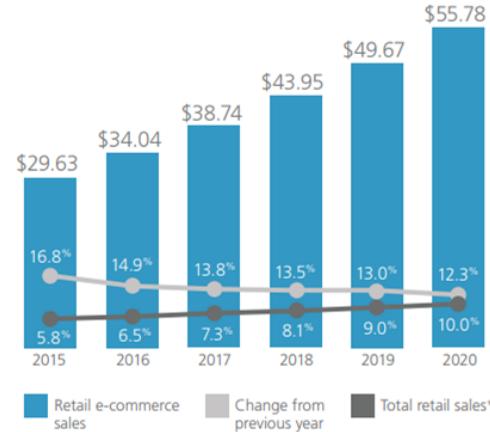
# Growth Ahead for Canadian E-Commerce

- E-commerce retail sales are outpacing brick-and-mortar sales by a substantial margin
- There is a fundamental shift on how Canadians are spending their hard earned dollars
- Very competitive industry where many factors need to be taken into account to attract customers

 **39%**  
of online shoppers **spent half or more of their total spending online** rather than in-store in 2015

RETAIL E-COMMERCE SALES IN CANADA, 2015-2020

(spending is in billions)



 **2%** VS  **15%**  
Growth in brick-and-mortar sales in 2016      Growth in online retail sales in 2016

# Sub-groups of Canadian E-Commerce

41%

have completed university or graduate studies; one third have completed technical school or college.

\$86,000

Average annual household income  
(36% of online shoppers have household incomes above the Canadian average of \$76,000)\*



48%  
Urban

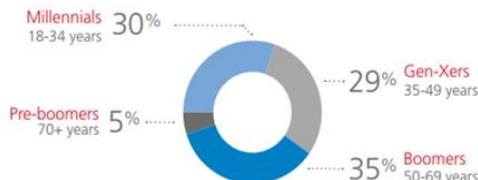


31%  
Suburban

While most online shoppers reside in urban and suburban communities, 20% of shoppers are based in rural areas or small towns.



## CANADIAN ONLINE SHOPPERS LIFE STAGE



## THE MAJORITY LIVE IN HOUSEHOLDS WITH NO DEPENDENT CHILDREN



# Maturing Canadian Shopper Base

80%

of Canadians shopped online in the past year



Based on number of online purchases made annually



10.9

Average number of purchases/year

# Creating a Nation of “Hyper-Shoppers”

What are they?

- Possess deep knowledge of brands
- Average of 50 purchases/year
- They are the key to e-commerce growth
- They account for **nearly half** of all Canadian online purchases

How to attract them?

- By crafting an optimal end-to-end experience tailored to meet the needs of this group
- Retailers must harness this potential by providing ideal online shopping experiences and keeping shoppers engaged.

OF CANADIANS SHOPPING ONLINE

10%

Hyper  
(25+ purchases)

6%

Hyper  
(25-40 purchases)

4%

Hyper elite  
(41+ purchases)

HYPER SHOPPERS MAKE



49.8

purchases on average per year  
(vs. 10.9 purchases for online shoppers overall)

# Who are they?

## Millennials

Aged 18-34

They are

**30%**

of Canadian online shoppers

They make

**33%**

of online purchases in Canada



### HYPER SHOPPER SNAPSHOT



Gender  
**60%**  
Female

Cohort  
**35%** Millennials   **36%** Gen-Xers   **27%** Boomers

Average household income

**\$95,876**

vs. \$86,000 for overall market

# What do they care about?

## THEY'RE DIGITALLY SAVVY

Time millennials spend online in Canada



## THEY'RE INFLUENCED BY SOCIAL MEDIA



Sponsored link or ad posted on a social media website\*



Related social media post†

## THEY COMPARE ALTERNATIVES

31%

say customer ratings & reviews drive their online purchases  
(vs. 19% non-millennials)

20%

compare ALL-IN costs (product, shipping, taxes) across retailers prior to purchase  
(vs. 14% non-millennials)

## THEY DON'T FORGIVE

34%

say if they had a bad delivery experience that they'd never shop with that retailer again  
(vs. 27% of non-millennials)

# Millennial Sub-Segments: Know your Market



# Summary of Factors That Affect E-Commerce Growth

1. Competitive pricing
2. Product quality
3. Online reviews
4. Shipping time and cost
5. Easy return policy
6. Easy navigation and checkout
7. Marketing through social media





## what our *customers* say

93%

of consumers say online reviews have an impact on their purchase decision.

1

### Quality Over Price

—

Consumers don't just care about price. They also value a good experience, and many of them would be willing to pay more to ensure they are getting one.



are willing to pay up to 15% more for the same product or service if assured they'll have a better experience.



vs

**amazon**  
**Prime**



**\$25  
\$5 shipping**

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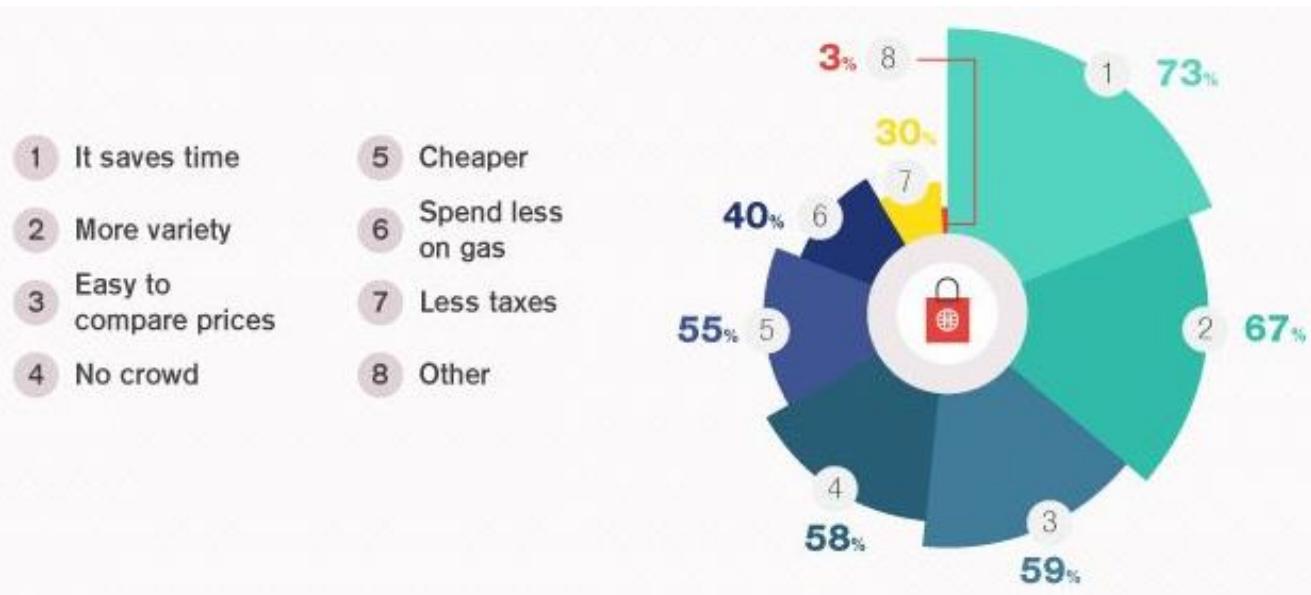
**\$30  
Free shipping**



# Advantages of E-Commerce

1. Faster buying for customers
2. Companies can easily reach new customers
3. Lower operational costs
4. Personalized experiences
5. Saving time and Effort

# Why Do Consumers Prefer Shopping Online?



# Saving Time and Effort



Electronic commerce improves the efficiency and effectiveness of businesses, governments, and not-for-profit agencies

E-commerce technologies lower the cost of production and distribution of goods and services

**80%** of worldwide internet users have bought products or goods online via desktop, mobile, tablet or other online devices

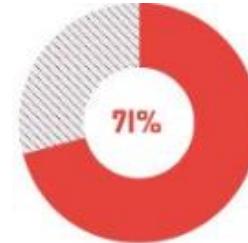


**50%** of the online population have purchased more than once

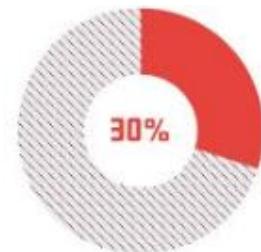
# What Opens The Door For Better Online Sales?



Shoppers spend **30%** more per order when free shipping is included



**71%** of shoppers believe they will get a better deal online than in stores



# Social Media Leads The Way For Better Sales



90% of companies now use social media for business purposes – up from 60% in 2013

# Disadvantages of E-Commerce

1. Limited interactions with customers
2. Technology breakdowns can impact ability to sell
3. No ability to test or try-on

# Factors To Consider During E-Commerce Development

1. Responsive Design
2. Support Guest Checkouts
3. Site Search
4. Security
5. Optimize Site Performance

# Main Items That Determine Your eCommerce Website Cost:

1. Design - Custom vs. Template
2. Functionality - Custom functionality needs and unique programmed features?
3. Data Imports - Product data or past order/customer data imported?
4. Marketing and SEO - A fully integrated marketing plan?
5. Integration - Making an eCommerce website work with an ERP or other third-party systems?
6. Company Selection - Choosing a reputable, experienced company?  
-> More value

# Cost Of A Software As A Service E-Commerce

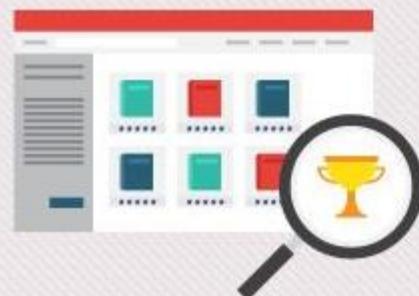
	<b>SMALL</b> (SMALL CATALOG, LIGHT TRAFFIC)	<b>MID</b>	<b>LARGE</b>
Hosting (monthly)	\$20-\$60	\$60-\$150	\$150+
Design	< \$1,000	\$1,000-\$5,000	\$1,000-\$5,000
Custom Development	n/a	n/a	n/a
Setup/Config	<\$250	\$0 – \$1,000	\$0 – \$2,000
Training	\$0-\$500	\$0 – \$500	\$0 – \$500
Maintenance	n/a	n/a	n/a
<b>TOTAL SETUP*</b>	< \$2,000	< \$6,500	< \$10,000
<b>TOTAL ANNUAL*</b>	< \$1,000	< \$1,800	\$2,000 +

# Cost Of A Traditional E-Commerce

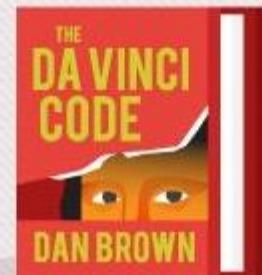
	<b>SMALL</b> (SMALL CATALOG, NO CUSTOM PROGRAMMING, OFF-THE-SHELF THEME, LIGHT TRAFFIC)	<b>MID</b> (SMALL CATALOG, LIGHT CUSTOM PROGRAMMING, CUSTOMIZED THEME, MEDIUM TRAFFIC)	<b>CUSTOM</b> (SYSTEMS INTEGRATION, LARGE CATALOG, CUSTOM PROGRAMMING, CUSTOM DESIGN, HIGH TRAFFIC)
Licensing	< \$500	< \$5,000	\$5,000 – \$100,000
Hosting (monthly)	\$350	\$500	\$1,000-\$2,000+
Design	< \$3,000	\$5,000 – \$10,000	\$10,000-\$150,000+
Custom Development	< \$500	\$2,000 – \$5,000	\$10,000 – \$150,000+
Setup/Config	<\$3,000	\$2,000 – \$5,000	\$2,000 – \$10,000+
Training	\$500 – \$1,000	\$500 – \$2,000	\$500 – \$5,000+
Maintenance (monthly)	\$500+	\$1,000 – \$2,000	\$2,000 – \$5,000+
<b>TOTAL SETUP*</b>	< \$11,000	\$15,500 – \$29,000	\$30,500 – \$422,000+
<b>TOTAL ANNUAL*</b>	< \$12,000	\$18,000 – \$30,000	\$36,000 – \$84,000

# Relevant Facts About E-Commerce

## THE BEST PRODUCT SOLD ONLINE



The '**BEST SELLING**' product in shopping sites worldwide are usually books



The most sold book ever is **DAN BROWN THE DA VINCI CODE** which was sold 5,094,805 times



Best selling book on Amazon in April 2016 was Release Your Anger: Midnight Edition: An Adult Coloring Book with 40 Swear Words to Color and Relax

# Future of E-Commerce



In 2014, retail e-commerce sales in the United States amounted to over 305 billion US dollars and are projected to grow to 548 billion US dollars by 2019

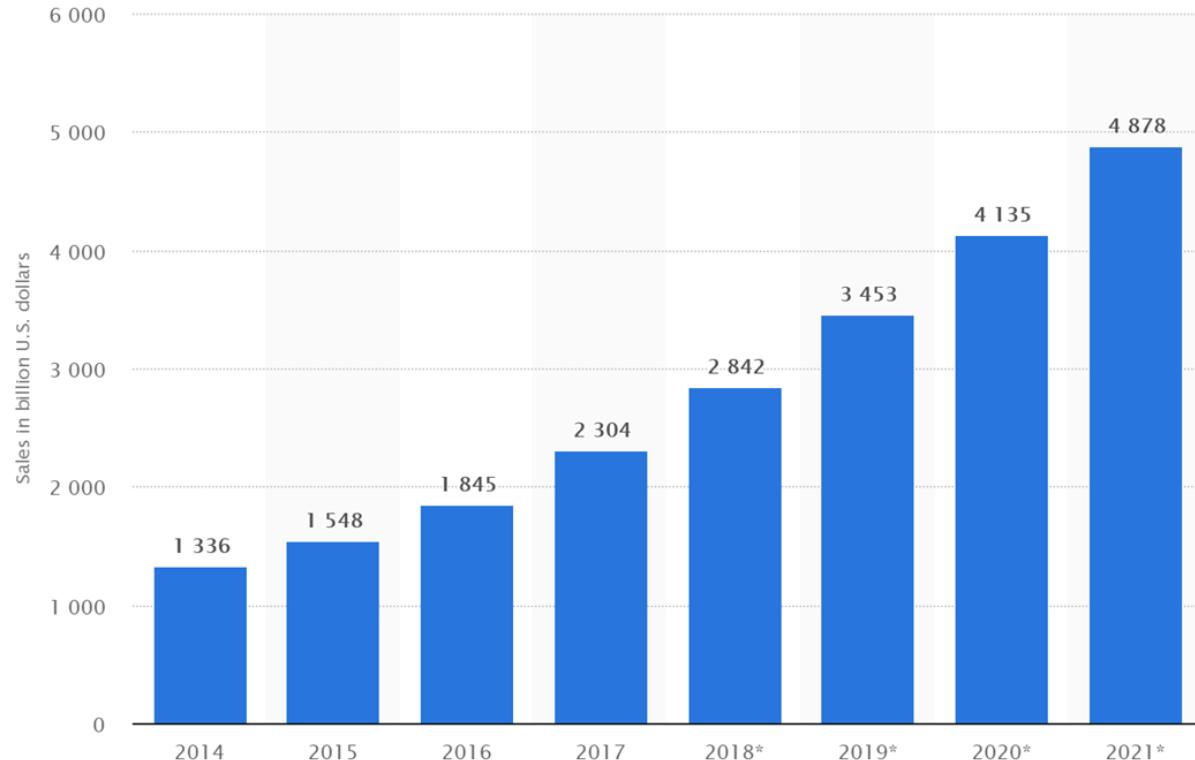


Worldwide B2C e-commerce sales reached \$1.7 trillion in 2015. This amount is equal to GDP of Brazil. The sales are estimated to reach \$2.35 trillion by 2018

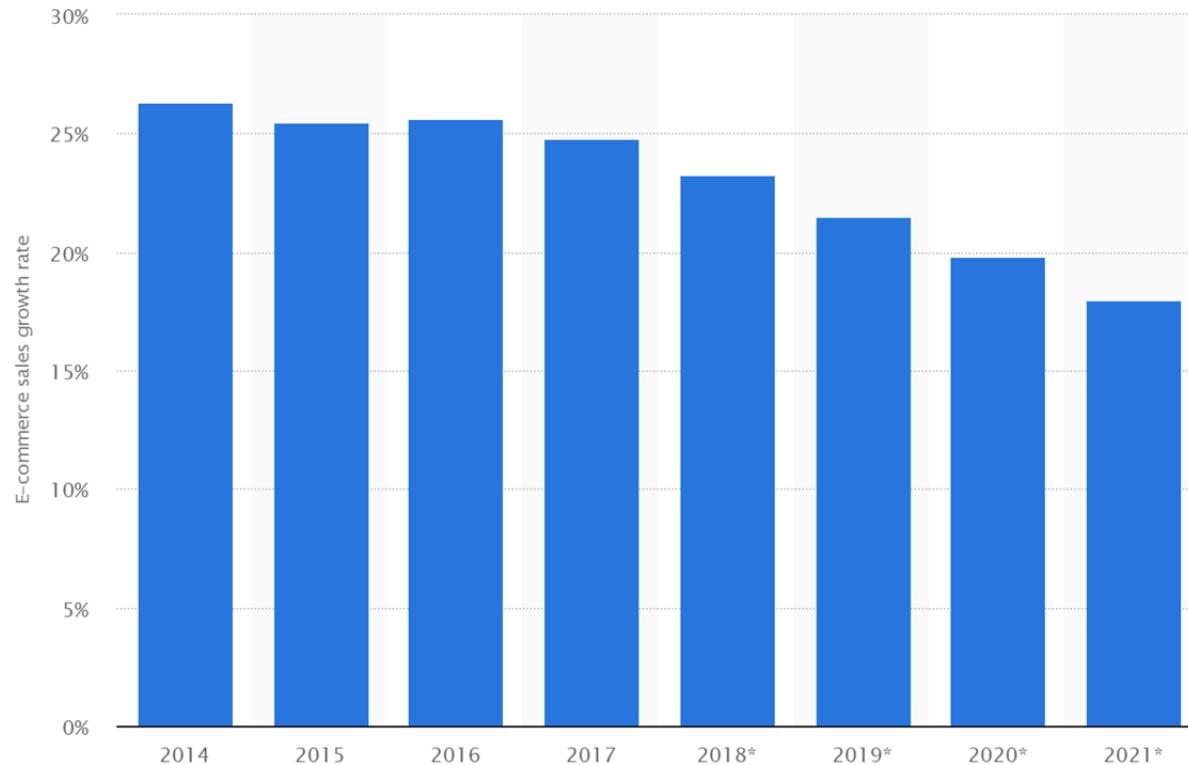
# B2C E-Commerce Sales Worldwide From 2012 to 2018



