
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the month of	July	2022
Commission File Number	001-37400	

Shopify Inc.

(Translation of registrant's name into English)

**151 O'Connor Street, Ground Floor
Ottawa, Ontario, Canada K2P 2L8**

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F

Form 40-F

X

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

DOCUMENTS INCLUDED AS PART OF THIS REPORT

Exhibit

- 99.1 Shopify Inc. – Interim Financial Statements for the Second Quarter ended June 30, 2022
- 99.2 Shopify Inc. – Interim Management’s Discussion and Analysis for the Second Quarter ended June 30, 2022
- 99.3 Shopify Inc. – Form 52-109F2 Certificate of Interim Filings by CEO (pursuant to Canadian regulations)
- 99.4 Shopify Inc. – Form 52-109F2 Certificate of Interim Filings by CFO (pursuant to Canadian regulations)

Exhibits 99.1 and 99.2 of this Report on Form 6-K are incorporated by reference into the Registration Statement on Form F-10 of the Registrant, which was originally filed with the Securities and Exchange Commission on July 28, 2020 (as amended, July 27, 2021) (File No. 333-258189), the Registration Statement on Form S-8 of the Registrant, which was originally filed with the Securities and Exchange Commission on May 29, 2015 (File No. 333-204568), the Registration Statement on Form S-8 of the Registrant, which was originally filed with the Securities and Exchange Commission on May 12, 2016 (File No. 333-211305) the Registration Statement on Form S-8 of the Registrant, which was originally filed with the Securities and Exchange Commission on October 17, 2019 (File No. 333-234341), the Registration Statement on Form S-8 of the Registrant, which was originally filed with the Securities and Exchange Commission on July 28, 2021 (File No. 333-258230), and the Registration Statement on Form S-8 of the Registrant, which was originally filed with the Securities and Exchange Commission on July 21, 2022 (File No. 333-266243).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date:	<u>July 27, 2022</u>	
		<u>Shopify Inc.</u>
		(Registrant)
	By:	<u>/s/ Jessica Hertz</u>
		Name: Jessica Hertz
		Title: General Counsel and Corporate Secretary



**Condensed Consolidated
Financial Statements**
(unaudited)
June 30, 2022

Shopify Inc.
Condensed Consolidated Balance Sheets
(unaudited)
Expressed in US \$000's except share amounts

		As at	
		June 30, 2022	December 31, 2021
	Note	\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	3,350,781	2,502,992
Marketable securities	4	3,604,010	5,265,101
Trade and other receivables, net	5	238,723	192,209
Merchant cash advances, loans and related receivables, net	6	537,790	470,722
Income taxes receivable	15	13,213	5,023
Other current assets		113,247	103,273
		7,857,764	8,539,320
Long-term assets			
Property and equipment, net		114,207	105,526
Right-of-use assets, net	7	224,555	196,388
Intangible assets, net		133,129	138,496
Deferred tax assets	15	44,763	48,369
Equity and other investments (\$1,016,122 and \$3,412,166, carried at fair value)	4	1,993,867	3,955,545
Goodwill	8	379,345	356,528
		2,889,866	4,800,852
Total assets		10,747,630	13,340,172
Liabilities and shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		419,408	456,688
Income taxes payable	15	4,125	13,505
Deferred revenue	5	254,007	216,792
Lease liabilities	7	25,668	15,748
		703,208	702,733
Long-term liabilities			
Deferred revenue	5	159,405	162,932
Lease liabilities	7	254,417	246,776
Convertible senior notes	9	912,137	910,963
Deferred tax liabilities	15	1,335	183,427
		1,327,294	1,504,098
Commitments and contingencies	7, 11		
Shareholders' equity			
Common stock, unlimited Class A subordinate voting shares authorized, 1,180,931,290 and 1,139,544,920, issued and outstanding; unlimited Class B restricted voting shares authorized, 81,933,630 and 119,426,670 issued and outstanding; 1 Founder share authorized, 1 and nil issued and outstanding ⁽¹⁾⁽²⁾	13	8,244,560	8,040,099
Additional paid-in capital		221,858	161,074
Accumulated other comprehensive loss	14	(9,117)	(5,974)
Retained earnings		259,827	2,938,142
Total shareholders' equity		8,717,128	11,133,341
Total liabilities and shareholders' equity		10,747,630	13,340,172

⁽¹⁾ Prior period share amounts have been adjusted to reflect the ten-for-one share split ("Share Split") effected in June 2022. See Note 13 for details.

⁽²⁾ As a result of the implementation of the updated governance structure in June 2022, Class B multiple voting shares are now described as Class B restricted voting shares.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shopify Inc.
Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income
(unaudited)

Expressed in US \$000's, except share and per share amounts

	Note	Three months ended		Six months ended	
		June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
		\$	\$	\$	\$
Revenues					
Subscription solutions		366,443	334,237	711,204	654,918
Merchant solutions		928,620	785,208	1,787,482	1,453,174
		<u>1,295,063</u>	<u>1,119,445</u>	<u>2,498,686</u>	<u>2,108,092</u>
Cost of revenues					
Subscription solutions		85,238	63,027	162,783	121,409
Merchant solutions		554,183	435,558	1,042,624	807,107
		<u>639,421</u>	<u>498,585</u>	<u>1,205,407</u>	<u>928,516</u>
Gross profit		<u>655,642</u>	<u>620,860</u>	<u>1,293,279</u>	<u>1,179,576</u>
Operating expenses					
Sales and marketing		326,902	201,910	630,273	388,133
Research and development		346,667	183,557	650,328	359,443
General and administrative		129,901	77,966	237,989	145,068
Transaction and loan losses		42,380	17,986	62,873	28,592
Total operating expenses		<u>845,850</u>	<u>481,419</u>	<u>1,581,463</u>	<u>921,236</u>
(Loss) income from operations		<u>(190,208)</u>	<u>139,441</u>	<u>(288,184)</u>	<u>258,340</u>
Other (expense) income, net					
Interest income		12,505	3,092	18,694	5,922
Interest expense	9	(869)	(870)	(1,743)	(1,743)
Net realized gain on equity and other investments	4	1,461	—	123,783	—
Net unrealized (loss) gain on equity and other investments	4	(1,018,478)	777,749	(2,695,920)	2,028,693
Foreign exchange loss		(2,661)	(97)	(7,737)	(2,353)
Total other (expense) income, net		<u>(1,008,042)</u>	<u>779,874</u>	<u>(2,562,923)</u>	<u>2,030,519</u>
(Loss) income before income taxes		<u>(1,198,250)</u>	<u>919,315</u>	<u>(2,851,107)</u>	<u>2,288,859</u>
(Provision for) recovery of income taxes	15	<u>(5,657)</u>	<u>(40,222)</u>	<u>172,792</u>	<u>(151,321)</u>
Net (loss) income		<u>(1,203,907)</u>	<u>879,093</u>	<u>(2,678,315)</u>	<u>2,137,538</u>
Net (loss) income per share attributable to shareholders⁽¹⁾:					
Basic	16	\$ (0.95)	\$ 0.71	\$ (2.12)	\$ 1.73
Diluted	16	\$ (0.95)	\$ 0.69	\$ (2.12)	\$ 1.68
Weighted average shares used to compute net (loss) income per share attributable to shareholders⁽¹⁾:					
Basic	16	1,262,011,665	1,245,475,010	1,261,069,535	1,238,991,770
Diluted	16	1,262,011,665	1,274,750,630	1,261,069,535	1,270,753,524
Other comprehensive loss					
Unrealized loss on cash flow hedges	14	(11,774)	(3,733)	(3,084)	(7,439)
Tax effect on unrealized loss on cash flow hedges	14	2,244	990	(59)	1,972
Total other comprehensive loss		<u>(9,530)</u>	<u>(2,743)</u>	<u>(3,143)</u>	<u>(5,467)</u>
Comprehensive (loss) income		<u>(1,213,437)</u>	<u>876,350</u>	<u>(2,681,458)</u>	<u>2,132,071</u>

⁽¹⁾ Prior period share and per share amounts have been adjusted to reflect the Share Split effected in June 2022. See Note 13 for details.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shopify Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
(unaudited)
Expressed in US \$000's except share amounts

		Common Stock		Additional	Accumulated	Retained	Total
	Note	Shares⁽¹⁾	Amount	Paid-In Capital	Other Comprehensive	Earnings	
		\$	\$	\$	Income	\$	\$
		\$	\$	\$	\$	\$	\$
As at December 31, 2020		1,225,288,710	6,115,232	261,436	8,770	15,285	6,400,723
Adjustment related to the adoption of ASU 2020-06, Debt		—	—	(158,810)	—	8,198	(150,612)
As at January 1, 2021		1,225,288,710	6,115,232	102,626	8,770	23,483	6,250,111
Exercise of stock options		3,497,300	35,681	(12,756)	—	—	22,925
Stock-based compensation		—	—	69,156	—	—	69,156
Vesting of restricted share units		2,687,110	66,113	(66,113)	—	—	—
Issuance of Class A subordinate voting shares, net of offering costs of \$7,742, net of tax of \$2,790	13	11,800,000	1,543,958	—	—	—	1,543,958
Net income and comprehensive income for the period		—	—	—	(2,724)	1,258,445	1,255,721
As at March 31, 2021		1,243,273,120	7,760,984	92,913	6,046	1,281,928	9,141,871
Exercise of stock options		2,689,580	31,828	(11,463)	—	—	20,365
Stock-based compensation		—	—	81,958	—	—	81,958
Vesting of restricted share units		1,671,700	45,012	(45,012)	—	—	—
Net income and comprehensive income for the period		—	—	—	(2,743)	879,093	876,350
As at June 30, 2021		1,247,634,400	7,837,824	118,396	3,303	2,161,021	10,120,544

⁽¹⁾ Prior period share amounts have been adjusted to reflect the Share Split effected in June 2022. See Note 13 for details.

Shopify Inc.
Condensed Consolidated Statements of Changes in Shareholders' Equity
(unaudited)
Expressed in US \$000's except share amounts

	Common Stock		Additional Paid-In Capital \$	Accumulated Other Comprehensive Income (Loss) \$	Retained Earnings \$	Total \$
	Shares⁽¹⁾	Amount \$				
As at December 31, 2021	1,258,971,590	8,040,099	161,074	(5,974)	2,938,142	11,133,341
Exercise of stock options	1,055,130	10,707	(4,421)	—	—	6,286
Stock-based compensation	—	—	117,989	—	—	117,989
Vesting of restricted share units	1,339,300	100,072	(100,072)	—	—	—
Net loss and comprehensive loss for the period	—	—	—	6,387	(1,474,408)	(1,468,021)
As at March 31, 2022	1,261,366,020	8,150,878	174,570	413	1,463,734	9,789,595
Exercise of stock options	316,540	3,085	(1,534)	—	—	1,551
Stock-based compensation	—	—	139,419	—	—	139,419
Vesting of restricted share units	1,182,360	90,597	(90,597)	—	—	—
Issuance of the Founder share	1	—	—	—	—	—
Net loss and comprehensive loss for the period	—	—	—	(9,530)	(1,203,907)	(1,213,437)
As at June 30, 2022	1,262,864,921	8,244,560	221,858	(9,117)	259,827	8,717,128

⁽¹⁾ Prior period share amounts have been adjusted to reflect the Share Split effected in June 2022. See Note 13 for details.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shopify Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)
Expressed in US \$000's

		Six months ended	
		June 30, 2022	June 30, 2021
	Note	\$	\$
Cash flows from operating activities			
Net (loss) income for the period		(2,678,315)	2,137,538
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Amortization and depreciation		33,073	30,463
Stock-based compensation		257,408	151,114
Amortization of debt offering costs	9	1,174	1,171
Provision for transaction and loan losses		32,073	14,855
Deferred income tax (recovery) expense		(180,405)	128,344
Revenue related to non-cash consideration	5	(53,665)	(18,121)
Net loss (gain) on equity and other investments	4	2,612,133	(2,028,693)
Unrealized foreign exchange loss		15,940	1,451
Changes in operating assets and liabilities:			
Trade and other receivables		(55,657)	(27,406)
Merchant cash advances, loans and related receivables		(97,290)	(188,083)
Other current assets		(10,891)	(16,497)
Non-cash consideration received in exchange for services	5	(76,726)	(192,300)
Accounts payable and accrued liabilities		(39,095)	(10,162)
Income taxes receivable and payable		(19,049)	6,753
Deferred revenue		87,353	207,787
Lease assets and liabilities		(5,788)	3,890
Net cash (used in) provided by operating activities		(177,727)	202,104
Cash flows from investing activities			
Purchase of marketable securities		(2,033,099)	(4,149,857)
Maturity of marketable securities		3,689,564	2,437,951
Purchase of equity and other investments	4	(569,649)	(401,874)
Acquisitions of property and equipment		(28,489)	(13,451)
Acquisition of businesses, net of cash acquired		(30,008)	—
Net cash provided by (used in) investing activities		1,028,319	(2,127,231)
Cash flows from financing activities			
Proceeds from public equity offerings, net of issuance costs	13	—	1,541,168
Proceeds from the exercise of stock options		7,837	43,290
Net cash provided by financing activities		7,837	1,584,458
Effect of foreign exchange on cash and cash equivalents		(10,640)	1,742
Net increase (decrease) in cash and cash equivalents		847,789	(338,927)
Cash and cash equivalents – Beginning of Period		2,502,992	2,703,597
Cash and cash equivalents – End of Period		3,350,781	2,364,670
Supplemental cash flow information:			
Cash paid for amounts included in the measurement of lease liabilities included in cash flows from operating activities		18,288	13,253
Lease liabilities arising from obtaining right-of-use assets		40,887	12,207
Acquired property and equipment remaining unpaid		6,950	2,264
Cash paid for income taxes, net		25,332	15,838
Cash paid for interest		575	712

The accompanying notes are an integral part of these condensed consolidated financial statements.

Shopify Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)
Expressed in US \$000's except share and per share amounts

1. Nature of Business

Shopify Inc. ("Shopify" or the "Company") was incorporated as a Canadian corporation on September 28, 2004. Shopify is a leading provider of essential internet infrastructure for commerce, offering trusted tools to start, grow, market, and manage a retail business of any size. Shopify makes commerce better for everyone with a platform and services that are engineered for simplicity and reliability, while delivering a better shopping experience for consumers everywhere. The Company's software enables merchants to run their business across all of their sales channels, including web and mobile storefronts, physical retail locations, social media storefronts, and marketplaces. The Shopify platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage products and inventory, process orders and payments, fulfill and ship orders, build customer relationships, source products, leverage analytics and reporting, and access financing, all from one integrated back office.

Founded in Ottawa, Canada, the Company's principal place of business is the internet.

2. Basis of Presentation and Consolidation

These unaudited condensed consolidated financial statements include the accounts of the Company and its directly and indirectly held wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated upon consolidation.

These unaudited condensed consolidated financial statements of the Company have been presented in United States dollars ("USD") and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), including the applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding financial reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations.

In the opinion of the Company, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of only normal recurring adjustments, necessary for the fair statement of its financial position, results of operations and comprehensive (loss) income, changes in shareholders' equity and cash flows for the interim periods. The financial statements should be read in conjunction with the audited consolidated financial statement and notes thereto for the year ended December 31, 2021. The condensed consolidated balance sheet at December 31, 2021 was derived from the audited annual financial statements, but does not contain all of the footnote disclosures from the annual financial statements.

The interim results for the three and six months ended June 30, 2022 are not necessarily indicative of the results expected for the full fiscal year.

3. Significant Accounting Policies

There have been no material changes to the Company's significant accounting policies during the three and six months ended June 30, 2022, as compared to the significant accounting policies described in the Company's annual consolidated financial statements for the year ended December 31, 2021.

Use of Estimates

The preparation of consolidated financial statements, in accordance with U.S. GAAP, requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from the estimates made by management. Significant estimates, judgments and assumptions in these condensed consolidated financial statements include: key judgments related to revenue recognition in determining whether the Company is the principal or an agent to the arrangements with merchants; estimates of expected credit losses related to financial assets measured at amortized cost, including contract balances and merchant cash advances and loans; inputs used to fair

Shopify Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

Expressed in US \$000's except share and per share amounts

value acquired intangible assets; inputs used to fair value equity and other investments in private companies and debt securities, as well as estimates and judgments involved in applying the measurement alternative, including the Company's assessment to evaluate whether an investment is impaired through analyzing market conditions, business results and other qualitative measures and to measure the amount of that impairment, when applicable, by developing certain key assumptions, including revenue growth rates, revenue multiples based on market comparables and a discount for lack of marketability; probabilities of achieving performance milestones associated with non-cash revenue consideration from strategic partnerships; estimates involved in evaluating the recoverability of the Company's right-of-use assets and leasehold improvements, including, but not limited to, the estimated useful lives of right-of-use assets and leasehold improvements; the incremental borrowing rate applied to lease payments; and the probability and amount of loss contingencies.

Concentration of Credit Risk

The Company's cash and cash equivalents, marketable securities, trade and other receivables, merchant cash advances, loans and related receivables, equity and other investments, debt securities and foreign exchange derivative products subject the Company to concentrations of credit risk. Management mitigates this risk associated with cash and cash equivalents by making deposits and entering into foreign exchange derivative products only with large banks and financial institutions that are considered to be highly creditworthy. Management mitigates the risks associated with marketable securities by adhering to its investment policy, which stipulates minimum rating requirements, maximum investment exposures and maximum maturities. Due to the Company's diversified merchant base, there is no particular concentration of credit risk related to the Company's trade and other receivables and merchant cash advances and loans receivable. Trade and other receivables and merchant cash advances and loans receivable are monitored on an ongoing basis to ensure timely collection of amounts. The Company notes that its exposure to collectibility risk by customers impacted by the Russian invasion of Ukraine is financially immaterial. The Company has mitigated some of the risks associated with Shopify Capital by opening insurance policies with Export Development Canada ("EDC"), a wholly-owned corporation of the Government of Canada, who is AAA rated as at June 30, 2022. The Company's policies cover certain merchant cash advances and loans, subject under certain policies to minimum claim requirements and regional restrictions. The Company pays EDC a monthly premium based on total eligible dollars advanced, and records this as general and administrative expense in the condensed consolidated statements of operations and comprehensive (loss) income. All policies include a deductible set at either a specified dollar loss threshold or calculated as a percentage of eligible advances issued. After considering the Company's deductible and the insurer's maximum liability under the policies, the majority of the Company's gross outstanding balance of merchant cash advances and loans as at June 30, 2022 is covered. The receivable related to insurance recoveries, if any, is included in the merchant cash advances, loans and related receivables balance. The Company mitigates the risks associated with its equity and other investments and debt securities through its diligence process performed prior to investing. The Company has a high concentration of credit risk associated with a small number of equity and other investments that are impacted by fluctuations in their fair values or by observable changes or impairments. There are no receivables from individual merchants accounting for 10% or more of revenues or receivables.

