UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 40-F

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

☒ ANNUAL REPORT PURSUANT TO SECTION 13(a) OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2023 **Commission File Number 001-37400**

SHOPIFY INC.

(Exact name of Registrant as specified in its charter)

Canada
(Province or other jurisdiction of incorporation or organization)

7372
(Primary Standard Industrial Classification Code Number (if applicable))

98-0486686
(I.R.S. Employer Identification Number (if applicable))

151 O'Connor Street, Ground Floor Ottawa, Ontario, Canada K2P 2L8
Attention: Michael L. Johnson, Corporate Secretary
613-241-2828 Ext. 1045
(Address and telephone number of Registrant's principal executive offices)

Corporation Service Company
251 Little Falls Drive, Wilmington, DE 19808-1674
(302) 636-5400
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Copies of all correspondence should be sent to:

Michael L. Johnson
Corporate Secretary
Shopify Inc.
151 O'Connor Street, Ground Floor
Ottawa, ON K2P 2L8
Canada
Tel: (613) 241-2828 Ext. 1045

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Trading Symbol	Name of each exchange on which registered
Class A Subordinate Voting Shares	**SHOP**	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

Class B Restricted Voting Shares

0.125% Convertible Senior Notes Due 2025

(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

☒ Annual Information Form ☒ Audited Annual Financial Statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

The Registrant had 1,207,318,947 Class A Subordinate Voting Shares, 79,251,346 Class B Restricted Voting Shares and 1 Founder Share issued and outstanding as of December 31, 2023.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.
Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 13(a) of the Exchange Act. ☐

† The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report: ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

PRIOR FILINGS MODIFIED AND SUPERSEDED

This Annual Report on Form 40-F of Shopify Inc. ("Shopify", "we", "our", the "Company" or the "Registrant") for the year ended December 31, 2023, at the time of filing with the U.S. Securities and Exchange Commission (the "SEC" or the "Commission"), modifies and supersedes all prior documents filed pursuant to Sections 13, 14 and 15(d) of the U.S. Securities Exchange Act of 1934 (as amended, the "Exchange Act") for purposes of any offers or sales of any securities after the date of this filing pursuant to any registration statement or prospectus filed pursuant to the U.S. Securities Act of 1933 (as amended, the "Securities Act") which incorporates by reference this Annual Report on Form 40-F (or any of the documents filed as Exhibits to this Annual Report on Form 40-F).

FORWARD-LOOKING STATEMENTS

Shopify has made in this Annual Report on Form 40-F and the documents filed as Exhibits hereto, and from time to time may otherwise make, forward-looking statements under the provisions of the U.S. Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act, and Section 21E of the Exchange Act, and forward-looking information within the meaning of applicable Canadian securities legislation.

The Company's actual future results may be materially different from any future results expressed or implied by these forward-looking statements.

The forward-looking statements represent the Company's views as of the date of this Annual Report on Form 40-F. The Company anticipates that subsequent events and developments may cause these views to change. However, while the Company may elect to update these forward-looking statements at some point in the future, the Company has no current intention of doing so except to the extent required by applicable law. Therefore, these forward-looking statements do not represent the Company's views as of any date other than the date of this Annual Report on Form 40-F.

See Shopify's annual information form for the year ended December 31, 2023, attached as Exhibit 1.1 to this Annual Report on Form 40-F, under the heading "Forward-Looking Information" and Shopify's management's discussion and analysis for the year ended December 31, 2023, attached as Exhibit 1.3 to this Annual Report on Form 40-F (the "Shopify 2023 MD&A"), under the heading "Forward-looking Statements", for a discussion of forward-looking statements.

A. Disclosure Controls and Procedures and 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.

Disclosure Controls and Procedures

Management of the Company, under the supervision of the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining disclosure controls and procedures (as defined by the Commission in Rule 13a-15(e) under the Exchange Act) for the Company to ensure that material information relating to the Company, including its consolidated subsidiaries, that is required to be made known to the Chief Executive Officer and Chief Financial Officer by others within the Company and disclosed by the Company in reports filed or submitted by it under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms; and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

We, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2023 and have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2023. See "Disclosure Controls and Procedures and Internal Control Over Financial Reporting" in the Shopify 2023 MD&A, filed as Exhibit 1.3 to this Annual Report on Form 40-F.

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with United States generally accepted accounting principles.

We, including the Chief Executive Officer and Chief Financial Officer, have assessed the effectiveness of the Company's internal control over financial reporting in accordance with Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we, including the Chief Executive Officer and Chief Financial Officer, have determined that the Company's internal control over financial reporting was effective as of December 31, 2023. Additionally, based on our assessment, we determined that there were no material weaknesses in the Company's internal control over financial reporting as of December 31, 2023. See "Management's Annual Report on Internal Control Over Financial Reporting", which accompanies Shopify's audited consolidated financial statements as of December 31, 2023 and 2022 and for the years then ended (the "Shopify 2023 Financial Statements"), filed as Exhibit 1.2 to this Annual Report on Form 40-F.

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP (PCAOB ID No. 271), an independent registered public accounting firm, as stated in their report, which accompanies the Shopify 2023 Financial Statements, and is filed as Exhibit 1.2 to this Annual Report on Form 40-F.

Changes in Internal Control over Financial Reporting

During the year ended December 31, 2023, 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.

B. Identification of the Audit Committee

The board of directors of the Company (the "Board") has a separately designated standing audit committee (the "Audit Committee") established in accordance with section 3(a)(58)(A) of the Exchange Act. The Board has appointed three independent directors, Colleen Johnston (Chair), Robert Ashe, and Gail Goodman, to the Audit Committee.

C. Audit Committee Financial Expert

The Board has determined that Colleen Johnston, the Chair of the Audit Committee, is qualified as an "audit committee financial expert" within the meaning of Item 407 of Regulation S-K. The Board has further determined that all members of the Audit Committee are "independent" within the meaning of applicable Commission regulations and the listing standards of the New York Stock Exchange (the "NYSE").

The Commission has indicated that the designation of a person as an audit committee financial expert does not make such person an "expert" for any purpose, or impose any duties, obligations or liability on such person that are greater than those imposed on members of the Audit Committee and the Board who do not carry this designation, or affect the duties, obligations or liability of any other member of the Audit Committee or Board.

D. Code of Ethics

The Company's code of ethics, the Shopify Code of Conduct, is applicable to all of its directors, officers and employees, including the Chief Executive Officer, Chief Financial Officer, Controller, and persons performing similar functions. The Shopify Code of Conduct, as amended, is available on the Company's website at https://investors.shopify.com/governance/governance-documents/default.aspx. Except for the Shopify Code of Conduct, and notwithstanding any reference to Shopify's website or other websites in this Annual Report on Form 40-F or in the documents incorporated by reference herein or attached as Exhibits hereto, no information contained on the Company's website or any other site shall be incorporated by reference in this Annual Report on Form 40-F or in the documents incorporated by reference herein or attached as Exhibits hereto.

E. Principal Accountant Fees and Services

The aggregate amounts paid or accrued by the Company with respect to fees payable to PricewaterhouseCoopers LLP, the independent registered public accounting firm of the Company, for audit (including separate audits of wholly-owned and non-wholly owned entities, financings, regulatory reporting requirements and SOX related services), audit-related, tax and other services in the years ended December 31, 2023 and 2022 were as follows:

	Fiscal 2023 US$	Fiscal 2022 US$
	(in thousands)	
Audit Fees	3,516	3,549
Audit-related Fees	—	—
Tax Fees	73	106
All Other Fees	3	32
Total	**3,592**	**3,687**

Audit Fees

Audit fees relate to the audit of our annual consolidated financial statements, the review of our unaudited interim condensed consolidated financial statements, statutory audits of certain of our wholly-owned subsidiaries' financial statements, and services in connection with regulatory prospectus filings in Canada, and our Registration Statements on Form F-10 (related to our 2021 public offering of Class A subordinate voting shares) and Form S-8.

Audit-Related Fees

Audit-related fees consist of aggregate fees for accounting consultations and other services that were reasonably related to the performance of audits or reviews of our consolidated financial statements and were not reported above under "Audit Fees."

Tax Fees

Tax fees relate to assistance with tax compliance, tax planning and various tax advisory services.

All Other Fees

Other fees are any additional amounts for products and services provided by the principal accountants, other than the services reported above under "Audit Fees,", "Audit-Related Fees" and "Tax Fees".

Audit Committee Pre-Approval Policies and Procedures

From time to time, management recommends to and requests approval from the Audit Committee for audit and non-audit services to be provided by the Company's independent registered public accounting firm. The Audit Committee considers such requests, if applicable, on a quarterly basis, and if acceptable, pre-approves such audit and non-audit services. During such deliberations, the Audit Committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the SEC, and whether the services requested and the fees related to such services could impair the independence of the Company's registered public accounting firm.

The Audit Committee considered and agreed that the fees paid to the Company's independent registered public accounting firm in the years ended December 31, 2023 and 2022 are compatible with maintaining the independence of the Company's registered public accounting firm. Since the implementation of the Audit Committee pre-approval process in November 2015, all audit and non-audit services rendered by our independent registered public accounting firm have been pre-approved by the Audit Committee.

F. Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements, other than operating leases and other unconditional purchase obligations (which have been disclosed under "Contractual Obligations" in the Shopify 2023 MD&A).

G. Tabular Disclosure of Contractual Obligations

See the Shopify 2023 MD&A, under the heading "Contractual Obligations", which section is incorporated by reference in this Annual Report on Form 40-F, for a tabular disclosure and discussion of contractual obligations.

H. NYSE Exemptions

Section 310.00 of the NYSE Listed Company Manual generally requires that a listed company's by-laws provide for a quorum for any meeting of the holders of the company's common shares that is sufficiently high to ensure a representative vote. Pursuant to the NYSE corporate governance rules we, as a foreign private issuer, have elected to comply with practices that are permitted under Canadian law in lieu of the provisions of Section 310.00. Our by-laws provide that the holders of at least 25% of the shares entitled to vote at the meeting, present in person or represented by proxy, and at least two persons entitled to vote at the meeting, present in person or represented by proxy, constitutes a quorum.

Except as stated above, we are in compliance with the rules generally applicable to U.S. domestic companies listed on the NYSE. We may in the future decide to use other foreign private issuer exemptions with respect to some of the other NYSE listing requirements. Following our home country governance practices, as opposed to the requirements that would otherwise apply to a company listed on the NYSE, may provide less protection than is accorded to investors under the NYSE listing requirements applicable to U.S. domestic issuers.

I. Undertaking

Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

EXHIBITS

The following documents are filed as Exhibits to this Annual Report on Form 40-F:

Exhibit No.	Document
1.1	Annual Information Form for the year ended December 31, 2023
1.2	Audited Consolidated Financial Statements as of and for the years ended December 31, 2023 and 2022
1.3	Management's Discussion and Analysis for the year ended December 31, 2023
23.1	Consent of PricewaterhouseCoopers LLP
31.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer and the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
97	Clawback Policy
101	Interactive Data File (formatted as Inline XBRL)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

Exhibits 1.1, 1.2 and 1.3 of this Annual Report on Form 40-F are incorporated by reference into the Registration Statement on Form F-10 of the Registrant, which was originally filed with the Commission on September 9, 2022 (File No. 333-267353), 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 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 Commission on October 17, 2019 (File No. 333-234241), the Registration Statement on Form S-8 of the Registrant, which was originally filed with the Commission on July 28, 2021 (File No. 333-258230), the Registration Statement on Form S-8 of the Registrant, which was originally filed with the Commission on July 20, 2022 (File No. 333-266243) and the Registration Statement on Form S-8 of the Registrant, which was originally filed with the Commission on September 9, 2022 (File No. 333-267364) (together, the "Registration Statements"). Exhibit 23.1 is incorporated by reference as an exhibit to the Registration Statements.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Shopify Inc.
(Registrant)

Date: February 13, 2024

By: */s/ Michael L. Johnson*
Name: Michael L. Johnson
Title: Corporate Secretary

EXHIBIT 1.1



SHOPIFY INC.
2023 ANNUAL INFORMATION FORM

February 13, 2024

ANNUAL INFORMATION FORM
SHOPIFY INC.
TABLE OF CONTENTS

Section	Page Number
General Matters	3
Forward-Looking Information	3
Corporate Structure	7
Description of the Business	8
General Development of the Business	23
Risk Factors	27
Dividends and Distributions	63
Capital Structure	64
Market for Securities	76
Directors and Officers	77
Legal Proceedings and Regulatory Actions	83
Interest of Management and Others in Material Transactions	83
Transfer Agents and Registrars	84
Material Contracts	84
Interests of Experts	84
Additional Information	84
Exhibit A - Audit Committee Charter	A-1

ANNUAL INFORMATION FORM
SHOPIFY INC.

GENERAL MATTERS

Information Contained in this Annual Information Form

In this Annual Information Form ("AIF") "we", "our", "Shopify", and the "Company" refer to Shopify Inc. and its consolidated subsidiaries, unless the context requires otherwise. 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. Words importing the singular, where the context requires, include the plural and vice versa and words importing any gender include all genders.

Unless otherwise indicated, all information in this AIF is presented as of February 7, 2024, and references to specific years are references to the fiscal years of Shopify ended December 31.