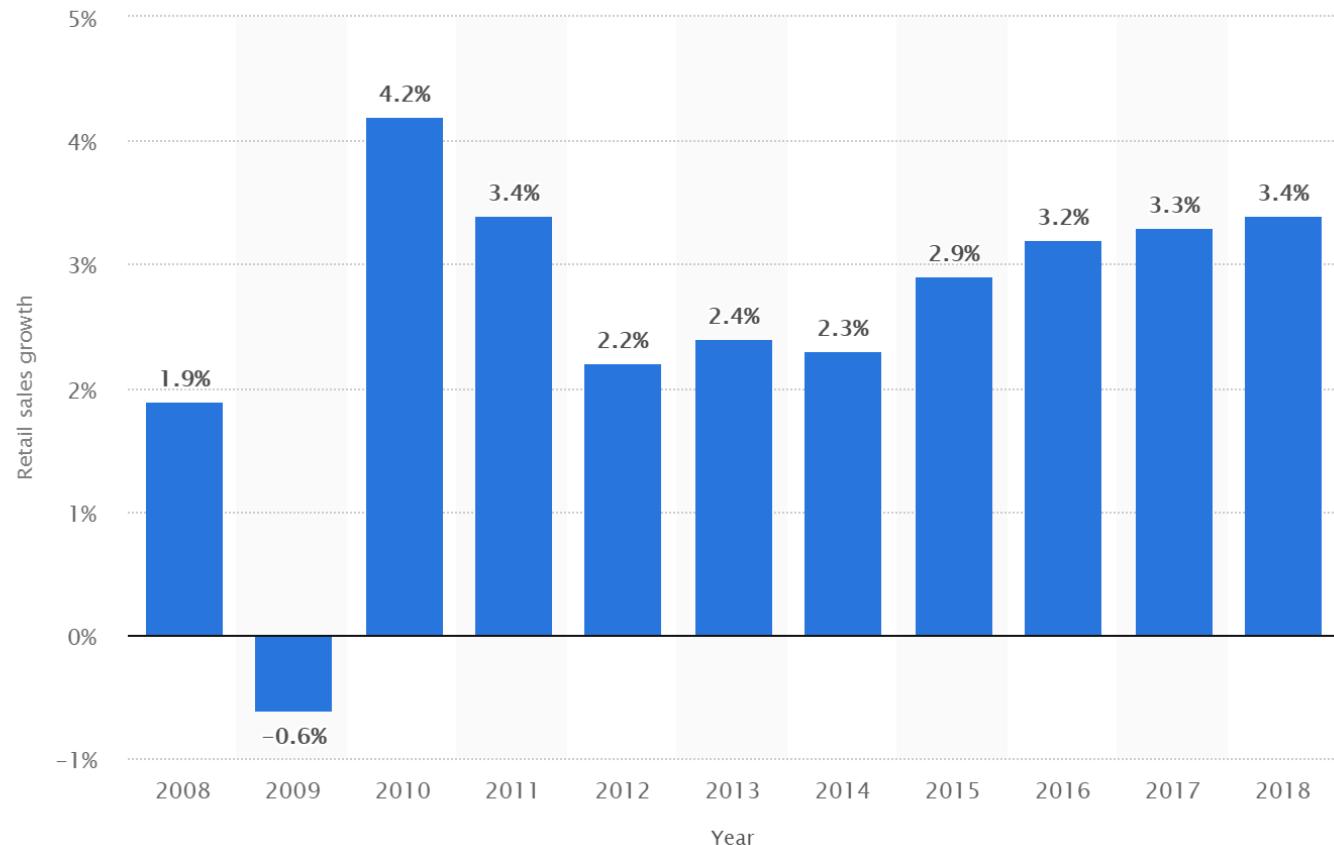
## Retail e-commerce sales worldwide from 2014 to 2021 (in billion U.S. dollars)



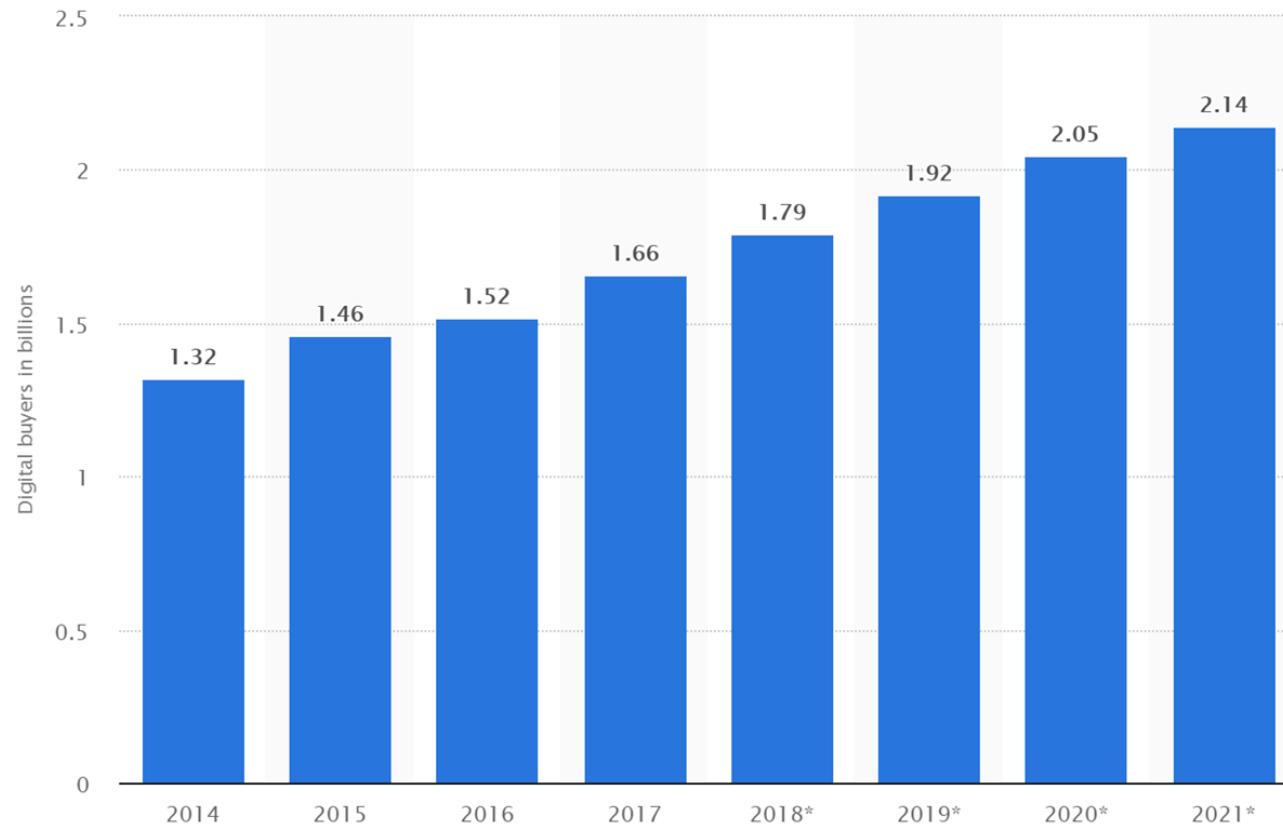
# Annual retail e-commerce sales growth worldwide from 2014 to 2021



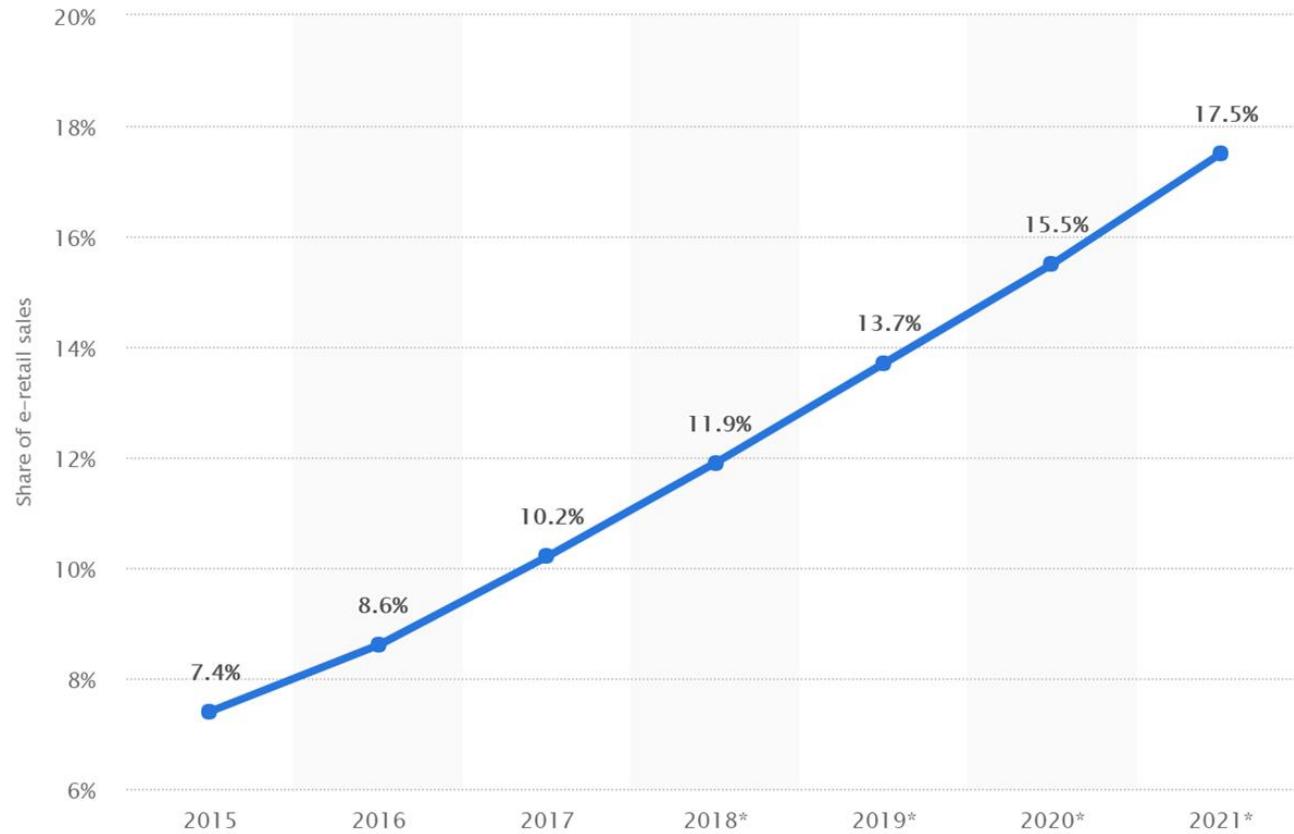
# Forecast for global retail sales growth from 2008 to 2018



# Number of digital buyers worldwide from 2014 to 2021 (in billions)



# E-commerce share of total global retail sales from 2015 to 2021



# Disruptive Industry

~50 percent of worldwide internet users have bought products or goods online via desktop, mobile, tablet or other online devices. +1 billion online buyers and increasing

Global mobile app revenues are booming

Offline grocery sales are expected to grow at a rate of 3.1 percent over the next year. Meanwhile, online grocery sales are projected to grow by 21.1 percent over the same period.

- Many industries are changing

## MEDIA STREAMING

Netflix | YouTube | Spotify | Apple iMusic & iTunes | Amazon Prime | BBC iPlayer | Hulu

## GROCERY RETAILING

Ocado | Amazon Pantry & Fresh | Graze

## TRAVEL & ACCOMMODATION

Expedia | Trip Advisor | airbnb

## FASHION RETAIL

ASOS | Net A Porter | missguided

## CONSUMER FILE STORAGE

Dropbox | Google Drive | Apple iCloud | Microsoft OneDrive

## SHARING (GIG) ECONOMY

Uber | blablacar | airbnb

## BUSINESS FINANCE

Kickstarter | FundingCircle

## RECRUITMENT

LinkedIn | Monster | Indeed

## NEWSPAPERS

Huffington Post | Reddit | Buzzfeed

## EDUCATIONAL PUBLISHING

Khan Academy | Udemy | tutor2u

## First Trust Dow Jones Internet ETF (FDN)

NYSEArca - NYSEArca Delayed Price. Currency in USD

128.06 +2.05 (+1.63%)

At close: 4:00PM EDT

## Proxy

As of 11-01

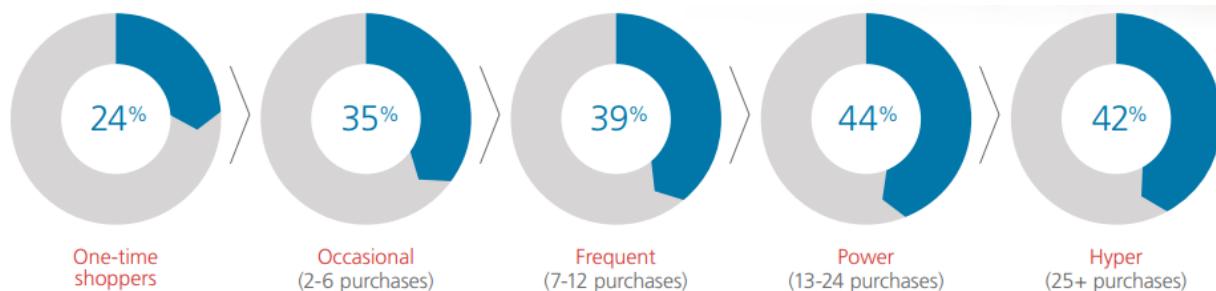
Summary    Chart    Conversations    Historical Data    Profile    Options    Holdings    Performance    Risk

⊕ Indicators    ⊕ Comparison    ⏷ Date Range    1D    5D    1M    3M    6M    YTD    1Y    2Y    5Y    Max    ⏲ Interval 1D ▾    ↗ Line ▾    ⏷ Draw    ⚡ Events    ⚙    ⚙    ⚙



# Key Takeaways

- The e-commerce channel has never been more important. E-commerce is transforming and growing globally.
- Retailers should look for hyper-shoppers within their current customer base and use acquisition strategies to find more, and double-down on this lucrative shopper group to drive further growth.
- Creating an attractive end-to-end online experience is imperative
- Tap into millennials likings - they are the ones that will move the E-commerce industry forward.





The Trillion

Dollar Company

# Company Overview

American electronic commerce and cloud computing company.

Found by Jeff Bezos, July 5th, 1994

1st Largest internet retail in the world (measure by revenue)

2nd largest internet retail in terms of total asset (after Alibaba Group; NASDAQ)

8<sup>th</sup> largest in Fortune 500 (2018 Revenue: 177billion)

Amazon has over 130 million visitors...each month.

# Mission

"Our vision is to be earth's most customer-centric company; to build a place where people can come to find and discover anything they might want to buy online."

# Stock Overview



AMZN:US NASDAQ GS  
Amazon.com Inc

**1,624.64** USD -40.89 -2.46% ▼

OPEN  
1,657.57

PREV CLOSE  
1,665.53

VOLUME  
4,704,201

MARKET CAP  
786.144B

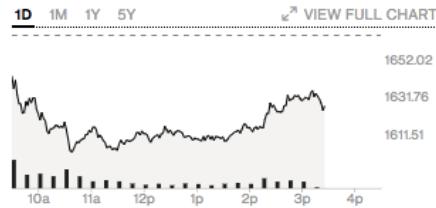
DAY RANGE  
1,596.36-1,658.09

52 WEEK RANGE  
1,108.77-2,050.50

+ ADD TO WATCHLIST

MARKET OPEN

AS OF 03:25 PM EST 11/05/2018 EDT



# 5-Day Performance



# 6-Month Performance



# 1-Year Performance



# 5-Year Performance



# All-Time Performance



# IPO: Since When?

Public on May 15, 1997,

price was **\$18.00**

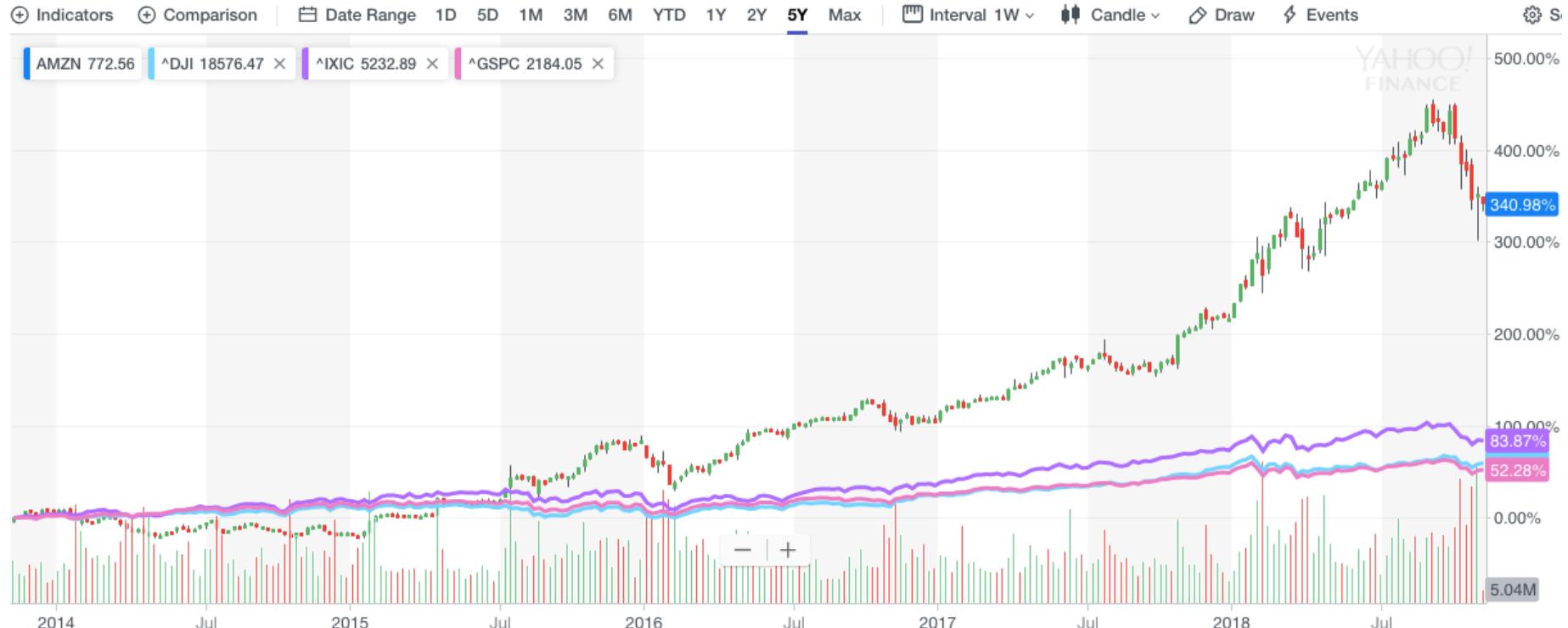
Stock Split:

1998 (2-for-1 split),

January 5, 1999 (3-for-1 split), and

September 1, 1999 (2-for-1 split).