Foreign Exchange Risk

The Company's results of operations and foreign currency assets and liabilities are exposed to foreign currency fluctuations.

While the majority of the Company's revenues, cost of revenues, and operating expenses are denominated in USD, a significant portion are denominated in foreign currencies. Due to offering Shopify Payments, subscriptions, and other billings to select countries in local currency, a significant proportion of revenue transactions are denominated in British pound sterling ("GBP"), Euros ("EUR"), and Canadian dollars ("CAD"). Furthermore, as the Company's operations continue to be heavily weighted in CAD and as

Shopify Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)
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operations continue to expand internationally, a significant proportion of operating expenses are also incurred in these foreign currencies.

The following table summarizes the effects on revenues, cost of revenues, operating expenses, and (loss) income from operations of a 10% strengthening⁽¹⁾ of all foreign currencies the Company transacts in versus the USD without considering the impact of the Company's hedging activities and factoring in any potential changes in demand for the Company's solutions as a result of fluctuations in exchange rates:

	Six months ended					
	June 30, 2022			June 30, 2021		
	GAAP Amounts As Reported \$	Exchange Rate Effect ⁽²⁾ \$	At 10% Stronger Rates ⁽³⁾ \$	GAAP Amounts As Reported \$	Exchange Rate Effect ⁽²⁾ \$	At 10% Stronger Rates ⁽³⁾ \$
Revenues	2,498,686	31,920	2,530,606	2,108,092	27,287	2,135,379
Cost of revenues	(1,205,407)	(22,773)	(1,228,180)	(928,516)	(18,559)	(947,075)
Operating expenses	(1,581,463)	(54,867)	(1,636,330)	(921,236)	(38,118)	(959,354)
(Loss) income from operations	(288,184)	(45,720)	(333,904)	258,340	(29,390)	228,950

(1) A 10% weakening of the foreign currencies versus the USD would have an equal and opposite impact on the Company's revenues, cost of revenues, operating expenses and (loss) income from operations as presented in the table.

(2) Represents the increase or decrease in GAAP amounts reported resulting from a 10% strengthening in foreign exchange rates relative to the USD.

(3) Represents the outcome that would have resulted had the foreign exchange rates relative to the USD in those periods been 10% stronger than they actually were, excluding the impact of our hedging program and without factoring in any potential changes in demand for the Company's solutions as a result of changes in exchange rates.

Although foreign currency fluctuations associated with revenues and costs may partially offset one another in earnings, the Company uses foreign exchange derivative products to mitigate a portion of the remaining exposure of foreign currency fluctuations as discussed in note 4. By their nature, derivative financial instruments involve risk, including the credit risk of non-performance by counterparties.

Shopify Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)
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4. Financial Instruments

Debt Securities

The Company holds certain debt securities that are classified as held-to-maturity at the time of purchase as the Company has both the positive intent and ability to hold to maturity. The fair value of corporate bonds was based upon Level 2 inputs, which included period-end mid-market quotations for each underlying contract as calculated by the financial institution with which the Company has transacted. The quotations are based on bid/ask quotations and represent the discounted future settlement amounts based on current market rates.

The Company also holds debt securities in the form of convertible notes in private companies presented within equity and other investments on the condensed consolidated balance sheets. These debt securities are classified as available-for-sale for which the Company has elected to apply the fair value option. The fair values were determined based on binomial pricing models for which the Company was required to develop its own assumptions, including the underlying entities' valuations.

The following tables summarize debt securities by significant investment classification:

As at June 30, 2022				
	Carrying Value			Fair Value
	Cash Equivalents	Marketable Securities	Equity and Other Investments	
Level 1:				
U.S. term deposits	—	740,000	—	742,323
U.S. federal bonds and agency securities	—	610,346	—	608,826
Canadian federal bonds and agency securities	72,819	690,116	50,000	813,056
Corporate bonds and commercial paper	190,238	—	—	190,238
	<u>263,057</u>	<u>2,040,462</u>	<u>50,000</u>	<u>2,354,443</u>
Level 2:				
Corporate bonds and commercial paper	—	1,563,548	—	1,563,059
Level 3:				
Convertible notes in private companies	—	—	215,400	215,400
	<u>263,057</u>	<u>3,604,010</u>	<u>265,400</u>	<u>4,132,902</u>

The fair values of marketable securities above include accrued interest of \$8,173, which is excluded from the carrying amounts. The accrued interest is included in trade and other receivables in the condensed consolidated balance sheets. Additional accrued interest of \$8,080 recognized on the convertible notes in private companies is included in the carrying amount and fair value above.

Shopify Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)
Expressed in US \$000's except share and per share amounts

As at December 31, 2021				
	Carrying Value			Fair Value
	Cash Equivalents	Marketable Securities	Equity and Other Investments	
Level 1:				
Corporate bonds and commercial paper	267,953	—	—	268,090
U.S. term deposits	—	900,000	—	901,689
U.S. federal bonds and agency securities	—	680,436	—	681,629
Canadian federal bonds and agency securities	50,138	1,215,646	—	1,268,139
	318,091	2,796,082	—	3,119,547
Level 2:				
Corporate bonds and commercial paper	—	2,469,019	—	2,475,051
Level 3:				
Convertible notes in private companies	—	—	205,878	205,878
	318,091	5,265,101	205,878	5,800,476

The fair values above include accrued interest of \$13,067, which is excluded from the carrying amounts. The accrued interest is included in trade and other receivables in the condensed consolidated balance sheets. Additional accrued interest of \$4,000 recognized on the convertible notes in private companies is included in the carrying amount and fair value above.

All cash equivalents and marketable securities mature within one year of the condensed consolidated balance sheet date.

In the three and six months ended June 30, 2022, unrealized losses associated with the Company's convertible notes in private companies of \$21,244 and \$31,058, respectively, were recorded within "net unrealized (loss) gain on equity and other investments" in the condensed consolidated statement of operations and comprehensive (loss) income. Additionally, interest income of \$2,167 and \$4,207 was recorded within "interest income" in the condensed consolidated statement of operations and comprehensive (loss) income.

Equity Investments with Readily Determinable Fair Values

The Company holds equity investments in public companies that were obtained through a combination of direct investment and strategic partnerships.

Equity investments with readily determinable fair values are comprised of:

	June 30, 2022			December 31, 2021		
	Level 1	Level 3	Total	Level 1	Level 3	Total
Affirm Holdings, Inc.	\$ 366,575	\$ —	\$ 366,575	\$ 2,041,126	\$ —	\$ 2,041,126
Global-E Online Ltd.	331,336	99,317	430,653	741,775	423,387	1,165,162
Other	3,494	—	3,494	—	—	—
	\$ 701,405	\$ 99,317	\$ 800,722	\$ 2,782,901	\$ 423,387	\$ 3,206,288

In the three and six months ended June 30, 2022, \$46,916 and \$134,956, respectively, were transferred from Level 3 to Level 1 due to the vesting of warrants associated with an investment in a strategic partnership (June 30, 2021 - \$nil and \$nil). The equity investments categorized as Level 3 in the fair value hierarchy represent Global-E unvested warrants that require the application of a discount for lack of marketability which was 13% at June 30, 2022 (December 31, 2021 - 15%).

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Adjustments related to equity and other investments with readily determinable fair values for the three and six months ended June 30, 2022 and 2021 were as follows:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Balance, beginning of the period	1,659,840	1,435,446	3,206,288	—
Adjustments related to equity and other investments with readily determinable fair values:				
Investments received not tied to services ⁽¹⁾	—	—	105,268	—
Investments received as non-cash consideration in exchange for services	—	—	29,577	—
Purchases of equity and other investments	14	—	42	—
Net unrealized (losses) gains	(859,132)	746,219	(2,540,453)	2,023,513
Transfers from measurement alternative ⁽²⁾⁽³⁾	—	192,378	—	350,530
Balance, end of the period	800,722	2,374,043	800,722	2,374,043

⁽¹⁾ During the six months ended June 30, 2022, certain private investments were acquired by third-party investors resulting in the deemed sale of equity and other investments in the period and the receipt of shares in certain public companies. Any resulting realized gains or losses were presented as "net realized gain on equity and other investments" in the condensed consolidated statement of operations and comprehensive (loss) income.

⁽²⁾ Effective January 13, 2021, the Company's investment in Affirm no longer qualified for the use of the measurement alternative as the fair value of the investment became readily determinable.

⁽³⁾ Effective May 12, 2021, the Company's investment in Global-E no longer qualified for the use of the measurement alternative as the fair value of the investment became readily determinable.

Equity Investments without Readily Determinable Fair Values

The carrying value of equity investments in private companies without readily determinable fair values are:

	June 30, 2022	December 31, 2021
	\$	\$
Total initial value	1,047,790	539,221
Cumulative gross unrealized gains	43,983	38,880
Cumulative gross unrealized losses and impairment	(164,028)	(34,722)
Total carrying value of equity and other investments without readily determinable fair values ⁽¹⁾	927,745	543,379

⁽¹⁾ As at June 30, 2022, two investments in private companies represent \$674,328 (December 31, 2021 - \$348,278) of the total carrying value of equity and other investments without readily determinable fair values.

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Adjustments related to equity and other investments without readily determinable fair values for the three and six months ended June 30, 2022 and 2021 were as follows:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Balance, beginning of the period	1,035,157	195,504	543,379	173,454
Adjustments related to equity and other investments without readily determinable fair values:				
Purchases of equity and other investments	30,690	387,622	483,107	594,174
Investments received as non-cash consideration in exchange for services	—	—	47,149	—
Gross unrealized gains	4,204	31,530	9,896	31,902
Sales of equity and other investments ⁽¹⁾	—	—	(13,480)	—
Transfers to readily determinable fair values ⁽²⁾⁽³⁾	—	(192,378)	—	(350,530)
Gross unrealized losses and impairments ⁽⁴⁾	(142,306)	—	(142,306)	(26,722)
Balance, end of the period	927,745	422,278	927,745	422,278

⁽¹⁾ During the six months ended June 30, 2022, certain private investments were acquired by third-party investors resulting in the deemed sale of equity and other investments in the period. Any resulting realized gains or losses were presented as "net realized gain on equity and other investments" in the condensed consolidated statement of operations and comprehensive (loss) income.

⁽²⁾ Effective January 13, 2021, the Company's investment in Affirm no longer qualified for the use of the measurement alternative as the fair value of the investment became readily determinable.

⁽³⁾ Effective May 12, 2021, the Company's investment in Global-E no longer qualified for the use of the measurement alternative as the fair value of the investment became readily determinable.

⁽⁴⁾ The Company applied certain valuation methods based on information available, including the market approach and option pricing models in order to quantify the level of impairment. This required the Company to develop certain key assumptions, including revenue growth rates, revenue multiples based on market comparables and a discount for lack of marketability. Non-public information, made available to the Company from investee companies, was supplemented with estimates such as volatility, expected time to liquidity and the rights and obligations of the securities the Company holds.

As at June 30, 2022, included in the total \$927,745 of equity and other investments without readily determinable fair values, \$402,366 was remeasured at fair value and was classified within Level 3 of the fair value measurement hierarchy on a non-recurring basis.

Derivative Instruments and Hedging

As at June 30, 2022, the Company held foreign exchange forward contracts and options for USD, GBP and CAD with a total notional value of \$632,334 (December 31, 2021 - \$586,547), to fund a portion of its operations. The foreign exchange forward contracts and options have maturities of twelve months or less. The fair value of foreign exchange forward contracts and options was based upon Level 2 inputs, which included period-end mid-market quotations for each underlying contract as calculated by the financial institution with which the Company has transacted. The quotations are based on bid/ask quotations and represent the discounted future settlement amounts based on current market rates.

Derivative Instruments Designated as Hedges

The Company has a hedging program to mitigate the impact of foreign currency fluctuations on future cash flows and earnings. Under this program, the Company has entered into foreign exchange forward contracts and options with certain financial institutions and designated those hedges as cash flow hedges. The Company is hedging cash flows associated with payroll and facility costs.

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The fair values of outstanding derivative instruments were as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Level 2:		
Foreign exchange forward contracts and options assets (classified in other current assets)	2,008	1,824
Foreign exchange forward contract liabilities (classified in accounts payable and accrued liabilities)	7,103	5,926

Unrealized gains and unrealized losses related to changes in the fair value of foreign exchange forward contracts and options designated as cash flow hedges were as follows:

	June 30, 2022	June 30, 2021
	\$	\$
Unrealized gains	298	10,404
Unrealized losses	(7,103)	(1,503)
Total net unrealized (losses) gains	(6,805)	8,901

These unrealized gains and losses were included in accumulated other comprehensive income (loss), other current assets, and accounts payable and accrued liabilities on the condensed consolidated balance sheet. These amounts are expected to be reclassified into earnings over the next twelve months.

Realized losses and realized gains related to the maturity of foreign exchange forward contracts and options designated as cash flow hedges were as follows:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Realized (losses) gains in cost of revenues	(178)	453	(272)	852
Realized (losses) gains in operating expenses	(3,415)	8,872	(6,379)	17,627
	(3,593)	9,325	(6,651)	18,479

Derivatives Instruments Not Designated as Hedges

During the first quarter of 2022, the Company entered into a commodity swap contract with a producer to fund renewable energy production and to obtain renewable energy certificates. The contract guarantees the producer a minimum price per megawatt hour with any differences between market prices and this minimum price being settled in cash between the producer and the Company on a monthly basis. The Company's maximum commitment over the life of the 10 year contract is \$11,617.

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5. Contract Balances

When revenue is recognized, the Company records a receivable that is included in trade and other receivables on the condensed consolidated balance sheet. Trade receivables and unbilled revenues, net of allowance for credit losses, were as follows:

	June 30, 2022	December 31, 2021	January 1, 2021
	\$	\$	\$
Unbilled revenues, net	91,360	86,795	50,073
Indirect taxes receivable	76,504	39,142	45,961
Trade receivables, net	49,111	40,342	13,449
Other receivables	13,575	12,863	3,706
Accrued interest	8,173	13,067	7,563
	<u>238,723</u>	<u>192,209</u>	<u>120,752</u>

Unbilled revenues represent amounts not yet billed to merchants related to subscription fees for Plus merchants, transaction fees and shipping and fulfillment charges, as at the condensed consolidated balance sheet date.

The allowance for credit losses reflects the Company's best estimate of probable losses inherent in the unbilled revenues and trade receivables accounts. The Company determined the provision based on known troubled accounts, historical experience, supportable forecasts of collectibility and other currently available evidence.

Activity in the allowance for credit losses was as follows:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Allowance, beginning of the period	7,031	8,380	6,944	6,041
Provision for credit losses related to uncollectible receivables	3,231	1,480	4,580	5,133
Write-offs	(1,406)	(3,435)	(2,668)	(4,749)
Allowance, end of the period	<u>8,856</u>	<u>6,425</u>	<u>8,856</u>	<u>6,425</u>

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Changes in total deferred revenue were as follows:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Balance, beginning of the period	434,283	137,142	379,724	128,815
Deferral of revenue	69,622	233,853	168,459	260,754
Recognition of deferred revenue	(90,493)	(52,514)	(134,771)	(71,088)
Balance, end of the period	<u>413,412</u>	<u>318,481</u>	<u>413,412</u>	<u>318,481</u>
Current portion			254,007	183,160
Long term portion			<u>159,405</u>	<u>135,321</u>
			<u>413,412</u>	<u>318,481</u>

The opening balances of total current and long-term deferred revenue were \$107,809 and \$21,006, respectively, as of January 1, 2021.

As at June 30, 2022, the long-term deferred revenue, excluding non-cash consideration received, will be recognized ratably over the remaining terms of the contracts with the customers, which range from 2 to 5 years.

The Company has received non-cash consideration in the form of equity investments in exchange for services to be rendered as part of strategic partnerships. As the Company is required to provide referral services and other services to support the partners' merchant offerings over the period of the performance obligations, revenue is deferred and recognized over time on a ratable basis over the expected terms of the contracts. Within total deferred revenue outlined above, non-cash consideration represents a significant portion of the balance as at June 30, 2022. The table below summarizes the gross changes in deferred revenue associated with this non-cash consideration received for the three and six months ended June 30, 2022 and 2021.

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Balance, beginning of the period	281,219	18,865	230,574	20,896
Non-cash consideration received in exchange for services	—	192,300	76,726	192,300
Revenue recognized related to non-cash consideration	(27,584)	(16,090)	(53,665)	(18,121)
Balance, end of the period	<u>253,635</u>	<u>195,075</u>	<u>253,635</u>	<u>195,075</u>
Current portion			110,639	72,278
Long term portion			<u>142,996</u>	<u>122,797</u>
			<u>253,635</u>	<u>195,075</u>

The Company will recognize this revenue ratably over the remaining terms of the respective strategic partnership service agreements, which range from 3 to 7 years.

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6. Merchant Cash Advances, Loans and Related Receivables

	June 30, 2022	December 31, 2021	January 1, 2021
	\$	\$	\$
Merchant cash advances receivable, gross	444,395	439,289	218,840
Related receivables	—	—	819
Allowance for credit losses related to uncollectible merchant cash advances receivable	(46,784)	(38,264)	(15,816)
Loans receivable, gross	149,025	72,751	43,644
Allowance for credit losses related to uncollectible loans receivable	(8,846)	(3,054)	(2,764)
Merchant cash advances, loans and related receivables, net	<u>537,790</u>	<u>470,722</u>	<u>244,723</u>

Merchant Cash Advances

The following table summarizes the activities of the Company's allowance for credit losses related to uncollectible merchant cash advances receivable:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Allowance, beginning of the period	41,765	18,920	38,264	15,816
Provision for credit losses related to uncollectible merchant cash advances receivable	13,023	9,702	22,755	15,425
Merchant cash advances receivable charged off, net of recoveries	(8,004)	(2,052)	(14,235)	(4,671)
Allowance, end of the period	<u>46,784</u>	<u>26,570</u>	<u>46,784</u>	<u>26,570</u>

Loans

The following table summarizes the activities of the Company's allowance for credit losses related to uncollectible loans receivable:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Allowance, beginning of the period	3,986	2,744	3,054	2,764
Provision for credit losses related to uncollectible loans receivable	5,701	984	7,467	1,208
Loans receivable charged off, net of recoveries	(841)	(381)	(1,675)	(625)
Allowance, end of the period	<u>8,846</u>	<u>3,347</u>	<u>8,846</u>	<u>3,347</u>

The following table presents the delinquency status of the principal amount of merchant loans by year of origination. The delinquency status is determined based on the number of days past the expected or contractual repayment date for which the Company anticipates to receive the amounts outstanding. The "current" category represents balances that are within 29 days of the contractual repayment dates, or within 29 days of the expected repayment date.