This AIF should be read in conjunction with the Company's 2023 audited consolidated financial statements and notes and the Company's 2023 Management's Discussion and Analysis, but which, for greater certainty, are not incorporated by reference herein.

Shopify, the associated Shopify logo, and the shopping bag design are registered trademarks of Shopify Inc. or its subsidiaries. All other trademarks and brand names used herein are the property of their respective owners.

Presentation of Financial Information

We prepare and report our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Beginning in the first quarter of 2023, we began reporting all dollar amounts in millions. Our reporting currency is U.S. dollars, and we express all amounts in this AIF in U.S. dollars, except where otherwise indicated. All references in this AIF to "dollars", "$" and "US$" refer to United States dollars, and all references to "CAD$" refer to Canadian dollars, unless otherwise expressly stated. On February 7, 2024, the Bank of Canada rate of exchange for the conversion of U.S. dollars into Canadian dollars was $1.00 = CAD$1.3469.

FORWARD-LOOKING INFORMATION

This AIF 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, the "Securities Act"), and Section 21E of the U.S. Securities Exchange Act of 1934 (as amended, the "Exchange Act"), and forward-looking information within the meaning of applicable Canadian securities legislation.

In some cases, you can icentify forward-looking statements by terminology such as "may", "might", "will", "should", "could", "expects", "intends", "plans", "anticipates", "believes", "predicts", "potential", "continue", "become", "seek", "strive", 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 AIF include, but are not limited to, statements about:

- our ability to make it easier for merchants to manage their storefronts via their mobile devices;
- our exploration of new ways to offer payment flexibility and accelerate checkout;
- whether a merchant using Shopify should ever need to re-platform;
- our ability to expand our merchant base;
- our plans to localize features of the Shopify platform;
- our ability to offer more sales channels that can connect to our platform;
- our ability to invest in and develop new solutions to extend the functionality of our platform and catalyze merchants' sales growth;
- enhancement of our ecosystem and partner programs;
- our ability to provide a high level of merchant service and support;
- our ability to hire, retain, and motivate qualified personnel;
- our expectation that seasonality will continue to affect our quarterly results;
- our expectation that our business may become more seasonal in the future;
- the rapid evolution of commerce and ecommerce and our ability to bring to market new and better selling and buying experiences;
- our ability to grow our base of merchants by offering new and better ways to market and sell their products and expanding the range of our solutions;
- the size of our addressable markets and our ability to serve those markets;
- our expectation that we will continue to invest in data analytics, machine learning, and artificial intelligence;
- our expectations regarding the development of emerging technologies, including artificial intelligence, and potential applications to our business;
- our ability to grow our addressable market and meet our merchants' needs;
- the intended growth of our business and making investments to drive future growth, and the impact of those investments;
- the growth of our merchants’ revenues and our ability to retain merchants as they grow;
- our ability to offer fast, reliable, and affordable logistics solutions to our merchants through our partnership with Flexport, Inc. ("Flexport");
- our expectations with respect to our partnership with Flexport, including that the partnership will carry forward our vision for merchant-centered logistics;
- our ability to increase the probability of a merchant's future success;
- our intention to grow our merchant base by inspiring entrepreneurship through marketing programs;
- our intention to further tailor our sales strategies to attract larger brands, as well as retail and business-to-business merchants;
- our belief in the importance of establishing relationships with merchants early in the business lifecycle;
- continued improvement of our platform to help our merchants sell more;
- expansion of our platform's capabilities;
- the growth and strengthening of our third-party ecosystem and partner program, including through the formation of strategic partnerships;
- our current and future relationships with referral partners;
- our intention to optimize our cloud-based infrastructure;
- our investment in end-to-end automation and comprehensive test suites for our platform;
- our expectation of increased competition;

- our expectation that we will continue to support our merchants in making data-informed decisions with safeguards in place to ensure privacy, security, and compliance;
- our ability to continuously enhance our intellectual property;
- our expectations of legislation and government regulation;
- our expectation that the majority of employees will work remotely;
- the impact of strategic decisions on short-term revenue or profitability;
- anticipated future growth;
- the need to devote additional resources to manage future growth and our ability to satisfy obligations and effectively manage such growth;
- our intention to expand our business;
- our plan to continue investing in our network infrastructure;
- our expectation that we will incur additional general and administrative expenses over time as a result of our growth;
- the expansion of our platform internationally;
- our ability to maintain our corporate culture as we execute in a remote-first global workforce;
- our expectations regarding the adoption of our platform and solutions by Shopify Plus merchants and enterprise-level businesses;
- our plan to increase our investments in research and development and maintain our high level of merchant service and support;
- our intention to pursue additional relationships with other third parties, such as technology and content providers and implementation consultants;
- our expectations of increasing investment in sales and marketing;
- our ability to optimize marketing spend and improve onboarding processes in order to drive growth;
- our intention to issue equity awards as key components of our overall compensation and employee attraction and retention efforts;
- our expectation that as our consumer-facing offerings evolve and grow in popularity, the risk of additional laws and regulations impacting our business will also increase;
- our intention to continue our use and development of open source software;
- potential acquisitions and investments;
- our exploration of other products, models and structures for Shopify Capital, a loan and merchant cash advance ("MCA") program and other financial services products;
- our expectations with respect to changes in our pricing models;
- requirements upon a fundamental change, conversion or maturity of our 0.125% convertible senior notes due 2025 (the "Notes");
- our expectation that we will not pay any cash dividends in the foreseeable future;
- issuances of Class B restricted voting shares and preferred shares;
- redemption of the Founder Share; and
- our intention to invest our future earnings, if any, to fund our growth.

The forward-looking statements contained in this AIF 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 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 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;
- our ability to manage our growth effectively;
- our ability to enhance and 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;
- 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 build with a focus on long-term value;
- 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 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 monthly recurring revenue 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 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 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 hire, retain and motivate qualified personnel and to manage our operations in a remote-first model;
- the impact of legislation or governmental action on our platform;
- increasing restrictions on the ability of parties to access or use data;
- 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 mited to, risks and uncertainties that are discussed in greater detail in the "Risk Factors" section of this AIF.

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 AIF and the documents that we reference in this AIF 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 AIF represent our views as of the date of this AIF. 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 AIF.

CORPORATE STRUCTURE

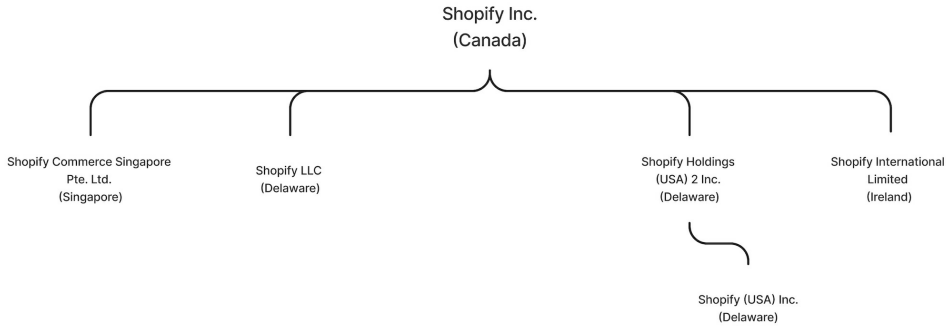
Name, Address and Incorporation

The Company was incorporated under the *Canada Business Corporations Act* (the "CBCA") on September 28, 2004 under the name 4261607 Canada Ltd. We filed articles of amendment on January 19, 2006 to change our name to Jaded Pixel Technologies Inc., and again on November 30, 2011 to change our name to Shopify Inc. On April 12, 2013, we filed articles of amendment to split all of our issued and outstanding common shares and all of our issued and outstanding Series A and Series B preferred shares on a 5-for-1 basis. On May 22, 2015, we filed articles of amendment to amend and re-designate our authorized and issued share capital in connection with our initial public offering. On May 27, 2015, we restated our amended articles of incorporation. On June 9, 2022, we filed articles of arrangement which included a Plan of Arrangement to amend our articles to create a new class of share, designated as the Founder Share. On June 28, 2022, we filed articles of amendment to split all of our issued and outstanding Class A subordinate voting shares and Class B restricted voting shares ("Class B restricted voting shares") on a 10-for-1 basis ("Share Split"). See "Capital Structure" for more information about our current share capital.

While we consider the Company's location to be the internet, our registered office is 151 O'Connor Street, Ground Floor, Ottawa, Ontario, Canada K2P 2L8, and our telephone number is (613) 241-2828 x 1045. Our website address is www.shopify.com. Information contained on, or accessible through, our website is not a part of this AIF and is not incorporated by reference herein.

Intercorporate Relationships

The following chart shows our current material subsidiaries. These subsidiaries are, directly or indirectly, wholly owned.



DESCRIPTION OF THE BUSINESS

Overview

Shopify is a leading global commerce company that provides essential internet infrastructure for commerce, offering trusted tools to start, scale, market, and run a 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, artificial intelligence 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 more than a dozen different sales channels, including web and mobile storefronts, physical retail locations, pop-up shops, directly to other businesses ("B2B"), social media storefronts, native mobile apps, buy buttons, and marketplaces. More than 90% of our merchants have connected their Shopify stores to two or more channels. Beyond our pre-configured channels, the Shopify application programming interface ("API") has been developed to support custom storefronts that let merchants sell anywhere.

A single integrated back-end. Our software provides a single integrated, easy-to-use back-end that merchants use to manage their business and buyers across multiple sales channels. Merchants use their Shopify dashboard, which is available in more than 20 languages, to source and manage products and inventory, manage cash, payments and transactions, fulfill and ship orders, discover new buyers and build customer relationships, leverage analytics and reporting, and access financing.

Infrastructure for data-informed decisions. 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 highly-qualified team of data science personnel, we expect to continue to support our merchants in making data-informed decisions with critical safeguards in place to ensure privacy, security, and compliance.

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

Brand ownership. Shopify is designed to help our merchants own their brands, develop direct relationships with their buyers, and make their buyer experiences 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 in order to build buyer loyalty and create competitive advantages. While our platform is designed to empower merchants first, merchants also 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 embedded features such as Shop Pay and Shop Pay Installments, and with our ongoing investments in opening up additional buyer touchpoints for merchants, such as offline commerce, shipping, and Shop (our all-in-one digital shopping companion app), brands that sell on Shopify can increasingly offer buyers an end-to-end, managed shopping experience.

Mobile. Buyers expect to be able to transact anywhere, anytime, on any device through an experience that is simple, seamless, and secure. Since transactions over mobile devices now represent the majority of transactions across online stores powered by Shopify, the mobile experience has become one of a merchant’s primary and most important interactions with 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 purchase products on mobile devices. With our platform, our merchants are able to offer their buyers a quick and secure checkout option through Shop Pay, Apple Pay, Meta Pay, Amazon Pay, and Google Pay on the web, and we continue to explore new ways to offer payment flexibility and accelerate checkouts. Just as Shopify's tools enable brands to sell directly to their buyers, the Shop app provides them that same direct sales power through a mobile experience. Buyers can use the Shop app to track packages, discover products from their favorite merchants, earn Shop Cash through our rewards program, and engage with brands directly, all of which help merchants increase opportunities to find new customers and drive greater 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 global brands and sell beyond their own borders with little friction. Shopify offers merchants across several countries a localized experience within the country in which they are based. In addition, Shopify Markets allows 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 estimates duty and import fees. Such tailored experiences are designed to increase local buyer trust and conversion, enabling merchants to enter new geographies more easily. In addition, Shopify Markets Pro, introduced in 2022, and made generally available in the United States in September 2023, offers merchants a native merchant-of-record solution.

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 with a view to managing the 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, and our continuously deployed, multi-tenant architecture provides our merchants with the latest technology.

This combination of ease of use with enterprise-level functionality allows merchants to grow with our platform, no matter their size. Using Shopify, merchants should 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 caters to larger merchants not already on Shopify who want to migrate from their expensive and complex legacy solutions to achieve greater functionality and flexibility. With enterprise-level merchants in mind, in January of 2023, we launched Commerce Components by Shopify ("Commerce Components" or "CCS"). Commerce Components is a modern composable stack where retailers can choose from over 30 modular Shopify components to integrate with their existing systems, enabling these merchants to create incredible customer experiences while eliminating the need to fully re-platform.

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. As such, we believe that our future success depends on many factors, including our ability to expand our merchant base; localize features for specific geographies; retain merchants as they grow their businesses on our platform and adopt more features; offer more sales channels that connect merchants with potential customers; develop new solutions to extend our platform’s functionality and catalyze merchants’ sales growth; leverage emerging technologies, including artificial intelligence; 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.

Sustainability

Shopify is a company that wants to see the next century and has taken many steps to build a sustainable business, including becoming a carbon neutral company in 2019. Our commitment includes powering our global operations with renewable energy, purchasing high quality carbon credits to address travel-related

emissions, and utilizing Google's cloud infrastructure, which is 100% powered by renewable energy, to deliver our software services.