# Performance Comparison - Index



# Percentage Growth on Revenue

- Period: 2014, 2015 2016, 2017

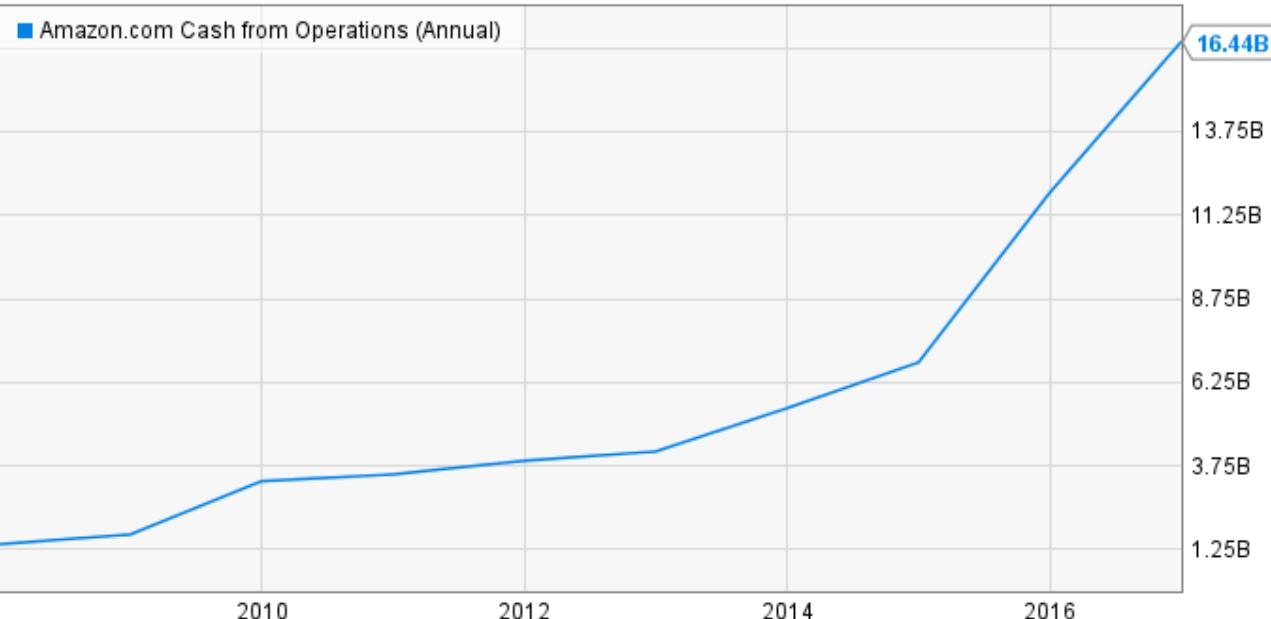
Period Ending:	Trend	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Total Revenue		\$177,866,000	\$135,987,000	\$107,006,000	\$88,988,000
Cost of Revenue		\$111,934,000	\$88,265,000	\$71,651,000	\$62,752,000
Gross Profit		\$65,932,000	\$47,722,000	\$35,355,000	\$26,236,000

+30.80%

+27.08%

+20.25%

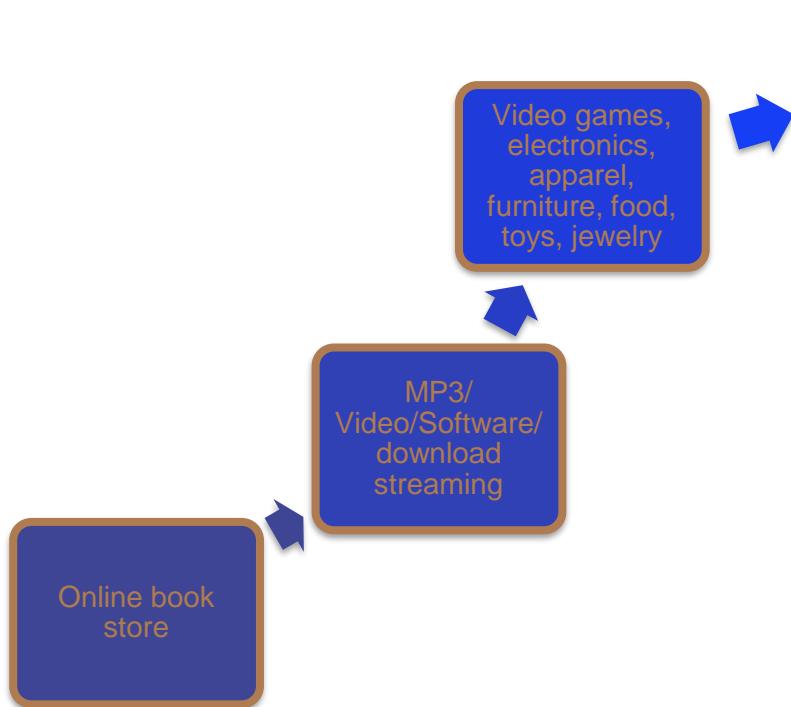
### Amazon - Cash from Operations



The Motley Fool

Dec 28 2017, 4:54PM EST. Powered by  YCHARTS

# Amazon: Development



Publishing films and television studio -> Utilities by Consumer electronics line




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# Company **Strategy**

Service/ Merchandise offered at Amazon:

Merchandise and content that it purchases for resale from vendors and those offered by third-party sellers.

Stresses the Importance of Customer Satisfaction Instead Of The Competitor

Achieves Excellent Customer Satisfaction By Offering An Ever Expanding And Large Selection of Products And A Personalized Experience

Achieves Excellent Customer Satisfaction through Speedy Service

Provide special service for those who enrolled in Prime Membership

# Amazon: Retail Platform



United States, the United Kingdom and Ireland, France, Canada, Germany, Italy, Spain, Netherlands, Australia, Brazil, Japan, China, India, Mexico, Singapore, and Turkey



amazon.co.jp

女孩的爱好 REMIN & SOLAN 迪士尼ZUM TUM

BANDAI ガールズトイ

女孩的爱好

亞馬遜廣告分類：禮物

我的商店 時間計劃 增品券 在亞馬遜 幫助 銷售

JP 选择地区 购物车

Prime

搜索框

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MERAKI Simple, modern essentials. SHOP NOW

Ad feedback



# Amazon: Acquisitions





# Amazon Prime

\$99 – Premium Service

2 day shipping (Home / Vehicle delivery) – Encourage customer to change purchasing behavior

Free release-date delivery

Free 2-Hour delivery

Free (or flat-rate) grocery and household item delivery: Whole food.

Alexa

Restaurant Delivery

Unlimited Video Streaming

Limited Music streaming

Unlimited photo storage

One free e-book per month

Free Washington Post

Exclusive phone discount

# Amazon Prime

Research firm estimates that the number of Prime membership households will reach 63.9 million in 2019, which would represent 53.1% of American households.

One of the best way to keep customers tied to its e-commerce site and buying more products on its website.

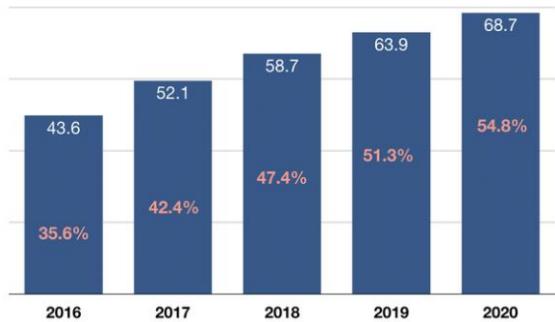
Prime member Tend to spend far more money on Amazon's website than non-members.

Prime member on Average \$1400/year vs. non-member \$600/year. The longer they their prime member ship the more they spend. (\$99 membership fee)

the more valuable its platform becomes to companies that sell ads and sponsored product listings on the company's site.

## Amazon Prime Households

■ Percent of U.S. households ■ Households in millions



# Management Team

**Jeffrey P. Bezos**  
of the Board

President, Chief Executive Officer and Chairman

**Brian T. Olsavsky**

Senior Vice President and Chief Financial Officer

**Jeffrey M. Blackburn**

Senior Vice President, Business Development

**Andrew R. Jassy**

Chief Executive Officer, Amazon Web Services

**Shelley L. Reynolds**  
Principal Accounting

Vice President, Worldwide Controller and  
Officer

**Jeffrey A. Wilke**

CEO Worldwide Consumer

**David A. Zapsky**

Senior Vice President, General Counsel and

# Jeffrey P. Bezos

President, Chief Executive Officer and  
Chairman of the Board

Founder of Amazon.com in 1994

Graduated from Princeton University in 1986—  
Electrical engineering and computer science  
(with summa cum laude, Phi Beta Kappa)

Time Magazine's Person (1999)

Selected by [U.S. News & World Report](#) as one  
of America's best leaders (2008)

Founder of Blue Origin, Space

Leadership style: Regret-minimization  
framework



# Regret-Minimization Framework

*“I knew that when I was 80 I was not going to regret having tried this. I was not going to regret trying to participate in this thing called the Internet that I thought was going to be a really big deal. I knew that if I failed I wouldn’t regret that, but I knew the one thing I might regret is not ever having tried.”*





# Brian T. Olsavsky

Senior Vice President and Chief  
Financial Officer

Joined Amazon.com in April 2002.

Oversees the company's overall financial activities, including controllership, tax, treasury, analysis, investor relations, internal audit and financial operations.

He served as Vice President, Finance and CFO for the Global Consumer Business.

Previously worked at Fisher Scientific  
Degree:

Bachelors of Sience - mechanical engineering

MBA – Finance, Carnegie Mellon University

**ThermoFisher**  
SCIENTIFIC

# Career Path



**Amazon**

16 years 8 months

- **Chief Financial Officer**  
Amazon  
June 2015 – Present • 3 years 6 months  
Greater Seattle Area
- **CFO, WW Consumer Business**  
Amazon  
January 2012 – May 2015 • 3 years 5 months  
Greater Seattle Area
- **VP Finance - International Retail**  
Amazon  
December 2010 – January 2012 • 1 year 2 months  
Seattle, WA
- **VP Finance - North America Retail**  
Amazon.com  
July 2007 – December 2010 • 3 years 6 months
- **VP Finance - WW Operations**  
Amazon.com  
April 2002 – July 2007 • 5 years 4 months





# Jeffrey M. Blackburn

Senior Vice President, Business  
Development

Senior Vice President in Business  
Development since April 2006.

## Experience

### Vice President (amazon)

Business Development 2004- 2006  
European Customer Service 2003-2004  
Operations Integration 2002-2004

### Assistant Vice President (Deutsche Morgan Grenfell, 1998)

## Degree

BA - Dartmouth College and,  
MBA - Sandford's Graduate School of  
business

MORGAN  
GRENFELL  
GROUP PLC

# Andrew R. Jassy

Chief Executive Officer, Amazon Web Services



Joined Amazon since 1997

CEO of Amazon Web Services (AWS)

Manage 90 cloud platform and application services

Customer: Start up, Enterprise and Government

Experience

Senior Vice President of Amazon Web Services (2006-2016)

Vice President of Amazon Web Services (2005-2006)

Vice President of Associates and Web Services(2003-2005)

Vice President and Technical Assistant (2002-2003)

Founder of a marketing consulting company.

Director of Coupa Software Inc.

Degree

BA - Harvard University and,

MBA - Harvard Business School



# Shelley L. Reynolds

Vice President, Worldwide Controller and  
Principal Accounting Officer

Joined since 2006

Vice President, Worldwide Controller,  
and Principal Accounting Officer since  
April 2007.

Vice President, Finance and Controller

Prior Experience:

Partner at Deloitte & Touche LLP  
(1998)



# Jeffrey A. Wilke

CEO Worldwide Consumer

Joined since 1999

Manage Operation on, Marketplace, Prime Business and Whole Food.

Experience:

Senior Vice President, Consumer Business (2012-2016)

Senior Vice President, North American Retail (2007-2012)

Senior Vice President, Worldwide Operations (2002-2006)

Vice-President and General Manager at AlliedSignal (Honeywell)

Degree:

BSE Chemical Engineering, Princeton University (Summa Cum Laude)

MBA & MS Chemical engineering, MIT





# David A. Zapsky

Senior Vice President, General Counsel and  
Secretary

Joined Since 1999

Experience:

Associate General Counsel for Litigation and  
Regulatory matters (1999)

Vice President, General Counsel and Secretary  
(2002)

✓ Senior Vice President, General Counsel and  
Secretary (2014)

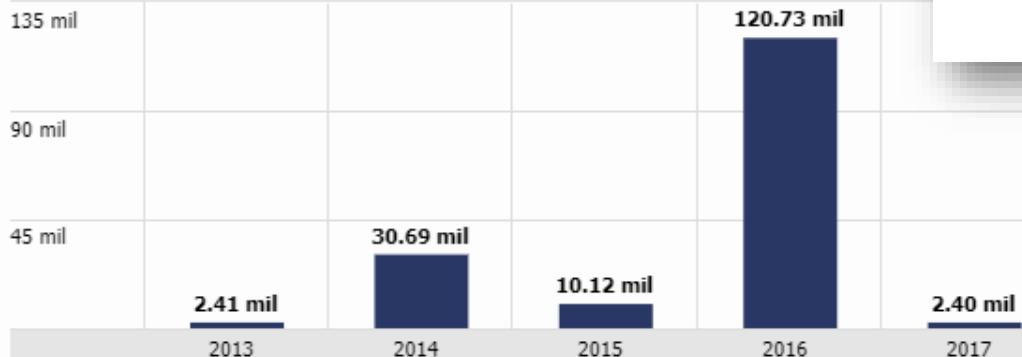
Assistant District Attorney in the Brooklyn District  
Attorney's Office

Degree:

Undergrad degree in music from Columbia University  
J.D honors from University of California, Berkeley

# Management Compensations

## Total Executive Compensation AMZN



## Key Executive Compensation AMZN

See Salary, Bonus, and Pay details for Jobs at AMZN [↗](#)

Name/Title <a href="#">↗</a>	2013	2014	2015	2016	2017
► Key Executive Compensation	2,013,365	17,862,757	9,819,047	97,002,588	2,402,768
► Jeffrey P. Bezos/Chief Executive Officer	1,681,840	1,681,840	1,681,840	1,681,840	1,681,840
► Andrew Jassy/Chief Executive Officer, Amazon Web Services	163,200	7,664,868	174,675	35,609,644	194,447
► <u>Jeffrey A. Wilke/Chief Executive Officer, Worldwide Consumer</u>	168,325	8,516,049	175,959	32,958,114	184,781
► Brian T. Olsavsky/Senior Vice President and Chief Financial Officer	-	-	7,786,573	4,558,647	163,200
► Jeffrey Blackburn/Senior Vice President, Business Development	-	-	-	22,194,343	178,500