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June 30, 2022				
	Year of origination		Total	Percent
	2022	2021		
Current	\$ 135,274	\$ 7,438	\$ 142,712	95.8 %
30-59 Days	1,025	381	1,406	0.9 %
60-89 Days	284	561	845	0.6 %
90-179 Days	820	510	1,330	0.9 %
180+ Days	1,320	1,412	2,732	1.8 %
Total	<u>\$ 138,723</u>	<u>\$ 10,302</u>	<u>\$ 149,025</u>	<u>100.0 %</u>

December 31, 2021				
	Year of origination		Total	Percent
	2021	2020		
Current	\$ 69,350	\$ —	\$ 69,350	95.3 %
30-59 Days	1,114	—	1,114	1.5 %
60-89 Days	419	—	419	0.6 %
90-179 Days	576	—	576	0.8 %
180+ Days	1,292	—	1,292	1.8 %
Total	<u>\$ 72,751</u>	<u>\$ —</u>	<u>\$ 72,751</u>	<u>100.0 %</u>

The Company maintains an internal monitoring list related to its outstanding loans. A merchant's ability and willingness to repay the financing receivables outstanding under the program is analyzed for a variety of factors that include, but are not limited to: current or expected age of the financing, merchant subscription or financing status, merchant GMV trends and other changes to merchant credit profiles. The Company charges off receivables outstanding under the program when the merchant receivable is included on its internal monitoring list for a period of 90 consecutive days.

For certain Shopify Capital loans, there is a fixed maximum repayment term. For certain other Shopify Capital loans, the Company calculates an expected repayment date. Using the merchant's contractual or expected repayment date, the Company calculates an effective interest rate based on the merchant's expected future payment volume to determine how much of a merchant's repayment to recognize as revenue and how much to apply against the merchant's receivable balance. In the three and six months ended June 30, 2022, \$8,797 and \$14,705 (June 30, 2021 - \$4,928 and \$8,643), respectively, of revenue recognized as merchant solutions revenue required the application of an effective interest rate, per ASC 310.

7. Leases

The Company has office, commercial and warehouse leases in Canada, the United States, Singapore, Ireland and other countries in Europe and Asia. These leases have remaining lease terms of 1 year to 15 years, some of which include options to extend the leases for up to 10 years. All of the Company's leases are operating leases.

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The components of lease expense were as follows:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Operating lease expense	6,082	5,218	11,379	10,721
Variable lease expense, including non-lease components	3,686	2,910	5,974	6,172
Total lease expense	9,768	8,128	17,353	16,893

As at June 30, 2022, the weighted average remaining lease term is 11 years and the weighted average discount rate is 3.1% (December 31, 2021 - 11 years and 3.3%, respectively).

During the three and six months ended June 30, 2022, the Company terminated portions of leased office space consisting of leases recognized on the condensed consolidated balance sheet as well as future committed lease space. The terminations resulted in gains of \$800 and \$2,324, respectively, which is recorded as an offset within the total lease expense disclosed above.

Net sublease income for the three and six months ended June 30, 2022 was \$811 and \$1,550 (June 30, 2021 - \$326 and \$326), which is recorded as an offset within the total lease expense disclosed above.

Maturities of lease liabilities as at June 30, 2022 were as follows:

Fiscal Year	Offices \$	Warehouses and Commercial Spaces \$	Total \$
Remainder of 2022	26,122	1,536	27,658
2023	36,696	5,319	42,015
2024	46,502	5,196	51,698
2025	50,237	4,887	55,124
2026	51,300	4,575	55,875
Thereafter	285,368	50,721	336,089
Total future minimum payments	496,225	72,234	568,459
Minimum payments related to variable lease payments, including non-lease components	(201,818)	(37,480)	(239,298)
Imputed interest	(44,675)	(4,401)	(49,076)
Total lease liabilities	249,732	30,353	280,085

Operating lease maturity amounts included in the table above do not include sublease proceeds expected to be received under our various sublease agreements with third parties. Under the agreements initiated with third parties, the Company expects to receive sublease proceeds of \$1,653 in the remainder of 2022 and \$18,458 thereafter.

8. Goodwill

The Company's goodwill relates to acquisitions of various companies including, but not limited to, 6 River Systems, Inc. ("6RS") which was acquired on October 17, 2019 and Donde Fashion, Inc. ("Donde") which was acquired on July 20, 2021.

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No goodwill impairment was recognized in the three and six months ended June 30, 2022 or in the year ended December 31, 2021.

The gross changes in the carrying amount of goodwill as of June 30, 2022 and December 31, 2021 are as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Balance, beginning of the period	356,528	311,865
Acquisition of Donde	—	37,567
Other acquisitions ⁽¹⁾	22,817	7,096
Balance, end of the period	<u>379,345</u>	<u>356,528</u>

(1) During the six months ended June 30, 2022 and the year ended December 31, 2021, the Company completed individually immaterial acquisitions that resulted in Goodwill being recognized.

9. Convertible Senior Notes

In September 2020, the Company issued \$920,000 aggregate principal amount of 0.125% convertible senior notes due 2025 (the "Notes"). The net proceeds from the issuance of the Notes were \$907,950 after deducting underwriting fees and offering costs.

The interest on the Notes is payable semi-annually in arrears on May 1 and November 1 of each year, beginning on May 1, 2021. The Notes will mature on November 1, 2025, unless earlier redeemed or repurchased by the Company or converted pursuant to their terms.

The Notes have a conversion rate of 6.9440 Class A subordinate voting shares per one thousand dollars of principal amount of Notes, which is equivalent to a conversion price of approximately \$144.01 per share, adjusted to give effect to the Share Split. The conversion rate is subject to adjustment following the occurrence of certain specified events, as set out or defined in the supplemental indenture governing the Notes. In addition, upon the occurrence of a make-whole fundamental change prior to the maturity date or upon our issuance of a notice of redemption, as set out or defined in the supplemental indenture governing the Notes, the Company will, in certain circumstances, increase the conversion rate by a number of additional Class A subordinate voting shares for a holder that elects to convert its Notes in connection with such make-whole fundamental change or during the relevant redemption period.

The Company accounts for the Notes as a single unit of account on the balance sheet. The carrying value of the liability is represented by the face amount of the Notes, less total offering costs, plus any amortization of offering costs. Total offering costs upon issuance of the Notes were \$12,050 and are amortized to interest expense using the effective interest rate method over the contractual term of the Notes. Interest expense is recognized at an annual effective interest rate of 0.38% over the contractual term of the Notes.

The net carrying amount of the outstanding Notes was as follows:

	June 30, 2022	December 31, 2021
	\$	\$
Principal	920,000	920,000
Unamortized offering costs	(7,863)	(9,037)
Net carrying amount	<u>912,137</u>	<u>910,963</u>

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The following table sets forth the interest expense recognized related to the outstanding Notes:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Contractual interest expense	281	284	569	572
Amortization of offering costs	588	586	1,174	1,171
Total interest expense related to the outstanding Notes	869	870	1,743	1,743

As at June 30, 2022, the estimated fair value of the Notes was approximately \$772,092 (December 31, 2021 - \$1,165,410). The estimated fair value was determined based on the last executed trade for the Notes of the reporting period in an over-the-counter market, which is considered as Level 2 in the fair value hierarchy.

10. Credit Facility

The Company has a revolving credit facility with Royal Bank of Canada for \$8,000 CAD. The credit facility bears interest at the Royal Bank Prime Rate plus 0.30%. As at June 30, 2022 and December 31, 2021, the effective rate was 4.00% and 2.75%, respectively, and no cash amounts were drawn under this credit facility.

11. Commitments and Contingencies

Unconditional Purchase Obligations

The Company has entered into agreements where it commits to certain usage levels related to third-party services. The amount of the minimum fixed and determinable portion of the unconditional purchase obligations over the next five years, as at June 30, 2022, was \$52,958.

Litigation and Loss Contingencies

From time to time, the Company may become a party to litigation and subject to claims incidental to the ordinary course of business, including intellectual property claims, labour and employment claims and threatened claims, breach of contract claims, tax and other matters.

On December 1, 2021, five publishers of educational materials and two of their respective parent companies ("the Plaintiffs") filed a claim against the Company in the U.S. District Court for the Eastern District of Virginia for contributory and vicarious copyright infringement and contributory trademark infringement. The Plaintiffs allege that certain merchants who use the Company's platform and services are engaged in the sale of pirated digital textbooks in violation of the Plaintiffs' rights, and that the Company has not taken legally adequate steps to curb this alleged infringement. The Plaintiffs seek statutory damages for the alleged copyright infringement. Shopify filed its answer to the plaintiffs' complaint on January 28, 2022. Shopify is unable to predict the ultimate resolution of the matter including the likelihood or magnitude of a possible eventual loss, if any, at this time. Shopify intends to defend the case.

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12. Related Parties

In January 2022, the Company entered a strategic partnership with a private company totaling \$97,149, which is comprised of a \$50,000 cash investment in the private company and the receipt of \$47,149 in non-cash consideration to provide services for a duration of three years. A member of the Company's board of directors also serves as a director on the board of the aforementioned private company. For the three and six months ended June 30, 2022, the Company recognized revenue of \$3,892 and \$6,883, respectively, from the private company.

13. Shareholders' Equity

Founder Share

On June 7, 2022, the Company's shareholders approved an update to the Company's governance structure pursuant to a plan of arrangement under the Canada Business Corporations Act (the "Arrangement"). Under the terms of the Arrangement, on June 9, 2022 the Company created a new class of share, designated as the Founder share, and issued such Founder share to Tobias Lütke. The Founder share provides Mr. Lütke with a variable number of votes that, when combined with the Class B multiple voting shares (which are now described as Class B restricted voting shares as a result of the Company's updated governance structure) beneficially owned by him, his immediate family and his affiliates, will represent 40% of the aggregate voting power attached to all of the Company's outstanding shares.

Share Split

On June 7, 2022, the Company's shareholders approved a ten-for-one split of the Company's Class A subordinate voting shares and Class B restricted voting shares. Each shareholder of record on June 22, 2022 received nine additional Class A subordinate voting shares and Class B restricted voting shares, as applicable, for every one share held, distributed after close of trading on June 28, 2022. All share and per share amounts presented herein have been retroactively adjusted to reflect the impact of the Share Split.

Public Offerings

In February 2021, the Company completed a public offering in which it issued and sold 11,800,000 Class A subordinate voting shares at a public offering price of \$131.50 per share, adjusted to give effect to the Share Split. The Company received total net proceeds of \$1,541,168 after deducting offering fees and expenses of \$10,532.

Common Stock Authorized

The Company is authorized to issue an unlimited number of Class A subordinate voting shares, an unlimited number of Class B restricted voting shares and one Founder share. The Class A subordinate voting shares have one vote per share, the Class B restricted voting shares have 10 votes per share and the Founder share has a variable number of votes per share. The Class B restricted voting shares are convertible into Class A subordinate voting shares on a one-for-one basis at the option of the holder. Class B restricted voting shares will also automatically convert into Class A subordinate voting shares in certain other circumstances. The Founder share cannot convert into either Class A subordinate voting shares or Class B restricted voting shares.

Preferred Shares

The Company is authorized to issue an unlimited number of preferred shares issuable in series. Each series of preferred shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Company's Board of Directors prior to the issuance thereof.

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Holders of preferred shares, except as otherwise provided in the terms specific to a series of preferred shares or as required by law, will not be entitled to vote at meetings of holders of shares.

Stock-Based Compensation

As at June 30, 2022 there were 297,690,882 shares reserved for issuance under the Company's Stock Option Plan and Long Term Incentive Plan.

The following table summarizes the stock option and Restricted Share Unit ("RSU") award activities under the Company's share-based compensation plans for the six months ended June 30, 2022:

	Shares Subject to Options Outstanding				Outstanding RSUs	
	Number of Options ⁽¹⁾	Weighted Average Exercise Price \$	Remaining Contractual Term (in years)	Aggregate Intrinsic Value ⁽²⁾ \$	Weighted Average Grant Date Fair Value \$	Outstanding RSUs
December 31, 2021	11,538,665	34.52	5.67	1,190,972	—	8,438,183
Stock options granted	2,232,050	64.92	—	—	29.24	—
Stock options exercised	(1,371,670)	5.71	—	—	—	—
Stock options forfeited	(344,290)	82.10	—	—	—	—
RSUs granted	—	—	—	—	—	12,443,410
RSUs settled	—	—	—	—	—	(2,521,660)
RSUs forfeited	—	—	—	—	—	(1,106,642)
June 30, 2022	12,054,755	42.13	6.23	159,728	—	17,253,291
Stock options exercisable as of June 30, 2022	8,038,043	20.62	4.85	156,871		

(1) As at June 30, 2022 1,857,510 of the outstanding stock options were granted under the Company's Legacy Option Plan and are exercisable for Class B restricted voting shares, 10,002,852 of the outstanding stock options were granted under the Company's Stock Option Plan and are exercisable for Class A subordinate voting shares, and 194,393 of the outstanding stock options were granted under the 6 River Systems 2016 Amended and Restated Stock Option and Grant Plan and are exercisable for Class A subordinate voting shares.

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock option awards and the closing market price of the Company's Class A subordinate voting shares as of June 30, 2022 and December 31, 2021.

As at June 30, 2022 the Company had issued 9,729 Deferred Share Units under its Long Term Incentive Plan.

In connection with the acquisition of 6RS, 1,220,800 Class A subordinate voting shares were issued with trading restrictions, adjusted to give effect to the Share Split. The restrictions on these shares are lifted over time and are being accounted for as stock-based compensation as the vesting is contingent on continued employment and therefore related to post-combination services. As at June 30, 2022, 610,400 of the Class A subordinate voting shares remained restricted.

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The following table illustrates the classification of stock-based compensation expense in the condensed consolidated statements of operations and comprehensive (loss) income, which includes both stock-based compensation and restricted share-based compensation expense.

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
	\$	\$	\$	\$
Cost of revenues	2,359	1,637	4,426	3,152
Sales and marketing	17,173	9,671	31,896	18,524
Research and development	97,572	48,747	180,036	93,036
General and administrative	22,315	21,903	41,050	36,402
	<u>139,419</u>	<u>81,958</u>	<u>257,408</u>	<u>151,114</u>

14. Changes in Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in accumulated other comprehensive income (loss), which is reported as a component of shareholders' equity, for the six months ended June 30, 2022 and 2021:

	Accumulated Other Comprehensive Income (Loss)	
	Six months ended	
	June 30, 2022	June 30, 2021
	\$	\$
Balance, beginning of the period	<u>(5,974)</u>	<u>8,770</u>
Other comprehensive (loss) income before reclassifications	(9,735)	11,040
Loss (gain) on cash flow hedges reclassified from accumulated other comprehensive income (loss) to earnings were as follows:		
Cost of revenues	272	(852)
Sales and marketing	1,595	(4,734)
Research and development	3,150	(10,111)
General and administrative	1,634	(2,782)
Tax effect on unrealized loss (gain) on cash flow hedges	(59)	1,972
Other comprehensive loss, net of tax	<u>(3,143)</u>	<u>(5,467)</u>
Balance, end of the period	<u>(9,117)</u>	<u>3,303</u>

15. Income Taxes

The Company's provision for, or recovery of, income taxes is determined by applying the estimated annual effective tax rate to income or loss from recurring operations and adding the effects of any discrete income tax items specific to the period.

The Company updates its estimate of the annual effective tax rate each quarter and makes cumulative adjustments if its estimated annual tax rate changes. The Company's effective tax rate may be subject to fluctuation during the year as new information is obtained, which may affect the assumptions used to estimate the annual effective tax rate, including factors such as the mix of forecasted pre-tax earnings in the various jurisdictions in which the Company operates, valuation allowances against deferred tax assets, the recognition and derecognition of tax benefits related to uncertain tax positions, and changes in or the interpretation of tax laws in jurisdictions where the Company conducts business.

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The Company had a provision for income taxes of \$5,657 in the three months ended June 30, 2022, on account of earnings in jurisdictions outside of North America. The Company had a recovery of income taxes of \$172,792 in the six months ended June 30, 2022 primarily as a result of the unrealized loss on equity and other investments.

During the three months ended March 31, 2022, the Company recorded a valuation allowance in Canada against its net deferred income tax assets, which arose due to the overall unrealized loss on the Company's equity and other investments.

The Company had a provision for income taxes of \$40,222 and \$151,321 in the three and six months ended June 30, 2021, respectively, as a result of the unrealized gain on equity and other investments, ongoing operations, other discrete items, primarily related to tax benefits for share-based compensation, the Company's ability to carry-back losses to prior years in Canada, and the recognition of deferred tax assets in Canada.

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16. Net Income per Share

The Company applies the two-class method to calculate its basic and diluted net income per share as Class A subordinate voting shares and Class B restricted voting shares are participating securities with equal participation rights and are entitled to receive dividends on a share for share basis.

The following table summarizes the reconciliation of the basic weighted average number of shares outstanding and the diluted weighted average number of shares outstanding:

	Three months ended		Six months ended	
	June 30, 2022	June 30, 2021	June 30, 2022	June 30, 2021
Numerator:				
Net (loss) income	\$ (1,203,907)	\$ 879,093	\$ (2,678,315)	\$ 2,137,538
After tax effect of debt interest ⁽¹⁾	—	639	—	1,281
Net (loss) income after tax effected debt interest	<u>\$ (1,203,907)</u>	<u>\$ 879,732</u>	<u>\$ (2,678,315)</u>	<u>\$ 2,138,819</u>
Denominator ⁽²⁾ :				
Basic weighted average number of shares outstanding	1,262,011,665	1,245,475,010	1,261,069,535	1,238,991,770
Weighted average effect of dilutive securities:				
Stock options	—	17,700,442	—	19,194,116
Restricted share units	—	5,177,738	—	6,170,304
Convertible senior notes	—	6,388,480	—	6,388,480
Deferred share units	—	8,960	—	8,854
Diluted weighted average number of shares	<u>1,262,011,665</u>	<u>1,274,750,630</u>	<u>1,261,069,535</u>	<u>1,270,753,524</u>
Net (loss) income per share ⁽²⁾ :				
Basic	<u>\$ (0.95)</u>	<u>\$ 0.71</u>	<u>\$ (2.12)</u>	<u>\$ 1.73</u>
Diluted	<u>\$ (0.95)</u>	<u>\$ 0.69</u>	<u>\$ (2.12)</u>	<u>\$ 1.68</u>
Common stock equivalents excluded from income per diluted share because they are anti-dilutive ⁽²⁾ :				
Stock options	12,054,755	16,906	12,054,755	19,445
Restricted share units	17,253,291	8,992	17,253,291	9,344
Convertible senior notes	6,388,480	—	6,388,480	—
Deferred share units	9,729	—	9,729	—
	<u>35,706,255</u>	<u>25,898</u>	<u>35,706,255</u>	<u>28,789</u>

⁽¹⁾ When the Notes are dilutive, the after tax effect of debt interest is added back to net income to calculate diluted net income per share.

⁽²⁾ Prior period share and per share amounts have been adjusted to reflect the Share Split effected in June 2022. See Note 13 for details.