Because we view commerce as a powerful vehicle for positive systemic change, as part of our focus on the long term, in 2019 we launched our Sustainability Fund with the intent to commit at least $5 million annually to fund what Shopify believes are the most promising and impactful technologies and projects to combat climate change. Since launch, we've partnered with 40 entrepreneurial climate companies to help them prove and scale their carbon removal solutions. In 2022, we also launched Frontier, an advance market commitment, alongside Stripe, Alphabet, Meta, and McKinsey Sustainability. Since then, the partnership has grown by adding four new buyers, increasing our combined commitment to purchase over $1 billion of carbon removal by the end of 2030. 2023 was the fourth consecutive year where Shopify has tracked, calculated, and purchased enough carbon credits to counteract the impact of carbon emissions from shipping orders placed on our platform over the Black Friday/Cyber Monday shopping weekend. Our merchants also have the ability to address the carbon associated with shipping their orders by adding our Planet app to their store. We also fund carbon removal through our Sustainability Fund with every order placed using Shop Pay, our checkout accelerator.

To learn more about Shopify's sustainability initiatives, please refer to our Climate Report, which is available on our website. The Climate Report is not a part of this AIF and is not incorporated by reference in this AIF.

Our Merchants

Our mission is to make commerce better for everyone and we believe we can help merchants of all verticals and sizes, from aspirational entrepreneurs to companies with large-scale, direct-to-consumer or business-to-business operations, or both, realize their potential at all stages of their business life cycle.

Our merchants represent a wide array of retail verticals and business sizes and no single merchant has ever represented more than five percent of our total revenues in a single reporting period.

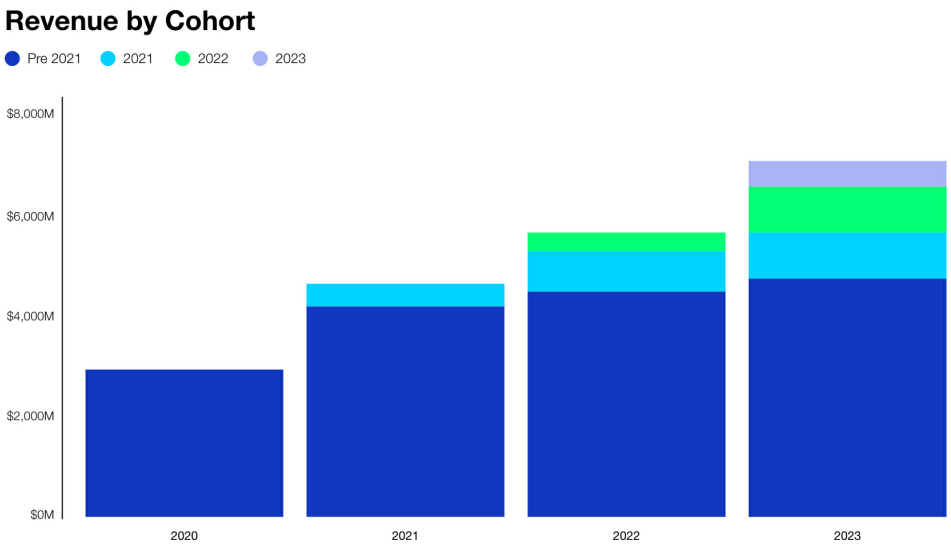
As of December 31, 2023, we had millions of merchants from more than 175 countries using our platform, geographically dispersed as follows: 54% in North America, 27% in Europe, the Middle East and Africa, 14% in Asia Pacific, Australia and China and 5% in Latin America (Mexico and South America).

As our merchants grow their sales and become more successful, they typically consume more of our merchant solutions, upgrade to higher subscription plans, and purchase additional apps. We consider our merchants' success to be one of the most powerful drivers of our business model. The chart below displays the annual revenue for merchant cohorts that joined the Shopify platform at different times in our history. The strength of our business model lies in the consistent revenue growth generated from each cohort and historically, any declines in revenue we experienced from merchants leaving our platform were more than offset by increases in revenue from remaining merchants. Over time, revenue generated by our cohorts has continued to increase as merchants grow with Shopify and take advantage of the expanding capabilities of our platform.

For example, revenue from our pre-2021 cohort expanded in 2022, as the revenue impact from merchants within the cohort leaving the platform was offset by revenue growth from remaining merchants within that cohort. In 2023, revenue from the pre-2021 cohort continued its growth as merchant retention improved, and the remaining merchants increased their gross merchandise volume and adopted additional solutions provided through the Shopify platform. Gross merchandise volume or "GMV" represents 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.

Moreover, the total revenue generated by each of our previous cohorts, once annualized for comparability, has also grown on a consistent basis.



Merchant Acquisition

Our merchant acquisition strategy is primarily focused on identifying and attracting merchants to our platform and providing the right on-ramps for merchants across verticals and business maturity. Our approach includes a strong emphasis on the use of data and analytics to optimize our marketing spend and improve our onboarding processes, ultimately driving growth.

Because our merchant base includes a wide array of verticals and business sizes, spanning from aspirational startups to long-established enterprises, we use a broad variety of means to attract new merchants. We actively grow our audience through digital channels, including organic search, paid search, and social media as well as offline channels like radio, television and direct mail, with careful consideration for the return on marketing spend. We also engage our merchants through events in our offline strategy.

We intend to grow our base of merchants by both inspiring entrepreneurship through marketing programs and trial experiences and continuing to improve the ease with which merchants can get a new or existing business up and running with Shopify. We allocate resources towards awareness-driven brand campaigns, authoring various Shopify blogs and podcasts, earned media and public relations campaigns, and providing thought leadership to help our merchants succeed and to build their own brand.

We offer self-serve onboarding, and employ sales and account representatives to help drive adoption of our platform and certain solutions, such as Shopify Plus, Commerce Components and our POS Pro offering.

Additionally, we leverage relationships with third-party design agencies, system integrators, developers, influencers, freelancers and other partners around the world who actively refer merchants to us.

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. Our partner ecosystem helps drive the growth of our merchant base by extending both the reach and the functionality of the Shopify platform. As of December 31, 2023, more than 13,000 apps were 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.

Our Offerings

Our business model has two revenue streams: a recurring subscription component that we call subscription solutions and a merchant success-based component that we call merchant solutions.

Subscription Solutions

We generate subscription solutions revenues primarily 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 apps, the registration of domain names, and the sale of themes.

We offer pricing plans designed to meet the needs of our current and prospective merchants. Offering different service and pricing levels allows businesses of all sizes to scale without leaving the Shopify platform. As a merchant upgrades to our higher-priced options, they receive more powerful tools and volume-driven product pricing for certain merchant solutions. While most merchants subscribe to our Basic and Shopify plans, the majority of our GMV has been generated from merchants subscribing to our Shopify Plus plans. Merchant retention rates are also higher among merchants on higher-priced plans. Offered at a starting rate that is several times that of our Advanced plan, the Shopify Plus plan solves for the complexity of merchants as they grow and scale globally, offering additional functionality and support, including features like Shopify Audiences for customer acquisition, B2B features for selling wholesale, and Launchpad for ecommerce automation. Gymshark, Heinz, FTD, Netflix, Kylie Cosmetics, SKIMS and Supreme are among the Shopify Plus merchants leveraging our reliable, cost-effective, and scalable commerce solution.

Our subscription plans typically have a one-month term, although merchants can elect to make an annual commitment. Those who sign on to Shopify Plus initially have annual or multi-year subscription terms. Subscription terms generally renew automatically unless notice of cancellation is provided in advance. Merchants purchase subscription plans directly from us. Subscription fees are typically paid to us at the start of the applicable subscription period, regardless of the length of the subscription period, with the exception of Shopify Plus subscription contracts, which are paid in arrears on a ratable basis. Subscription fees are non-refundable. POS Pro subscriptions fees are charged on a per month and per location basis, with an option to elect an annual commitment. POS Pro enables brick and mortar merchants to seamlessly bridge online and offline commerce operations and offer their buyers a smooth shopping experience

through features such as smart inventory management and buy online-pickup/return in store or curbside. In 2023, we launched our Retail plan, a new pricing plan for businesses selling primarily in-person that includes all Shopify POS Pro features as well as tools to build a simple online presence.

Merchant Solutions

We offer a variety of merchant solutions to augment those provided through our subscriptions and to address the broad array of functionality merchants commonly require, including accepting payments, securing working capital, and shipping. We believe that offering merchant solutions creates additional value for merchants, saving them time and money by making additional functionality available within a single centralized commerce platform, and creates additional value for Shopify by increasing merchants' use of our platform.

We principally generate merchant solutions revenues from payment processing fees and currency conversion fees from Shopify Payments, referral fees from partners, Shopify Capital, and transaction fees (other than fees for Shopify Payments). In addition, we generate merchant solutions revenue from the sale of shipping labels, the sale of POS hardware, advertising on the Shopify App Store, and Shop Campaigns (previously Shop Cash Offers), our buyer acquisition product for merchants.

Shopify Payments is a fully integrated payment processing service that allows our merchants to accept and process payment cards online and offline, and is also designed to drive higher retention among merchants. Shopify Payments eliminates the need for merchants to set up and maintain a direct relationship with a third-party payment gateway, gives merchants access to low credit card processing rates, and allows us to cross-sell additional solutions to our merchant base. We introduced Shopify Payments in the United States and Canada in 2013, and have expanded into additional geographies in subsequent years. Today, more than 75 percent of eligible merchants have enabled Shopify Payments, which is available in 23 countries. As a result of introducing Shopify Payments in new geographies, the revenues and associated costs have increased. Shopify merchants that have adopted Shopify Payments also have access to other products, including Shop Pay, our accelerated checkout, and Shop Pay Installments, our 'buy now, pay later' product.

For Shopify Payments transactions, processing payment fees are determined based in part on a percentage of the dollar amount processed plus a per transaction fee, where applicable. Currency conversion fees are determined based on a percentage of the dollar amount converted in a payment processing transaction, where applicable. Transaction fees (other than fees for Shopify Payments) are typically charged based in part on a percentage of GMV that is not processed by Shopify Payments.

We generate referral fees from partners to which we direct business and with which we have an agreement in place. Depending on the terms of the agreements with our partners, these revenues can be recurring or non-recurring. Where the agreement provides for recurring payments to us, we typically earn revenues so long as the merchant that we have referred to the partner continues to use the services of the partner. Non-recurring revenues generally take the form of one-time payments that we receive when we initially refer the merchant to the partner.

Shopify Capital and other lending solutions help eligible merchants secure financing and accelerate the growth of their business by providing access to simple, fast, and convenient working capital. Shopify Capital is available in four countries: Australia, Canada, the United Kingdom, and the United States. We apply underwriting criteria prior to purchasing the eligible merchant's future receivables or making a loan to help ensure collectability. Under Shopify Capital, we purchase a designated amount of future

receivables at a discount (an advance) or make a loan. The advance or the loan is forwarded to the merchant at the time the related agreement is entered into, and the merchant remits a fixed percentage of their daily sales until the outstanding balance has been remitted. Certain loans and MCAs are facilitated internally and originated by a bank partner, from whom we then purchase the loans and MCAs, obtaining all rights, title, and interest or discount for a fee calculated as a percentage of the loan or MCA's principal. We have mitigated some of the risks associated with Shopify Capital by opening insurance policies with Export Development Canada to insure some of the loans and MCAs offered by Shopify Capital. In early 2023, we further enhanced our risk management and funding capabilities with the ability to sell certain Shopify Capital loans in the United States.

Shopify Shipping allows merchants doing their own fulfillment and shipping to select from available shipping partners to buy and print outbound and return shipping labels and track orders directly within the Shopify platform. Shopify Shipping is available in seven countries. For Shopify Shipping, fees are determined based on the type of labels purchased and the agreement negotiated with third parties.

Shop Pay Installments, our "buy now pay later" product available to eligible merchants and their buyers in the United States, enables merchants to sell their goods to buyers on payment plans, either interest-free or interest-bearing. In 2023, we extended our Shop Pay Installments capabilities to our offline channel. Merchants receive upfront payment for a sale, net of fees, without the worry associated with collecting future payments from the buyer. We recognize revenue when a merchant sale is made through the use of the product based on a percentage of the total order value. Our third-party provider of this service bears the buyer underwriting and buyer credit risk associated with the product.

Shopify POS hardware enables an offline sales channel that lets merchants sell their products and accept payments in person almost anywhere, including brick-and-mortar shops, markets, and pop-up shops. Shopify POS hardware syncs with Shopify to track merchant orders and inventory across retail locations, a merchant's online store, and other active channels.

While the majority of the POS-compatible hardware we sell has been designed and manufactured by third-party vendors, we also offer Shopify-designed hardware including POS card readers with integrated payments and a retail stand with expanded functionality to better meet the needs of our merchant base and increase the visibility of the Shopify brand. In 2023, we launched POS Go, Shopify's all-in-one POS system, in Canada, the United Kingdom and Ireland, expanding its availability to four countries (including the United States, where the product was first made available in 2022).

Our POS card reader with integrated payments is available in 14 countries. Merchants can purchase POS card readers from Shopify's hardware store and Shopify generates incremental Shopify Payments revenue for transactions conducted via our card readers with integrated payments. In 2023, in the United States and Canada, we released the new enterprise-grade payments hardware, POS Terminal, which combines POS Go and the all-new POS Go Dock to give merchants the option to turn their mobile point-of-sale system into a WiFi and ethernet-connected reliable countertop payment device.