# Top Institutional Holders

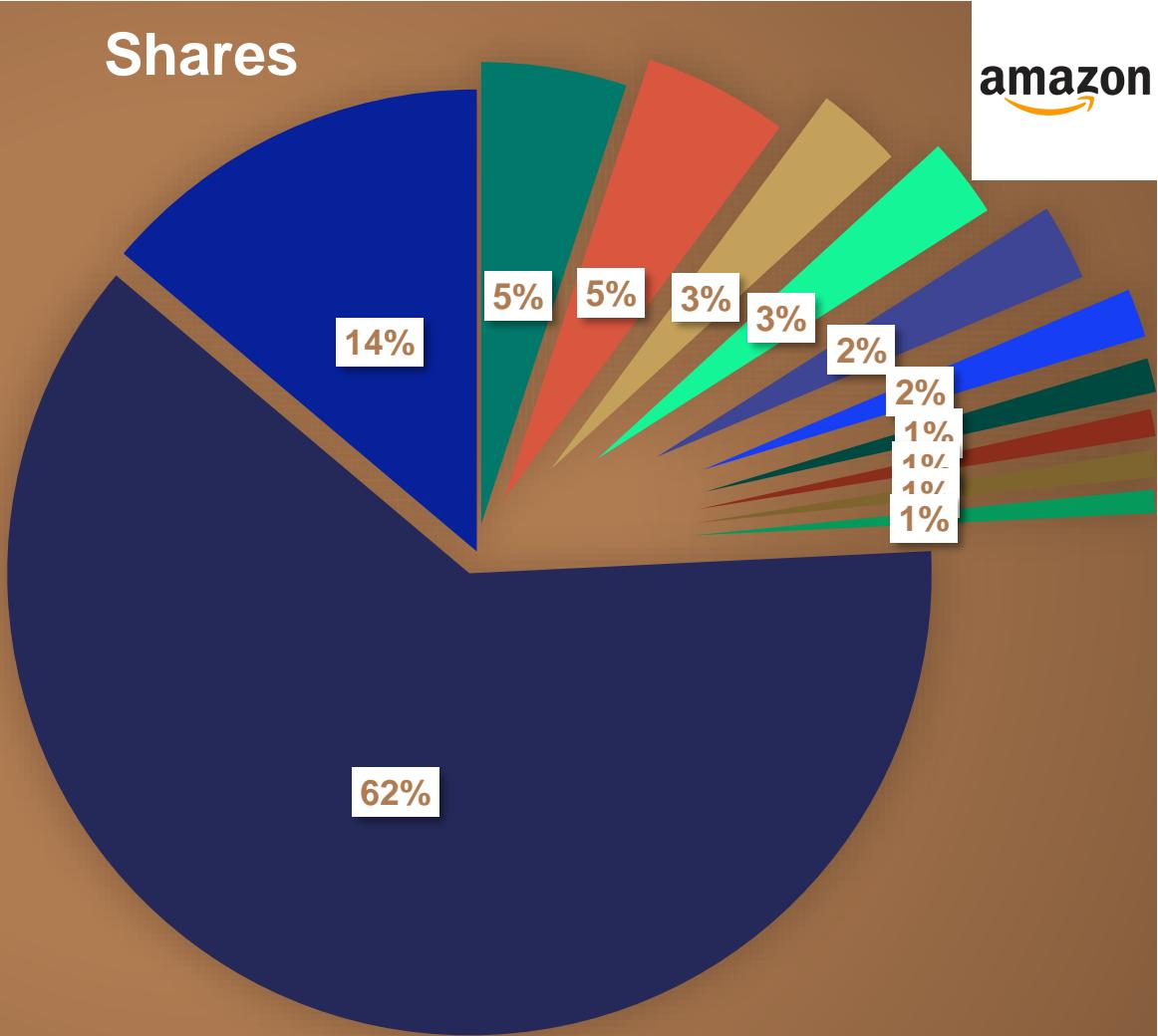
Holder	Shares	Date Reported	% Out	Value
Vanguard Group, Inc. (The)	29,082,740	Jun 29, 2018	5.96%	48,292,180,881
Blackrock Inc.	25,402,494	Jun 29, 2018	5.21%	42,181,095,560
FMR, LLC	17,245,226	Jun 29, 2018	3.54%	28,635,870,393
Price (T.Rowe) Associates Inc	15,990,283	Jun 29, 2018	3.28%	26,552,024,980
State Street Corporation	15,227,463	Jun 29, 2018	3.12%	25,285,354,734
Capital World Investors	9,735,404	Jun 29, 2018	2.00%	16,165,735,791
Capital Research Global Investors	6,834,521	Jun 29, 2018	1.40%	11,348,790,532
Baillie Gifford and Company	5,427,762	Jun 29, 2018	1.11%	9,012,853,131
Invesco Ltd.	5,383,652	Jun 29, 2018	1.10%	8,939,608,035
Northern Trust Corporation	4,676,441	Jun 29, 2018	0.96%	7,765,277,090

# Top Institutional Holders

Shares



- Vanguard Group, Inc
- Blackrock Inc.
- FMR, LLC
- Price (T.Rowe) Associates Inc
- State Street Corporation
- Capital World Investors
- Capital Research Global Investors



# Dividend?





# Balance Sheet: 10-Q (Asset)

**AMAZON.COM, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
 (in millions, except per share data)

	<u>December 31, 2016</u>	<u>September 30, 2017</u>		
	(unaudited)			
<b><u>ASSETS</u></b>				
Current assets:				
Cash and cash equivalents	\$ 19,334	\$ 12,767		
Marketable securities	6,647	11,543		
Inventories	11,461	13,711		
Accounts receivable, net and other	8,339	10,557		
Total current assets	45,781	48,578		
Property and equipment, net	29,114	45,335		
Goodwill	3,784	13,271		
Other assets	4,723	8,083		
<b>Total assets</b>	<b>\$ 83,402</b>	<b>\$ 115,267</b>		

# Balance Sheet: 10-Q (Liabilities and Shareholders' Equity)

<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Current liabilities:			
Accounts payable	\$ 25,309	\$ 26,075	
Accrued expenses and other	13,739	15,844	
Unearned revenue	4,768	5,153	
Total current liabilities	43,816	47,072	
Long-term debt	7,694	24,710	
Other long-term liabilities	12,607	18,827	
Commitments and contingencies (Note 3)			
Stockholders' equity:			
Preferred stock, \$0.01 par value:			
Authorized shares — 500			
Issued and outstanding shares — none	—	—	
Common stock, \$0.01 par value:			
Authorized shares — 5,000			
Issued shares — 500 and 505			
Outstanding shares — 477 and 482	5	5	
Treasury stock, at cost	(1,837)	(1,837)	
Additional paid-in capital	17,186	20,212	
Accumulated other comprehensive loss	(985)	(501)	
Retained earnings	4,916	6,779	
<b>Total stockholders' equity</b>	<b>19,285</b>	<b>24,658</b>	
<b>Total liabilities and stockholders' equity</b>	<b>\$ 83,402</b>	<b>\$ 115,267</b>	

See accompanying notes to consolidated financial statements.



# Balance Sheet: 10-K (Assets)

AMAZON.COM, INC.  
CONSOLIDATED BALANCE SHEETS  
(in millions, except per share data)

	December 31,	
	2016	2017
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 19,334	\$ 20,522
Marketable securities	6,647	10,464
Inventories	11,461	16,047
Accounts receivable, net and other	8,339	13,164
Total current assets	45,781	60,197
Property and equipment, net	29,114	48,866
Goodwill	3,784	13,350
Other assets	4,723	8,897
Total assets	<u>\$ 83,402</u>	<u>\$ 131,310</u>

# Balance Sheet: 10-K (Liabilities and Shareholders' Equity)

<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>			
Current liabilities:			
Accounts payable	\$ 25,309	\$ 34,616	
Accrued expenses and other	13,739	18,170	
Unearned revenue	4,768	5,097	
Total current liabilities	43,816	57,883	
Long-term debt	7,694	24,743	
Other long-term liabilities	12,607	20,975	
Commitments and contingencies (Note 7)			
Stockholders' equity:			
Preferred stock, \$0.01 par value:			
Authorized shares — 500			
Issued and outstanding shares — none	—	—	
Common stock, \$0.01 par value:			
Authorized shares — 5,000			
Issued shares — 500 and 507			
Outstanding shares — 477 and 484	5	5	
Treasury stock, at cost	(1,837)	(1,837)	
Additional paid-in capital	17,186	21,389	
Accumulated other comprehensive loss	(985)	(484)	
Retained earnings	4,916	8,636	
Total stockholders' equity	19,285	27,709	
Total liabilities and stockholders' equity	\$ 83,402	\$ 131,310	

See accompanying notes to consolidated financial statements

# Income Statement : 10-Q

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016		2017	
	\$		\$	
Net product sales	\$ 22,339		\$ 28,768	\$ 64,036
Net service sales	10,375		14,976	28,210
<b>Total net sales</b>	<b>32,714</b>		<b>43,744</b>	<b>92,246</b>
Operating expenses:				
Cost of sales	21,260		27,549	59,306
Fulfillment	4,335		6,420	11,900
Marketing	1,738		2,479	4,720
Technology and content	4,135		5,944	11,541
General and administrative	639		960	1,715
Other operating expense, net	32		45	133
<b>Total operating expenses</b>	<b>32,139</b>		<b>43,397</b>	<b>89,315</b>
Operating income	575		347	2,931
Interest income	26		54	71
Interest expense	(118)		(228)	(351)
Other income (expense), net	8		143	75
<b>Total non-operating income (expense)</b>	<b>(84)</b>		<b>(31)</b>	<b>(205)</b>
Income before income taxes	491		316	2,726
Provision for income taxes	(229)		(58)	(1,012)
Equity-method investment activity, net of tax	(10)		(2)	(92)
<b>Net income</b>	<b>\$ 252</b>		<b>\$ 256</b>	<b>\$ 1,622</b>
Basic earnings per share	\$ 0.53		\$ 0.53	\$ 3.43
Diluted earnings per share	\$ 0.52		\$ 0.52	\$ 3.36
Weighted-average shares used in computation of earnings per share:				
Basic	474		481	473
Diluted	485		494	483

See accompanying notes to consolidated financial statements.

# Income Statement : 10-K

	Year Ended December 31,		
	2015	2016	2017
Net product sales	\$ 79,268	\$ 94,665	\$ 118,573
Net service sales	27,738	41,322	59,293
<b>Total net sales</b>	<b>107,006</b>	<b>135,987</b>	<b>177,866</b>
Operating expenses:			
Cost of sales	71,651	88,265	111,934
Fulfillment	13,410	17,619	25,249
Marketing	5,254	7,233	10,069
Technology and content	12,540	16,085	22,620
General and administrative	1,747	2,432	3,674
Other operating expense, net	171	167	214
<b>Total operating expenses</b>	<b>104,773</b>	<b>131,801</b>	<b>173,760</b>
Operating <b>income</b>	2,233	4,186	4,106
Interest income	50	100	202
Interest expense	(459)	(484)	(848)
Other income (expense), net	(256)	90	346
<b>Total non-operating income (expense)</b>	<b>(665)</b>	<b>(294)</b>	<b>(300)</b>
Income before income taxes	1,568	3,892	3,806
Provision for income taxes	(950)	(1,425)	(769)
Equity-method investment activity, net of tax	(22)	(96)	(4)
<b>Net income</b>	<b>\$ 596</b>	<b>\$ 2,371</b>	<b>\$ 3,033</b>
Basic earnings per share	\$ 1.28	\$ 5.01	\$ 6.32
Diluted earnings per share	\$ 1.25	\$ 4.90	\$ 6.15
Weighted-average shares used in computation of earnings per share:			
Basic	467	474	480
Diluted	477	484	493

# Cash Flow: 10-Q

	Three Months Ended September 30,		Nine Months Ended September 30,		Twelve Months Ended September 30,	
	2016	2017	2016	2017	2016	2017
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	\$ 12,521	\$ 13,203	\$ 15,890	\$ 19,334	\$ 10,709	\$ 13,656
<b>OPERATING ACTIVITIES:</b>						
Net income	252	256	1,622	1,176	2,105	1,926
Adjustments to reconcile net income to net cash from operating activities:						
Depreciation of property and equipment, including internal-use software and website development, and other amortization, including capitalized content costs	2,084	2,912	5,819	7,980	7,572	10,277
Stock-based compensation	776	1,085	2,088	3,036	2,694	3,923
Other operating expense, net	31	43	128	146	163	177
Other expense (income), net	(23)	(128)	(41)	(288)	39	(267)
Deferred income taxes	(81)	(74)	36	279	226	(2)
Changes in operating assets and liabilities:						
Inventories	(1,095)	(1,593)	(383)	(1,328)	(1,726)	(2,371)
Accounts receivable, net and other	(671)	(1,758)	(1,443)	(2,005)	(2,621)	(3,929)
Accounts payable	2,540	3,046	(2,252)	(1,731)	3,887	5,551
Accrued expenses and other	441	(122)	(531)	(1,778)	1,306	476
Additions to unearned revenue	2,802	3,762	7,956	10,862	10,377	14,837
Amortization of previously unearned revenue	(2,397)	(3,578)	(6,715)	(10,259)	(9,018)	(13,521)
Net cash provided by (used in) operating activities	4,659	3,851	6,284	6,090	15,004	17,077
<b>INVESTING ACTIVITIES:</b>						
Purchases of property and equipment, including internal-use software and website development, net	(1,841)	(2,659)	(4,731)	(7,022)	(6,040)	(9,027)
Acquisitions, net of cash acquired, and other	(84)	(13,213)	(113)	(13,891)	(430)	(13,893)
Sales and maturities of marketable securities	1,431	2,221	3,500	6,424	4,635	7,656
Purchases of marketable securities	(2,076)	(5,469)	(4,358)	(11,298)	(5,717)	(14,697)
Net cash provided by (used in) investing activities	(2,570)	(19,120)	(5,702)	(25,787)	(7,552)	(29,961)
<b>FINANCING ACTIVITIES:</b>						
Proceeds from long-term debt and other	8	16,080	83	16,170	176	16,707
Repayments of long-term debt and other	(26)	(79)	(271)	(202)	(1,212)	(285)
Principal repayments of capital lease obligations	(938)	(1,267)	(2,855)	(3,327)	(3,579)	(4,331)
Principal repayments of finance lease obligations	(44)	(49)	(105)	(134)	(131)	(175)
Net cash provided by (used in) financing activities	(1,000)	14,685	(3,148)	12,507	(4,746)	11,916
Foreign currency effect on cash and cash equivalents	46	148	332	623	241	79
Net increase (decrease) in cash and cash equivalents	1,135	(436)	(2,234)	(6,567)	2,947	(889)
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 13,656</b>	<b>\$ 12,767</b>	<b>\$ 13,656</b>	<b>\$ 12,767</b>	<b>\$ 13,656</b>	<b>\$ 12,767</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>						
Cash paid for interest on long-term debt	\$ 1	\$ 5	\$ 146	\$ 155	\$ 295	\$ 299
Cash paid for interest on capital and finance lease obligations	50	112	145	235	188	296
Cash paid for income taxes, net of refunds	91	172	317	865	390	960
Property and equipment acquired under capital leases	1,369	2,256	3,666	6,867	4,998	8,905
Property and equipment acquired under build-to-suit leases	211	750	793	2,698	956	3,114

See accompanying notes to consolidated financial statements.

# Cash Flow: 10-K

	Year Ended December 31,		
	2015	2016	2017
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	\$ 14,557	\$ 15,890	\$ 19,334
<b>OPERATING ACTIVITIES:</b>			
Net income	596	2,371	3,033
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation of property and equipment, including internal-use software and website development, and other amortization, including capitalized content costs	6,281	8,116	11,478
Stock-based compensation	2,119	2,975	4,215
Other operating expense, net	155	160	202
Other expense (income), net	250	(20)	(292)
Deferred income taxes	81	(246)	(29)
Changes in operating assets and liabilities:			
Inventories	(2,187)	(1,426)	(3,583)
Accounts receivable, net and other	(1,755)	(3,367)	(4,786)
Accounts payable	4,294	5,030	7,175
Accrued expenses and other	913	1,724	283
Unearned revenue	1,202	1,955	738
<b>Net cash provided by (used in) operating activities</b>	<b>12,039</b>	<b>17,272</b>	<b>18,434</b>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property and equipment, including internal-use software and website development	(5,387)	(7,804)	(11,955)
Proceeds from property and equipment incentives	798	1,067	1,897
Acquisitions, net of cash acquired, and other	(795)	(116)	(13,972)
Sales and maturities of marketable securities	3,025	4,733	9,988
Purchases of marketable securities	(6,931)	(7,750)	(3,577)
<b>Net cash provided by (used in) investing activities</b>	<b>(6,450)</b>	<b>(9,876)</b>	<b>(27,819)</b>
<b>FINANCING ACTIVITIES:</b>			
Proceeds from long-term debt and other	353	621	16,231
Repayments of long-term debt and other	(1,652)	(354)	(1,372)
Principal repayments of capital lease obligations	(2,462)	(3,860)	(4,799)
Principal payments of finance lease obligations	(121)	(147)	(200)
<b>Net cash provided by (used in) financing activities</b>	<b>(3,882)</b>	<b>(3,740)</b>	<b>9,860</b>
Foreign currency effect on cash and cash equivalents	(374)	(212)	713
Net increase (decrease) in cash and cash equivalents	1,335	3,444	1,178
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 15,890</b>	<b>\$ 19,334</b>	<b>\$ 20,512</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>			
Cash paid for interest on long-term debt	\$ 325	\$ 290	\$ 328
Cash paid for interest on capital and finance lease obligations	153	206	319
Cash paid for income taxes, net of refunds	273	412	957
Property and equipment acquired under capital leases	4,717	5,704	9,637
Property and equipment acquired under build-to-suit leases	544	1,209	3,541

# Valuation Measures

Currency in USD				
Earnings Estimate	Current Qtr. (Dec 2018)	Next Qtr. (Mar 2019)	Current Year (2018)	Next Year (2019)
No. of Analysts	41	25	41	45
Avg. Estimate	5.54	4.37	19.8	26.66
Low Estimate	4.37	3.34	18.47	21.44
High Estimate	7.58	7.03	27.4	36.8
Year Ago EPS	2.16	3.27	4.56	19.8
Revenue Estimate	Current Qtr. (Dec 2018)	Next Qtr. (Mar 2019)	Current Year (2018)	Next Year (2019)
No. of Analysts	39	25	40	42
Avg. Estimate	71.8B	61.05B	232.32B	279.74B
Low Estimate	70.02B	59.01B	230.52B	271.9B
High Estimate	72.86B	64.4B	233.37B	293.11B
Year Ago Sales	60.45B	51.04B	177.87B	232.32B
Sales Growth (year/est)	18.80%	19.60%	30.60%	20.40%
Earnings History	2017-12-30	2018-03-30	2018-06-29	2018-09-29
EPS Est.	1.84	1.26	2.54	3.14
EPS Actual	2.16	3.27	5.07	5.75
Difference	0.32	2.01	2.53	2.61
Surprise %	17.40%	159.50%	99.60%	83.10%

# Recommendation

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# Company overview

- the company was founded in September 28, 2004, under the name 4261607 Canada LTD. During 2016 company changed its name to Jaded Pixel Technologies Inc and the company changed the name again in 2013 April to Shopify Inc.
- Shopify is the leading cloud-based, multi-channel commerce platform designed for small and medium-sized businesses. Shopify builds web- and mobile-based software that lets merchants easily set up beautiful online storefronts that are rich with retail functionality