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17. Subsequent Events

Deliverr Acquisition

On July 8, 2022, the Company completed the acquisition of 100 percent of the outstanding shares of Deliverr, Inc. ("Deliverr"), a company based in San Francisco, California, that provides fulfillment services to ecommerce retailers. By adding Deliverr's software, which includes machine learning and optimization technology, the Company intends to accelerate the development of Shopify Fulfillment Network. The transaction was valued at approximately \$2,100,000, consisting of approximately \$1,700,000 in net cash and \$400,000 in Shopify Class A subordinate voting shares. Of the Shopify Class A subordinate voting shares, a portion will be allocated to the purchase price of the acquisition and a portion will be accounted for as stock-based compensation as it relates to post-combination services.

Equity Investment in Private Company

Consistent with the Company's ongoing strategic investments, the Company agreed to invest \$100,000 in a private company. The investment is expected to close in the third quarter of 2022.

MANAGEMENT'S DISCUSSION AND ANALYSIS

July 27, 2022

In this Management's Discussion and Analysis ("MD&A"), "we", "us", "our", "Shopify" and "the Company" refer to Shopify Inc. and its consolidated subsidiaries, unless the context requires otherwise. In this MD&A, we explain Shopify's results of operations and cash flows for the three and six months ended June 30, 2022 and 2021, and our financial position as of June 30, 2022. You should read this MD&A together with our unaudited condensed consolidated financial statements and the accompanying notes for the fiscal quarter ended June 30, 2022, as well as our audited consolidated financial statements and the accompanying notes for the fiscal year ended December 31, 2021. Additional information regarding Shopify, including our 2021 annual information form and our annual report on Form 40-F for the year ended December 31, 2021, is available on our website at www.shopify.com, or at www.sedar.com and www.sec.gov.

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All amounts are in U.S. dollars ("USD") except where otherwise indicated.

Our MD&A is intended to enable readers to gain an understanding of Shopify's results of operations, cash flows and financial position. To do so, we provide information and analysis comparing our results of operations, cash flows and financial position for the most recently completed quarter with the same quarter from the preceding fiscal year. We also provide analysis and commentary that we believe will help investors assess our future prospects. In addition, we provide "forward-looking statements" that are not historical facts, but that are based on our current estimates, beliefs and assumptions and which are subject to known and unknown important risks, uncertainties, assumptions and other factors that could cause actual results to differ materially from current expectations. Forward-looking statements are intended to assist readers in understanding management's expectations as of the date of this MD&A and may not be suitable for other purposes. See "Forward-looking Statements" below.

In this MD&A, references to our "solutions" means the combination of products and services that we offer to merchants, and references to "our merchants" as of a particular date means the total number of unique shops that are paying for a subscription to our platform.

Forward-looking Statements

This MD&A contains forward-looking statements under the provisions of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, and forward-looking information within the meaning of applicable Canadian securities legislation.

In some cases, you can identify forward-looking statements by words such as "aim", "may", "will", "could", "expects", "further", "plans", "anticipates", "believes", "potential", "continue", "estimate", or the negative of these terms or other similar words. In addition, any statements or information that refer to expectations, beliefs, plans, projections, objectives, performance or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking. In particular, forward-looking statements in this MD&A include, but are not limited to, statements about:

- the extent of the impact of the novel coronavirus ("COVID-19") on our business, financial performance, revenues, and results of operations;
- our expectation that the majority of Shopify employees will work remotely permanently ("digital-by-design");

- our plan to repurpose or reconfigure our remaining office space and potentially terminate additional leases or sublet other spaces;
- our exploration of new ways to accelerate checkout;
- our ability to make it easier for merchants to manage their storefronts via their mobile devices;
- the achievement of innovations and enhancements to, and expansion of, our platform and our solutions;
- whether a merchant using Shopify will ever need to re-platform;
- the continued growth of our app developer, theme designer and partner ecosystem and the effect on the growth of our merchant base;
- the continued expansion of the number of channels for merchants to transact through;
- our plan to continue making investments in our business to drive future growth;
- our expectation that we will continue to invest in and optimize Shopify Fulfillment Network to provide our merchants with fast and affordable fulfillment;
- our expectation that the acquisition of Deliverr, Inc. ("Deliverr") will successfully integrate into Shopify Fulfillment Network;
- our expectation that we may experience more normalized growth in gross merchandise volume ("GMV") against a more measured macro environment relative to 2021, but also expect that changed behaviours adopted by merchants and consumers that were driven by COVID-19 will continue to expand the prospects for entrepreneurship and digital commerce;
- our expectation that as we develop Shopify Fulfillment Network, 6 River Systems Inc. ("6RS") and Deliverr, these initiatives will be dilutive to the gross margin percentage of merchant solutions;
- our expectation that the continued growth of merchant solutions may cause a decline in our overall gross margin percentage;
- our expectation that as a result of the continued growth of our merchant solutions offerings, seasonality will continue to affect our quarterly results and our business may become more seasonal in the future, and that historical patterns may not be a reliable indicator of our future performance;
- our expectation that our results of operations and comparability of our quarterly results could be impacted by foreign currency fluctuations as our operations continue to expand internationally and that our foreign currency hedging program will help to mitigate these fluctuations;
- our expectation that as we roll out local currency billing options in geographies outside of North America, a decrease in the value of other currencies relative to the USD will negatively impact our reported subscription revenue and Monthly Recurring Revenue ("MRR");
- our expectation that over time, any impact to MRR from local currency billing and localized pricing will be offset by reduced friction and an enhanced in-market experience, which we anticipate will attract more merchants to our platform and our merchant solutions;
- the change in fair value of certain equity and other investments which may fluctuate period to period, and may cause volatility to our earnings;
- our expectation that the overall trend of merchant solutions revenue making up an increasing component of total revenues over time, most notably in the fourth quarter due to higher holiday volume, will continue over time;
- our future obligation to purchase our 0.125% convertible senior notes due 2025 (the "Notes") that are outstanding on the occurrence of a fundamental change;
- our belief that we have sufficient liquidity to meet our current and planned financial obligations over the next 12 months;
- our future financing requirements and the availability of capital;
- the future value of our investment income, in particular as a result of changes in interest rates, fair value or due to observable changes in price or impairments;
- the fair market value of the Notes as a result of changes in interest rates or the price of our Class A subordinate voting shares;
- expected credit losses as a result of macroeconomic factors;
- our expectations regarding contractual obligations and contingencies;
- the impact of inflation on our costs and operations and on our merchants sales;
- our accounting estimates, allowances, provisions, and assumptions made in the preparation of our financial statements; and
- our expectations regarding the impact of recently adopted accounting standards.

The forward-looking statements contained in this MD&A are based on our management's perception of historic trends, current conditions and expected future developments, as well as other assumptions that management believes are appropriate in the circumstances, which include, but are not limited to:

- our belief that the near-term costs of reducing our leased footprint and transitioning remaining spaces to their future intended purpose will yield longer-term benefits;
- our ability to increase the functionality of our platform;
- our ability to offer more sales channels that can connect to the platform;
- our belief in the increasing importance of a multi-channel platform that is both fully integrated and easy to use;
- our belief that an increasing awareness among buyers that Shopify provides a superior and secure checkout experience is an additional advantage for our merchants;
- our belief that commerce transacted over mobile will continue to grow more rapidly than desktop transactions;
- our ability to expand our merchant base, retain revenue from existing merchants as they grow their businesses, and increase sales to both new and existing merchants, including our ability to retain merchants that have moved from physical retail to ecommerce as a result of the COVID-19 pandemic;
- our belief that ecommerce growth will proceed at a normalized rate in 2022, supported by continued penetration of retail by ecommerce, but impacted by the increased post-pandemic consumer spend shift to services and in-person shopping, as well as inflationary pressures on our merchants and their buyers;
- our ability to manage our growth effectively;
- our ability to protect our intellectual property rights;
- our belief that our merchant solutions make it easier for merchants to start a business and grow on our platform by passing our economies of scale on to merchants;
- our ability to develop new solutions to extend the functionality of our platform and provide a high level of merchant service and support;
- our ability to hire, retain and motivate qualified personnel and to manage our operations in a digital-by-design model;
- our ability to enhance our ecosystem and partner programs, and the assumption that this will drive growth in our merchant base, further accelerating growth of the ecosystem;
- our belief that our strategic investments and acquisitions will increase our revenue base, improve the retention of this base and strengthen our ability to increase sales to our merchants and help drive our growth;
- our ability to achieve our revenue growth objectives while controlling costs and expenses, and our ability to achieve or maintain profitability;
- our belief that MRR is most closely correlated with the long-term value of our merchant relationships;
- our assumptions regarding the principal competitive factors in our markets;
- our ability to predict future commerce trends and technology;
- our assumptions that higher margin solutions such as Shopify Capital and Shopify Shipping will continue to grow through increased adoption and international expansion;
- our expectation that Shopify Payments will continue to expand internationally;
- our expectation that Shopify Fulfillment Network will scale and grow as we optimize the network, and we will continue to invest to support this growth;
- our belief that our investments in sales and marketing initiatives will continue to be effective in growing the number of merchants using our platform, in retaining revenue from existing merchants and in increasing revenues from both;
- our ability to develop processes, systems and controls to enable our internal support functions to scale with the growth of our business;
- our ability to retain key personnel;
- our ability to protect against currency, interest rate, concentration of credit and inflation risks;
- our assumptions as to our future expenses and financing requirements;
- our assumptions as to our critical accounting policies and estimates; and

- our assumptions as to the effects of accounting pronouncements to be adopted.

Factors that may cause actual results to differ materially from current expectations may include, but are not limited to, risks and uncertainties that are discussed in greater detail in the "Risk Factors" section of our Annual Information Form for the year ended December 31, 2021 and elsewhere in this MD&A, including but not limited to risks relating to:

- sustaining our rapid growth;
- managing our growth;
- our potential inability to compete successfully against current and future competitors;
- the security of personal information we store relating to merchants and their buyers, as well as consumers with whom we have a direct relationship including users of our apps;
- a denial of service attack or security breach;
- our ability to innovate;
- our limited operating history in new and developing markets and new geographic regions;
- international sales and operations and the use of our platform in various countries;
- our current reliance on a single supplier to provide the technology we offer through Shopify Payments;
- the reliance of our growth in part on the success of our strategic relationships with third parties;
- our potential inability to hire, retain and motivate qualified personnel;
- our use of a single cloud-based platform to deliver our services;
- complex and changing laws and regulations worldwide;
- our dependence on the continued services and performance of our senior management and other key employees;
- the COVID-19 pandemic and its impact on our business, financial condition and results of operations including the impact of measures taken to contain the virus and the impact on the global economy and consumer spending and on our merchants' and partners' ecosystem;
- payments processed through Shopify Payments, Shop Pay Installments, or payments processed or funds managed through Shopify Balance;
- our history of losses and our potential inability to maintain profitability;
- our potential failure to effectively maintain, promote and enhance our brand;
- serious errors or defects in our software or hardware;
- our potential inability to achieve or maintain data transmission capacity;
- activities of merchants or partners or the content of merchants' shops and our ability to detect and address unauthorized activity on our platform;
- evolving privacy laws and regulations, cross-border data transfer restrictions, data localization requirements and other domestic or foreign regulations may limit the use and adoption of our services;
- acquisitions and investments, including strategic investments;
- our ability to successfully scale, optimize and operate Shopify Fulfillment Network;
- risks associated with Shopify Capital, and offering financing to merchants;
- potential claims by third parties of intellectual property infringement or other third party or governmental claims, litigation, disputes, or other proceedings;
- our reliance on computer hardware, purchased or leased, software licensed from and services rendered by third parties, in order to provide our solutions and run our business, sometimes by a single-source supplier;
- the impact of worldwide economic conditions, such as economic impacts due to the Russian invasion of Ukraine, including the resulting effect on spending by small and medium-sized businesses or their buyers;
- manufacturing and supply chain risks;
- unanticipated changes in tax laws or adverse outcomes resulting from examination of our income or other tax returns;
- being required to collect federal, state, provincial or local business taxes, sales and use taxes or other indirect taxes in additional jurisdictions on transactions by our merchants;
- the interoperability of our platform with mobile devices and operating systems;

- changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers;
- our potential inability to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our technology;
- our pricing decisions for our solutions, including localized pricing for different markets;
- our use of open source software;
- seasonal fluctuations;
- exchange rate fluctuations that may negatively affect our results of operations;
- our dependence upon buyers' and merchants' access to, and willingness to use, the internet for commerce;
- provisions of our financial instruments including the Notes;
- our potential inability to raise additional funds as may be needed to pursue our growth strategy or continue our operations, on favorable terms or at all;
- our tax loss carryforwards;
- ownership of our shares;
- our sensitivity to interest rate fluctuations; and
- our concentration of credit risk, and the ability to mitigate that risk using third parties, and the risk of inflation.

Although we believe that the plans, intentions, expectations, assumptions and strategies reflected in our forward-looking statements are reasonable, these statements relate to future events or our future financial performance, and involve known and unknown risks, uncertainties and other factors which are, in some cases, beyond our control. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future results. You should read this MD&A and the documents that we reference in this MD&A completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

The forward-looking statements in this MD&A represent our views as of the date of this MD&A. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. Therefore, these forward-looking statements do not represent our views as of any date other than the date of this MD&A.

COVID-19

In light of the ongoing COVID-19 pandemic, we have continued to focus on the health and well-being of our employees, partners, service providers, and communities. We have also accelerated products that we believe will best serve our merchants as they deal with the challenges of COVID-19.

Beginning in March 2020, we observed sustained strong momentum in GMV, buoyed by restrictions related to COVID-19, as consumers looked for ways to purchase at a safe distance, utilizing ecommerce and benefiting from features such as curbside pickup and local delivery. The momentum continued throughout the year ended December 31, 2021, albeit at a slower pace, as we experienced an increase in GMV relative to the preceding fiscal year. The increase was driven by traditional retail businesses expanding or migrating their operations online with our platform and services as well as by an increase in the number of merchants using our retail Point-of-Sale ("POS") solutions. We believe that the COVID-triggered acceleration of ecommerce that spilled into the first half of 2021 in the form of lockdowns and government stimulus will be absent from 2022 and that macroeconomic factors such as the post-pandemic consumer spend shift to services and in-person shopping, as well as higher inflationary pressures on our merchants and their buyers, are among the main drivers of the deceleration of GMV growth in the first half of 2022. We continue to outperform in the ecommerce market and we are moving aggressively to rollout our POS solutions to more merchants in more geographies, which is increasing our market share of offline retail as well. In addition, we believe our ability to pass on our economies of scale to our merchants demonstrates that Shopify is the right place to be in an inflationary environment. This further highlights the resiliency of the platform and omnichannel we

have built over the past 16 years, and its ability to help entrepreneurs navigate through a variety of economic times. The effect of COVID-19 on other aspects of our results of operations and financial performance in the long-term, such as revenues, remains uncertain and may only be reflected in future periods.

The effects of COVID-19 have led us to reimagine the way we work resulting in the decision to be a "digital-by-design" company. Shopify employees are working remotely and embracing this digital-first way of thinking, working, and operating with the intention that the majority of employees will work remotely permanently. We believe the near-term costs of reducing our leased footprint and transitioning remaining spaces to their future intended purpose, including use for team collaboration and events, will yield longer-term benefits, including leveling the playing field for employees who already work from home, helping our employees stay healthy and safe, opening ourselves up to a diverse global talent pool, eliminating unnecessary commutes and fast-tracking new and better ways to work together that are more productive and rewarding. As a result of this decision, in the second quarter of 2020 and the third quarter of 2021, we decided we would terminate certain lease agreements or seek to sublet space at certain office locations. We continue to assess the ongoing need for the remaining offices and may repurpose them to accommodate physical distancing measures, further reconfigure them for use in a digital-by-design framework, or look to sublease or terminate the related leases in the future.

Russian Invasion of Ukraine

Shopify paused the collection of fees from its Ukrainian merchants and partners and does not intend to reintroduce them for the foreseeable future. We have also temporarily suspended operations in Russia and Belarus. We do not have a large financial exposure in any of these countries. We will continue to monitor this situation and comply with applicable sanctions as they are announced.

Overview

Shopify is a leading provider of essential internet infrastructure for commerce, offering trusted tools to start, grow, market, and manage a retail business of any size. Shopify makes commerce better for everyone with a platform and services that are engineered for simplicity and reliability, while delivering a better shopping experience for consumers everywhere.

In an era where social media, cloud computing, mobile devices, augmented reality and data analytics are creating new possibilities for commerce, Shopify provides differentiated value by offering merchants:

A multi-channel front end. Our software enables merchants to easily display, manage, market and sell their products across over a dozen different sales channels, including web and mobile storefronts, physical retail locations, pop-up shops, social media storefronts, native mobile apps, buy buttons, and marketplaces. More than two-thirds of our merchants have installed two or more channels. The Shopify application program interface ("API") has been developed to support custom storefronts that let merchants sell anywhere, in any language.

A single integrated back end. Our software provides one single integrated, easy-to-use back end that merchants use to manage their business and buyers across these multiple sales channels. Merchants use their Shopify dashboard, which is available in 21 languages, to manage products and inventory, process orders and payments, fulfill and ship orders, discover new buyers and build customer relationships, source products, leverage analytics and reporting, manage cash, payments and transactions, and access financing.

A data advantage. Our software is delivered to merchants as a service, and operates on a shared infrastructure. This cloud-based infrastructure not only relieves merchants from running and securing their own hardware, it also consolidates data generated by the interactions between buyers and a merchant's products, providing rich data to inform merchant decisions. With a large, rapidly growing and highly qualified team of data personnel, we expect to continue leveraging data for the benefit of our merchants with critical safeguards in place to ensure privacy, security and compliance.

Shopify also enables merchants to build their own brand, leverage mobile technology, sell internationally, and handle massive traffic spikes with flexible infrastructure:

Brand ownership. Shopify is designed to help our merchants own their brand, develop a direct relationship with their buyers, and make their buyer experience memorable and distinctive. We recognize that in a world where buyers have more choices than ever before, a merchant's brand is increasingly important. The Shopify platform is designed to allow a merchant to keep their brand present in every interaction to build buyer loyalty and competitive advantage. While our platform is designed to empower merchants first, merchants benefit when buyers are confident that their payments are secure. We believe that awareness among buyers that Shopify provides a superior and secure checkout experience is an additional advantage for our merchants in an increasingly competitive market. For merchants using Shopify Payments, buyers are already getting a superior experience, with features such as Shop Pay and Shop Pay Installments, and with our investments in additional buyer touchpoints, such as retail, shipping, fulfillment, and Shop, our all-in-one digital shopping companion app, brands that sell on Shopify can offer buyers an end-to-end, managed shopping experience that previously was only available to much larger businesses.