Shop Campaigns (previously Shop Cash Offers) is our buyer acquisition product related to the Shop Cash rewards program in the Shop App. Revenues are recognized at the time of purchase when a qualifying transaction occurs. Shop Campaigns allow merchants to increase the value of a buyer’s Shop Cash through targeted campaigns aimed at attracting new buyers to participating merchants and we earn a fee from the merchant for the buyer acquisition services.

Shopify Tax offers merchants a high level of U.S. sales tax compliance with little upkeep for merchants that sell to customers in the United States. Shopify Tax allows merchants to calculate and collect taxes with accuracy, designates product tax rates with smart categorization, shares sales tax liability insights and simplifies sales tax reporting for filing purposes.

Advertising revenue is earned on the Shopify App Store as merchants click on the apps being advertised by our partners. We recognize advertising revenues when we are entitled to receive payment from the partner.

Shopify Markets, our end-to-end cross-border commerce product offerings, integrates services to centralize our platform's cross-border capabilities and enable merchants to penetrate the global commerce market. Shopify Markets builds on our existing transactional services and partnerships from which we earn referral fees to provide a tailored experience for each market.

Shopify Markets Pro provides merchants with a native merchant-of-record solution that manages tax and duty compliance, as well as Shopify Translate and Adapt, which helps merchants quickly and accurately localize the customer journey through language translation and adapting custom content for each market. We generate revenue on merchant-of-record transactions, international payment processing and when currencies are converted for buyer orders.

In the second quarter of 2023, we completed the sale of our logistics businesses. The majority of our logistics assets were sold to Flexport. In the fourth quarter of 2023, we entered into a commercial agreement with Flexport to continue to offer fast, reliable, and affordable logistics services to our merchants. Flexport will be the preferred provider of Shop Promise, a buyer-facing badge that, when enabled, tells buyers that orders are verified for reliable delivery in five calendar days or less. Shop Promise is intended to help merchants build trust and customer loyalty and improve sales conversion. We believe our partnership with Flexport will carry forward our vision for merchant-centered logistics, while allowing Shopify to focus on its primary mission of building and scaling the solutions that our merchants need to successfully manage and grow their businesses.

Seasonality

Our merchant solutions revenues are directionally correlated with the level of GMV that our merchants facilitated through our platform. Our merchants typically process their lowest level of GMV in the first quarter and their highest level of 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. We believe that this seasonality has affected and will continue to affect our quarterly results. 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. This seasonality may also be impacted by the overall levels of consumer spending and macroeconomic conditions.

Research and Development

Shopify is building the internet infrastructure for commerce that enables merchants of all sizes around the world to successfully start and scale their businesses on Shopify. We are simplifying the user experience for smaller merchants, arming them with new and innovative ways to compete with larger, better-funded competitors, as well as for larger merchants seeking technology and support for higher volumes and global reach. We strive to increase the probability of a merchant's future success by finding and supporting

solutions that enable merchant discovery and allow merchants to develop a commerce presence wherever their buyers are, across multiple channels and geographies. We also aim to keep our merchants ahead of the curve, and have, and expect to continue to, leverage emerging technologies including artificial intelligence in our products to help our merchants increase productivity, improve workflows, make smarter decisions and spend less time on operational tasks. As such, research and development at Shopify is currently focused on product management, product development, and product design to accomplish these goals.

Commerce is continually evolving, especially in response to new and emergent technologies. Shopify strives, on behalf of merchants, to not just keep pace in this dynamic environment, but to bring to market new and better selling and buying experiences by leveraging what technology and connectivity have made possible.

We also invest in developing the tools to make it easier for our ecosystem partners to build on and for Shopify to extend the functionality and flexibility of the platform. We believe that by deepening the capabilities of our current solution set to meet the needs of more merchants in more geographies, by offering new and better ways for merchants to market, sell, and get their products to buyers, and by expanding the range of solutions we offer, we will be able to grow our addressable market and meet the needs of merchants in years ahead. Data analytics, machine learning, and artificial intelligence are increasingly informing our product development efforts and we expect to continue investing in these areas.

Growth Strategy

We have focused on rapidly growing our business and plan to continue heavily investing to drive future growth. We believe that our investments will increase our revenue base, improve the success of our global base of merchants, and strengthen our ability to increase sales to our merchants. Our growth strategy is driven by our mission: make commerce better for everyone. Key elements of our strategy include:

Grow our Base of Merchants. We believe that we have a significant opportunity to increase the size and productivity of our merchant base. In pursuit of that growth, we apply many of the same principles that we use when building our products, allocating talent and resources to tools that accelerate our marketing processes and allow us to extract greater value from our total marketing spend. We also continue to experiment with improving the merchant onboarding experience, leveraging deep technical expertise, purpose-built software, and data analytics to ensure our merchants have the support they need to grow and anticipate challenges around the corner. While we believe it is important to establish relationships early in the business lifecycle and grow along with our merchants, we also see opportunity with larger businesses looking for faster time-to-market and better value as they innovate to meet rapidly evolving buyer demands. As such, we are investing in self-serve and direct sales efforts focused on acquiring larger merchants as well as brick and mortar retail and business-to-business merchants.

Grow our Merchants' Revenue. Our goals are closely aligned with the goals of our merchants. The more a merchant sells on our platform, the longer they are likely to remain with Shopify and the more revenue we generate as they process more transactions, upgrade plans, sell through new sales channels, ship more products, and use additional solutions. To help our merchants sell more, we expect to continue to improve our platform and leverage technology to optimize merchant support, introduce merchants to additional solutions, and assist merchants in unlocking the full potential of Shopify's offerings.

Continuous Innovation and Expansion of our Platform. Our platform is built to support innovation and the rapid technology changes in commerce and we have consistently expanded the functionality of our platform over the last decade plus. In addition to our evolving suite of merchant solutions, we are continuously advancing our technologies, tooling, and infrastructure so merchants can not only keep pace with the rapid changes in commerce, but be among the earliest adopters of commerce innovation.

Continue to Build for the Long-term. We have a culture of iteration and experimentation with a focus on maximizing long-term value, and many of our investments are made with an eye toward what we believe merchants will require several years from now. Such longer-term initiatives include localizing the platform for international expansion, promoting our brand, expanding our existing services, introducing new solutions, integrating artificial intelligence into our products, and entering into strategic partnerships and acquisitions.

Continue to Grow and Develop our Ecosystem. We have a thriving third-party ecosystem that includes app developers, theme designers, and other partners that bolster the functionality of our platform. We offer competitive terms to our app developer partners to increase the appeal of Shopify as a platform on which to build and enable partners to reinvest in their own growth and innovation. We also host in-person events to demonstrate to partners the opportunities that exist to collaborate in building the future of commerce technology. Our ecosystem has grown in part due to the platform's functionality, which is highly extensible and can be expanded through our API. We believe that growing our ecosystem makes the Shopify platform more attractive and incentivizes merchants to remain on the Shopify platform, which further expands our merchant base, and in turn drives additional growth of our ecosystem.

Continue to Expand our Referral Partner Programs. We have strong relationships with thousands of development, design, system integrators, and marketing agencies throughout the world. These agencies build merchant web and mobile shops on our platform. We intend to strengthen our existing relationships with referral partners and create new ones with the goal of expanding our overall merchant base.

Technology

The Shopify platform is a multi-tenant cloud-based system that is engineered for high scalability, reliability, and performance. Open source has played a major role at Shopify from the beginning given our founder's active role on the core team that built Ruby on Rails, the technology that powers much of the Shopify platform. We host the Shopify platform using cloud-based servers. Maintaining the integrity and security of our technology infrastructure is critical to our business, and we plan to invest further in our infrastructure to meet our merchants' needs and maintain their trust. Our investment plans include increasingly optimizing our cloud-based infrastructure to deliver local performance and global reach to more merchants than ever before, with consistent levels of availability, performance, and resiliency. The key attributes of the Shopify platform are:

- *Security.* Shopify conducts regular security assessments, which include but are not limited to third-party penetration tests, a bug bounty program, and vulnerability assessments. The findings that result from these security assessments feed into Shopify's risk management process for further assessment. Credit card processing on the Shopify platform is performed by a dedicated, highly scalable, geographically redundant, high-security environment with specialized policies and

procedures in place. The environment is designed to be isolated and secure and exceeds the requirements of PCI DSS. We have been certified as a PCI DSS Level 1-compliant service provider, which is the highest level of compliance available, and we undergo external audits for PCI and SOC 2 Type 2. To keep our merchants' data secure, we use technology including firewalls, advanced encryption, and intrusion detection systems, and offer two-factor authentication.

Shopify makes its Privacy Policy available on its website, which describes how we collect, use and protect personal information.

- *Scalability.* The cloud-based architecture of our platform has been designed to support both existing and new merchants and their sudden traffic spikes. We use multiple technologies to efficiently scale our computing resources across our platform and to load test our platform to benchmarks that exceed merchant traffic volumes.

- *Reliability.* Our platform includes cloud-based servers that are fault-tolerant and ensure that our platform is highly reliable. Because Shopify is at the heart of our merchants' businesses, we employ a highly redundant, horizontally scalable, shared architecture designed to ensure resiliency and high availability.

- *Performance.* We believe that the faster and more accessible our merchants' shops appear to their buyers, the more our merchants will sell. During the 2023 Black Friday Cyber Monday shopping weekend, Shopify served 967,000 requests per second to our platform at peak. We have a dedicated team that is constantly profiling and optimizing the performance of the Shopify platform. We leverage content delivery networks with global points of presence to ensure that content and data is delivered quickly to users across the globe. In 2023, we processed an average of 199 million orders per month.

- *Deployment.* The Shopify platform is "single branch" software, which means that all of our merchants use the latest version of Shopify. The result is that we have no overhead in maintaining older versions of our platform. Our software deployment process enables us to quickly distribute new software as soon as it is ready. This is made possible by our ongoing investment in end-to-end automation and comprehensive test suites.

Competition

Our market is transforming, competitive, and highly fragmented, and we expect competition to increase in the future. We believe the principal competitive factors in our market are:

- vision for commerce and product strategy;
- simplicity and ease of use for merchants and their buyers;
- integration of multiple sales channels;
- embedding of commerce functionality onto more surfaces;
- cost-effective solutions;
- significant app ecosystem;
- breadth and depth of functionality;
- pace of innovation;
- powerful data analytics;
- ability to leverage emerging technologies, including artificial intelligence;

- ability to scale;
- security and reliability;
- support for a merchant’s brand development; and
- brand recognition and reputation.

With respect to each of these factors, we believe that we compare favorably to our competitors.

The growth of ecommerce may attract new entrants or new offerings from existing competitors. Additionally, some merchants may select one or more integrated or standalone offerings from other providers such as:

- ecommerce software vendors;
- content management systems;
- payment processors;
- POS providers;
- domain registrars;
- shipping label providers;
- fulfillment service providers;
- alternative lenders;
- financial services;
- cross-border services providers; and
- marketplaces.

Intellectual Property

Our intellectual property and proprietary rights are important to our business. In our efforts to safeguard them, we rely on a combination of copyright, trade secret, trade dress, domain names, trademarks, patents, and other rights in Canada, Ireland, Singapore, and the United States, and other jurisdictions in which we conduct our business. We also have confidentiality agreements, assignment agreements, and license agreements with employees, contractors, merchants, distributors, and other third parties, which limit access to and use of our proprietary intellectual property. Although we rely, in part, upon these legal and contractual protections, we believe that factors such as the skills and ingenuity of our employees, as well as the functionality and frequent enhancements to our platform, make our intellectual property difficult to replicate.

We are subject to certain risks related to our intellectual property. For more information, see "Risk Factors - Risks Related to our Business and Industry."

Property

We are headquartered in Ottawa, Canada. We do not own any real property. We believe that our current facilities are adequate to meet our current needs and we expect to continue to adapt our facilities, as needed.

Culture and Talent

Culture and Employees

If you have ambitious goals, you need an equally ambitious team. Shopify is composed of highly talented individuals working to make commerce better for everyone. Our culture is continuously being redefined with every person that joins our company, but, at our core, we value people who:

- are impactful;
- are merchant-obsessed;
- make great decisions quickly;
- thrive on change;
- are constant learners; and
- build for the long term.

Our values work in concert with our rules of engagement, which govern how we agree to interact with one another.

How We Work

We believe our employees can maximize their impact on our mission when they're able to pursue meaningful work from wherever works best for them. As a result, Shopify employees work remotely, gathering in-person periodically during the year to connect, solve complex problems, and align as a team.

While Shopify's primary way of working remains digital, in 2023, we opened our doors in cities where we have physical locations, allowing Shopify employees to come in, work collaboratively and connect with other colleagues. We call this offering "Local Access". Shopify teams also gather periodically through in-person team events, or "Bursts", which are designed to drive mission alignment and impact.

Learning and Development

Shopify values continuous learning and personal development. We are a company that is constantly striving to get better. We expect to see continuous growth from everyone on our team. We offer opportunities to our employees to learn and grow so they feel engaged and are progressing in their careers, which include:

Hack Days. We deeply value innovation and experimentation. Hack Days is a multi-day event when we encourage our employees to step out of their "day jobs" to tackle a new problem or project that inspires them and adds value to Shopify. "Hack Days" is an expression of Shopify’s culture of innovation and experimentation. Coming together to solve problems outside of their day-to-day work, Shopify employees collaborate across different teams and regions, learn together, and have fun while producing something that will make Shopify better. This global, cross-discipline collaboration promotes a sense of community and belonging on the Shopify team.