# Company overview

- As of December 31, 2017, Shopify had over 609,000 merchants from approximately 175 countries
- Geographically dispersed as follows:
  1. America: 56%
  2. United Kingdom: 8%
  3. Canada: 7%;
  4. Australia: 7%
  5. rest of the world: 21%

## Services provided to merchants

- A multi-channel front end
- A single integrated back end
- A data advantage
- Brand ownership
- Mobile
- Infrastructure

## Two main revenue streams

- a recurring subscription component called subscription solutions
- a merchant success-based component called merchant solutions

# Subscription solutions

- Shopify principally generate subscription solutions revenues through the sale of subscriptions to its platform. company also generate associated subscription solutions revenues from the sale of custom themes, apps and registration of domain names.
- Offer different plans for different price (Basic and Shopify plans, Advanced and Shopify Plus plans...)
- Subscription terms automatically renew unless notice of cancellation is provided in advance
- Subscription fees are non-refundable

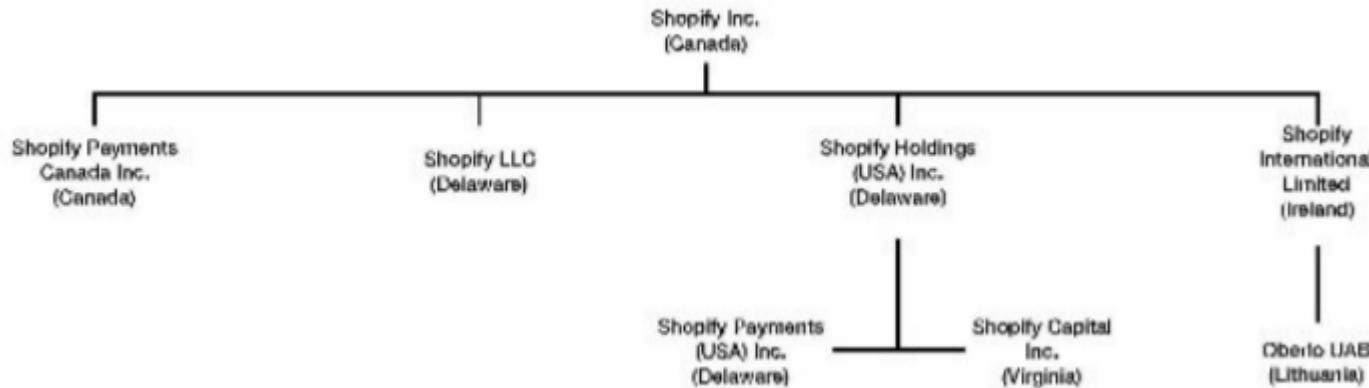
## Merchant solutions

- offering a variety of functionality merchants commonly require including accepting payments, shipping, and securing working capita
- company also generate merchant solutions revenue from transaction fees, Shopify Shipping, Shopify Capital, referral fees from partners, and sales of point-of-sale ("POS") hardware.

# Growth Strategy

- Grow company's Base of Merchants
- Grow company's Merchants' Revenue
- Continuous Innovation and Expansion of Platform
- Continue to Grow and Develop our Ecosystem
- Continue to Expand Referral Partner Programs
- Continue to Build for the Long-term

# Intercorporate Relationships



# Capital structure

- The company have three types of shares Class A, Class B multiple voting shares and preferred share.
- 87,291,228 of Class A subordinate voting shares of which were issued and outstanding
- 12,821,800 of Class B multiple voting shares of which were issued and outstanding
- each Class A subordinate voting share is entitled to one vote per share and each Class B multiple voting share is entitled to 10 votes per share

**SHOP:US** New York  
Shopify Inc

[+ ADD TO WATCHLIST](#)

● MARKET CLOSED

AS OF 05:05 PM EST 11/07/2018 EDT

**148.19** USD **+7.26 +5.15%** ▲

OPEN

144.13

PREV CLOSE

140.93

VOLUME

1,528,722

MARKET CAP

15.815B

DAY RANGE

143.14-149.50

52 WEEK RANGE

92.41-176.60

1D 1M 1Y 5Y

◀ ▶ [VIEW FULL CHART](#)



# Shopify INC

## Key Statistics

<b>P/E Ratio</b>	--	<b>1 Year Return</b>	47.45%
<b>Bloomberg (BEst) P/E Ratio</b>	249.2295	<b>30 Day Avg Volume</b>	1,855,642
<b>Bloomberg (BEst) PEG Ratio</b>	9.7491	<b>EPS</b>	--
<b>Shares Outstanding</b>	94.49M	<b>Bloomberg (BEst) EPS Curr Yr</b>	0.3010
<b>Price to Book Ratio</b>	--	<b>Dividend</b>	--
<b>Price to Sales Ratio</b>	--	<b>Last Dividend Reported</b>	--

**Earnings Announcement for Period Ending Q3/2018: 02/14/2019**

SHOP:US New York  
Shopify Inc

+ ADD TO WATCH

MARKET C

AS OF 11/02/20

**145.55**

USD

+1.20 +0.83% 

1D

1M

**6M**

YTD

1Y

5Y

 MINIMIZE

Add a comparison 



BloombergMarkets

SHOP:US New York  
Shopify Inc

+ ADD TO WATCH

MARKET CL

AS OF 11/02/2018

**145.55** USD

+1.20 +0.83% ▲

1D

1M

6M

YTD

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5Y

▲ MINIMIZE C

Add a comparison

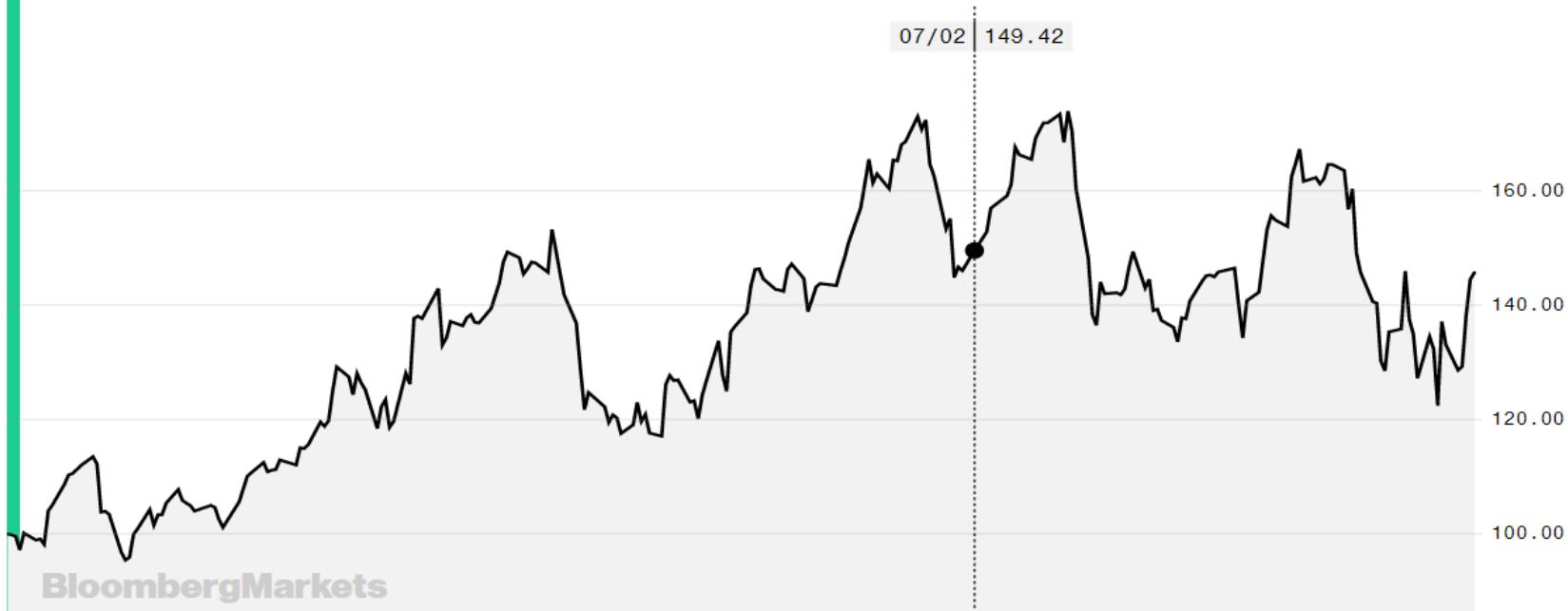
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BloombergMarkets

SHOP:US New York  
Shopify Inc

+ ADD TO WATCHLIST

MARKET CLC  
AS OF 11/02/2018

**145.55**

USD

+1.20 +0.83% ▲

1D

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▲ MINIMIZE CHART

Add a comparison



BloombergMarkets

SHOP:US New York  
Shopify Inc

+ ADD TO WATCHLIST

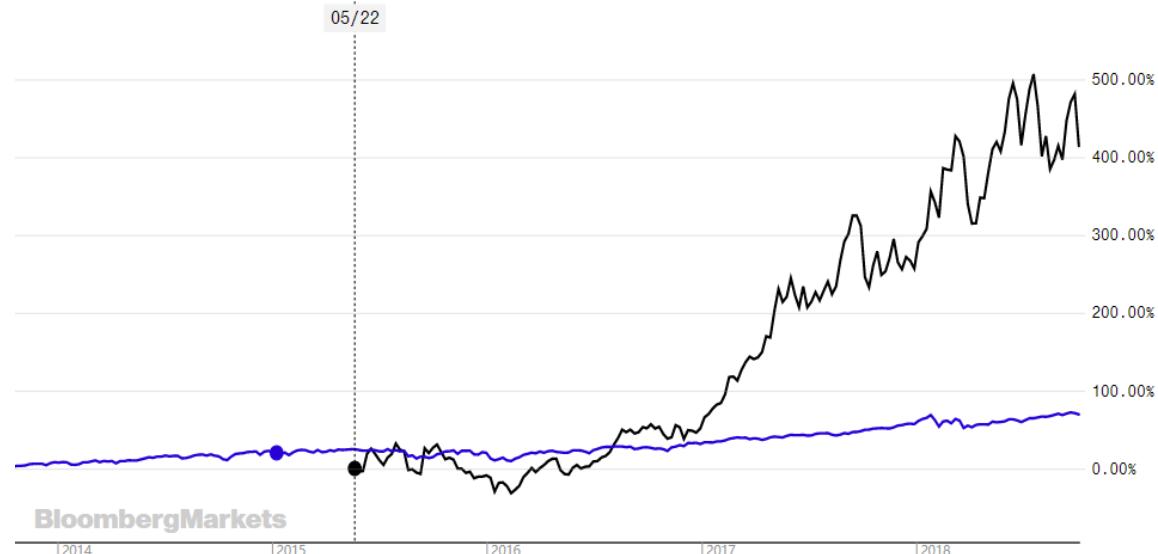
MARKET CLOSED  
AS OF 10/05/2018 EDT

**145.60** USD -3.31 -2.22% ▼

1D 1M 6M YTD 1Y 5Y

MINIMIZE CHART

Add a comparison  ● SHOP:US 0.00% ● SPX:IND 20.06% X



# Management team

# Tobias Lütke: CEO

- Tobias Lütke co-founded Shopify in September 2004.
- Mr. Lütke has served as Chief Executive Officer since April 2008.
- Prior to that, Mr. Lütke acted as Chief Technology Officer between September 2004 and April 2008.
- Mr. Lütke worked on the core team of the Ruby on Rails framework and has created many popular open source libraries such as Active Merchant.
- Mr. Lütke also serves as Chair of Board of Directors.



# Harley Finkelstein: COO

- Harley Finkelstein is the Chief Operating Officer at Shopify and has been with the company since 2010.
- Prior to his current role, Harley founded numerous startups and ecommerce companies.
- He currently serves on the board of the Canadian Broadcasting Corporation and is an advisor to Felicis Ventures.
- Harley holds a Bachelor degree in Economics from Concordia University and a J.D./M.B.A. joint degree in Law and Business from the University of Ottawa.



# Russell Jones: CFO

- Russell Jones has been Chief Financial Officer since March 2011.
- Prior to his appointment at Shopify, Mr. Jones served as Chief Financial Officer to both BDNA Corporation from September 2009 to August 2010 and to Xambala Incorporated from September 2007 to February 2011.
- Between March 2002 and August 2007, Mr. Jones co-founded CFO4Results
- He has also held senior financial roles with Mitel Corporation, Newbridge Networks and Watchfire.
- Mr. Jones holds a Bachelor of Commerce (Honors) degree from Carleton University and is a CPA, CA



# Craig Miller: CPO

- Craig Miller joined Shopify in September 2011 and has been our Chief Product Officer since February 2017.
- Previous to that Craig acted as Chief Marketing Officer and VP Marketing
- Mr. Miller previously held several product and marketing roles at Kijiji, an eBay Company
- Mr. Miller holds a Bachelor degree in Electrical Engineering from McGill University.



# Joseph Frasca: Senior Vice President, General Counsel and Secretary

- Prior to his appointment at Shopify, Mr. Frasca was Senior Corporate Counsel at EMC Corporation and Corporate Counsel at EMC Corporation between January 2008 and May 2011.
- Mr. Frasca holds a J.D. from Boston University School of Law, a Master of Arts in Law and Diplomacy from The Fletcher School at Tufts University and a B.S. in Russian Language and Linguistics from Georgetown University.
- Mr. Frasca is a member of the Society of Corporate Secretaries & Governance Professionals sitting on the Securities Law Committee



# Brittany Forsyth: Senior Vice President of Human Relations

- She has been with the company since 2010 and previously served as the Director of HR.
- Ms. Forsyth is involved with a number of human resources organizations across North America.
- Prior to joining Shopify, Ms. Forsyth obtained a Bachelor of Commerce degree at Carleton University.



# Financial statement

# Shopify 2017 balance sheet 10-K

		December 31, 2017	December 31, 2016
	Note	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	141,677	84,013
Marketable securities	5	796,362	308,401
Trade and other receivables	6	21,939	9,599
Merchant cash advances receivable, net	7	47,101	11,896
Other current assets	8	18,598	8,989
		<u>1,025,677</u>	<u>422,898</u>
<b>Long-term assets</b>			
Property and equipment, net	9	50,360	45,719
Intangible assets, net	10	17,210	6,437
Goodwill	11	20,317	15,504
		<u>87,887</u>	<u>67,660</u>
<b>Total assets</b>		<u>1,113,564</u>	<u>490,558</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	12	62,576	45,057
Current portion of deferred revenue		30,694	20,164
Current portion of lease incentives	13	1,484	1,311
		<u>94,754</u>	<u>66,532</u>
<b>Long-term liabilities</b>			
Deferred revenue		1,352	922
Lease incentives	13	14,970	12,628
Deferred tax liability	19	1,388	—
		<u>17,710</u>	<u>13,550</u>
<b>Commitments and contingencies</b>	15		
<b>Shareholders' equity</b>			
Common stock, unlimited Class A subordinate voting shares authorized, 87,067,604 and 77,030,952 issued and outstanding; unlimited Class B multiple voting shares authorized, 12,810,084 and 12,374,528 issued and outstanding	16	1,077,477	468,494
Additional paid-in capital		43,392	27,009
Accumulated other comprehensive income (loss)	17	3,435	(1,818)
Accumulated deficit		(123,204)	(83,209)
<b>Total shareholders' equity</b>		<u>1,001,100</u>	<u>410,476</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,113,564</u>	<u>490,558</u>

# Shopify 2018 quarterly balance sheet Q1

		As at	
		March 31, 2018	December 31, 2017
	Note	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	196,578	141,677
Marketable securities	4	1,383,455	796,362
Trade and other receivables, net	5	28,365	21,939
Merchant cash advances receivable, net	6	63,528	47,101
Other current assets		17,551	18,598
		1,689,477	1,025,677
<b>Long-term assets</b>			
Property and equipment, net		51,654	50,360
Intangible assets, net		21,088	17,210
Goodwill	7	20,317	20,317
		93,059	87,887
<b>Total assets</b>		<b>1,782,536</b>	<b>1,113,564</b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		79,053	62,576
Current portion of deferred revenue	5	32,993	30,694
Current portion of lease incentives		1,530	1,484
		113,576	94,754
<b>Long-term liabilities</b>			
Deferred revenue	5	1,480	1,352
Lease incentives		16,355	14,970
Deferred tax liability		1,236	1,388
		19,071	17,710
<b>Commitments and contingencies</b>	9		
<b>Shareholders' equity</b>			
Common stock, unlimited Class A subordinate voting shares authorized, 92,882,410 and 87,067,604 issued and outstanding; unlimited Class B multiple voting shares authorized, 12,745,988 and 12,810,084 issued and outstanding	10	1,745,300	1,077,477
Additional paid-in capital		47,094	43,392
Accumulated other comprehensive income (loss)	11	(3,399)	3,435
Accumulated deficit		(139,106)	(123,204)
<b>Total shareholders' equity</b>		<b>1,649,889</b>	<b>1,001,100</b>
<b>Total liabilities and shareholders' equity</b>		<b>1,782,536</b>	<b>1,113,564</b>

# Shopify 2018 quarterly balance sheet Q2

		AS AT	
		June 30, 2018	December 31, 2017
	Note	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	219,801	141,677
Marketable securities	4	1,354,367	796,362
Trade and other receivables, net	5	32,510	21,939
Merchant cash advances receivable, net	6	79,981	47,101
Other current assets		20,041	18,598
		<u>1,706,700</u>	<u>1,025,677</u>
<b>Long-term assets</b>			
Property and equipment, net		54,807	50,360
Intangible assets, net		24,656	17,210
Goodwill	7	22,894	20,317
		<u>102,357</u>	<u>87,887</u>
<b>Total assets</b>		<u>1,809,057</u>	<u>1,113,564</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		95,729	62,576
Current portion of deferred revenue	5	35,029	30,694
Current portion of lease incentives		1,622	1,484
		<u>132,380</u>	<u>94,754</u>
<b>Long-term liabilities</b>			
Deferred revenue	5	1,634	1,352
Lease incentives		17,333	14,970
Deferred tax liability		1,509	1,388
		<u>20,476</u>	<u>17,710</u>
<b>Commitments and contingencies</b>	9		
<b>Shareholders' equity</b>			
Common stock, unlimited Class A subordinate voting shares authorized, 93,640,086 and 87,067,604 issued and outstanding; unlimited Class B multiple voting shares authorized, 12,730,063 and 12,810,084 issued and outstanding	10	1,771,304	1,077,477
Additional paid-in capital		55,753	43,392
Accumulated other comprehensive income (loss)	11	(7,797)	3,435
Accumulated deficit		(163,059)	(123,204)
<b>Total shareholders' equity</b>		<u>1,656,201</u>	<u>1,001,100</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,809,057</u>	<u>1,113,564</u>