Mobile. As ecommerce expands as a percentage of overall retail transactions, a trend that accelerated in 2020 when the global COVID-19 pandemic necessitated physically distanced commerce, buyers expect to be able to transact anywhere, anytime, on any device through an experience that is simple, seamless, and secure. As transactions over mobile devices represent the majority of transactions across online stores powered by Shopify, the mobile experience is a merchant's primary and most important interaction with online buyers. Shopify has focused on enabling mobile commerce, and the Shopify platform includes a mobile-optimized checkout system, designed to enable merchants' buyers to more easily buy products over mobile websites. Our merchants are able to offer their buyers a quick and secure check-out option by using Shop Pay, Apple Pay, Facebook Pay, and Google Pay on the web, and we continue to explore other new ways to offer payment flexibility and accelerated checkout. Just as Shopify's tools enable retailers to sell directly to their buyers through online stores, the Shop app provides merchants that same direct sales power through an app. The Shop app is a digital shopping assistant that is available to buyers on iOS and Android mobile devices. Buyers use the Shop app to track packages, discover products from their favorite merchants, and engage with brands directly, which helps merchants increase the loyalty and lifetime value of their buyers. Shopify's mobile capabilities are not limited to the front end: merchants who are often on-the-go find themselves managing their storefronts via their mobile devices, and Shopify continues to strive to make it easier to do so.

Global. Commerce thrives when merchants are able to build a global brand and commerce beyond their own borders with little friction. Shopify Markets, a product introduced in 2021, enables merchants to manage localized storefronts in different countries through one global store, making cross-border commerce easier for entrepreneurs. With Shopify Markets, merchants can easily set up market-specific buying experiences, enabling buyers to shop in their local currencies, languages, domains, and payment methods. Shopify Markets also automatically calculates duty and import fees. Such tailored experiences are designed to increase local buyer trust and conversion, enabling merchants to enter new geographies more easily. Shopify Markets complements our partnership with Global-E, an offering for merchants who want to fully outsource their cross-border business with an approved third-party partner.

Infrastructure. We build our platform to address the growing challenges facing merchants and with the aim of making complex tasks simple. The Shopify platform is engineered to enterprise-level standards and functionality and designed for simplicity and ease of use. We also design our platform with a robust technical infrastructure able to manage large spikes in traffic that accompany events such as new product releases, holiday shopping seasons, and flash sales. We are constantly innovating and enhancing our platform, with our continuously deployed, multi-tenant architecture ensuring all of our merchants are always using the latest technology.

This combination of ease of use with enterprise-level functionality allows merchants to start with a Shopify store and grow with our platform to almost any size. Using Shopify, merchants may never need to re-platform. Our Shopify Plus subscription plan was created to accommodate larger merchants, with additional functionality, scalability and support requirements. The Shopify Plus plan also appeals to larger merchants not already on Shopify who want to migrate from their expensive and complex legacy solutions and get more functionality.

Sustainability

Shopify is a company that wants to see the next century, and has taken many steps to build a sustainable company, including committing to carbon neutrality. As part of this commitment, in 2019, we decommissioned our data centres and migrated our platform to Google Cloud, which is 100% powered by renewable energy.

Because we view commerce as a powerful vehicle for positive systemic change, as part of our focus on the long term, in 2019 Shopify launched a sustainability fund for what Shopify believes are the most promising and impactful technologies and projects to combat climate change, with a bias toward solutions that remove carbon from the atmosphere and permanently lock it away, as opposed to traditional offsets that pay others to avoid carbon emissions. In 2021, our sustainability fund invested in offsetting our operational footprint during the year, purchasing renewable energy certificates for our office buildings and employee home offices as well as purchasing carbon removal to completely eliminate the impact of carbon emissions from shipping every single order on our platform over the Black Friday/Cyber Monday shopping weekend. In addition, we continuously offset all carbon emissions associated with shipping orders placed using Shop Pay, our checkout accelerator. In March 2022, we signed a power purchase agreement equivalent to powering 100% of office buildings and employee home offices across North America with wind energy. Furthermore, in April 2022, the launch of Frontier was announced, an advance market commitment from a coalition of companies that plan to commit a combined \$925 million to purchase permanent carbon removal between 2022 and 2030. Frontier is the world's largest combined financial commitment to carbon removal and our intent is to commit \$100 million to these efforts. In June 2022, we discontinued our Offset app, our previous delivery emissions offsetting app, and replaced it with the Planet app ("Planet"). Planet gives our merchants the ability to remove the carbon emissions associated with their order deliveries by funding the same high-potential climate companies we support with our sustainability fund.

Ecosystem

A rich ecosystem of app developers, theme designers and other partners, such as digital and service professionals, marketers, photographers, and affiliates has evolved around the Shopify platform. Thousands of these partners have referred merchants to Shopify over the last year, and this strong, symbiotic relationship was further strengthened in the second half of 2021 when we extended more generous revenue sharing terms with app and theme developers. We believe this ecosystem has grown in part due to the platform's functionality, which is highly extensible and can be expanded through our API and the more than 8,000 apps available in the Shopify App Store. The partner ecosystem helps drive the growth of our merchant base, which in turn further accelerates growth of the ecosystem.

Business Overview

Our mission is to make commerce better for everyone, and we believe we can help merchants of nearly all sizes, from aspirational entrepreneurs to companies with large-scale, direct-to-consumer operations realize their potential at all stages of their business life cycle. While our platform can scale to meet the needs of large merchants, we focus on selling to small and medium-sized businesses and entrepreneurs. Most of our merchants are on subscription plans that cost less than \$50 per month, which is in line with our focus of providing cost effective solutions for early stage businesses. In the six months ended June 30, 2022, our platform facilitated GMV of \$90.1 billion, representing an increase of 13.2% from the six months ended June 30, 2021. A detailed description of this metric is presented below in the section entitled, "Key Performance Indicators".

During the six months ended June 30, 2022, our total revenue was \$2,498.7 million, an increase of 18.5% versus the six months ended June 30, 2021. Our business model has two revenue streams: a recurring subscription component we call subscription solutions and a merchant success-based component we call merchant solutions.

In the six months ended June 30, 2022, subscription solutions revenues accounted for 28.5% of our total revenues (31.1% in the six months ended June 30, 2021). We offer a range of plans that increase in price depending on additional features and economic considerations. Our highest-end plan, Shopify Plus, is offered at a starting rate that

is several times that of our standard Shopify plans. Shopify Plus solves for the complexity of merchants as they grow and scale globally, offering additional functionality, and support, including features like Shopify Flow and Launchpad, for ecommerce automation, and dedicated account management where appropriate. Allbirds, Gymshark, Heinz, Tupperware, FTD, Netflix and FIGS are a few of the Shopify Plus merchants seeking a reliable, cost-effective and scalable commerce solution. The flexibility of our pricing plans is designed to help our merchants grow in a cost-effective manner and to provide more advanced features and support as their business needs evolve. We have also launched localized pricing plans in select countries and expect to expand the number of markets where we bill in local currency in order to reduce friction and attract more merchants to our platform.

Revenue from subscription solutions is generated through the sale of subscriptions to our platform, including variable platform fees, as well as through the sale of subscriptions to our POS Pro offering, the sale of themes, the sale of apps, and the registration of domain names. Subscription solutions revenues increased from \$654.9 million in the six months ended June 30, 2021 to \$711.2 million in the six months ended June 30, 2022, representing an increase of 8.6%. Our merchants typically enter into monthly subscription agreements. The revenue from these agreements is recognized over time on a ratable basis over the contractual term and therefore we have deferred revenue on our balance sheet. We do not consider this deferred revenue balance to be a good indicator of future revenue. Instead, we believe MRR is most closely correlated with the long-term value of our merchant relationships. As of June 30, 2022, MRR totaled \$107.2 million, representing an increase of 12.7% relative to MRR at June 30, 2021. MRR grew at a faster rate, from June 30, 2021 to June 30, 2022, than subscription solutions revenue, in the respective quarters, due mainly to lower app and theme related revenue as a result of revised pricing terms with developer partners beginning in the third quarter of 2021 offset slightly by platform fees increasing as a percentage of total subscription solutions. A detailed description of this metric is presented below in the section entitled, "Key Performance Indicators".

We offer a variety of merchant solutions that are designed to add value to our merchants by passing on our economies of scale and augment our subscription solutions. During the six months ended June 30, 2022, merchant solutions revenues accounted for 71.5% of total revenues (68.9% in the six months ended June 30, 2021). We principally generate merchant solutions revenues from payment processing fees and currency conversion fees from Shopify Payments. Shopify Payments is a fully integrated payment processing service that allows our merchants to accept and process payment cards online and offline. In addition to payment processing fees and currency conversion fees from Shopify Payments, we also generate merchant solutions revenue from other transaction services, referral fees, advertising revenue on the Shopify App Store, Shopify Capital, Shop Pay Installments, Shopify Balance, Shopify Shipping, Shopify Fulfillment Network, collaborative warehouse fulfillment solutions, non-cash consideration obtained for services rendered as part of strategic partnerships, the sale of POS hardware, Shopify Email and Shopify Markets. Shopify Capital is currently available for merchants in the United States, the United Kingdom, Canada, and Australia. Our merchant solutions revenues are directionally correlated with the level of GMV that our merchants process through our platform. Merchant solutions revenues increased from \$1,453.2 million in the six months ended June 30, 2021 to \$1,787.5 million in the six months ended June 30, 2022, representing an increase of 23.0%.

Our business model is driven by our ability to attract new merchants, retain revenue from existing merchants, and increase sales to both new and existing merchants. Our merchants represent a wide array of retail verticals, business sizes, and geographies and no single merchant has ever represented more than five percent of our total revenues in a single reporting period. We believe that our future success is dependent on many factors, including our ability to expand our merchant base, retain merchants as they grow their businesses on our platform, offer more sales channels that connect merchants with their specific target audience, develop new solutions to extend our platform's functionality and catalyze merchants' sales growth, enhance our ecosystem and partner programs, provide a high level of merchant support, hire, retain and motivate qualified personnel, and build with a focus on maximizing long-term value.

We have focused on rapidly growing our business and plan to continue making investments to drive future growth. We believe that our investments will increase our revenue base, improve the retention of this base and strengthen our ability to increase sales to our merchants. Building a 100-year company requires a balance between growth and profitability, and we maintain a portfolio of investments with varying time horizons.

Consistent with investing for the long term, in 2019 we began building Shopify Fulfillment Network, a network of distributed fulfillment centers across the United States and Canada, to help merchants deliver orders to buyers quickly and cost-effectively, while putting merchants' own brand and customer experience front and center. Since 2019, we have made significant internal investments as well as strategic acquisitions and partnerships with private companies to accelerate the development of Shopify Fulfillment Network. Subsequent to June 30, 2022, we acquired Deliverr, a leading fulfillment technology provider. By leveraging Deliverr's software in SFN hub warehouses and spoke partner warehouses, all equipped with 6RS technology, we can provide merchants with simplified logistics by simplifying the end-to-end supply chain across freight, distribution, and fulfillment. Furthermore, our investments in Shopify Fulfillment Network will accelerate the expansion of Shop Promise, a new service that offers consumers reliable two-day delivery options across the U.S., utilizes an expanded network of partners and carriers, and guarantees merchants full ownership of their brand, business intelligence, and customer data across online storefronts and various channels. We expect to continue to invest in and optimize Shopify Fulfillment Network to further support our merchants.

Key Performance Indicators

Key performance indicators, which we do not consider to be non-GAAP measures, that we use to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions include Monthly Recurring Revenue ("MRR") and Gross Merchandise Volume ("GMV"). Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

The following table shows MRR and GMV for the three and six months ended June 30, 2022 and 2021.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Monthly Recurring Revenue	\$ 107,192	\$ 95,112	\$ 107,192	\$ 95,112
Gross Merchandise Volume	\$ 46,850,219	\$ 42,193,370	\$ 90,050,171	\$ 79,540,256

Monthly Recurring Revenue

We calculate MRR at the end of each period by multiplying the number of merchants who have subscription plans with us at the period end date by the average monthly subscription plan fee, which excludes variable platform fees, in effect on the last day of that period, assuming they maintain their subscription plans the following month. Subscription plans to both our platform and our POS Pro offering are included in this calculation. When applicable, MRR relating to subscription plans billed in a merchant's local currency is converted to USD using the respective currency exchange rate as of the period end date. Merchants on free trials are excluded from this calculation through the duration of the free trial. MRR allows us to average our various pricing plans and billing periods into a single, consistent number that we can track over time. We also analyze the factors that make up MRR, specifically the number of paying merchants using our platform and changes in our average revenue earned from subscription plan fees per paying merchant. In addition, we use MRR to forecast monthly, quarterly and annual subscription plan revenue, which makes up the majority of our subscription solutions revenue. We had \$107.2 million of MRR as at June 30, 2022 compared to \$95.1 million as at June 30, 2021. In the three and six months ended June 30, 2022, we observed a lower MRR growth rate, relative to the three and six months ended June 30, 2021 due to an elevated number of merchants joining the platform in the early stages of 2021 amid further COVID-19 related impacts, such as newly discovered variants and increased lockdowns, which further energized the shift to ecommerce. As of the second quarter of 2022, we have launched localized pricing plans in select countries and we expect to expand the number of markets where we bill in local currency. We expect that over time any impact to MRR will be more than offset by the fact that the reduced friction and enhanced in-market experience will attract more merchants to our platform who make use of our merchant solutions.

Gross Merchandise Volume

GMV is the total dollar value of orders facilitated through our platform including certain apps and channels for which a revenue-sharing arrangement is in place in the period, net of refunds, and inclusive of shipping and handling, duty and value-added taxes. GMV does not represent revenue earned by us. However, the volume of GMV facilitated through our platform is an indicator of the success of our merchants and the strength of our platform. Our merchant solutions revenues are also directionally correlated with the level of GMV facilitated through our platform. For the three and six months ended June 30, 2022, we facilitated GMV of \$46.9 billion and \$90.1 billion, respectively (2021 - \$42.2 billion and \$79.5 billion, respectively). In the three and six months ended June 30, 2021, we experienced elevated GMV coming off the tailwinds of the shift to ecommerce accelerated by COVID-19 in 2020, along with additional drivers in the form of lockdowns and government stimulus. Going forward, we expect more normalized growth in GMV against a more measured macro environment relative to 2021 as a result of post-pandemic consumer spend shifting to services and in-person shopping, as well as inflationary pressures on our merchants and their buyers. However, we also expect that changed behaviours adopted by merchants and consumers in 2020 and 2021 driven by COVID-19 will continue to expand the prospects for entrepreneurship and digital commerce.

Factors Affecting the Comparability of Our Results

Change in Revenue Mix

As a result of the continued growth of Shopify Payments, revenue-sharing agreements, transaction fees, Shopify Shipping, Shopify Capital, Shopify Fulfillment Network, and non-cash consideration obtained for services rendered as part of strategic partnerships, our revenues from merchant solutions have generally increased significantly. Merchant solutions are intended to complement subscription solutions by providing additional value to our merchants and increasing their use of our platform. Gross profit margins on Shopify Payments, the biggest driver of merchant solutions revenue, are typically lower than on subscription solutions due to the associated third-party costs of providing this solution. We view this revenue stream as beneficial to our operating margins, as Shopify Payments requires significantly less sales and marketing and research and development expense than Shopify's core subscription business. We expect the development of Shopify Fulfillment Network, 6RS, and Deliverr to be dilutive to the gross margin percentage for merchant solutions in the short term. The lower margins on merchant solutions compared to subscription solutions means that the continued growth of merchant solutions may cause a decline in our overall gross margin percentage.

Seasonality

Our merchant solutions revenues are directionally correlated with the level of GMV that our merchants facilitated through our platform. Our merchants typically process additional GMV during the fourth quarter holiday season. As a result, we have historically generated higher merchant solutions revenues in our fourth quarter than in other quarters. While we believe that this seasonality has affected and will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date. As a result of the continued growth of our merchant solutions offerings, we believe that our business may become more seasonal in the future and that historical patterns in our business may not be a reliable indicator of our future performance.

Foreign Currency Fluctuations

While the majority of our revenues, cost of revenues, and operating expenses are denominated in USD, a significant portion are denominated in foreign currencies. Due to offering Shopify Payments, subscriptions, and other billings to select countries in local currency, a significant proportion of revenue transactions are denominated in GBP, EUR, and CAD. As our operations continue to be heavily weighted in CAD and as operations continue to expand internationally, a significant proportion of operating expenses are also incurred in these foreign currencies. To help mitigate the impacts associated with foreign currency fluctuations on future cash flows from operating expenses, we maintain a portfolio of foreign exchange forward contracts and options designated as hedging instruments. As our operations continue to expand internationally, we may be exposed to additional fluctuations in other foreign

currencies. Refer to the "Risks and Uncertainties—Foreign Currency Exchange Risk" section below for additional information on the effect on reported results of changes in foreign exchange rates.

Key Components of Results of Operations

See Management's Discussion and Analysis dated February 16, 2022 as well as our Annual Report on Form 40-F for the year ended December 31, 2021 for details on the key components of results of operations.

Quarterly Results of Operations

The following table sets forth our results of operations for the three and six months ended June 30, 2022 and 2021.

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
(in thousands, except share and per share data)				
Revenues:				
Subscription solutions	\$ 366,443	\$ 334,237	\$ 711,204	\$ 654,918
Merchant solutions	928,620	785,208	1,787,482	1,453,174
	<u>1,295,063</u>	<u>1,119,445</u>	<u>2,498,686</u>	<u>2,108,092</u>
Cost of revenues ⁽²⁾⁽³⁾ :				
Subscription solutions	85,238	63,027	162,783	121,409
Merchant solutions	554,183	435,558	1,042,624	807,107
	<u>639,421</u>	<u>498,585</u>	<u>1,205,407</u>	<u>928,516</u>
Gross profit	<u>655,642</u>	<u>620,860</u>	<u>1,293,279</u>	<u>1,179,576</u>
Operating expenses:				
Sales and marketing ⁽²⁾⁽³⁾	326,902	201,910	630,273	388,133
Research and development ⁽²⁾⁽³⁾	346,667	183,557	650,328	359,443
General and administrative ⁽²⁾	129,901	77,966	237,989	145,068
Transaction and loan losses	42,380	17,986	62,873	28,592
Total operating expenses	<u>845,850</u>	<u>481,419</u>	<u>1,581,463</u>	<u>921,236</u>
(Loss) income from operations	<u>(190,208)</u>	<u>139,441</u>	<u>(288,184)</u>	<u>258,340</u>
Other (expense) income, net	<u>(1,008,042)</u>	<u>779,874</u>	<u>(2,562,923)</u>	<u>2,030,519</u>
(Loss) income before income taxes	<u>(1,198,250)</u>	<u>919,315</u>	<u>(2,851,107)</u>	<u>2,288,859</u>
(Provision for) recovery of income taxes	<u>(5,657)</u>	<u>(40,222)</u>	<u>172,792</u>	<u>(151,321)</u>
Net (loss) income	<u>\$ (1,203,907)</u>	<u>\$ 879,093</u>	<u>\$ (2,678,315)</u>	<u>\$ 2,137,538</u>
Net (loss) income per share attributable to shareholders ⁽¹⁾ :				
Basic	<u>\$ (0.95)</u>	<u>\$ 0.71</u>	<u>\$ (2.12)</u>	<u>\$ 1.73</u>
Diluted	<u>\$ (0.95)</u>	<u>\$ 0.69</u>	<u>\$ (2.12)</u>	<u>\$ 1.68</u>
Shares used to compute net (loss) income per share attributable to shareholders ⁽¹⁾ :				
Basic	<u>1,262,011,665</u>	<u>1,245,475,010</u>	<u>1,261,069,535</u>	<u>1,238,991,770</u>
Diluted	<u>1,262,011,665</u>	<u>1,274,750,630</u>	<u>1,261,069,535</u>	<u>1,270,753,524</u>

⁽¹⁾ Prior period share and per share amounts have been adjusted to reflect the ten-for-one share split ("Share Split") effected in June 2022.