Own Your Own Development Program. Personal growth and constant learning are central to Shopify's culture. We encourage Shopify employees to map their personal learning journey through our "Own Your

Own Development" program. Employees around the world can access courses and workshops to build their skills and mastery, no matter where they're located.

Leading at Shopify. People leadership is critical to help employees and teams develop into their most impactful selves. Shopify offers employees that lead teams opportunities for education, training, and support to develop their management craft.

Coaching. Shopify employs professional coaches who fuel our mission every day by helping to grow the people and teams that make our mission a reality. We offer customized programs for individuals and teams to accelerate their development in order to generate greater impact and sustainable performance.

We are intentional in building a culture and environment that empowers growth in high-impact people. We offer wellness resources and programs across four pillars: financial, mental, physical, and social wellness, including an Employee Assistance Program that provides employees with confidential help for any work, health, or life concern. We measure employee engagement through regular pulse checks, including an annual survey. In a 2023 company-wide employee survey, four out of five respondents indicated that they would recommend their team at Shopify to an ambitious and hardworking friend.

As of December 31, 2023, we had approximately 8,300 employees and contractors worldwide. Our employees are not represented by a labor organization or party to a collective bargaining arrangement, with the exception of a small number of employees in France and Spain who are covered by mandatory industry-wide collective bargaining agreements in accordance with local law, and our employees in Germany, who are represented by a works council.

Government Regulation

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the internet, many of which are still evolving and could be interpreted in ways that could adversely affect our business. For example, concern about the use of software as a service platforms for illegal conduct, such as money laundering or supporting terrorist activities, may in the future result in legislation or other governmental action that could require changes to our platform. Similarly, legislation or other governmental action around online platforms that might be used to facilitate, enable, or host the distribution of illegal or otherwise harmful content, goods, or services, may require changes to our platform.

We are subject to U.S. and Canadian laws and regulations that govern or restrict our business and activities in certain countries and with certain persons, including the economic sanctions regulations administered by the U.S. Treasury Department’s Office of Foreign Assets Control, the sanctions regulations administered or enforced by the Office of the Superintendent of Financial Institutions in Canada, and the export control laws administered by the U.S. Commerce Department’s Bureau of Industry and Security, the U.S. State Department’s Directorate of Defense Trade Controls and the Canadian Export and Import Controls Bureau. We are currently subject to a variety of laws and regulations in Canada, the United States, the European Economic Area and elsewhere related to financial services. Depending on how Shopify Payments, Shopify Capital, Shop Pay Installments, Shopify Balance and our other merchant solutions evolve, we may be subject to additional laws in Canada and other jurisdictions worldwide.

We are also subject to federal, state, provincial, and foreign laws regarding cybersecurity, privacy, and the protection of data. Some jurisdictions have enacted laws requiring companies to notify individuals and regulators of data security breaches involving certain types of personal information and our agreements

with certain merchants require us to notify them in the event of a security incident. Additionally, some jurisdictions as well as our contracts with certain merchants require us to use industry-standard or reasonable measures to safeguard personal information or confidential information, and thereby mitigate the risk of a security incident. In the coming years, we expect further regulation regarding cybersecurity, privacy, and the protection of data, that will likely apply to our business. These laws and other obligations create regulatory, liability, and reputational risks for Shopify.

In addition, our reputation and brand may be negatively affected by the actions of merchants or their users or partners that are deemed to be hostile, offensive, inappropriate or unlawful. While we use technology to monitor for compliance with and eligibility for certain Shopify offerings, we do not proactively and comprehensively monitor or review the appropriateness of all content on all of our merchants' shops in connection with our services, and we do not have control over the activities in which merchants' buyers engage. While we have adopted policies regarding illegal or offensive use of our platform, merchants or their customers could nonetheless engage in these activities without our knowledge. The safeguards we have in place may not be sufficient to avoid harm to our reputation and brand, especially if such hostile, offensive or inappropriate use was high profile, which could adversely affect our ability to expand our merchant subscription base, could attract regulatory scrutiny or litigation threats, and could harm our business and financial results.

We could also be subject to liability and/or governmental regulation related to the content of merchants' shops, products and services, or other activities of our merchants and/or partners in various jurisdictions around the world. In many jurisdictions, new laws, regulations or rules relating to the liability of providers of online services for activities of their customers and other third parties are currently being proposed and debated, or otherwise being tested in court. This liability could relate to a number of different types of legal claims or concerns, including concerns relating to unfair competition, unfair, deceptive and abusive practices, copyright and trademark infringement, defamation, invasion of privacy or other torts, products liability, and other theories based on the nature of the relevant goods, services, or content. Any legislation, court ruling or other governmental regulation or action that imposes liability on providers of online services in connection with the activities of their customers or their customers' users could adversely affect our business. In such circumstances we may also be subject to liability under applicable law, which may not be fully mitigated by our terms of service. Any liability attributed to us could adversely affect our brand, reputation, ability to expand our merchant base, and financial results.

GENERAL DEVELOPMENT OF THE BUSINESS

As of December 31, 2023, the Company operated in a single operating and reportable segment.

Three-Year History

In the fourth quarter of 2023:

Shopify released in the United States and Canada, new enterprise-grade payments hardware, POS Terminal, which combines POS Go and the all-new POS Go Dock to give merchants the option to turn their mobile point-of-sale system into a WiFi and ethernet-connected reliable countertop payment device.

Shopify finalized a commercial agreement with Flexport, to extend the partnership between Shopify and Flexport to bring affordable and reliable logistics offerings to Shopify's merchants.

In the third quarter of 2023:

Shopify expanded its end-to-end cross-border commerce solution with native merchant of record offering, Shopify Markets Pro, to general availability in the United States.

Shopify launched the Retail Plan, a new pricing plan for brick-and-mortar businesses selling primarily in-person that includes all Shopify POS Pro features as well as tools to build a simple online presence.

Shopify expanded availability of Shopify's all-in-one mobile point-of-sale system, POS Go, to the United Kingdom and Ireland.

Shopify announced an app integration that allows U.S. merchants using Amazon's fulfillment network the option to add the Buy with Prime app from our app ecosystem into Shopify Checkout with transactions processed through Shopify Payments.

In the second quarter of 2023:

Shopify introduced Shopify Magic and Sidekick, AI-enabled features integrated across the Shopify platform that make it easier for merchants to run their businesses.

Shopify integrated Shop Pay Installments into Shopify POS allowing retail merchants the ability to offer in-store shoppers the same payment flexibility offered online.

Shopify launched Shopify Credit, a pay-in-full business credit card exclusively for Shopify merchants, rewarding them by offering amplified cash back on the categories where they spend the most.

Shopify launched Shopify Marketplace Connect app, a centralized hub for merchants to sell on all major marketplaces, including Amazon, eBay, and Walmart, while connecting, managing, and fulfilling their orders through Shopify.

Shopify completed the sale of its logistics businesses, including Deliverr, Inc. ("Deliverr").

Shopify announced a reduction in workforce, refocusing its priorities for the next era of growth and innovation.

In the first quarter of 2023:

Shopify launched Commerce Components by Shopify, the modern, composable stack for enterprise businesses. CCS combines access to Shopify's foundational, high-performing components along with flexible APIs to build dynamic customer experiences that integrate seamlessly with a retailer's preferred back office services.

Shopify signed agreements with systems integrators IBM Consulting and Cognizant to accelerate the adoption of CCS and Shopify Plus with larger brands and in more geographies.

Shopify announced updated pricing for Basic, Shopify, and Advanced plans on January 23, 2023. New pricing went into effect for new merchants on January 24, 2023, and for existing merchants as of January 23, 2023, on April 23, 2023.

In the fourth quarter of 2022:

Shopify launched Shopify Tax, which offers robust tax compliance tools for U.S.-based merchants that sell to customers in the United States.

In the third quarter of 2022:

Shopify acquired Deliverr, an ecommerce fulfillment technology company, for $2.1 billion, to accelerate the growth of Shopify's logistics offering.

Shopify announced the YouTube Shopping channel, which enables merchants to easily integrate their online store with one of the world’s biggest entertainment platforms.

Shopify announced a workforce reduction to recalibrate the company’s internal resources with its updated expectations of ecommerce growth levels.

Shopify launched Shopify Collabs, which gives merchants a new channel to find highly engaged consumers and powers commerce for the creator economy.

Shopify launched Shopify Capital in Australia, expanding its availability to four countries.

Shopify announced changes to its leadership team, including the appointments of Jeff Hoffmeister as the new Chief Financial Officer ("CFO") and Kasra Nejatian as Chief Operating Officer ("COO").

Shopify introduced Shopify Markets Pro, a cross-border merchant-of-record solution, and Shopify Translate and Adapt, which helps merchants accelerate their global expansion without adding complexity.

Shopify introduced Flex Comp, a new compensation system that gives employees agency to decide how much of their total compensation should be in the form of cash versus equity.

Shopify launched POS Go, new retail hardware that empowers merchants to meet consumers wherever they are and however they want to shop - from counter to curb.

In the second quarter of 2022:

Shopify co-founded Frontier, an advanced market commitment, with Stripe, Alphabet, Meta, and McKinsey Sustainability, to spend a combined $925 million among the participants on permanent carbon removal by the end of 2030.

Shopify launched Shopify Audiences, an advertising tool that helps merchants find high-intent buyers.

Shopify announced court approval of its updated governance structure, which included the creation and issuance of the Founder share to the company’s Founder and Chief Executive Officer ("CEO"), Tobias Lütke.

Shopify announced shareholder approval of the Share Split, a ten-for-one share split of its 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.

Shopify introduced Shopify Editions, a semi-annual showcase that features new launches and improvements across the platform.

In the first quarter of 2022:

Shopify signed a power purchase agreement to purchase the amount of wind energy equivalent to powering 100% of employee home offices across North America.

Shopify launched Linkpop, a link in bio tool that enables creators and merchants to launch social storefronts to sell directly on the platforms they are already engaging with followers.

In the fourth quarter of 2021:

Shopify launched our integrated retail hardware with payments to retail merchants in the Netherlands.

Shopify launched the Shopify Global ERP Program, which allows select ERP partners, initially including Microsoft, Oracle NetSuite, Infor, Acumatica, and Brightpearl, to build direct integrations into the Shopify App Store.

Shopify launched the Spotify channel, enabling artist-entrepreneurs on Spotify to connect their Spotify for Artists accounts with their Shopify online stores, where they can sync their product catalogs and seamlessly showcase products directly on their Spotify profile.

In the third quarter of 2021:

Shopify launched Shopify Markets, a product that makes cross-border commerce easier for entrepreneurs by enabling merchants to enter new markets, and increase buyer trust and conversion with tailored experiences for each market.

Shopify began rolling out Shopify Balance, our money management product, to merchants in the United States.

Shopify introduced TikTok Shopping to merchants, enabling merchants with a TikTok For Business account to add products that link directly to their online store checkout.

Shopify launched our All-New POS Pro software for Android devices, and launched our integrated retail hardware with payments to retail merchants in Germany and New Zealand.

Shopify opened a brick and mortar space in New York City featuring Shopify’s products, services, and technology, and serving as a hub where merchants can receive hands-on support, inspiration, and education to help grow their business.

Shopify launched Shopify Shipping in the United Kingdom, enabling British merchants to easily purchase shipping labels directly from the Shopify merchant admin, saving them time and money.

Shopify eliminated its revenue share on the first million dollars made by app and theme developer partners annually in the Shopify App Store and Shopify Theme Store, respectively, extending more generous terms

in order to increase our support for developers, expand what gets built on Shopify, and attract the best developers in the world to support Shopify's mission.

In the second quarter of 2021:

Shopify introduced a new retail integrated card reader with payments using our All-New POS software in the United Kingdom, Ireland, and Australia.

Shopify made Shop Pay Installments, a 'buy now, pay later' product that lets merchants offer their buyers more payment choice and flexibility at checkout, generally available to all eligible merchants in the United States.

Shopify announced that Shop Pay will become available to all merchants selling in the United States on Facebook and Google, even if they don't use Shopify's online store.

In the first quarter of 2021:

Shopify sold 1,180,000 Class A subordinate voting shares at a price to the public of $1,315 per share for aggregate gross proceeds, before underwriting discounts and offering costs, of $1,551,700,000, to strengthen its balance sheet and provide flexibility to fund its growth strategies.

Shopify announced, on March 9, 2021, that it had purchased more Direct Air Capture carbon removal (i.e. atmospheric carbon dioxide stored underground and not for enhanced oil recovery or any other type of fossil fuel extraction) than any other company in history with our agreement to purchase 10,000 tonnes of removal from Carbon Engineering in addition to our previous commitment to purchase 5,000 tonnes from Climeworks.

RISK FACTORS

In addition to any other risks contained in this AIF, as well as our "Management's Discussion and Analysis" and our audited financial statements and related notes, the risks described below are the principal risks that could have a material and adverse effect on our business, financial condition, results of operations, cash flows, future prospects or the trading price of our Class A subordinate voting shares. This AIF also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of a number of factors, including the risks described below. See "Forward-Looking Information."