# Shopify 2018 quarterly balance sheet Q3

		September 30, 2018	December 31, 2017
	Note	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	243,421	141,677
Marketable securities	4	1,334,804	796,362
Trade and other receivables, net	5	35,799	21,939
Merchant cash advances receivable, net	6	99,518	47,101
Other current assets		23,444	18,598
		<u>1,736,986</u>	<u>1,025,677</u>
<b>Long-term assets</b>			
Property and equipment, net		55,754	50,360
Intangible assets, net		26,060	17,210
Goodwill	7	22,894	20,317
		<u>104,708</u>	<u>87,887</u>
<b>Total assets</b>		<u>1,841,694</u>	<u>1,113,564</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		107,839	62,576
Current portion of deferred revenue	5	36,987	30,694
Current portion of lease incentives		2,121	1,484
		<u>146,947</u>	<u>94,754</u>
<b>Long-term liabilities</b>			
Deferred revenue	5	1,744	1,352
Lease incentives		19,605	14,970
Deferred tax liability		1,320	1,388
		<u>22,669</u>	<u>17,710</u>
<b>Commitments and contingencies</b>	9		
<b>Shareholders' equity</b>			
Common stock, unlimited Class A subordinate voting shares authorized, 94,487,350 and 87,067,604 issued and outstanding; unlimited Class B multiple voting shares authorized, 12,481,600 and 12,810,084 issued and outstanding	10	1,794,013	1,077,477
Additional paid-in capital		66,004	43,392
Accumulated other comprehensive income (loss)	11	(1,696)	3,435
Accumulated deficit		(186,243)	(123,204)
<b>Total shareholders' equity</b>		<u>1,672,078</u>	<u>1,001,100</u>
<b>Total liabilities and shareholders' equity</b>		<u>1,841,694</u>	<u>1,113,564</u>

# Shopify 2017 income statement 10-K

		Years ended	
		December 31, 2017	December 31, 2016
	Note	\$	\$
<b>Revenues</b>			
Subscription solutions	20	310,031	188,606
Merchant solutions	20	363,273	200,724
		673,304	389,330
<b>Cost of revenues</b>			
Subscription solutions		61,267	39,478
Merchant solutions		231,784	140,357
		293,051	179,835
<b>Gross profit</b>			
		380,253	209,495
<b>Operating expenses</b>			
Sales and marketing		225,694	129,214
Research and development		135,997	74,336
General and administrative		67,719	43,110
Total operating expenses		429,410	246,660
<b>Loss from operations</b>			
		(49,157)	(37,165)
<b>Other income</b>			
Interest income, net		7,850	1,536
Foreign exchange gain		1,312	274
		9,162	1,810
<b>Net loss</b>			
		(39,995)	(35,355)
<b>Other comprehensive income (loss), net of tax</b>			
Unrealized gain (loss) on cash flow hedges	17	5,253	(1,818)
<b>Comprehensive loss</b>			
		(34,742)	(37,173)
Basic and diluted net loss per share attributable to shareholders	18	\$ (0.42)	\$ (0.42)
Weighted average shares used to compute basic and diluted net loss per share attributable to shareholders	18	95,774,897	83,988,597

# Shopify 2018 quarterly income statement Q1

	Note	Three months ended	
		March 31, 2018	March 31, 2017
		\$	\$
<b>Revenues</b>			
Subscription solutions		100,198	62,080
Merchant solutions		114,142	65,299
		214,340	127,379
<b>Cost of revenues</b>			
Subscription solutions		23,160	12,254
Merchant solutions		67,338	42,884
		90,498	55,138
<b>Gross profit</b>		123,842	72,241
<b>Operating expenses</b>			
Sales and marketing		75,784	45,334
Research and development		47,716	26,594
General and administrative		20,675	14,774
Total operating expenses		144,175	86,702
<b>Loss from operations</b>		(20,333)	(14,461)
<b>Other income</b>			
Interest income, net		4,649	715
Foreign exchange gain (loss)		(218)	148
		4,431	863
<b>Net loss</b>		(15,902)	(13,598)
<b>Other comprehensive income (loss), net of tax</b>			
Unrealized gain (loss) on cash flow hedges	11	(6,834)	1,437
<b>Comprehensive loss</b>		(22,736)	(12,161)
Basic and diluted net loss per share attributable to shareholders	12	\$ (0.16)	\$ (0.15)
Weighted average shares used to compute basic and diluted net loss per share attributable to shareholders	12	102,256,644	90,242,889

# Shopify 2018 quarterly income statement Q2

	Note	Three months ended		Six months ended	
		June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Revenues</b>					
Subscription solutions		110,721	71,598	210,919	133,678
Merchant solutions		134,242	80,057	248,384	145,356
		244,963	151,655	459,303	279,034
<b>Cost of revenues</b>					
Subscription solutions		24,524	13,688	47,684	25,942
Merchant solutions		83,484	51,127	150,822	94,011
		108,008	64,815	198,506	119,953
<b>Gross profit</b>		136,955	86,840	260,797	159,081
<b>Operating expenses</b>					
Sales and marketing		87,487	54,872	163,271	100,206
Research and development		54,305	32,714	102,021	59,308
General and administrative		25,924	15,161	46,599	29,935
Total operating expenses		167,716	102,747	311,891	189,449
<b>Loss from operations</b>		(30,761)	(15,907)	(51,094)	(30,368)
<b>Other income</b>					
Interest income, net		7,444	1,435	12,093	2,150
Foreign exchange gain (loss)		(636)	442	(854)	590
		6,808	1,877	11,239	2,740
<b>Net loss</b>		(23,953)	(14,030)	(39,855)	(27,628)
<b>Other comprehensive income (loss), net of tax</b>					
Unrealized gain (loss) on cash flow hedges	11	(4,398)	4,631	(11,232)	6,068
<b>Comprehensive loss</b>		(28,351)	(9,399)	(51,087)	(21,560)
Basic and diluted net loss per share attributable to shareholders	12	\$ (0.23)	\$ (0.15)	\$ (0.38)	\$ (0.30)
Weighted average shares used to compute basic and diluted net loss per share attributable to shareholders	12	105,978,076	94,290,538	104,127,640	92,277,895

# Shopify 2018 quarterly income statement Q3

	Note	Three months ended		Nine months ended	
		September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
		\$	\$	\$	\$
<b>Revenues</b>					
Subscription solutions		120,517	82,435	331,436	216,113
Merchant solutions		149,547	89,021	397,931	234,377
		270,064	171,456	729,367	450,490
<b>Cost of revenues</b>					
Subscription solutions		26,600	15,458	74,284	41,400
Merchant solutions		93,737	55,971	244,559	149,982
		120,337	71,429	318,843	191,382
<b>Gross profit</b>					
		149,727	100,027	410,524	259,108
<b>Operating expenses</b>					
Sales and marketing		91,635	58,314	254,906	158,520
Research and development		61,629	36,350	163,650	95,658
General and administrative		27,831	18,039	74,430	47,974
Total operating expenses		181,095	112,703	492,986	302,152
<b>Loss from operations</b>					
		(31,368)	(12,676)	(82,462)	(43,044)
<b>Other income</b>					
Interest income, net		8,078	2,734	20,171	4,884
Foreign exchange gain (loss)		106	562	(748)	1,152
		8,184	3,296	19,423	6,036
<b>Net loss</b>					
		(23,184)	(9,380)	(63,039)	(37,008)
<b>Other comprehensive income (loss), net of tax</b>					
Unrealized gain (loss) on cash flow hedges	11	6,101	2,604	(5,131)	8,672
<b>Comprehensive loss</b>					
		(17,083)	(6,776)	(68,170)	(28,336)
Basic and diluted net loss per share attributable to shareholders	12	\$ (0.22)	\$ (0.09)	\$ (0.60)	\$ (0.39)
Weighted average shares used to compute basic and diluted net loss per share attributable to shareholders	12	106,647,222	98,777,975	104,976,730	94,502,097

# Shopify 2017 cash flow statement 10-K

	Note	Years ended	
		December 31, 2017	December 31, 2016
		\$	\$
<b>Cash flows from operating activities</b>			
Net loss for the year		(39,995)	(35,355)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Amortization and depreciation		23,382	13,967
Stock-based compensation		49,163	22,896
Provision for uncollectible receivables related to merchant cash advances		2,606	1,028
Vesting of restricted shares		—	202
Unrealized foreign exchange gain		(1,604)	(969)
Changes in operating assets and liabilities:			
Trade and other receivables		(13,037)	(2,356)
Merchant cash advances receivable		(37,811)	(12,924)
Other current assets		(3,706)	(2,604)
Accounts payable and accrued liabilities		15,428	19,813
Deferred revenue		10,960	7,699
Lease incentives	13	2,515	2,620
Net cash provided by operating activities		7,901	14,017
<b>Cash flows from investing activities</b>			
Purchase of marketable securities		(1,129,263)	(369,208)
Maturity of marketable securities		642,073	139,872
Acquisitions of property and equipment		(20,043)	(23,773)
Acquisitions of intangible assets		(4,219)	(2,463)
Acquisition of businesses, net of cash acquired	21	(15,718)	(14,114)
Net cash used in investing activities		(527,170)	(269,686)
<b>Cash flows from financing activities</b>			
Proceeds from the exercise of stock options		14,774	4,162
Proceeds from public offering, net of issuance costs	1	560,057	224,423
Net cash provided by financing activities		574,831	228,585
Effect of foreign exchange on cash and cash equivalents		2,102	1,027
<b>Net increase (decrease) in cash and cash equivalents</b>		57,664	(26,057)
<b>Cash and cash equivalents – Beginning of Year</b>		84,013	110,070
<b>Cash and cash equivalents – End of Year</b>		141,677	84,013

# Shopify 2018 quarterly cash flow statement Q1

	Three months ended		
	Note	March 31, 2018	March 31, 2017
		\$	\$
<b>Cash flows from operating activities</b>			
Net loss for the period		(15,902)	(13,598)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization and depreciation		7,582	4,534
Stock-based compensation		17,925	9,207
Provision for uncollectible receivables related to merchant cash advances		1,582	592
Unrealized foreign exchange gain		(128)	(111)
Changes in operating assets and liabilities:			
Trade and other receivables		(8,161)	557
Merchant cash advances receivable		(18,009)	(6,033)
Other current assets		(2,193)	(3,124)
Accounts payable and accrued liabilities		11,571	8,836
Deferred revenue		2,427	3,122
Lease incentives		1,431	17
Net cash provided (used) by operating activities		(1,875)	3,999
<b>Cash flows from investing activities</b>			
Purchase of marketable securities		(933,307)	(97,675)
Maturity of marketable securities		347,902	111,535
Acquisitions of property and equipment		(5,405)	(2,633)
Acquisitions of intangible assets		(5,447)	(924)
Net cash provided (used) by investing activities		(596,257)	10,303
<b>Cash flows from financing activities</b>			
Proceeds from the exercise of stock options		6,294	2,980
Proceeds from public offering, net of issuance costs	10	646,984	—
Net cash provided by financing activities		653,278	2,980
Effect of foreign exchange on cash and cash equivalents		(245)	(27)
<b>Net increase in cash and cash equivalents</b>		54,901	17,255
<b>Cash and cash equivalents – Beginning of Period</b>		141,677	84,013
<b>Cash and cash equivalents – End of Period</b>		196,578	101,268

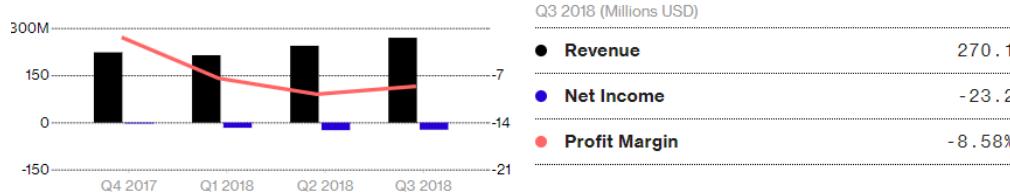
# Shopify 2018 quarterly cash flow statement Q2

	Note	Six months ended	
		June 30, 2018	June 30, 2017
		\$	\$
<b>Cash flows from operating activities</b>			
Net loss for the period		(39,855)	(27,628)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization and depreciation		15,008	9,887
Stock-based compensation		42,116	20,808
Provision for uncollectible receivables related to merchant cash advances		4,072	1,922
Unrealized foreign exchange (gain) loss		369	(901)
Changes in operating assets and liabilities:			
Trade and other receivables		(16,426)	(2,978)
Merchant cash advances receivable		(36,952)	(22,865)
Other current assets		(5,532)	348
Accounts payable and accrued liabilities		27,285	10,595
Deferred revenue		4,617	5,810
Lease incentives		2,501	143
Net cash used by operating activities		(2,797)	(4,859)
<b>Cash flows from investing activities</b>			
Purchase of marketable securities		(1,297,346)	(638,212)
Maturity of marketable securities		744,406	213,609
Acquisitions of property and equipment		(15,107)	(5,290)
Acquisitions of intangible assets		(9,353)	(2,024)
Acquisition of businesses, net of cash acquired		(3,718)	(15,718)
Net cash used by investing activities		(581,118)	(447,635)
<b>Cash flows from financing activities</b>			
Proceeds from the exercise of stock options		16,140	6,932
Proceeds from public offering, net of issuance costs	10	646,984	560,057
Net cash provided by financing activities		663,124	566,989
Effect of foreign exchange on cash and cash equivalents		(1,085)	889
<b>Net increase in cash and cash equivalents</b>		78,124	115,384
<b>Cash and cash equivalents – Beginning of Period</b>		141,677	84,013
<b>Cash and cash equivalents – End of Period</b>		219,801	199,397

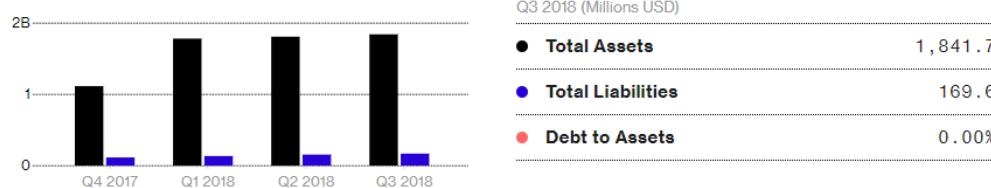
# Shopify 2018 quarterly cash flow statement Q3

	Note	Nine months ended	
		September 30, 2018	September 30, 2017
		\$	\$
<b>Cash flows from operating activities</b>			
Net loss for the period		(63,039)	(37,008)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization and depreciation		21,204	15,624
Stock-based compensation		68,301	34,185
Provision for uncollectible receivables related to merchant cash advances		5,043	2,473
Unrealized foreign exchange (gain) loss		637	(1,502)
Changes in operating assets and liabilities:			
Trade and other receivables		(22,524)	(8,701)
Merchant cash advances receivable		(57,460)	(40,853)
Other current assets		(8,255)	(2,179)
Accounts payable and accrued liabilities		44,203	15,193
Deferred revenue		6,685	8,862
Lease incentives		5,272	2,812
Net cash provided by (used in) operating activities		67	(11,094)
<b>Cash flows from investing activities</b>			
Purchase of marketable securities		(1,689,553)	(949,202)
Maturity of marketable securities		1,160,003	451,509
Acquisitions of property and equipment		(20,432)	(9,258)
Acquisitions of intangible assets		(12,328)	(2,882)
Acquisition of businesses, net of cash acquired		(3,718)	(15,718)
Net cash used by investing activities		(566,028)	(525,551)
<b>Cash flows from financing activities</b>			
Proceeds from the exercise of stock options		22,273	10,500
Proceeds from public offering, net of issuance costs	10	646,984	560,057
Net cash provided by financing activities		669,257	570,557
Effect of foreign exchange on cash and cash equivalents		(1,552)	1,924
<b>Net increase in cash and cash equivalents</b>		101,744	35,836
<b>Cash and cash equivalents – Beginning of Period</b>		141,677	84,013
<b>Cash and cash equivalents – End of Period</b>		243,421	119,849

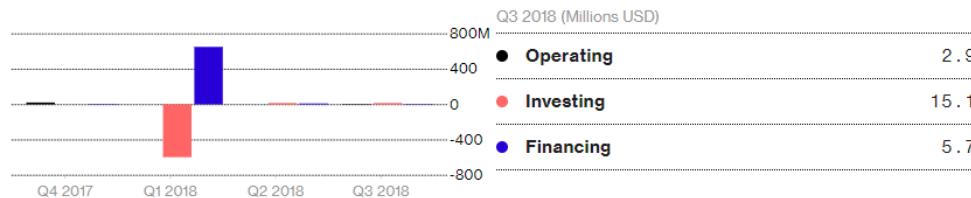
## Income Statement



## Balance Sheet

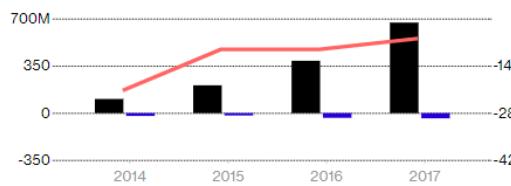


Cash Flow    Quarterly    Annual



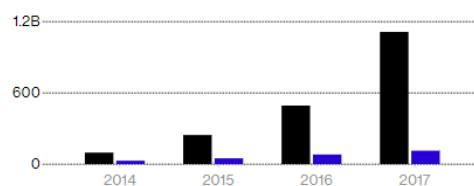
## Income Statement

Quarterly Annual



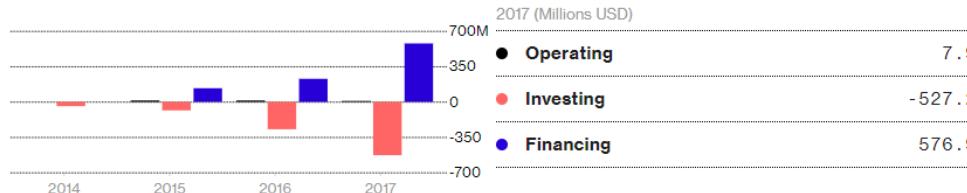
## Balance Sheet

Quarterly Annual



## Cash Flow

Quarterly Annual



# Summary

- Shoulder-head-shoulder
- Negative operating cash flow
- Negative net earning
- No dividend
- Continuing raise money by public offering
- Increasing in the revenue