⁽²⁾ Includes stock-based compensation expense and related payroll taxes as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
(in thousands)				
Cost of revenues	\$ 2,409	\$ 1,809	\$ 4,592	\$ 3,660
Sales and marketing	17,375	10,990	32,578	21,875
Research and development	98,767	55,988	184,504	112,015
General and administrative	22,560	23,759	42,631	41,964
	<u>\$ 141,111</u>	<u>\$ 92,546</u>	<u>\$ 264,305</u>	<u>\$ 179,514</u>

⁽³⁾ Includes amortization of acquired intangibles as follows:

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(in thousands)			
Cost of revenues	\$ 6,942	\$ 4,372	\$ 13,176	\$ 8,903
Sales and marketing	384	386	770	772
Research and development	—	58	76	116
	<u>\$ 7,326</u>	<u>\$ 4,816</u>	<u>\$ 14,022</u>	<u>\$ 9,791</u>

Revenues

	Three months ended June 30,		2022 vs. 2021	Six months ended June 30,		2022 vs. 2021
	2022	2021	% Change	2022	2021	% Change
	(in thousands, except percentages)					
Revenues:						
Subscription solutions	\$ 366,443	\$ 334,237	9.6 %	\$ 711,204	\$ 654,918	8.6 %
Merchant solutions	928,620	785,208	18.3 %	1,787,482	1,453,174	23.0 %
Total revenues	<u>\$ 1,295,063</u>	<u>\$ 1,119,445</u>	<u>15.7 %</u>	<u>\$ 2,498,686</u>	<u>\$ 2,108,092</u>	<u>18.5 %</u>
Percentage of revenues:						
Subscription solutions	28.3 %	29.9 %		28.5 %	31.1 %	
Merchant solutions	71.7 %	70.1 %		71.5 %	68.9 %	
	100.0 %	100.0 %		100.0 %	100.0 %	

Subscription Solutions

Subscription solutions revenues increased \$32.2 million, or 9.6%, for the three months ended June 30, 2022 compared to the same period in 2021. The period-over-period increase was primarily a result of growth in MRR, which was driven largely by the higher number of merchants using our platform. The increase was offset by the impact of our partner pricing terms for both app and theme developers, which eliminates our revenue share on the first million dollars made by the developers annually in order to attract the best developers in the world.

Subscription solutions revenues increased \$56.3 million, or 8.6%, for the six months ended June 30, 2022 compared to the same period in 2021. The period-over-period increase was primarily a result of growth in MRR, which was driven largely by the higher number of merchants using our platform. The increase was offset by the impact of our partner pricing terms for both app and theme developers, which eliminates our revenue share on the first million dollars made by the developers annually in order to attract the best developers in the world.

Merchant Solutions

Merchant solutions revenues increased \$143.4 million, or 18.3%, for the three months ended June 30, 2022 compared to the same period in 2021. The increase in merchant solutions revenues was primarily a result of Shopify Payments revenue, relating to payment processing and currency conversion fees, growing in the three months ended June 30, 2022 compared to the same period in 2021. This increase was a result of an increase in our Shopify Payments penetration rate and number of merchants using our platform. These factors drove \$4.6 billion of additional GMV facilitated using Shopify Payments in the three months ended June 30, 2022 compared to the same period in 2021, representing growth of 22.8% quarter over quarter. For the three months ended June 30, 2022, the Shopify Payments penetration rate was 53.1%, resulting in GMV of \$24.9 billion that was facilitated using Shopify Payments. This compares to a penetration rate of 48.0% resulting in GMV of \$20.3 billion that was facilitated using Shopify Payments in the same period in 2021.

Merchant solutions revenues increased \$334.3 million, or 23.0%, for the six months ended June 30, 2022 compared to the same period in 2021. The increase in merchant solutions revenues was primarily a result of Shopify Payments revenue, relating to payment processing and currency conversion fees, growing in the six months ended June 30, 2022, compared to the same period in 2021. This increase was a result of an increase in our Shopify Payments penetration rate and number of merchants using our platform. These factors drove \$9.3 billion of additional GMV facilitated using Shopify Payments in the six months ended June 30, 2022 compared to the same period in 2021, representing growth of 24.8%. For the six months ended June 30, 2022, the Shopify Payments penetration rate was 52.1%, resulting in GMV of \$46.9 billion that was facilitated using Shopify Payments. This compares to a penetration rate of 47.2% resulting in GMV of \$37.6 billion that was facilitated using Shopify Payments in the same period in 2021.

In addition to the increase in revenue from Shopify Payments, non-cash consideration received for services rendered as part of strategic partnerships, Shopify Capital, referral fees from partners, and Shop Pay Installments revenues increased during the three and six months ended June 30, 2022, compared to the same period in 2021. The increases in non-cash consideration received for services rendered as part of strategic partnerships and referral fees from partners were driven largely by an increase in the number of arrangements with partners, as well as an increase in referral activity, when compared to the same period in 2021. Shopify Capital revenue increased mainly as a result of an increase in the advances outstanding throughout the respective period coupled with the increase in GMV. Shop Pay Installments revenue increased due to an increase in GMV processed through Shop Pay Installments.

Cost of Revenues

	Three months ended June 30,		2022 vs. 2021	Six months ended June 30,		2022 vs. 2021
	2022	2021	% Change	2022	2021	% Change
(in thousands, except percentages)						
Cost of revenues:						
Cost of subscription solutions	\$ 85,238	\$ 63,027	35.2 %	\$ 162,783	\$ 121,409	34.1 %
Cost of merchant solutions	554,183	435,558	27.2 %	1,042,624	807,107	29.2 %
Total cost of revenues	\$ 639,421	\$ 498,585	28.2 %	\$ 1,205,407	\$ 928,516	29.8 %
Percentage of revenues:						
Cost of subscription solutions	6.6 %	5.6 %		6.5 %	5.8 %	
Cost of merchant solutions	42.8 %	38.9 %		41.7 %	38.3 %	
	49.4 %	44.5 %		48.2 %	44.0 %	

Cost of Subscription Solutions

Cost of subscription solutions increased \$22.2 million, or 35.2%, for the three months ended June 30, 2022 compared to the same period in 2021. The increase was due to an increase in the costs necessary to support the growth in traffic and functionality of our platform across multiple jurisdictions, resulting in an increase in: cloud infrastructure costs, employee-related costs, and credit card fees for processing merchant billings. The increase was slightly offset with a decrease in recognized cost of sales related to third-party partners for the development of themes as we commenced recognizing revenue for the sale of themes net of costs in the fourth quarter of 2021. As a percentage of revenues, cost of subscription solutions increased from 5.6% in the three months ended June 30, 2021 to 6.6% in the three months ended June 30, 2022 due to an increase in infrastructure and hosting costs slightly offset by a decrease in recognized cost of sales related to third-party partners for the development of themes.

Cost of subscription solutions increased \$41.4 million, or 34.1%, for the six months ended June 30, 2022 compared to the same period in 2021. The increase was due to an increase in the costs necessary to support the growth in traffic and functionality of our platform across multiple jurisdictions, resulting in an increase in: cloud infrastructure costs, employee-related costs, and credit card fees for processing merchant billings. The increase was slightly offset

with a decrease in recognized cost of sales related to third-party partners for the development of themes as we commenced recognizing revenue for the sale of themes net of costs in the fourth quarter of 2021. As a percentage of revenues, cost of subscription solutions increased from 5.8% in the six months ended June 30, 2021 to 6.5% in the six months ended June 30, 2022 due to an increase in infrastructure and hosting costs slightly offset by a decrease in recognized cost of sales related to third-party partners for the development of themes.

Cost of Merchant Solutions

Cost of merchant solutions increased \$118.6 million, or 27.2%, for the three months ended June 30, 2022 compared to the same period in 2021. The increase was primarily due to higher payment processing and interchange fees resulting from an increase in GMV facilitated through Shopify Payments. Cost of merchant solutions as a percentage of revenues increased from 38.9% in the three months ended June 30, 2021 to 42.8% in the three months ended June 30, 2022 due mainly to Shopify Payments representing a larger percentage of total revenue and higher payment processing fees from Shopify Payments, caused by an increase in network costs and changes in payment card type and merchant mix, relative to the increase in Shopify Payments revenue.

Cost of merchant solutions increased \$235.5 million, or 29.2%, for the six months ended June 30, 2022 compared to the same period in 2021. The increase was primarily due to higher payment processing and interchange fees resulting from an increase in GMV facilitated through Shopify Payments. Cost of merchant solutions as a percentage of revenues increased from 38.3% in the six months ended June 30, 2021 to 41.7% in the six months ended June 30, 2022 due mainly to Shopify Payments representing a larger percentage of total revenue and higher payment processing from Shopify Payments, caused by an increase in network costs and changes in payment card type and merchant mix, relative to the increase in Shopify Payments revenue.

Gross Profit

	Three months ended June 30,		2022 vs. 2021	Six months ended June 30,		2022 vs. 2021
	2022	2021	% Change	2022	2021	% Change
(in thousands, except percentages)						
Gross profit	\$ 655,642	\$ 620,860	5.6 %	\$ 1,293,279	\$ 1,179,576	9.6 %
Percentage of total revenues	50.6 %	55.5 %		51.8 %	56.0 %	

Gross profit increased \$34.8 million, or 5.6%, for the three months ended June 30, 2022 compared to the same period in 2021. As a percentage of total revenues, gross profit decreased from 55.5% in the three months ended June 30, 2021 to 50.6% in the three months ended June 30, 2022, principally due to Shopify Payments representing a larger percentage of total revenues, higher payment processing fees from Shopify Payments, caused by an increase in network costs and changes in payment card type and merchant mix, relative to the increase in Shopify Payments revenue, and higher infrastructure and hosting costs. This was partly offset by an increase in higher margin revenue streams, such as non-cash consideration received for services rendered as part of strategic partnerships.

Gross profit increased \$113.7 million, or 9.6%, for the six months ended June 30, 2022 compared to the same period in 2021. As a percentage of total revenues, gross profit decreased from 56.0% in the six months ended June 30, 2021 to 51.8% in the six months ended June 30, 2022, principally due to Shopify Payments representing a larger percentage of total revenues, higher payment processing fees from Shopify Payments, caused by an increase in network costs and changes in payment card type and merchant mix, relative to the increase in Shopify Payments revenue, and higher infrastructure and hosting costs. This was partly offset by an increase in higher margin revenue streams, such as non-cash consideration received for services rendered as part of strategic partnerships.

Operating Expenses

Sales and Marketing

	Three months ended June 30,		2022 vs. 2021	Six months ended June 30,		2022 vs. 2021
	2022	2021	% Change	2022	2021	% Change
(in thousands, except percentages)						
Sales and marketing	\$ 326,902	\$ 201,910	61.9 %	\$ 630,273	\$ 388,133	62.4 %
Percentage of total revenues	25.2 %	18.0 %		25.2 %	18.4 %	

Sales and marketing expenses increased \$125.0 million, or 61.9%, for the three months ended June 30, 2022 compared to the same period in 2021, due to an increase of \$65.7 million spent on marketing programs to support the growth of our business, such as advertisements on display ads and media. The increase in sales and marketing expenses also includes an increase of \$56.1 million in employee-related costs (\$6.4 million of which related to stock-based compensation and related payroll taxes), largely due to the growth in sales and marketing headcount in the three months ended June 30, 2022 compared to the same period in 2021.

Sales and marketing expenses increased \$242.1 million, or 62.4%, for the six months ended June 30, 2022 compared to the same period in 2021, due to an increase of \$126.9 million spent on marketing programs to support the growth of our business, such as advertisements on display ads and media. The increase in sales and marketing expenses also includes an increase of \$109.8 million in employee-related costs (\$10.7 million of which related to stock-based compensation and related payroll taxes), largely due to the growth in sales and marketing headcount in the six months ended June 30, 2022, compared to the same period in 2021.

Research and Development

	Three months ended June 30,		2022 vs. 2021	Six months ended June 30,		2022 vs. 2021
	2022	2021	% Change	2022	2021	% Change
(in thousands, except percentages)						
Research and development	\$ 346,667	\$ 183,557	88.9 %	\$ 650,328	\$ 359,443	80.9 %
Percentage of total revenues	26.8 %	16.4 %		26.0 %	17.1 %	

Research and development expenses increased \$163.1 million, or 88.9%, for the three months ended June 30, 2022 compared to the same period in 2021, due to an increase of \$155.1 million in employee-related costs (\$42.8 million of which related to stock-based compensation and related payroll taxes) and a \$6.4 million increase in computer hardware and software costs, all as a result of the growth in our employee base and expanded development programs.

Research and development expenses increased \$290.9 million, or 80.9%, for the six months ended June 30, 2022 compared to the same period in 2021, due to an increase of \$275.1 million in employee related costs (\$72.5 million of which related to stock-based compensation and related payroll taxes) and a \$13.1 million increase in computer hardware and software costs, all as a result of the growth in our employee base and expanded development programs.

General and Administrative

	Three months ended June 30,		2022 vs. 2021	Six months ended June 30,		2022 vs. 2021
	2022	2021	% Change	2022	2021	% Change
(in thousands, except percentages)						
General and administrative	\$ 129,901	\$ 77,966	66.6 %	\$ 237,989	\$ 145,068	64.1 %
Percentage of total revenues	10.0 %	7.0 %		9.5 %	6.9 %	

General and administrative expenses increased \$51.9 million, or 66.6%, for the three months ended June 30, 2022 compared to the same period in 2021, due largely to an increase of \$29.3 million in employee-related costs (which was offset by a \$1.2 million decrease related to stock-based compensation and related payroll taxes). General and administrative expenses also increased due to a \$9.7 million increase in public company expenses and a \$8.3 million increase in professional services for legal and financial services.

General and administrative expenses increased \$92.9 million, or 64.1%, for the six months ended June 30, 2022 compared to the same period in 2021, due to an increase of \$60.0 million in employee-related costs (\$0.7 million of which related to stock-based compensation and related payroll taxes). General and administrative expenses also increased due to a \$17.0 million increase in professional services for legal and financial services and a \$9.9 million increase in public company expenses.

Transaction and Loan Losses

	Three months ended June 30,		2022 vs. 2021	Six months ended June 30,		2022 vs. 2021
	2022	2021	% Change	2022	2021	% Change
(in thousands, except percentages)						
Transaction and loan losses	\$ 42,380	\$ 17,986	135.6 %	\$ 62,873	\$ 28,592	119.9 %
Percentage of total revenues	3.3 %	1.6 %		2.5 %	1.4 %	

Transaction and loan losses increased \$24.4 million, or 135.6%, for the three months ended June 30, 2022 compared to the same period in 2021, primarily due to an increase in losses related to Shopify Payments and Shop Pay Installments of \$15.7 million, as a result of an increase in realized and expected losses relating to Shopify Payments and increased GMV processed through Shopify Payments and Shop Pay Installments. The increase can also be attributed to an increase in Shopify Capital losses of \$8.5 million driven by an expansion of our Capital offerings and programs as well as an increase in current expected losses related to Shopify Capital relative to the same period in 2021.

Transaction and loan losses increased \$34.3 million, or 119.9%, for the six months ended June 30, 2022 compared to the same period in 2021, primarily due to an increase in losses related to Shopify Payments and Shop Pay Installments of \$20.1 million, as a result of increase in realized and expected losses relating to Shopify Payments and increased GMV processed through Shopify Payments and Shop Pay Installments. The increase can also be attributed to an increase in Shopify Capital losses of \$14.0 million driven by an expansion of our Capital offerings and programs as well as an increase in current expected losses related to Shopify Capital relative to the same period in 2021.

Other (Expense) Income, net

	<u>Three months ended June 30,</u>		2022 vs. 2021	<u>Six months ended June 30,</u>		2022 vs. 2021
	<u>2022</u>	<u>2021</u>	<u>% Change</u>	<u>2022</u>	<u>2021</u>	<u>% Change</u>
(in thousands, except percentages)						
Other (expense) income, net	\$ (1,008,042)	\$ 779,874	*	\$ (2,562,923)	\$ 2,030,519	*

* Not a meaningful comparison

In the three months ended June 30, 2022, we had other expenses of \$1.0 billion, compared to other income of \$0.8 billion in the same period in 2021. The expense was driven by unrealized losses on equity and other investments in public companies of \$859.1 million, which was mainly related to the change in share prices from March 31, 2022 to June 30, 2022 in our Affirm and Global-E investments. We also recognized net unrealized losses and impairment on equity and other investments in private companies of \$159.3 million. Additionally, we incurred a foreign exchange loss of \$2.7 million in the three months ended June 30, 2022. The unrealized losses were offset slightly by interest income of \$12.5 million recognized on investments and realized gains on equity and other investments of \$1.5 million in the three months ended June 30, 2022.

In the six months ended June 30, 2022, we had other expenses of \$2.6 billion, compared to other income of \$2.0 billion in the same period in 2021. The expense was primarily driven by net unrealized losses on equity and other investments in public companies of \$2.5 billion, which was mainly related to the change in share prices from December 31, 2021 to June 30, 2022 in our Affirm and Global-E investments. We also recognized net unrealized losses and impairment on equity and other investments in private companies of \$163.5 million. Additionally, we incurred a foreign exchange loss of \$7.7 million in the six months ended June 30, 2022. The unrealized losses were offset slightly by net realized gains on equity and other investments of \$123.8 million and interest income of \$18.7 million recognized on investments in the six months ended June 30, 2022.

(Provision for) Recovery of Income Taxes

	Three months ended June 30,		2022 vs. 2021	Six months ended June 30,		2022 vs. 2021
	2022	2021	% Change	2022	2021	% Change
(in thousands, except percentages)						
(Provision for) recovery of income taxes	\$ (5,657)	\$ (40,222)	*	\$ 172,792	\$ (151,321)	*

* Not a meaningful comparison

We had a provision for income taxes of \$5.7 million in the three months ended June 30, 2022, on account of earnings in jurisdictions outside of North America. We had a recovery of income taxes of \$172.8 million in the six months ended June 30, 2022 primarily as a result of the unrealized loss on equity and other investments.