Risks Related to Our Business and Industry

Our growth may not be sustainable and depends on our ability to attract new merchants, retain existing merchants, retain revenue from existing merchants, and increase sales to both new and existing merchants.

We principally generate revenues through the sale of subscriptions to our platform and the sale of additional solutions to our merchants. Our merchants have no obligation to renew their subscriptions after their subscription term expires, and new merchants joining our platform may decide not to continue or

renew their subscriptions for reasons outside of our control. As a result, even though the number of merchants using our platform has grown rapidly in recent years, there can be no assurance that we will be able to retain these merchants.

Our costs associated with generating revenue from new merchants are substantially higher than costs associated with subscription renewals or costs associated with generating sales of additional solutions to existing merchants. Therefore, if we are unable to retain revenue from existing merchants or if we are unable to increase revenues from existing merchants, even if such lost revenues are offset by an increase in revenue from new merchants or an increase in other revenues, our operating results could be adversely impacted.

A portion of our business consists of small and medium-sized businesses. Small and medium-sized businesses tend to be more susceptible than larger businesses to general economic conditions and other business-related risks, which has, and may continue to, contribute to merchant turnover. These businesses may be particularly susceptible to changes in economic conditions, including pressure from inflation and a decline in consumer spending. Meanwhile, large merchants may require higher service levels or have more complex needs than small and medium-sized businesses. As we look to further tailor our sales strategies to attract large volume brands, we may face elevated costs, extended onboarding cycles, and decreased predictability in finalizing the sale of products and services to these merchants. If we fall short of meeting the requirements of these clients, it could impede our ability to grow within the enterprise market.

We may also fail to attract new merchants, retain existing merchants, retain revenue from existing merchants or increase sales to both new and existing merchants as a result of a number of other factors, including: reductions in our current or potential merchants' spending levels; a decline in consumer spending, including as a result of deteriorating macroeconomic conditions; competitive factors affecting the global market for commerce services, including the introduction of competing platforms, discount pricing and other strategies that may be implemented by our competitors; our ability to execute on our growth strategy and operating plans including new solutions offerings; concerns relating to actual or perceived data incidents and security breaches; the frequency and severity of any system outages; technological changes or problems; our ability to expand into new markets and internationally; a decline in the number of entrepreneurs globally; a decline in our merchants' level of satisfaction with our platform and merchants' usage of our platform; the fact that difficulty and cost to switch to a competitor may not be significant for many of our merchants; changes in our relationships with third parties, including our partners, app developers, theme designers, referral sources, vendors and payment processors; the timeliness and success of new products and services we may offer in the future; our ability to integrate emerging technologies into our products; and our focus on long-term value over short-term results, meaning that we may make strategic decisions that may not maximize our short-term revenue or profitability if we believe that the decisions are consistent with our mission and will improve our financial performance over the long-term. Due to these factors and the continued evolution of our business, our historical revenue growth rate and operating margin may not be indicative of future performance.

In the long term, we anticipate that our growth rate will decline over time to the extent that the number of merchants using our platform increases and we achieve higher market penetration rates. If our growth rate declines, investors' perception of our business may be adversely affected and the trading price of our Class A subordinate voting shares could decline as a result. To the extent our growth rate slows, our business performance will become increasingly dependent on our ability to retain and increase revenue from existing merchants.

Our business could be harmed if we fail to manage our growth effectively.

The rapid growth we have experienced in the past few years in our business places significant demands on our operational infrastructure. The scalability and flexibility of our platform depends on the functionality of our technology and network infrastructure and its ability to handle increased traffic and demand for bandwidth. The growth in the number of merchants using our platform and the number of orders processed through our platform has increased the amount of data and requests that we process. Any problems with the transmission of increased data and requests could result in harm to our brand or reputation. Moreover, as our business grows, we will need to devote additional resources to improving our operational infrastructure and continuing to enhance its scalability in order to maintain the performance of our platform.

We intend to further expand our overall business with no assurance that our revenues will continue to grow. While we intend to expand our business without significant additional hiring in the near term, we may be unable to achieve that expansion without increasing our headcount. As we grow, we will be required to continue to improve our operational and financial controls and procedures, and we may not be able to do so effectively.

In addition, we believe that an important contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork and passion for our merchants, and a focus on attractive design and technologically advanced and well-crafted software and products. In order to support our growth, we must effectively integrate, develop, and motivate employees who are working remotely and based in various countries around the world, while at the same time preserving our ability to execute quickly on new features and initiatives. We may find it difficult to maintain our culture in these circumstances, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain and recruit personnel, to continue to perform at current levels, or to execute on our business strategy effectively and efficiently.

Our business is highly competitive. We may not be able to compete successfully against current and future competitors.

We face competition in various aspects of our business and we expect such competition may intensify in the future, as existing and new competitors introduce new services or enhance existing services and as our business continues to evolve and expand into new areas. We have competitors with longer operating histories, larger customer bases, greater brand recognition, greater experience, and more extensive commercial relationships in certain jurisdictions, and greater financial, technical, marketing, and other resources than we do. Some of our larger competitors may be able to leverage a larger installed customer base and distribution network to adopt more aggressive pricing policies and offer more attractive sales terms, which could cause us to lose potential sales or to sell our solutions at lower prices. We also face competition from niche companies that offer particular products that attempt to address certain of the problems that our platform solves or to address certain merchant needs. Our potential new or existing competitors may be able to develop products and services better received by merchants or may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, regulations or merchant requirements.

Competition may intensify as our competitors enter into business combinations or alliances or raise additional capital, or as established companies in other market segments or geographic markets expand into our market segments or geographic markets. For instance, certain competitors could use strong or dominant positions in one or more markets to gain a competitive advantage against us in areas where we operate by, among other things, integrating competing platforms, applications, or features into products

they control such as search engines, web browsers, mobile device operating systems, payment or fulfillment networks, or social networks; by making acquisitions; or by making access to our platform more difficult including by changing the terms of service related to their products, which could impact any relationship we have with those competitors and adversely impact our results of operations and those of our merchants. For example, many large technology platforms have started to impose, and will likely continue to impose, restrictions on the ability of other parties to access or use data from their customers and users. Apple has implemented changes to iOS that have limited how applications and third parties can access user information, and Google is implementing similar changes through 2024. We believe these increasingly restrictive practices are impacting our merchants' ability to sell or market their offerings, which has affected the demand for our platform and could lead to the loss of current or prospective merchants or other business relationships. Competitors may also be more established in international markets with a better understanding of local customs, providing them a competitive advantage. We also expect new entrants to offer competitive services. If we cannot compete successfully against current and future competitors, our business, results of operations, and financial condition could be negatively impacted.

We store personal information including of our merchants and their buyers and users of our apps. If the security of this information is compromised or is otherwise accessed without authorization, our reputation may be harmed and we may be exposed to liability and loss of business.

We store personal information, credit card information and other confidential information of our merchants and their buyers, our partners, and consumers with whom we have a direct relationship. Mobile applications integrated with Shopify and the third-party apps available for our platform may also store personal information, credit card information, and/or other confidential information. While we use technology to monitor for compliance with and eligibility for certain Shopify offerings, we do not proactively and comprehensively monitor all content on all of our merchants' shops, or the information provided to us through the applications integrated with Shopify, and, therefore, we do not control the substance of the content on our platform, which may include personal information. Additionally, we use dozens of third-party service providers and subprocessors to help us operate our business and deliver services to merchants and their buyers. These service providers and subprocessors may store or access personal information, credit card information and/or other confidential information.

There have been in the past, and may be in the future, successful attempts to obtain or to provide unauthorized access to the personal or confidential information of our partners, our merchants, our merchants' buyers, and consumers with whom we have a direct relationship, including as a result of breaches of a secure network by an unauthorized party, software vulnerabilities or coding errors, human error or malfeasance, including employee, contractor or vendor theft or misuse, or other misconduct. The security measures we have integrated into our internal networks and platform, which are designed to prevent or minimize security breaches, may not function as expected or may not be sufficient to protect our internal networks and platform against certain attacks. In addition, techniques used to obtain unauthorized access to networks in which data is stored or through which data is transmitted change frequently and are becoming increasingly sophisticated. As a result, we, and third parties we work with, including service providers we use and third-party apps or other services used by our merchants, may be unable to anticipate these techniques, detect the attacks for long periods of time, or implement adequate preventative measures. The unauthorized release, unauthorized access or compromise of personal or confidential information of our partners, our merchants, our merchants' buyers, and consumers with whom we have a direct relationship could have a material adverse effect on our business, reputation, financial condition and results of operations. Even if such a data breach did not arise out of our actions or inaction, or if it were to affect one or more of our competitors or our merchants' competitors, rather than Shopify itself, the resulting consumer concern could negatively affect our merchants and/or our business.

We are also subject to federal, state, provincial and foreign laws regarding cybersecurity and the protection of data. Some jurisdictions have enacted laws requiring companies to notify individuals and government regulators of security breaches involving certain types of personal information and our agreements with certain merchants and partners require us to notify them in the event of certain security incidents. Additionally, some jurisdictions, as well as our contracts with certain merchants, require us to use industry-standard or reasonable measures to safeguard personal information or confidential information. These laws, which may focus around individuals' financial and payment related information, are increasingly relevant to us, as we continue to collect and store more payment information from buyers directly through services such as Shop Pay.

Our failure to comply with legal or contractual requirements around the privacy and security of personal information could lead to significant fines and penalties imposed by regulators, as well as claims by our merchants, their buyers, or other relevant stakeholders. These proceedings or violations could force us to incur significant expenses in defense or settlement of these proceedings, result in the imposition of monetary liability or injunctive relief, divert management's time and attention, increase our costs of doing business, and materially adversely affect our reputation and the demand for our solutions. In addition, if our security measures fail to protect credit card information adequately, we could be liable to our partners, our merchants, their buyers, and consumers with whom we have a direct relationship, for their losses, as well as our payments processing partners under our agreements with them. As a result, we could be subject to fines and higher transaction fees, we could face regulatory or other legal action, and our merchants could end their relationships with us. There can be no assurance that the limitations of liability in our contracts would be enforceable or adequate or would otherwise protect us from any such liabilities or damages with respect to any particular claim. We cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that our insurers will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our business, financial condition and results of operations.

Security breaches, denial of service attacks, or other hacking and phishing attacks on our systems could impact or interrupt service to our merchants, their buyers, and others who use our services, harm our reputation or subject us to significant liability, and adversely affect our business and financial results.

We operate in an industry that is prone to cyberattacks. In the past, we have been subject to system interruptions and delays including as a result of distributed denial of service ("DDoS attacks"), a technique used by hackers to take an internet service offline by overloading its servers. A DDoS attack or security breach could delay or interrupt service to our merchants and their buyers and may deter buyers from visiting our merchants' shops. Our platform, our apps, and third-party apps may be subject to such attacks in the future. We have a defense-in-depth approach to resist such attacks and minimize our risks, but we cannot guarantee that our approach and infrastructure are or will be adequate to prevent cyberattacks, network and service interruption, system failure, or data loss. We will need to continue to harden our infrastructure to adapt to evolving tactics, techniques, and procedures to make us more resilient. In addition, computer malware, viruses, and hacking and phishing attacks by third parties are prevalent in our industry. We have experienced such attacks in the past and may experience such attacks in the future. Such attacks may result in an interruption of service on our platform or the loss or unauthorized disclosure of confidential information. As a result of our increased visibility, the size of our merchant base, and the increasing amount of confidential information we process, we believe that we are increasingly a target for such breaches and attacks, in particular because attackers tend to focus their efforts on popular offerings with a large user base. Our remote-first work environment could also impact the security of our platform and systems as well as our ability to prevent attacks or respond to them quickly.

Moreover, our platform, our apps, and third-party apps available for our platform have been in the past, and in the future could be breached if vulnerabilities in our platform or third-party apps are exploited by unauthorized third parties or due to employee, contractor or vendor error, malfeasance, or otherwise. Further, third parties may attempt to fraudulently induce employees, contractors, merchants, or partners into disclosing sensitive information such as user names, passwords or other information or otherwise compromise the security of our internal networks, electronic systems and/or physical facilities in order to gain access to our data or our merchants' data. Because techniques used to obtain unauthorized access change frequently and the size and severity of attacks and security breaches are increasing across the industry, we may be unable to implement adequate preventative measures or stop attacks or security breaches while they are occurring.

Any actual or perceived security incident could damage our reputation and brand, expose us to a risk of litigation and possible liability and require us to expend significant capital and other resources to respond to and/or alleviate problems caused by a security incident. Many jurisdictions have enacted laws requiring companies to notify individuals, customers, or government regulators of data security breaches involving certain types of personal data and our agreements with certain merchants and partners require us to notify them in the event of a security incident. In addition, we have provided in the past, and may provide in the future, voluntary notification to merchants, customers, or individuals of data security incidents, regardless of any legal or contractual obligation to do so. Any such notifications may be costly, could lead to negative publicity, scrutiny and/or fines from regulators and may cause our merchants to lose confidence in the effectiveness of our data security measures. Moreover, if a high profile security breach occurs with respect to a competitor, retailer or other commerce-related platform, merchants and buyers may lose trust in our business model or commerce more generally, which could adversely impact our and our merchants' businesses. Any of these events could harm our reputation or subject us to significant liability, and materially and adversely affect our business and financial results.