Recommendation

**HOLD**

The image shows the eBay logo in its classic sans-serif font. The word "eBay" is written in a single line. Each letter is a different color: "e" is red, "b" is blue, "a" is yellow, and "y" is green. A small "tm" symbol is located in the top right corner of the "y". The logo is centered on a white background with a dark blue vertical bar on the left and a gold-colored triangular shape at the bottom right.

ebay<sup>tm</sup>

# eBay Stock Overview

**EBAY:US** NASDAQ GS  
eBay Inc

**29.87** USD +0.35 +1.19% ▲

OPEN  
29.52

PREV CLOSE  
29.52

VOLUME  
16,427,558

MARKET CAP  
28.760B

DAY RANGE  
29.31-30.08

52 WEEK RANGE  
26.36-46.99

● MARKET CLOSED  
AS OF 08:00 PM EDT 11/02/2018 EDT



# eBay Key Statistics

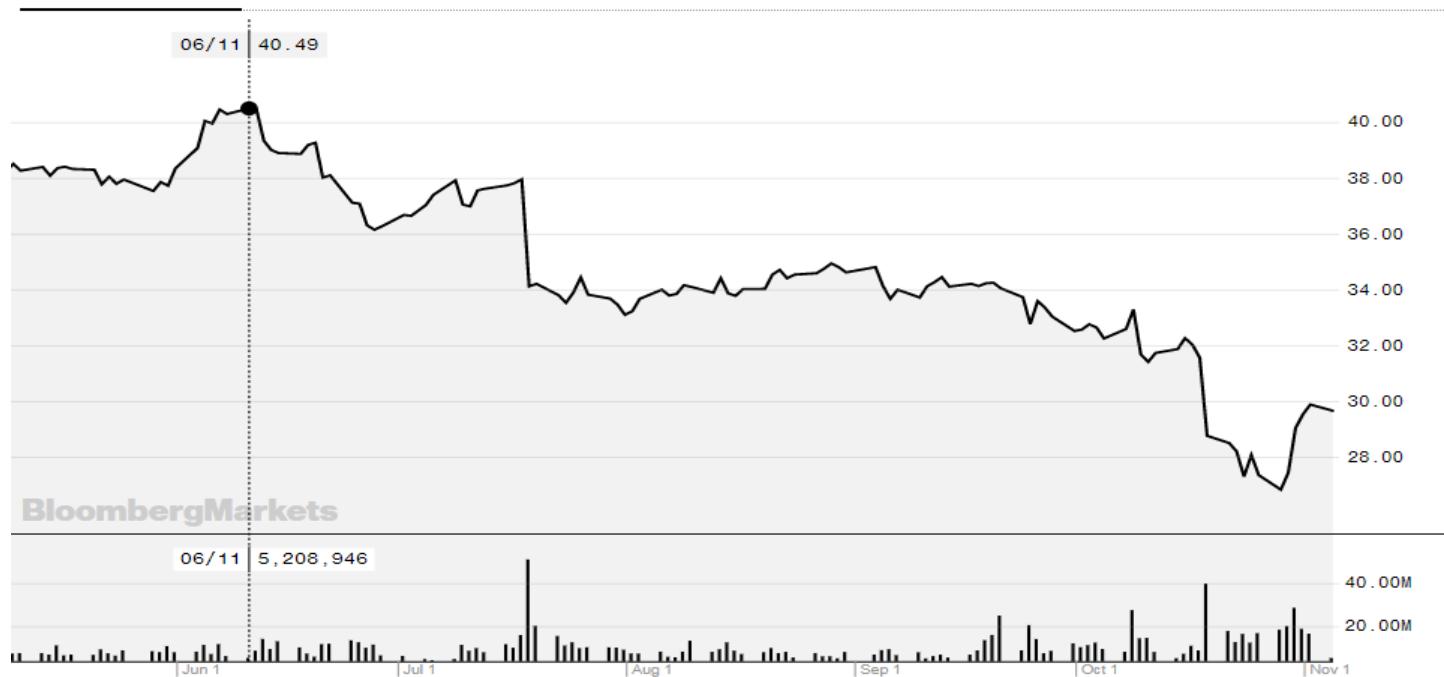
<b>P/E Ratio</b>	15.27	<b>1 Year Return</b>	-20.35%
<b>Bloomberg (BEst) P/E Ratio</b>	11.8862	<b>30 Day Avg Volume</b>	14,500,788
<b>Bloomberg (BEst) PEG Ratio</b>	1.2809	<b>EPS</b>	1.96
<b>Shares Outstanding</b>	962.83M	<b>Bloomberg (BEst) EPS Curr Yr</b>	2.3000
<b>Price to Book Ratio</b>	4.1514	<b>Dividend</b>	--
<b>Price to Sales Ratio</b>	2.8556	<b>Last Dividend Reported</b>	--

Earnings Announcement for Period Ending Q4/2018: 01/30/2019

# 1-Month Performance



# 6-Month Performance



# 1-Year Performance

Add a comparison 

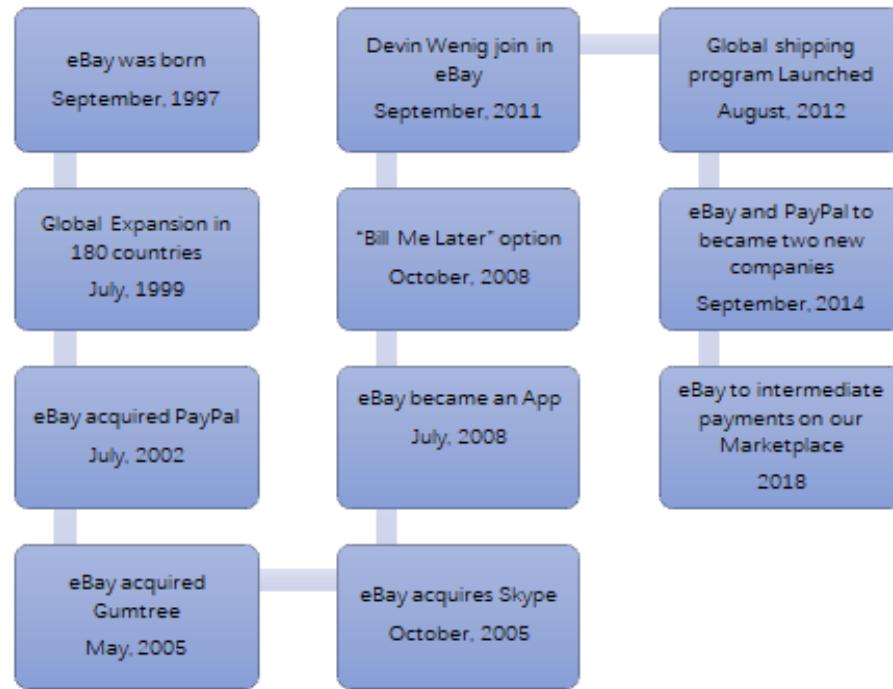


# 5-Year Performance

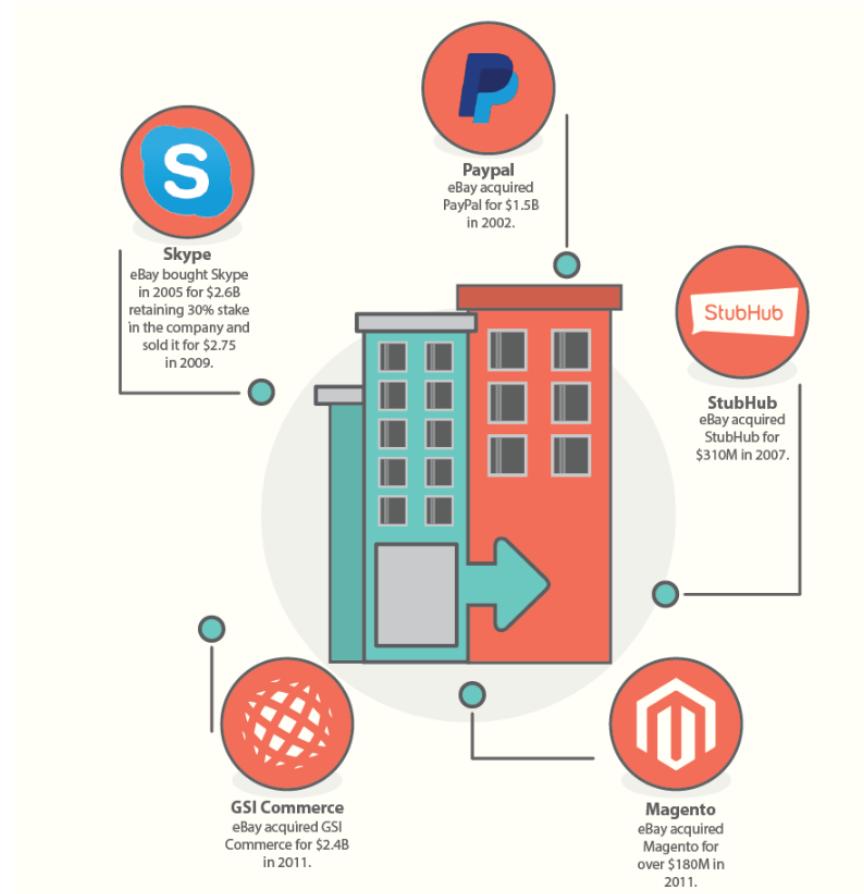
Add a comparison [Q](#)



# Timeline



# eBay: Acquisitions





## eBay highlight in 2018

- The number of active eBay Inc. buyers worldwide is 177M
- The amount of eBay Inc. GMV in Q3 2018 is 22.7B. 89% is fixed price.
- The amount of eBay Inc. sales volume completed on mobile devices in Q3 2018 is 12.7B
- 71% of transactions on the eBay marketplace that shipped for free.
- 80% of new items sold on the eBay platform



# eBay strategy

- eBay
  - Drive the best choice
  - The most relevance platform
  - The most powerful platform
- Marketplace
  - Attracting and retaining sellers and brands
  - Provide consumers with great selection and value
  - Innovating new shopping experiences
- StubHub
  - Focusing on supply expansion
  - Broadening StubHub's international footprint
- Online Classifieds
  - Offer both horizontal and vertical experiences
  - Personalized classifieds experience
  - Expanding the value proposition

# Marketplace

- One of the world's largest and most vibrant marketplaces
  - eBay.com is an online auction and shopping website in which people and businesses buy and sell a broad variety of goods and services worldwide.
  - More than 180 countries.

# StubHub

- provides services for buyers and sellers of tickets.
- largest secondary-market ticket marketplace.
- \$1.2 B GMV in Q3 2018.



StubHub™

# Classified Groups



Bilbasen

dba



kijiji

2 Marktplaats

mobile.de



# Kijiji

- Using in Canada and Italy
- Classified advertising service
- Local





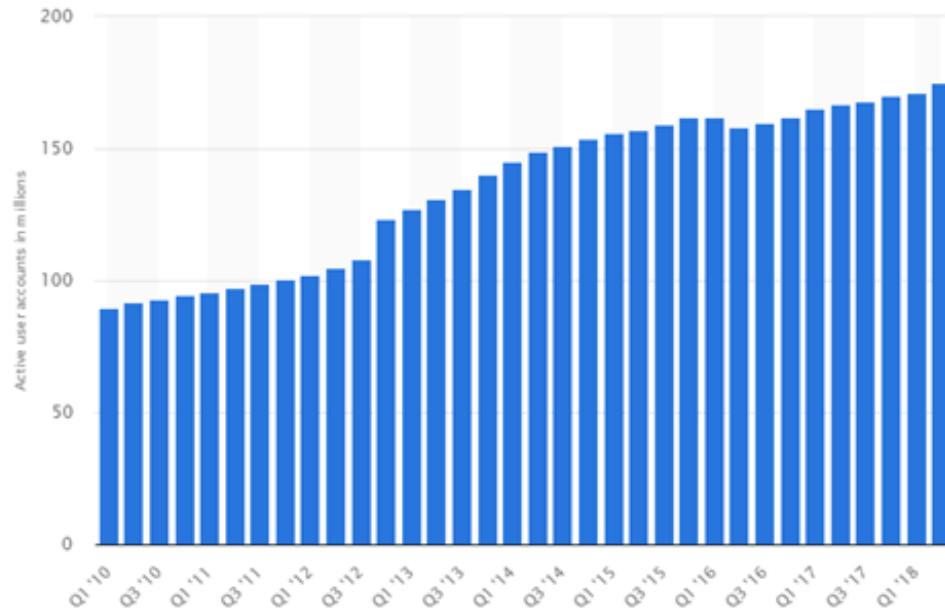
ebay



## Big Event

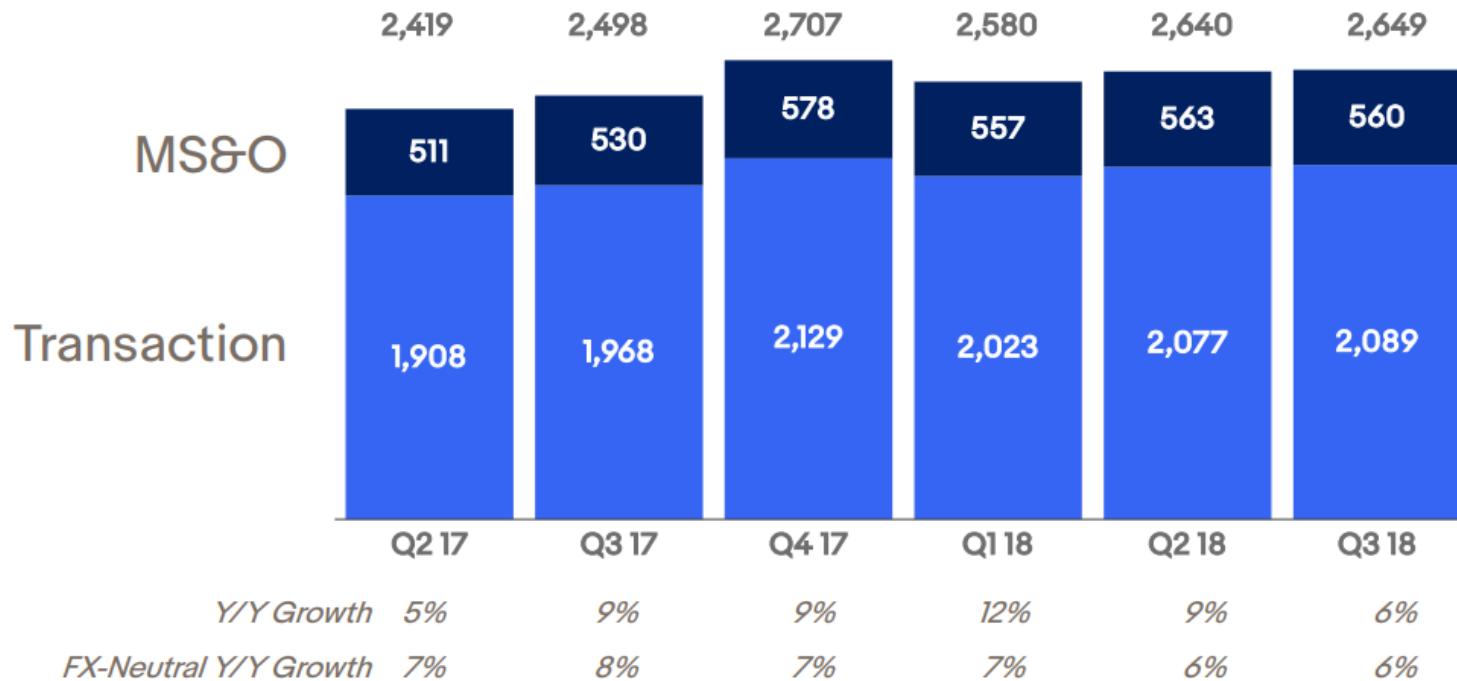
- In Jan 31, 2018, eBay announced that it will stop working with PayPal as its back-end payments service in 2020 and start to move a small percentage of its payments volume to a new partner, Adyen.
- Adyen's business is solely focused on providing back-end payment services.
- The move is also expected to eventually add \$2B