During the three months ended March 31, 2022, we recorded a valuation allowance in Canada against our net deferred income tax assets, which arose due to the overall unrealized loss on our equity and other investments.

This compares to a provision for income taxes of \$40.2 million and \$151.3 million in the same periods in 2021 primarily related to unrealized gains on equity and other investments, ongoing operations, other discrete items, primarily related to tax benefits for share-based compensation, our ability to carry-back losses to prior years in Canada, and the recognition of deferred tax assets in Canada.

Summary of Quarterly Results

The following table sets forth selected unaudited quarterly results of operations data for each of the eight quarters ended June 30, 2022. The information for each of these quarters has been derived from unaudited condensed consolidated financial statements that were prepared on the same basis as the audited annual financial statements and, in the opinion of management, reflects all adjustments, which include only normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods in accordance with U.S. GAAP. This data should be read in conjunction with our unaudited condensed consolidated financial statements and audited consolidated financial statements and related notes for the relevant period. These quarterly operating results are not necessarily indicative of our operating results for a full year or any future period.

	Three months ended							
	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
	(in thousands, except per share data)							
Revenues:								
Subscription solutions	\$ 366,443	\$ 344,761	\$ 351,208	\$ 336,208	\$ 334,237	\$ 320,681	\$ 279,440	\$ 245,274
Merchant solutions	928,620	858,862	1,028,816	787,532	785,208	667,966	698,304	522,131
	<u>1,295,063</u>	<u>1,203,623</u>	<u>1,380,024</u>	<u>1,123,740</u>	<u>1,119,445</u>	<u>988,647</u>	<u>977,744</u>	<u>767,405</u>
Cost of revenues: ⁽²⁾⁽³⁾								
Subscription solutions	85,238	77,545	75,587	67,355	63,027	58,382	59,250	52,170
Merchant solutions	554,183	488,441	611,778	447,476	435,558	371,549	414,106	310,087
	<u>639,421</u>	<u>565,986</u>	<u>687,365</u>	<u>514,831</u>	<u>498,585</u>	<u>429,931</u>	<u>473,356</u>	<u>362,257</u>
Gross profit	<u>655,642</u>	<u>637,637</u>	<u>692,659</u>	<u>608,909</u>	<u>620,860</u>	<u>558,716</u>	<u>504,388</u>	<u>405,148</u>
Operating expenses:								
Sales and marketing ⁽²⁾⁽³⁾	326,902	303,371	275,475	237,949	201,910	186,223	154,728	147,608
Research and development ⁽²⁾⁽³⁾	346,667	303,661	273,912	221,028	183,557	175,886	159,077	143,427
General and administrative ⁽²⁾	129,901	108,088	101,054	128,722	77,966	67,102	65,395	51,799
Transaction and loan losses	42,380	20,493	27,814	25,311	17,986	10,606	12,647	11,753
Total operating expenses	<u>845,850</u>	<u>735,613</u>	<u>678,255</u>	<u>613,010</u>	<u>481,419</u>	<u>439,817</u>	<u>391,847</u>	<u>354,587</u>
(Loss) income from operations	<u>(190,208)</u>	<u>(97,976)</u>	<u>14,404</u>	<u>(4,101)</u>	<u>139,441</u>	<u>118,899</u>	<u>112,541</u>	<u>50,561</u>
Other (expense) income, net	<u>(1,008,042)</u>	<u>(1,554,881)</u>	<u>(503,123)</u>	<u>1,344,553</u>	<u>779,874</u>	<u>1,250,645</u>	<u>(2,788)</u>	<u>135,806</u>
(Loss) income before income taxes	<u>(1,198,250)</u>	<u>(1,652,857)</u>	<u>(488,719)</u>	<u>1,340,452</u>	<u>919,315</u>	<u>1,369,544</u>	<u>109,753</u>	<u>186,367</u>
(Provision for) recovery of income taxes	<u>(5,657)</u>	<u>178,449</u>	<u>117,408</u>	<u>(192,020)</u>	<u>(40,222)</u>	<u>(111,099)</u>	<u>14,119</u>	<u>4,701</u>
Net (loss) income	<u>\$ (1,203,907)</u>	<u>\$ (1,474,408)</u>	<u>\$ (371,311)</u>	<u>\$ 1,148,432</u>	<u>\$ 879,093</u>	<u>\$ 1,258,445</u>	<u>\$ 123,872</u>	<u>\$ 191,068</u>
Net (loss) income per share attributable to shareholders ⁽¹⁾ :								
Basic	\$ (0.95)	\$ (1.17)	\$ (0.30)	\$ 0.92	\$ 0.71	\$ 1.02	\$ 0.10	\$ 0.16
Diluted	\$ (0.95)	\$ (1.17)	\$ (0.30)	\$ 0.90	\$ 0.69	\$ 0.99	\$ 0.10	\$ 0.15

⁽¹⁾ Prior period per share amounts have been adjusted to reflect the Share Split effected in June 2022.

⁽²⁾ Includes stock-based compensation expense and related payroll taxes as follows:

	Three months ended							
	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
	(in thousands, except per share data)							
Cost of revenues	\$ 2,409	\$ 2,183	\$ 1,995	\$ 1,987	\$ 1,809	\$ 1,851	\$ 1,705	\$ 2,914
Sales and marketing	17,375	15,203	13,735	11,673	10,990	10,885	10,044	11,481
Research and development	98,767	85,737	74,932	63,840	55,988	56,027	54,262	47,741
General and administrative	22,560	20,071	18,735	30,638	23,759	18,205	16,480	13,266
	<u>\$ 141,111</u>	<u>\$ 123,194</u>	<u>\$ 109,397</u>	<u>\$ 108,138</u>	<u>\$ 92,546</u>	<u>\$ 86,968</u>	<u>\$ 82,491</u>	<u>\$ 75,402</u>

⁽³⁾ Includes amortization of acquired intangibles as follows:

	Three months ended							
	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
	(in thousands)							
Cost of revenues	\$ 6,942	\$ 6,234	\$ 5,960	\$ 5,536	\$ 4,372	\$ 4,531	\$ 4,532	\$ 4,531
Sales and marketing	384	386	386	386	386	386	384	388
Research and development	—	76	32	58	58	58	59	58
	<u>\$ 7,326</u>	<u>\$ 6,696</u>	<u>\$ 6,378</u>	<u>\$ 5,980</u>	<u>\$ 4,816</u>	<u>\$ 4,975</u>	<u>\$ 4,975</u>	<u>\$ 4,977</u>

The following table sets forth selected unaudited quarterly statements of operations data as a percentage of total revenues for each of the eight quarters ended June 30, 2022.

	Three months ended							
	Jun 30, 2022	Mar 31, 2022	Dec 31, 2021	Sep 30, 2021	Jun 30, 2021	Mar 31, 2021	Dec 31, 2020	Sep 30, 2020
Revenues:								
Subscription solutions	28.3%	28.6%	25.4%	29.9%	29.9%	32.4%	28.6%	32.0%
Merchant solutions	71.7%	71.4%	74.6%	70.1%	70.1%	67.6%	71.4%	68.0%
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Cost of revenues:								
Subscription solutions	6.6%	6.4%	5.5%	6.0%	5.6%	5.9%	6.1%	6.8%
Merchant solutions	42.8%	40.6%	44.3%	39.8%	38.9%	37.6%	42.4%	40.4%
	<u>49.4%</u>	<u>47.0%</u>	<u>49.8%</u>	<u>45.8%</u>	<u>44.5%</u>	<u>43.4%</u>	<u>48.5%</u>	<u>47.2%</u>
Gross profit	<u>50.6%</u>	<u>53.0%</u>	<u>50.2%</u>	<u>54.2%</u>	<u>55.5%</u>	<u>56.5%</u>	<u>51.6%</u>	<u>52.8%</u>
Operating expenses:								
Sales and marketing	25.2%	25.2%	20.0%	21.2%	18.0%	18.8%	15.8%	19.2%
Research and development	26.8%	25.2%	19.8%	19.7%	16.4%	17.8%	16.3%	18.7%
General and administrative	10.0%	9.0%	7.3%	11.5%	7.0%	6.8%	6.7%	6.7%
Transaction and loan losses	3.3%	1.7%	2.0%	2.3%	1.6%	1.1%	1.3%	1.5%
Total operating expenses	<u>65.3%</u>	<u>61.1%</u>	<u>49.1%</u>	<u>54.6%</u>	<u>43.0%</u>	<u>44.5%</u>	<u>40.1%</u>	<u>46.2%</u>
(Loss) income from operations	<u>(14.7)%</u>	<u>(8.1)%</u>	<u>1.0%</u>	<u>(0.4)%</u>	<u>12.5%</u>	<u>12.0%</u>	<u>11.5%</u>	<u>6.6%</u>
Other (expense) income, net	<u>(77.8)%</u>	<u>(129.2)%</u>	<u>(36.5)%</u>	<u>119.6%</u>	<u>69.7%</u>	<u>126.5%</u>	<u>(0.3)%</u>	<u>17.7%</u>
(Loss) income before income taxes	<u>(92.5)%</u>	<u>(137.3)%</u>	<u>(35.4)%</u>	<u>119.3%</u>	<u>82.1%</u>	<u>138.5%</u>	<u>11.2%</u>	<u>24.3%</u>
(Provision for) recovery of income taxes	<u>(0.4)%</u>	<u>14.8%</u>	<u>8.5%</u>	<u>(17.1)%</u>	<u>(3.6)%</u>	<u>(11.2)%</u>	<u>1.4%</u>	<u>0.6%</u>
Net (loss) income	<u>(93.0)%</u>	<u>(122.5)%</u>	<u>(26.9)%</u>	<u>102.2%</u>	<u>78.5%</u>	<u>127.3%</u>	<u>12.7%</u>	<u>24.9%</u>

We believe that year-over-year comparisons are more meaningful than our sequential results due to seasonality in our business. While we believe that this seasonality has affected and will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date. Our merchant solutions revenues are directionally correlated with our merchants' GMV. Our merchants' GMV typically increases during the fourth-quarter holiday season. As a result, we have historically generated higher merchant solutions revenues in our fourth quarter than in other quarters. Due to the effects of the COVID-19 pandemic, which accelerated the shift of purchasing habits to ecommerce, we observed a rapid growth in merchant solutions revenue throughout the pandemic, most notably in the first half of 2021 where further lockdowns and government stimulus propelled the COVID-triggered acceleration of ecommerce. As the COVID-19 related impacts that triggered the acceleration of ecommerce begin to ease, growth in merchant solutions revenue may not replicate recent patterns. As a result of the growth of our merchant solutions offerings, we believe that our business may become more seasonal in the future, and that historical patterns in our business may not be a reliable indicator of our future performance.

Quarterly Revenue and Gross Margin Trends

Historically, revenues experienced a seasonal decrease in our first quarters as buyers typically reduce their spending following the holiday season resulting in a seasonal decrease in GMV per merchant, which was not completely offset by merchant and MRR growth. Subsequently, revenues have increased in each of the next three quarters as a result of merchant, MRR, and overall GMV growth. Our merchants have processed additional GMV during the fourth-quarter holiday seasons, and as a result we have generated higher merchant solutions revenues in our fourth quarters compared to other quarters. Due to the continued growth of our merchant solutions offerings, we believe that our business may become more seasonal in the future. However, due to the effects of the COVID-19 pandemic which accelerated the shift of purchasing habits to ecommerce, we have observed a rapid increase in merchant solutions revenue in recent quarters that do not replicate historical patterns. As a result, and in combination with strong subscription solutions growth, total revenues in the first quarter of 2021 exceeded total revenues from the fourth quarter of 2020. As anticipated, similar growth in revenue did not replicate itself in the first quarter of 2022, when compared to the same period in 2021. This was due to various macroeconomic factors such as increased post-pandemic consumer spend shift to services and in-person shopping, the lack of government stimulus support and increased inflationary pressures.

Our gross margin percentage has varied over the past eight quarters and is generally driven by the mix between our higher margin subscription solutions revenue and lower margin merchant solutions revenue. While our total revenues have increased in recent periods, the mix has shifted towards merchant solutions revenue, most notably in the fourth quarter due to higher holiday volume of orders facilitated and the resulting Shopify Payments revenue during this period. We expect this overall trend to continue over time.

In connection with expanding our operations internationally, we anticipate a growing proportion of our revenues and cost of sales transactions to be incurred in foreign currencies as compared to USD due to increased Shopify Payments, subscriptions, and other billings to select countries in local currency. Fluctuations in foreign currencies relative to the USD may impact identified quarterly and yearly trends.

In addition, the acquisition of Deliverr will impact the comparability of our revenues and gross margin starting in the third quarter of 2022 as it is integrated into Shopify Fulfillment Network.

Quarterly Operating Expenses Trends

Total operating expenses have increased sequentially for each period presented. The Company took impairment charges on certain office spaces in the third quarter of 2021, which caused an increase in general and administrative spend relative to revenue in that quarter. Total operating expenses have increased primarily due to the addition of personnel in connection with the expansion of our business, additional marketing initiatives to attract potential merchants as well as additional operating expenses associated with the acquisition of 6RS. We note a significant portion of our operating expenses are incurred in foreign currencies which may impact the comparability of our quarterly and yearly trends. In addition, the Deliverr acquisition will impact the comparability of operating expenses starting in the third quarter of 2022.

Quarterly Other Income (Expense) Trends

Historically, there have been no consistent trends associated with other income (expense) as changes are impacted by fluctuations in the fair value of our equity investments in public companies with readily determinable fair values, observable changes or impairments associated with our equity investments in private companies without readily determinable fair values, changes in the fair value of our investments in convertible notes of private companies, foreign exchange rates, and interest rates. The results from these changes may fluctuate from period to period and may cause volatility to our earnings as well as impact comparability of our results from period to period.

Key Balance Sheet Information

	June 30, 2022	December 31, 2021
	(in thousands)	
Cash, cash equivalents and marketable securities	\$ 6,954,791	\$ 7,768,093
Total assets	10,747,630	13,340,172
Total liabilities	2,030,502	2,206,831
Total non-current liabilities	1,327,294	1,504,098

Total assets decreased \$2,592.5 million as at June 30, 2022 compared to December 31, 2021, principally due to a \$1,961.7 million decrease in equity and other investments due mainly to unrealized losses on our investments in Affirm and Global-E received in conjunction with strategic partnerships, a \$813.3 million decrease in cash, cash equivalents and marketable securities driven largely by \$569.6 million used to purchase equity and other investments, a \$5.4 million decrease in intangible assets due to amortization in the period, and a \$3.6 million decrease in deferred tax assets, offset by a \$67.1 million increase in merchant cash advances, loans and related receivables largely due to an expansion of our Capital offerings and programs, a \$46.5 million increase in trade and other receivables, a \$28.2 million increase in right-of-use assets, a \$22.8 million increase in goodwill due to a business acquisition, a \$10.0 million increase in other current assets, a \$8.7 million increase in property and equipment due mainly to purchases of leasehold improvements and computer hardware, offset by depreciation in the period, and a \$8.2 million increase in income taxes receivable.

Total liabilities decreased by \$176.3 million, principally as a result of a \$182.1 million decrease in deferred tax liabilities, a \$37.3 million decrease in accounts payable and accrued liabilities, and a \$9.4 million decrease in income taxes payable, offset by a \$33.7 million increase in deferred revenue mainly due to the non-cash consideration received for services rendered in conjunction with our partnership with Global-E and a private company, and a \$17.6 million increase in lease liabilities.

Liquidity and Capital Resources

To date, we have financed our operations primarily through the sale of equity securities as well as the sale of the Notes, raising approximately \$7.8 billion, net of issuance costs, from investors.

In July 2021, we filed an amended and restated short-form base shelf prospectus with the securities commissions in each of the provinces and territories of Canada, except Quebec, and a corresponding shelf registration statement on Form F-10 with the U.S. Securities and Exchange Commission. The shelf prospectus and registration statement allows Shopify to offer Class A subordinate voting shares, preferred shares, debt securities, warrants, subscription receipts, units, or any combination thereof, from time to time during the 25-month period the shelf prospectus is effective, which commenced August 6, 2020. The amendment increased the total amount Shopify can offer under the shelf prospectus and registration statement to \$10 billion.

In February 2021, the Company completed a public offering in which it issued and sold 11,800,000 Class A subordinate voting shares at a public offering price of \$131.50 per share, adjusted to give effect to the Share Split. The Company received total net proceeds of \$1.5 billion after deducting offering fees and expenses of \$10.5 million.

Our principal cash requirements are for working capital and capital expenditures. Excluding current deferred revenue, working capital at June 30, 2022 was \$7.4 billion. Given the ongoing cash generated from operations and our existing cash and cash equivalents, we believe there is sufficient liquidity to meet our current and planned financial obligations over the next 12 months, including the consideration of cash used in our acquisition and integration of Deliverr subsequent to June 30, 2022. Our future financing requirements will depend on many factors including our growth rate, subscription renewal activity, the timing and extent of spending to support development of our platform, the expansion of sales and marketing activities, the macroeconomic conditions and overall levels of consumer spending on goods, and potential mergers, strategic investments and acquisitions activity. Although we currently are not a party to any material undisclosed agreement and do not have any understanding with any third

parties with respect to potential material investments in, or material acquisitions of, businesses or technologies, we may enter into these types of arrangements in the future, which could also require us to seek additional equity or debt financing. Additional funds may not be available on terms favorable to us or at all.

Cash, Cash Equivalents and Marketable Securities

Cash, cash equivalents, and marketable securities decreased by \$813.3 million to \$7.0 billion as at June 30, 2022 from \$7.8 billion as at December 31, 2021, primarily as a result of the purchase of equity and other investments and cash used in our operating activities.

Cash equivalents and marketable securities include money market funds, U.S. and Canadian federal bonds and agency securities, and corporate bonds and commercial paper, all maturing within the 12 months from June 30, 2022.