If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform and innovate and introduce new solutions in a manner that responds to our merchants' evolving needs, our business may be adversely affected.

The markets in which we compete are characterized by constant change and innovation and we expect them to continue to evolve rapidly. Our success has been based on our ability to identify and anticipate the needs of our merchants and design and maintain a platform that provides them with the tools they need to operate their businesses. Our ability to attract new merchants, retain revenue from existing merchants, and increase sales to both new and existing merchants will depend in large part on our ability to continue to improve and enhance the functionality, performance, reliability, design, security, and scalability of our platform and to innovate and introduce new solutions. If we fail to anticipate and address merchants' rapidly changing needs and expectations or adapt to emerging trends, our reputation could be harmed and our market share, operating results and financial condition could suffer.

Furthermore, we expect adoption of our platform and solutions by Shopify Plus merchants and enterprise-level businesses to increase. As the number of merchants with higher volume sales increases, so does the need for us to offer increased functionality, performance, reliability, scalability and support, which requires us to devote additional resources to such efforts. To the extent we are not able to enhance our platform's functionality to satisfy these requirements, our business, operating results, reputation and financial condition could be adversely affected.

We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements. Our research and development team devotes a substantial amount of time to software development, and, it can, in some cases, take months to update, code and test new and upgraded solutions and integrate them into our platform. We must also continually update, test and enhance our software platform. For example, our design team spends a significant amount of time and resources incorporating various design enhancements, such as customized colors, fonts, content and other features, into our platform. The continual improvement and enhancement of our platform requires significant investment and we may not have the resources to make such investment. We may make significant investments in new solutions or enhancements that may not achieve expected returns and such solutions or enhancements may not result in our ability to recoup our investments in a timely manner, or at all. The improvement and enhancement of the functionality, performance, reliability, design, security and scalability of our platform is expensive and complex, and to the extent we are not able to execute on these efforts in a manner that responds to our merchants' evolving needs, our business, operating results and financial condition will be adversely affected.

The impact of worldwide economic conditions, including the resulting effect on spending by merchants or their buyers, may adversely affect our business, operating results and financial condition.

Our performance is subject to worldwide economic conditions and their impact on levels of spending by merchants and their buyers. These conditions are impacted by events outside of our control, which may have a long-term impact on the global economy. A sizable portion of the merchants that use our platform are small businesses and many of our merchants are in the entrepreneurial stage of their development. Such merchants may be disproportionately affected by economic downturns or disruptions, especially if they sell discretionary goods, and may choose to allocate their spending to items other than our platform, especially in times of economic uncertainty or recessions.

Economic downturns, financial market volatility, or other negative macroeconomic factors such as inflation, have in the past and may in the future impact buyer confidence and spending, and adversely impact consumer spending, which could result in merchants who use our platform going out of business or deciding to stop using our services in order to conserve cash, or otherwise adversely affect the amount of commerce transacting through our platform and our ability to generate revenue. Challenging economic conditions may also adversely affect third parties with whom we have entered into relationships and upon which we depend in order to grow our business. Uncertain and adverse economic conditions may also lead to increased refunds and chargebacks, any of which could adversely affect our business.

Furthermore, we hold marketable securities in our cash management program and from strategic partnerships that are subject to general credit, liquidity, market, foreign exchange, and interest rate risks, which may be exacerbated by certain events that affect the global financial markets. If global credit and equity markets decline for extended periods, or if there is a downgrade of the securities within our cash management program portfolio, the investment portfolio may be adversely affected and we could determine that our investments have experienced an other-than-temporary decline in fair value, requiring impairment charges that could adversely affect our financial results. Thus, if general macroeconomic conditions deteriorate, our business and financial results could be adversely affected.

We currently rely on two suppliers to provide the technology we offer through Shopify Payments.

At present, we have payment service provider agreements with Stripe, Inc. ("Stripe") and PayPal, Inc. ("PayPal") and their respective affiliates (together, our "Payment Service Providers"). The Stripe agreement automatically renews every 12 months, unless either party terminates the agreement earlier upon 180 days' notice. The PayPal agreement, following its initial term, automatically renews every 12 months, unless either party terminates the agreement earlier upon 90 days' notice. These agreements are integral to Shopify Payments and, at this time, any disruption or problems with our Payment Service Providers or their services could have an adverse effect on our reputation, results of operations and financial results. We have the ability, under our current agreements, to integrate alternative payment service providers for Shopify Payments. However, if our Payment Service Providers were to terminate their relationships with us before an alternative payment service provider was fully integrated, we could incur substantial delays and expense, and the quality and reliability of such alternative payment service provider may not be comparable.

Our growth depends in part on the success of our strategic relationships with third parties.

We anticipate that the growth of our business will continue to depend on third-party relationships, including strategic partnerships and relationships with software developers, theme designers, referral sources, affiliates, payment processors, content providers, technology, fulfillment and shipping partners, providers of online sales channels, providers of artificial intelligence technology and solutions, systems integrators and other partners. We rely on computer hardware and 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. Identifying, negotiating and documenting relationships with third parties requires significant time and resources as does integrating third-party content and technology. Some of the third parties that sell our services have direct contractual relationships with our merchants, and therefore we risk the loss of such merchants if the third parties fail to perform their obligations. Our agreements with cloud hosting, technology, content, and consulting providers are typically non-exclusive and do not prohibit such service providers from working with our competitors or from offering competing services. These third-party providers may choose to terminate their relationship with us or to make material changes to their businesses, products or services.

The success of our platform depends, in part, on our ability to integrate third-party apps, themes, and other offerings into our third-party ecosystem. Third-party developers may change the features of their apps, themes and other offerings or alter the terms governing the use of their offerings in a manner that is adverse to us. If third-party apps and themes change such that we do not or cannot maintain the compatibility of our platform with these apps and themes, or if we fail to ensure there are third-party apps and themes that our merchants desire to add to their shops, demand for our platform could decline. We are also dependent on the interoperability of our platform with third-party mobile devices and mobile operating systems, as well as web browsers and application stores that we do not control. If we are unable to maintain technical inter-operation, our merchants may not be able to effectively integrate our platform with other systems and services they use. We may also be unable to maintain our relationships with certain third-party vendors if we are unable to integrate our platform with their offerings. In addition, third-party developers may refuse to partner with us or limit or restrict our access to their offerings. Partners may also impose additional restrictions on the ability of third parties like Shopify and our merchants to access or use data from their customers or users. Such changes could functionally limit or terminate our ability to use these third-party offerings with our platform, which could negatively impact our solution offerings and harm our business. If we fail to integrate our platform with new third-party offerings that our merchants want or need, or do not adapt to the data transfer requirements of such third-party offerings, we may not be able to offer the functionality that our merchants and their buyers expect, which would negatively impact our offerings and, as a result, harm our business.

We also rely on third parties to manufacture certain of our POS products. We expect suppliers of our products to comply with laws and standards on labor, health and safety, the environment, human rights and business ethics, but we do not directly control them or their practices or standards. If any of these suppliers violates laws or implements practices or standards regarded as unethical, corrupt, or non-compliant, we could experience supply chain disruptions, government actions or fines, litigation, merchant and other stakeholder dissatisfaction, canceled orders, and damage to our reputation.

Our competitors may be effective in providing incentives to third parties to favor their products or services or to prevent or reduce subscriptions to our platform. In addition, third-party service providers may not perform as expected under our agreements or under their agreements with our merchants, and we or our merchants may in the future have disagreements or disputes with such providers. If we lose access to products or services from a particular supplier, or experience a significant disruption in the supply of products or services from a current supplier, especially a single-source supplier, it could have an adverse effect on our business and operating results.

Our limited operating history in new and developing markets and new geographic regions makes it difficult to evaluate our current business and future prospects and may increase the risk that we will not be successful.

We operate in new and developing markets that may not develop as we expect and elements of our business strategy are new and subject to ongoing development. We have encountered and will continue to encounter risks and difficulties frequently experienced by growing companies in rapidly changing industries, including increasing and unforeseen expenses as we continue to grow our business. If we do not manage these risks successfully, our business, results of operations and prospects could be harmed.

Our future success will depend in part upon our ability to continue to expand into new geographic regions and offer new products and we will face risks entering markets in which we have limited or no experience, which have additional complexity and in which we have limited or no brand recognition. It is costly to

establish, develop and maintain international operations, and to promote our brand internationally. In addition, continuing to expand into new geographic regions, including those where the main language is not English, requires substantial expenditures and will take considerable time and attention, and we may not be successful enough in these new markets to recoup our investments in a timely manner, or at all. Our efforts to expand into new geographic regions may not be successful, which could limit our ability to grow our business.

Our business is susceptible to risks associated with international operations, including international sales and the use of our platform in various countries.

We currently have merchants in more than 175 countries and we expect to continue to expand our international operations and penetration in international markets in the future and to operate with a global workforce in a remote-first, work environment. However, our international sales and the use of our platform in various countries subject us to risks that we do not generally face with respect to domestic sales within North America. These risks include, but are not limited to:

- greater difficulty in enforcing contracts, including our terms of service and other agreements;
- burdens, complexity, and potential delays involved with compliance with foreign laws and regulations and laws and regulations applicable to international or cross-border operations including tariffs and customs, export controls, taxation, copyright, consumer protection, international trade, anti-money laundering, sanctions laws, and data privacy and data localization laws that may require that merchant and buyer data and data of consumers with whom we have a direct relationship be stored and processed in a designated territory;
- potentially restrictive actions by foreign governments or regulators, including actions that prevent or limit access to our platform, services, apps, or websites and uncertainty regarding liability for services and content;
- difficulties in managing systems integrators and technology partners;
- differing technology standards and different strategic priorities for merchants in various jurisdictions and costs and difficulties associated with localizing our platform and solutions including developing products in multiple languages and tailored for local preferences including challenges supporting our merchants as we implement new products and solutions to enable them to sell internationally;
- potentially adverse tax consequences, including the complexities of value-added tax (or other taxes) and restrictions on the repatriation of earnings;
- increased financial accounting and reporting burdens and complexities and increased exposure in foreign jurisdictions with growing international operations;
- different employee/employer relationships and labor regulations including the existence of work councils and labor unions and statutory equity requirements and other challenges caused by distance, language, and cultural differences;
- difficulties in managing an increasingly dispersed workforce including the need to implement appropriate systems, policies, benefits, and compliance programs;
- uncertain political and economic climates and increased exposure to global political, economic, and social risks that may impact our operations or our merchants' operations and/or decrease consumer spending, in particular on goods, including the impact of global health emergencies, supply chain disruptions, terrorism, war, natural disasters and other events;
- lower levels of credit card usage and increased payment risks;
- currency exchange rates and restrictions related to foreign exchange controls;

- reduced or uncertain protection for intellectual property rights in some countries and risks associated with operating in locations with higher incidence of corruption or fraudulent business practices;
- new and different sources of competition;
- lower levels of consumer spending; and
- restricted access to and/or lower levels of use of the internet.

These factors may cause our international costs of doing business to exceed our comparable domestic costs and may also require significant management attention and financial resources. Any negative outcome from our international business efforts could adversely affect our business, results of operations and financial condition. Many of our partners also have international operations and are also subject to these risks and if such partners are unable to appropriately manage these risks, our business may be harmed.

If we are unable to hire, retain and motivate qualified personnel, our business will suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. Our ability to identify, hire, develop, motivate, and retain qualified personnel will directly affect our ability to maintain and grow our business, and such efforts will require significant time, expense and attention. Our inability to attract or retain qualified personnel or delays in hiring required personnel may seriously harm our business, financial condition, and operating results. Our ability to continue to attract and retain highly skilled personnel, specifically employees with technical and engineering skills and skills in emerging technologies such as artificial intelligence will be critical to our future success and the demand and competition for such specialized talent may be high. Our remote-first work model may negatively impact our ability to attract, train, and retain talent.

Decreases in the Canadian dollar relative to the U.S. dollar and other currencies could make it more difficult for us to offer compensation packages to new employees that are competitive with packages in the United States or elsewhere and could increase our costs of acquiring and retaining qualified personnel, especially as our workforce becomes increasingly global. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly hired or divulged proprietary or other confidential information. While we intend to issue equity awards as key components of our overall compensation and employee attraction and retention efforts, we are required under U.S. GAAP to recognize compensation expense in our operating results for employee stock-based compensation under our equity grant programs, which may increase the pressure to limit stock-based compensation. Additionally, our compensation arrangements, such as our equity award programs, may not always be successful in attracting new employees and retaining and motivating our existing employees and we may be required to grant additional awards or offer alternative forms of compensation to attract and retain highly skilled personnel.

In addition, in 2022, we launched a new employee compensation system, Flex Comp, which provides employees with a single total compensation amount that is to be allocated between cash and equity awards at the discretion of the employees, subject to certain restrictions. Flex Comp is a relatively novel compensation system, and while we believe it will help to attract, retain and motivate qualified personnel, there can be no assurance that this system will result in the benefits we expect. In addition, the ability of employees to choose the allocation of their compensation between cash and equity may result in variability in our cash and stock-based expenses from quarter to quarter, which may introduce some volatility in our reported financial results.