The Number  
of eBay's  
total active  
buyers

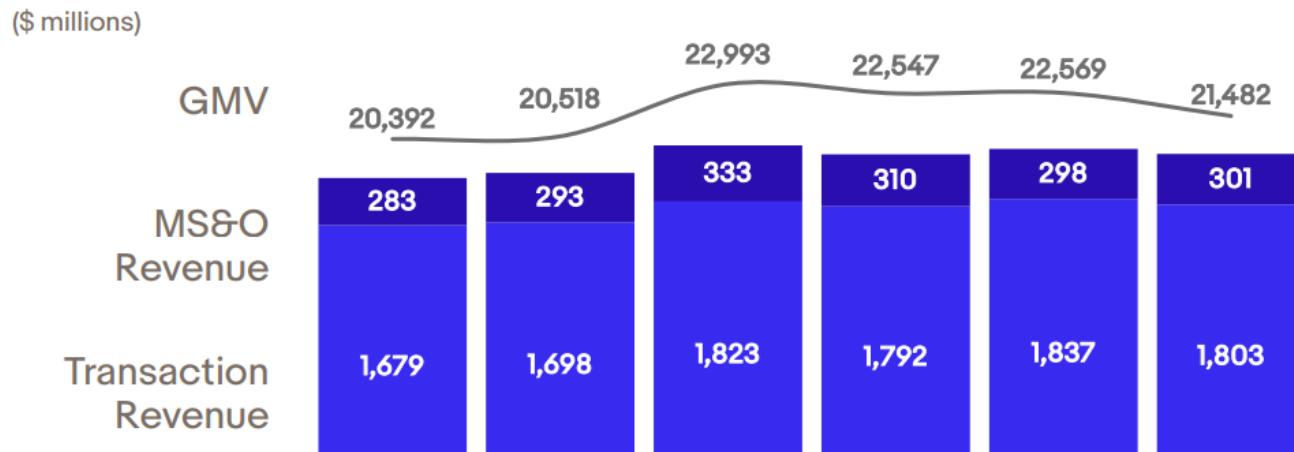


# Revenue

(\$ millions)



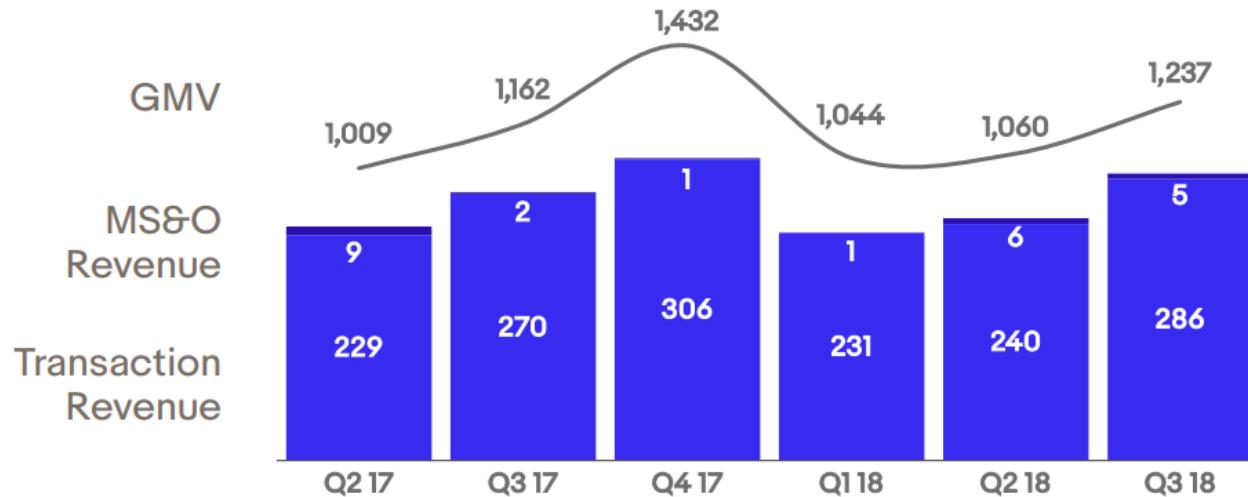
# Marketplace Revenue



<i>FX-Neutral GMV Y/Y Growth</i>	6%	7%	6%	7%	7%	5%
<i>FX-Neutral Rev Y/Y Growth</i>	7%	8%	6%	7%	6%	5%

# StubHub Revenue

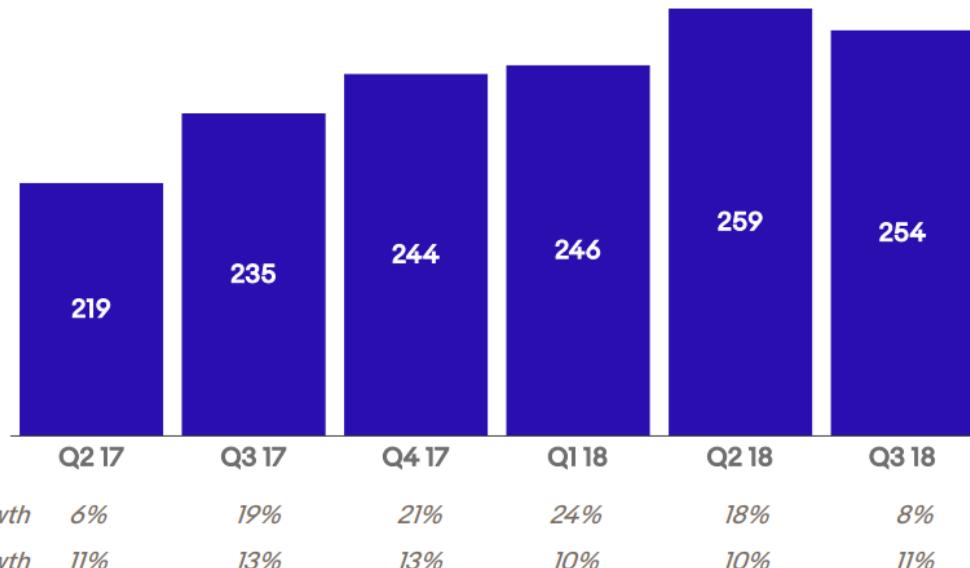
(\$ millions)



GMV FX-Neutral Y/Y Growth	-5%	2%	15%	13%	5%	7%
Rev FX-Neutral Y/Y Growth	5%	4%	11%	9%	3%	7%

# Classifieds Revenue

(\$ millions)



# Forecast

- The whole year's revenue is \$10.72-\$10.76
- Non-GAAP Operating Margin is 27%-28%
- Free cash flow is \$1.9-\$2.0

Q4 18		
	Low	High
Revenue (in billions)	\$2.85	\$2.89
Y/Y Growth	5%	7%
Organic FX-Neutral Y/Y Growth	4%	5%
Non-GAAP EPS	\$0.67	\$0.69
Y/Y Growth	14%	18%

# Management Team



# Devin Wenig

CEO

- JD degree from Columbia University School of Law.
- Joint as president of eBay's Global eBay Marketplaces Business Unit on 6 September 2011.
- Became CEO of eBay in October 2014.
- A purpose-driven global technology leader.
- Leading a transformation of the business; investing in artificial intelligence capabilities; redesigning eBay's mobile experiences; expanding global reach both geographically and by category



# Scott Schenkel

## CFO

- B.S. in Finance from Virginia Polytechnic Institute and State University's Pamplin College of Business.
- Spent over 16 years in finance with General Electric, in a variety of roles around the world.
- Scott had been Senior Vice President and CFO of eBay Marketplaces for over six years.
- Oversees all aspects of eBay's finance, analytics, and information technology functions – including controllership, financial planning and analysis, tax, treasury, audit, mergers and acquisitions, and investor relations.



# Alessandro Coppo

## SVP, General Manager, Classifieds

- A bachelors degree in Economics and Business Administration from the University of Turin and a masters in Economics from Oxford.
- Joined eBay Italy in 2004 as head of category management and became country manager in October 2005.
- Alessandro is responsible for the world-leading classifieds portfolio available in ten different classifieds brands across the globe, including eBay Kleinanzeigen and Mobile.



# Kris Miller

## Chief Strategy Officer

- An M.B.A. from Stanford Graduate School of Business and a B.S. in Chemical Engineering from Carnegie Mellon University.
- Came to eBay in September 2014.
- Setting the future direction of eBay: the ambition, where to play, and how to win in the market.
- Understanding the needs of our core buyers and sellers, and creating the strategies that will differentiate eBay relative to our competitors.



# Jay Lee

## SVP, EMEA

- M.B.A. from Harvard University and a B.A. in International Relations from Brown University.
- Responsible for eBay's operations in major European markets -- UK, Germany, France, Italy, Spain.
- Jay oversaw eBay's Asia Pacific region for 12 years, before taking on the leadership role in EMEA.



# Balance Sheet: 10-K 2017

	December 31,	
	2017	2016
	(In millions, except par value)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,120	\$ 1,816
<b>Short-term investments</b>	<b>3,743</b>	<b>5,333</b>
Accounts receivable, net	695	592
Other current assets	1,185	1,134
Total current assets	<u>7,743</u>	<u>8,875</u>
<b>Long-term investments</b>	<b>6,331</b>	<b>3,969</b>
Property and equipment, net	1,597	1,516
Goodwill	4,773	4,501
Intangible assets, net	69	102
Deferred tax assets	5,195	4,608
Other assets	273	276
<b>Total assets</b>	<b><u>\$ 25,981</u></b>	<b><u>\$23,847</u></b>

# Balance Sheet: 10-K 2017

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	\$ 781	\$ 1,451
Accounts payable	330	283
Accrued expenses and other current liabilities	2,134	1,893
Deferred revenue	117	110
Income taxes payable	177	110
<b>Total current liabilities</b>	<b>3,539</b>	<b>3,847</b>
Deferred tax liabilities	3,425	1,453
Long-term debt	9,234	7,509
Other liabilities	1,720	499
<b>Total liabilities</b>	<b>17,918</b>	<b>13,308</b>
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Common stock, \$0.001 par value; 3,580 shares authorized; 1,029 and 1,087 shares outstanding	2	2
Additional paid-in capital	15,293	14,907
Treasury stock at cost, 632 and 557 shares	(21,892)	(19,205)
<b>Retained earnings</b>	<b>13,943</b>	<b>14,959</b>
Accumulated other comprehensive income (loss)	717	(124)
<b>Total stockholders' equity</b>	<b>8,063</b>	<b>10,539</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 25,981</b>	<b>\$23,847</b>

# Balance Sheet: 10-Q 2018

	June 30, 2018	December 31, 2017
	(In millions, except par value)	
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,619	\$ 2,120
Short-term investments	2,388	3,743
Accounts receivable, net	745	696
Other current assets	1,432	1,185
Total current assets	6,184	7,744
Long-term investments	5,418	6,331
Property and equipment, net	1,576	1,597
Goodwill	5,199	4,773
Intangible assets, net	123	69
Deferred tax assets	5,052	5,199
Other assets	436	273
Total assets	<u><u>\$ 23,988</u></u>	<u><u>\$ 25,986</u></u>

# Balance Sheet: 10-Q 2018

## LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:			
Short-term debt	\$ 3	\$ 781	
Accounts payable	253	330	
Accrued expenses and other current liabilities	2,117	2,134	
Deferred revenue	151	137	
Income taxes payable	84	177	
<b>Total current liabilities</b>	<b>2,608</b>	<b>3,559</b>	
Deferred tax liabilities	3,290	3,424	
Long-term debt	9,201	9,234	
Other liabilities	1,743	1,720	
<b>Total liabilities</b>	<b>16,842</b>	<b>17,937</b>	
Commitments and contingencies (Note 10)			
Stockholders' equity:			
Common stock, \$0.001 par value; 3,580 shares authorized; 989 and 1,029 shares outstanding	2	2	
Additional paid-in capital	15,478	15,293	
Treasury stock at cost, 682 and 632 shares	(23,892)	(21,892)	
Retained earnings	14,977	13,929	
Accumulated other comprehensive income	581	717	
<b>Total stockholders' equity</b>	<b>7,146</b>	<b>8,049</b>	
<b>Total liabilities and stockholders' equity</b>	<b>\$ 23,988</b>	<b>\$ 25,986</b>	

# Income Statement: 10-K 2017

	Year Ended December 31,		
	2017	2016	2015
Net revenues	\$ 9,567	\$8,979	\$8,592
Cost of net revenues	2,222	2,007	1,771
Gross profit	<u>7,345</u>	<u>6,972</u>	<u>6,821</u>
Operating expenses:			
Sales and marketing	2,515	2,368	2,267
Product development	1,224	1,114	923
General and administrative	1,031	900	1,122
Provision for transaction losses	272	231	271
Amortization of acquired intangible assets	38	34	41
<b>Total operating expenses</b>	<b>5,080</b>	<b>4,647</b>	<b>4,624</b>
Income from operations	2,265	2,325	2,197
Interest and other, net	11	1,326	209
Income from continuing operations before income taxes	2,276	3,651	2,406
Income tax benefit (provision)	(3,288)	3,634	(459)
Income (loss) from continuing operations	<u>\$ (1,012)</u>	<u>\$7,285</u>	<u>\$ 1,947</u>
Income (loss) from discontinued operations, net of income taxes	(4)	(19)	(222)
<b>Net income (loss)</b>	<b>\$ (1,016)</b>	<b>\$7,266</b>	<b>\$ 1,725</b>

# Income Statement: 10-Q 2018

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
	(In millions, except per share amounts) (Unaudited)			
Net revenues	\$ 2,640	\$ 2,419	\$ 5,220	\$ 4,722
Cost of net revenues	597	560	1,156	1,074
Gross profit	2,043	1,859	4,064	3,648
Operating expenses:				
Sales and marketing	838	727	1,594	1,375
Product development	352	313	686	591
General and administrative	368	267	638	512
Provision for transaction losses	66	63	138	125
Amortization of acquired intangible assets	13	9	23	18
Total operating expenses	1,637	1,379	3,079	2,621
Income from operations	406	480	985	1,027
Interest and other, net	301	(18)	269	(7)
Income before income taxes	707	462	1,254	1,020
Income tax benefit (provision)	(69)	(433)	(209)	44
Income from continuing operations	\$ 638	\$ 29	\$ 1,045	\$ 1,064
Income from discontinued operations, net of income taxes	4	—	4	—
Net income	\$ 642	\$ 29	\$ 1,049	\$ 1,064

# Cash Flow Statement: 10-K 2018

**eBay Inc.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>(In millions)</b>		
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ (1,016)	\$ 7,266	\$ 1,725
(Income) loss from discontinued operations, net of income taxes	4	19	222
<b>Adjustments:</b>			
Provision for transaction losses	272	231	271
Depreciation and amortization	676	682	687
Stock-based compensation	483	416	379
Gain on sale of business	(167)	—	—
Deferred income taxes	1,729	(4,556)	(32)
Loss (gain) on sale of investments and other, net	49	(1,236)	(195)
Excess tax benefits from stock-based compensation	—	(15)	(74)
<b>Changes in assets and liabilities, net of acquisition effects</b>			
Accounts receivable	(195)	(48)	(105)
Other current assets	(148)	23	(143)
Other non-current assets	19	94	143
Accounts payable	19	(28)	226
Accrued expenses and other liabilities	206	(130)	(202)
Deferred revenue	6	4	9
Income taxes payable and other tax liabilities	1,209	105	(34)
Net cash provided by continuing operating activities	3,146	2,827	2,877
Net cash provided by (used in) discontinued operating activities	—	(1)	1,156
Net cash provided by operating activities	3,146	2,826	4,033

# Cash Flow Statement: 10-K 2018

<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(666)	(626)	(668)
Purchases of investments	(14,599)	(11,212)	(6,744)
Equity investment in Flipkart	(514)	—	—
Maturities and sales of investments	14,520	10,063	6,781
Acquisitions, net of cash acquired	(34)	(212)	(24)
Other	(3)	(21)	(18)
Net cash used in continuing investing activities	(1,296)	(2,008)	(673)
Net cash used in discontinued investing activities	—	—	(2,938)
Net cash used in investing activities	(1,296)	(2,008)	(3,611)
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common stock	120	102	221
Repurchases of common stock	(2,746)	(2,943)	(2,149)
Tax withholdings related to net share settlements of restricted stock awards and units	(219)	(121)	(245)
Proceeds from issuance of long-term debt, net	2,484	2,216	—
Repayment of debt	(1,452)	(20)	(850)
Other	29	22	63
Net cash used in continuing financing activities	(1,784)	(744)	(2,960)
Net cash provided by (used in) discontinued financing activities	—	—	(1,594)
Net cash used in financing activities	(1,784)	(744)	(4,554)
Effect of exchange rate changes on cash and cash equivalents	238	(90)	(364)
Net increase (decrease) in cash and cash equivalents	304	(16)	(4,496)
Cash and cash equivalents at beginning of period	1,816	1,832	6,328
Cash and cash equivalents at end of period	\$ 2,120	\$ 1,816	\$ 1,832

# Cash Flow Statement: 10-Q 2018

	2018	2017
	(In millions)	(Unaudited)
<b>Cash flows from operating activities:</b>		
Net income	\$ 1,770	\$ 1,584
Income from discontinued operations, net of income taxes	(5)	—
<b>Adjustments:</b>		
Provision for transaction losses	203	193
Depreciation and amortization	524	504
Stock-based compensation	396	356
Gain on sale of business	—	(167)
Gain on investments, net	(572)	(21)
Deferred income taxes	81	(39)
Change in fair value of warrant	(232)	—
Changes in assets and liabilities, and other, net of acquisition effects	(738)	(252)
<b>Net cash provided by continuing operating activities</b>	<b>1,427</b>	<b>2,158</b>
Net cash used in discontinued operating activities	(2)	—
<b>Net cash provided by operating activities</b>	<b>1,425</b>	<b>2,158</b>

# Cash Flow Statement: 10-Q 2018

Cash flows from investing activities:		
Purchases of property and equipment	(521)	(474)
Purchases of investments	(16,177)	(11,276)
Maturities and sales of investments	18,431	10,778
Equity investment in Flipkart	—	(514)
Proceeds from sale of equity investment in Flipkart	1,029	—
Acquisitions, net of cash acquired	(302)	(22)
Other	13	1
Net cash provided by (used in) investing activities	2,473	(1,507)
Cash flows from financing activities:		
Proceeds from issuance of common stock	70	74
Repurchases of common stock	(2,991)	(1,824)
Tax withholdings related to net share settlements of restricted stock units and awards	(189)	(170)
Proceeds from issuance of long-term debt, net	—	2,484
Repayment of debt	(750)	(1,450)
Other	(27)	(2)
Net cash used in financing activities	(3,887)	(888)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(50)	184
Net decrease in cash, cash equivalents and restricted cash	(39)	(53)
Cash, cash equivalents and restricted cash at beginning of period	2,140	1,835
Cash, cash equivalents and restricted cash at end of period	\$ 2,101	\$ 1,782

# Recommendation

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Thank you!