The following table summarizes our total cash, cash equivalents and marketable securities as at June 30, 2022 and 2021 as well as our operating, investing and financing activities for the six months ended June 30, 2022 and 2021:

	Six months ended June 30,	
	2022	2021
	(in thousands)	
Cash, cash equivalents and marketable securities (end of period)	\$ 6,954,791	\$ 7,755,387
Net cash (used in) provided by:		
Operating activities	\$ (177,727)	\$ 202,104
Investing activities	1,028,319	(2,127,231)
Financing activities	7,837	1,584,458
Effect of foreign exchange on cash and cash equivalents	(10,640)	1,742
Net increase (decrease) in cash and cash equivalents	847,789	(338,927)
Change in marketable securities	(1,661,091)	1,706,347
Net (decrease) increase in cash, cash equivalents and marketable securities	\$ (813,302)	\$ 1,367,420

Cash Flows From Operating Activities

Our largest source of operating cash is from merchant solutions. Within merchant solutions, the largest source of cash flows are Shopify Payments processing fee arrangements, which are received on a daily basis as transactions are processed. We also generate significant cash flows from our subscription solutions with subscription revenues being our single largest source of cash flows. These payments are typically paid to us at the beginning of the applicable subscription period, except for our Shopify Plus merchants who typically pay us at the end of their monthly billing cycle. Our primary uses of cash from operating activities are for employee-related expenditures, third-party payment processing fees, advancing funds to merchants through Shopify Capital, third-party shipping and fulfillment partners, marketing programs, and outsourced hosting costs.

For the six months ended June 30, 2022, cash used in operating activities was \$177.7 million. This was primarily as a result of our net loss of \$2.7 billion, which once adjusted for a net loss on equity and other investments of \$2.6 billion, \$257.4 million of stock-based compensation expense, a \$180.4 million decrease in net deferred income taxes, \$53.7 million in revenue related to non-cash consideration, \$33.1 million of amortization and depreciation, a \$32.1 million increase of our provision for transaction and loan losses, an unrealized foreign exchange loss of \$15.9 million, and \$1.2 million of amortization of debt offering costs related to the Notes offering contributed \$39.4 million of positive cash flows.

Cash flows of \$182.9 million were used by the following increases in operating assets: \$97.3 million in merchant cash advances and loans as we continued to grow Shopify Capital, \$55.7 million in trade and other receivables, a

\$19.0 million net change in income tax assets and liabilities, and \$10.9 million in other current assets. Additional cash flows of \$34.3 million were used by the following changes in operating liabilities: a \$39.1 million decrease in accounts payable and accrued liabilities and a \$5.8 million net change in lease assets and liabilities, slightly offset by a \$87.4 million increase in deferred revenue due mainly to the non-cash consideration received in conjunction with our partnerships with Global-E and a private company, of which the initial value of the total non-cash consideration received in exchange for these services was \$76.7 million.

For the six months ended June 30, 2021, cash provided by operating activities was \$202.1 million. This was primarily as a result of our net income of \$2.1 billion, which once adjusted for a net unrealized gain on equity and other investments of \$2.0 billion, \$151.1 million of stock-based compensation expense, a \$128.3 million increase in net deferred income taxes, \$30.5 million of amortization and depreciation, \$18.1 million in revenue related to non-cash consideration, a \$14.9 million increase of our provision for transaction and loan losses, an unrealized foreign exchange loss of \$1.5 million, and \$1.2 million of amortization of debt offering costs related to the Notes offering, contributed \$418.1 million of positive cash flows. Additional cash flows of \$16.0 million were provided by the following changes in operating liabilities: a \$207.8 million increase in deferred revenue due mainly to the non-cash consideration received in conjunction with our partnership with Global-E, of which the initial value of the non-cash consideration received in exchange for services was \$192.3 million; a \$6.8 million net change in income tax assets and liabilities; and a \$3.9 million increase in net lease assets and liabilities; offset by a \$10.2 million decrease in accounts payable and accrued liabilities. Cash used of \$232.0 million resulted from the following increases in operating assets: \$188.1 million in merchant cash advances and loans; \$27.4 million in trade and other receivables, and \$16.5 million in other current assets.

Cash Flows From Investing Activities

Cash flows provided by, or used in, investing activities are primarily related to the sale and purchase of marketable securities, purchases of equity and other investments, and purchases of leasehold improvements and computer equipment.

Net cash provided by investing activities in the six months ended June 30, 2022 was \$1.0 billion, which was driven by net maturities of \$1.7 billion in marketable securities, offset by \$569.6 million used to purchase equity and other investments, \$30.0 million used for a business acquisition, and \$28.5 million used to purchase property and equipment, which consisted mainly of leasehold improvements to accommodate our future needs at our remaining office locations and computer equipment.

Net cash used in investing activities in the six months ended June 30, 2021 was \$2.1 billion, which was driven by net purchases of \$1.7 billion in marketable securities, \$401.9 million used to purchase equity and other investments, and \$13.5 million used to purchase property and equipment.

Cash Flows From Financing Activities

Cash flows from financing activities are primarily related to public offerings, and exercises of stock options.

Net cash provided by financing activities in the six months ended June 30, 2022 was \$7.8 million driven by proceeds from the issuance of Class A subordinate voting shares and Class B multiple voting shares (which are now described as Class B restricted voting shares as a result of the Company's updated governance structure) as a result of stock option exercises. This compares to \$1.6 billion for the same period in 2021, driven by \$1.5 billion raised in our February 2021 public equity offering, and by \$43.3 million which related to stock option exercises.

Contractual Obligations

Our principal commitments consist of our Notes and obligations under our operating leases for office, warehouse and commercial space. The following table summarizes our contractual obligations as of June 30, 2022:

	Payments Due by Period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
	(in thousands)				
Convertible senior notes ⁽¹⁾	\$ 1,150	\$ 2,300	\$ 920,575	\$ —	\$ 924,025
Bank indebtedness	—	—	—	—	—
Operating lease and unconditional purchase obligations ⁽²⁾	95,281	106,580	108,168	311,388	621,417
Total contractual obligations	<u>\$ 96,431</u>	<u>\$ 108,880</u>	<u>\$ 1,028,743</u>	<u>\$ 311,388</u>	<u>\$ 1,545,442</u>

(1) \$920,000 of the payments due in three to five years may be settled in Class A subordinate voting shares instead of cash, at our option.

(2) Consists of payment obligations under our office, warehouse and commercial space leases as well as other unconditional purchase obligations.

Litigation and Loss Contingencies

On December 1, 2021, five publishers of educational materials and two of their respective parent companies (the Plaintiffs) filed a claim against the Company in the U.S. District Court for the Eastern District of Virginia for contributory and vicarious copyright infringement and contributory trademark infringement. The Plaintiffs allege that certain merchants who use the Company's platform and services are engaged in the sale of pirated digital textbooks in violation of the Plaintiffs' rights, and that the Company has not taken legally adequate steps to curb this alleged infringement. The Plaintiffs seek statutory damages for the alleged copyright infringement. Shopify filed its answer to the plaintiffs' complaint on January 28, 2022. Shopify is unable to predict the ultimate resolution of the matter including the likelihood or magnitude of a possible eventual loss, if any, at this time. Shopify intends to defend the case.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements, other than operating leases and other unconditional purchase obligations and contingencies (which have been disclosed above under "Contractual Obligations and Litigation and Loss Contingencies").

Risks and Uncertainties

We are exposed to a variety of risks, including foreign currency exchange fluctuations, changes in the fair values of our equity and other investments, changes in interest rates, concentration of credit and inflation. We regularly assess currency, interest rate and inflation risks to minimize any adverse effects on our business as a result of those factors. We are also exposed to other COVID-19 post-pandemic related uncertainties. For further discussion of risks and uncertainties see "Risk Factors" in our annual information form.

Foreign Currency Exchange Risk

While the majority of our revenues, cost of revenues, and operating expenses are denominated in USD, a significant portion are denominated in foreign currencies. Due to offering Shopify Payments, subscriptions, and other billing to select countries in local currency, a significant proportion of revenue transactions are denominated in GBP, EUR, and CAD. As our operations continue to be heavily weighted in CAD and as operations continue to expand internationally, a significant proportion of operating expenses are also incurred in these foreign currencies. To help mitigate the impacts associated with foreign currency fluctuations on future cash flows from operating expenses, we maintain a portfolio of foreign exchange derivative products designated as hedging instruments.

Effect of Foreign Exchange Rates

The following non-GAAP financial measure converts our revenues, cost of revenues, operating expenses, and (loss) income from operations using the comparative period's monthly average exchange rates:

Three months ended June 30,				
	2022			2021
	At Prior Year Effective Rates ⁽¹⁾	Exchange Rate Effect ⁽²⁾	GAAP Amounts as Reported	GAAP Amounts As Reported
	(in thousands)			
Revenues	\$ 1,312,016	\$ (16,953)	\$ 1,295,063	\$ 1,119,445
Cost of revenues	(649,754)	10,333	(639,421)	(498,585)
Operating expenses	(850,621)	4,771	(845,850)	(481,419)
(Loss) income from operations	\$ (188,359)	\$ (1,849)	\$ (190,208)	\$ 139,441

Six months ended June 30,				
	2022			2021
	At Prior Year Effective Rates ⁽¹⁾	Exchange Rate Effect ⁽²⁾	GAAP Amounts as Reported	GAAP Amounts As Reported
	(in thousands)			
Revenues	\$ 2,522,473	\$ (23,787)	\$ 2,498,686	\$ 2,108,092
Cost of revenues	(1,219,842)	14,435	(1,205,407)	(928,516)
Operating expenses	(1,579,454)	(2,009)	(1,581,463)	(921,236)
(Loss) income from operations	\$ (276,823)	\$ (11,361)	\$ (288,184)	\$ 258,340

(1) Represents the outcome that would have resulted if the comparative period's effective foreign exchange rates are applied to the current reporting period.

(2) Represents the increase or decrease in GAAP amounts reported resulting from using the comparative period's effective foreign exchange rates. The exchange rate effect is primarily driven by fluctuations in CAD, EUR, and GBP foreign exchange rates.

This effect of foreign exchange rates on our consolidated statements of operations disclosure is a supplement to our consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP. We have provided the above non-GAAP disclosure as we believe it presents a clear comparison of our period to period operating results by removing the impact of fluctuations in foreign exchange rates and to assist investors in understanding our financial and operating performance. Non-GAAP financial measures are not recognized measures for financial statement presentation under U.S. GAAP, do not have standardized meanings, and may not be comparable to similar measures presented by other public companies. Such non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, the corresponding measures calculated in accordance with U.S. GAAP.

Measurement of our Equity and Other Investments

As at June 30, 2022, we had equity and other investments in public and private companies totaling \$1.9 billion. Our equity and other investments in publicly traded companies, which primarily relate to Affirm and Global-E, representing \$797.2 million of our investments, are recorded at fair value, which is subject to market price volatility. Our equity investments in private companies, representing \$927.7 million of our investments, are recorded using the measurement alternative and are assessed each reporting period for observable price changes and impairments, which may involve estimates and judgments given the lack of readily available market data. Our debt investments in convertible notes of private companies are recorded at fair value and represent \$215.4 million of our investments, which are impacted by the underlying entities' valuations and interest rates. The results from these changes may

fluctuate from period to period and may cause volatility to our earnings as well as impact comparability of our results from period to period.

Interest Rate Sensitivity

We had cash, cash equivalents and marketable securities in our cash management program totaling \$7.0 billion as of June 30, 2022. The cash and cash equivalents are held for operations and working capital purposes. Our investments within cash, cash equivalents and marketable securities are made for capital preservation purposes. We do not enter into these types of investments for trading or speculative purposes.

Our cash equivalents and our portfolio of marketable securities are subject to market risk due to changes in interest rates. Fixed rate securities may have their market value adversely affected due to a rise in interest rates. Our future investment income may fall short of our expectations due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our debt securities as "held to maturity," no gains or losses are recognized due to changes in interest rates unless such securities are sold prior to maturity or declines in fair value are determined to be other than temporary.

In July 2021, we invested \$200.0 million in a private company through the purchase of convertible notes. This investment is classified as an available-for-sale debt security, for which we have elected to account for under the fair value option. The investment is carried at fair value at each balance sheet date and any movements in the fair value are recognized in net income. The fair value is determined based on a binomial pricing model in which the underlying entity's valuation and interest rates impact the market value of the investment.

In September 2020, we issued \$920.0 million aggregate principal amount of Notes. The Notes have a fixed annual interest rate of 0.125%; accordingly, we do not have economic interest rate exposure on the Notes. However, the fair market value of the Notes is exposed to interest rate risk. Generally, the fair market value of our fixed interest rate Notes will increase as interest rates fall and decrease as interest rates rise. In addition, the fair market value of the Notes will generally fluctuate as the price of our Class A subordinate voting shares fluctuates. On our balance sheet, we carry the Notes at face value less debt offering costs, plus any amortization of offering costs, and we present the fair value for required disclosure purposes only.

Concentration of Credit Risk

The Company's cash and cash equivalents, marketable securities, trade and other receivables, merchant cash advances, loans and related receivables, equity and other investments, debt securities and foreign exchange derivative products subject the Company to concentrations of credit risk. Management mitigates this risk associated with cash and cash equivalents by making deposits and entering into foreign exchange derivative products only with large banks and financial institutions that are considered to be highly creditworthy. Management mitigates the risks associated with marketable securities by adhering to its investment policy, which stipulates minimum rating requirements, maximum investment exposures and maximum maturities. Due to the Company's diversified merchant base, there is no particular concentration of credit risk related to the Company's trade and other receivables and merchant cash advances and loans receivable. Trade and other receivables and merchant cash advances and loans receivable are monitored on an ongoing basis to ensure timely collection of amounts. The Company notes that its exposure to collectibility risk by customers impacted by the Russian invasion of Ukraine is financially immaterial. The Company has mitigated some of the risks associated with Shopify Capital by opening insurance policies with Export Development Canada ("EDC"), a wholly-owned corporation of the Government of Canada, who is AAA rated as at June 30, 2022. The Company's policies cover certain merchant cash advances and loans, subject under certain policies to minimum claim requirements and regional restrictions. The Company pays EDC a monthly premium based on total eligible dollars advanced, and records this as general and administrative expense in the condensed consolidated statements of operations and comprehensive (loss) income. All policies include a deductible set at either a specified dollar loss threshold or calculated as a percentage of eligible advances issued. After considering the Company's deductible and the insurer's maximum liability under the policies, the majority of the Company's gross outstanding balance of merchant cash advances and loans as at June 30, 2022 is

covered. The receivable related to insurance recoveries, if any, is included in the merchant cash advances, loans and related receivables balance. The Company mitigates the risks associated with its equity and other investments and debt securities through its diligence process performed prior to investing. The Company has a high concentration of credit risk associated with a small number of equity and other investments that are impacted by fluctuations in their fair values or by observable changes or impairments. There are no receivables from individual merchants accounting for 10% or more of revenues or receivables.

Inflation Risk

We are subject to inflation risk that could have a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition and results of operations. Furthermore, our merchants are also subject to risks associated with inflationary pressures that could impact their business and financial condition. These pressures could subsequently result in impacts to our GMV and further affect our business.

Internal Control Over Financial Reporting

All control systems, no matter how well designed, have inherent limitations. Accordingly, even disclosure controls and procedures, and internal controls over financial reporting determined to be effective can only provide reasonable assurance of achieving their control objectives with respect to financial statement preparation and presentation.

Management of the Company, under the supervision of the Company's Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over the Company's financial reporting, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

In the six months ended June 30, 2022, we migrated certain financial reporting systems and their accompanying financial information between cloud environments, which included changes to our underlying information technology infrastructure and internal controls over financial reporting.

Other than the system migration as described above, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Critical Accounting Policies and Estimates

We prepare our condensed consolidated financial statements in accordance with U.S. GAAP. In the preparation of these condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses and related disclosures. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we re-evaluate these estimates on an ongoing basis. In the three months ended June 30, 2022 we impaired certain equity investments in private companies. This required us to develop certain key assumptions, including revenue growth rates, revenue multiples based on market comparables and a discount for lack of marketability.

There have been no significant changes in our critical accounting policies during the three and six months ended June 30, 2022 as compared to the critical accounting policies described in our most recent annual consolidated financial statements.

Shares Outstanding

Shopify is a publicly traded company listed on the New York Stock Exchange (NYSE: SHOP) and on the Toronto Stock Exchange (TSX: SHOP). As of July 21, 2022 there were 1,186,450,763 Class A subordinate voting shares issued and outstanding, 81,933,630 Class B restricted voting shares issued and outstanding, and 1 Founder share issued and outstanding.

As of July 21, 2022 there were 1,849,510 options outstanding under the Company's Fourth Amended and Restated Incentive Stock Option Plan, of which 1,849,510 were vested as of such date. Each such option is or will become exercisable for one Class B restricted voting share. As of July 21, 2022 there were 9,877,792 options outstanding under the Company's Amended and Restated Stock Option Plan, of which 5,925,122 were vested as of such date. Each such option is or will become exercisable for one Class A subordinate voting share. As of July 21, 2022 there were 194,384 options outstanding under the 6 River Systems 2016 Amended and Restated Stock Option and Grant Plan, which the Company assumed on closing of its acquisition of 6RS on October 17, 2019. Of these options, 167,185 were vested as of such date. Each option is or will become exercisable for one Class A subordinate voting share. As of July 21, 2022 there were 2,243,973 options outstanding under the Deliverr, Inc 2017 Stock Option and Grant Plan, which the Company assumed on closing of its acquisition of Deliverr on July 8, 2022. Of these options, 47,456 were vested as of such date. Each option is or will become exercisable for one Class A subordinate voting share.

As of July 21, 2022 there were 17,040,240 Restricted Share Units ("RSUs") and 10,468 Deferred Share Units ("DSUs") outstanding under the Company's Amended and Restated Long Term Incentive Plan. Each such RSU or DSU will vest as one Class A subordinate voting share. As of July 21, 2022 there were 1,234,309 RSUs outstanding under the Deliverr, Inc 2017 Stock Option and Grant Plan, which the Company assumed on closing of its acquisition of Deliverr on July 8, 2022. Each such RSU will vest as one Class A subordinate voting share.

FORM 52-109F2
 CERTIFICATION OF INTERIM FILINGS
 FULL CERTIFICATE

I, **Tobias Lütke, Chief Executive Officer of Shopify Inc.**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of **Shopify Inc.** (the “issuer”) for the interim period ended **June 30, 2022**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings*, for the issuer.
 5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
 - 5.1 **Control framework:** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
 - 5.2 N/A
 - 5.3 N/A
6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **April 1, 2022** and ended on **June 30, 2022** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **July 27, 2022**

/s/ Tobias Lütke

Tobias Lütke
 Chief Executive Officer

FORM 52-109F2
 CERTIFICATION OF INTERIM FILINGS
 FULL CERTIFICATE

I, **Amy Shapero, Chief Financial Officer of Shopify Inc.**, certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of **Shopify Inc.** (the “issuer”) for the interim period ended **June 30, 2022**.
2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.
3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.
4. **Responsibility:** The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings*, for the issuer.
 5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer and I have, as at the end of the period covered by the interim filings
 - (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that
 - (i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and
 - (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
 - (b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.
 - 5.1 **Control framework:** The control framework the issuer's other certifying officer and I used to design the issuer's ICFR is the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
 - 5.2 N/A
 - 5.3 N/A
6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on **April 1, 2022** and ended on **June 30, 2022** that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: **July 27, 2022**

/s/ Amy Shapero

Amy Shapero
 Chief Financial Officer