We use third-party cloud service providers to deliver our platform services. Any disruption of services from our cloud service providers could harm our business.

We currently manage our platform services and serve all of our merchants through third-party cloud computing services, such as Google Cloud Platform. If, for any reason, we are required to migrate our computing to other cloud service providers, such a transition could require significant time and expense and our business could be adversely impacted.

Our third-party cloud service providers do not guarantee that access to our platform will be uninterrupted or error-free. Any damage to, or failure of, our providers' systems could result in interruptions to our platform. Interruptions in our services would reduce our revenue, subject us to potential liability and adversely affect our ability to retain our merchants or attract new merchants and would also impact our relationships with partners and consumers using applications integrated into our platform. The performance, reliability and availability of our platform is critical to our reputation and our ability to attract and retain merchants, partners, and consumers with whom we have a direct relationship. If service interruptions occur, merchants, partners or buyers could share information about negative experiences on social media, which could result in damage to our reputation and loss of future sales. The property and business interruption insurance coverage we carry may not be adequate to compensate us fully for losses that may occur. In addition, the hosting costs for our cloud services have increased over time and may increase further if we continue to require more computing or storage capacity and such capacity may not be available on the same terms or with the same costs or at all. These costs could adversely impact our business and financial condition.

Our business is subject to complex and changing laws and regulations worldwide, which may expose us to liability, increase costs or have other adverse effects that could harm our business.

We are subject to varied and complex laws, regulations and customs around the world. These laws and regulations include but are not limited to data privacy and data localization laws, copyright or similar laws, anti-spam laws, competition laws, and laws related to online platform liability, content moderation, consumer protection, counterfeiting, financial services, cross-border and domestic money transmission, product liability, employment, taxation, anti-money laundering, sanctions, anti-corruption, securities laws and export control. Compliance with such laws is costly and can require changes to our business practices and significant management time and effort.

These laws are continuously evolving, particularly as they relate to internet and multi-channel commerce platforms. Additionally, many of these laws do not address the unique issues raised by online platforms and ecommerce and those that do are often intended to target consumer-facing marketplaces that are differently situated than Shopify's core services. New laws, including those governing the internet, online platforms, artificial intelligence, and competition, potential amendments to existing laws, and ongoing regulatory and judicial interpretation of existing laws may be interpreted in a manner that restricts the scope of applicable protections, creates liability, costs or uncertainty for us and our merchants, or limits our ability to operate our platform or offer some of our products, which could in turn place us at a competitive disadvantage, subject our partners to restrictions that may impact our operations, or otherwise negatively impact our business.

As we continue to develop and improve consumer-facing products and services, and as those offerings grow in popularity, the risk that additional laws and regulations will impact our business will continue to increase. For example, we have invested in, and plan to continue to invest in, the research and development of artificial intelligence and machine learning technologies for use in our products and

services. Social, ethical, regulatory, and legal issues relating to the development and use of emerging technologies such as artificial intelligence are rapidly evolving and uncertain, and have generated significant scrutiny from governments, regulators, and other industry and public institutions. As a result, the use and development of these technologies may be subject to new or evolving laws, regulations, precedents or societal norms that could have unexpected outcomes and increase the risk that we are subject to regulatory scrutiny, suffer reputational harm, or incur unexpected liability from use of these technologies. In addition, judicial, regulatory, or legislative actions related to artificial intelligence may cause us to incur additional research, development, and compliance costs to keep pace with the evolving legal and regulatory environment. If our use of artificial intelligence is restricted, our business may be less efficient, or we may be at a competitive disadvantage.

Additionally, if one of our products is found to violate applicable laws or is perceived negatively by regulatory authorities or if merchants, partners, or third parties with whom we work violate applicable laws or our policies, those violations could result in other liabilities for us and could harm our business. Such violations may also negatively impact our reputation and brand in ways that could cause additional harm to our business, for example creating a negative consumer or regulatory perception around use of our products.

We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition.

Our future performance depends on the continued services and contributions of our senior management, including our CEO, Tobias Lütke, and other key employees to execute on our business plan and to identify and pursue new opportunities and product innovations. The failure to properly manage succession plans, develop leadership talent, and/or the loss of services of senior management or other key employees could significantly delay or prevent the achievement of our strategic objectives. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. The loss of the services of one or more of our senior management or other key employees for any reason could adversely affect our business, financial condition, operating results and corporate culture and require significant amounts of time and resources to identify suitable replacements and integrate them within our business.

Payments processed through Shopify Payments, Shop Pay Installments or payments processed or funds managed through Shopify Balance may subject us to regulatory requirements, additional fees, and other risks that could be costly and difficult to comply with or that could harm our business. These financial products also may increase the risk of fraud and expose Shopify or our merchants to additional costs or liabilities.

We are subject to risks related to payments processed through Shopify Payments, Shop Pay Installments, and Shopify Balance. Such risks include:

- we pay interchange and other fees on these transactions, which may increase our operating expenses;
- if we are unable to maintain our chargeback rate at acceptable levels, or comply with other applicable network rules, our credit card fees may increase, we may receive fines from credit card networks, or credit card issuers may terminate their relationship with us or with particular merchants on our platform;
- increased costs and diversion of management time and effort and other resources to deal with fraudulent transactions or chargeback disputes, which may increase in an economic downturn;

- potential fraudulent or otherwise illegal activity by merchants, their buyers, developers, employees or third parties which could lead to increased fines or liabilities, in particular there is a risk of unauthorized account access and unauthorized transactions for Shopify Balance where funds cannot be recovered or reversed, which may lead to increased costs or liabilities for Shopify;
- exposure to transaction losses on Shopify Payments, Shop Pay Installments, and Shopify Balance as a result of unrecovered merchant transactions due to returns and disputes;
- restrictions on funds or required reserves related to payments; and
- additional disclosure and other requirements, including new onboarding authentication, reporting regulations and new credit card association rules.

We are required by our payment processors to comply with payment card network operating rules and we have agreed to reimburse our payment processors for any fees or fines they are assessed by payment card networks as a result of any rule violations by us or our merchants. The payment card networks have discretion to both set and interpret the card rules. In addition, we face the risk that one or more payment card networks or other processors may, at any time, assess penalties against us, against our merchants, or terminate our ability to accept credit card payments or other forms of online payments from buyers, which would have an adverse effect on our business, financial condition and operating results.

If we fail to comply with the payment card network rules, including the PCI DSS, we would be in breach of our contractual obligations to our payment processors, financial institutions, partners and merchants. Such failure to comply may subject us to fines, penalties, damages, higher transaction fees and civil liability, and could eventually prevent us from processing or accepting payment cards or could lead to a loss of payment processor partners, even if there is no compromise of customer information.

We or our partners are currently subject to a variety of laws and regulations in Canada and elsewhere related to payment processing, including those governing cross-border and domestic money transmission, prepaid and other payment access instruments, short-term installment loans, electronic funds transfers, foreign exchange, anti-money laundering, counter-terrorist financing, banking and import and export restrictions. Depending on how Shopify Payments, Shop Pay Installments, Shopify Balance and our other merchant solutions evolve, we may be subject to additional laws, either in existing or new jurisdictions. In some jurisdictions, the application or interpretation of these laws and regulations is not clear. Our efforts to comply with these laws and regulations could be costly and result in diversion of management time and effort and may still not guarantee compliance. In the event that we are found to be in violation of any such legal or regulatory requirements, we may be subject to monetary fines or other penalties such as a cease and desist order, or we may be required to make changes to our platform, any of which could have an adverse effect on our business, financial condition and results of operations.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive position may be harmed.

We believe that maintaining, promoting and enhancing the Shopify brand is critical to expanding our business. Maintaining and enhancing our brand will depend largely on our ability to continue to provide high-quality, well-designed, useful, reliable and innovative solutions, which we may not do successfully. Errors, defects, disruptions or other performance problems with our platform, including with third-party apps, or with our other products, may harm our reputation and brand. We may introduce new solutions or terms of service that our merchants and their buyers do not like, which may negatively affect our brand. Additionally, if our merchants or their buyers have a negative experience using our solutions or third-party solutions integrated with Shopify, or if our merchants do not receive a consistently high level of customer service from our support team, such experiences may affect our brand. Our Shopify Partner Directory enables independent designers, developers, and marketers to offer their services to merchants who engage them directly. Our reputation may be harmed if any of the services provided by these third parties does not meet our merchants' expectations.

We receive media coverage globally. Any unfavorable media coverage or negative publicity about our industry or our company including, without limitation, the quality and reliability of our platform, our level of customer service, privacy and security practices, product changes, our business operations, litigation, or regulatory activity, or regarding the actions of our partners or merchants, could seriously harm our reputation. Critics have in the past and may in the future utilize the internet, the press and other means to publish negative views of our industry, our company and our competitors, our employees, or make allegations regarding our business and operations, or the business and operations of our competitors. We may be the recipient of similar negative publicity or allegations in the future, which could adversely affect the size, demographics, engagement, and loyalty of our merchants, result in decreased revenues, divert the attention of management, cause fluctuations in the market price of our Class A subordinate voting shares, and negatively impact our business and reputation.

We believe that the importance of brand recognition will continue to increase as competition in our market increases. In addition to our ability to provide reliable and useful solutions at competitive prices, successful promotion of our brand will depend on the effectiveness of our marketing efforts. We market our platform through advertisements on search engines and social networking and media sites, and paid banner advertisements on other websites, partner and affiliate channels and through a number of free traffic sources, including customer referrals, word-of-mouth and search engines. We also use a number of offline marketing channels as well, including audio, television and direct mail to attract new merchants. Additionally, the success of our brand promotion efforts is partly dependent on our visibility on third-party advertising platforms and changes in the way these platforms operate or changes in their terms or data use practices could make marketing and promotion of our platform and brand more expensive and difficult thereby limiting our success as a business.

We have incurred net losses in the past and we may be unable to maintain profitability in the future.

While we generated net income of $132 million for the year ended December 31, 2023, we incurred net losses of $3,460 million for the year ended December 31, 2022. In prior years, we have also had an accumulated deficit. These losses and accumulated deficit were a result of the substantial investments we made to grow our business and we expect to make significant expenditures to expand our business in the future. We expect to increase our investment in sales and marketing as we spend on commercial initiatives to expand our addressable market and more deeply penetrate existing markets. We plan to increase our investment in research and development as we continue to introduce new products and

services to extend the functionality of our platform. We also intend to invest in maintaining our high level of merchant service and support, which we consider critical for our continued success. In order to support the continued growth of our business and to meet the demands of continuously changing security and operational requirements, we plan to continue investing in our network infrastructure. These increased expenditures will make it harder for us to maintain profitability and we cannot predict if we will maintain profitability in the near term or at all. Historically, our costs have increased each year due to these factors and we expect to continue to incur increasing costs to support our anticipated future growth. We expect to incur additional general and administrative expenses over time as a result of our anticipated growth. If the costs associated with acquiring new merchants materially rise in the future, including the fees we pay to third parties to market our platform, our expenses may rise significantly. If we are unable to generate adequate revenue growth and manage our expenses, we may incur significant losses in the future and may not maintain profitability on a consistent basis and this could cause the trading price of Class A subordinate voting shares to decline.

We may make decisions that could negatively impact our short-term operating results if we believe those decisions will improve the experiences of our merchants and their buyers and/or if we believe such decisions will improve our operating results over the long term. These decisions may not be consistent with the expectations of investors and may not produce the long-term benefits that we expect, in which case our business may be materially and adversely affected.

If our software or hardware contain undetected errors or defects, our business, financial condition and results of operations could be adversely affected.

The software underlying our platform is complex and, despite internal testing, may contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced or when new versions or enhancements are released. Any failure to successfully correct such errors, defects, security vulnerabilities or software bugs in a timely manner, or at all, could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance, litigation, and damage to our reputation and brand, any of which could have an adverse effect on our business, financial condition and results of operations. Furthermore, our platform is a multi-tenant cloud based system that allows us to deploy new versions and enhancements to all of our merchants simultaneously. To the extent we deploy new versions or enhancements that contain errors, defects, security vulnerabilities or software bugs to all of our merchants simultaneously, the consequences would be more severe than if such versions or enhancements were only deployed to a smaller number of our merchants. Additionally, our POS hardware products, may have defects in design, manufacture, or associated software. These defects may expose us to product liability claims, product replacements or modifications, write-offs of inventory, litigation, or regulatory action including claims due to personal injury, death, and environmental or property damage. We could incur significant expenses, lost revenue, and reputational harm as a result of recalls, safety alerts, product liability claims, or regulatory actions, particularly if we fail to prevent, detect, or address such issues through design, testing, or warranty repairs.

Evolving data protection and privacy laws and regulations, cross-border data transfer restrictions, data localization requirements, and other domestic or foreign laws or regulations may limit the use and adoption of our services, expose us to liability, or otherwise adversely affect our business.

Laws and regulations related to data protection and privacy, and their interpretations, concerning the collection, processing, and disclosure of consumer personal information are constantly evolving. Many of these laws and regulations, including Canada’s Personal Information Protection and Electronic Documents Act, Quebec's Law 25, the European Union’s General Data Protection Regulation ("GDPR"), the

European Union’s ePrivacy Directive, the United Kingdom’s General Data Protection Regulation, the California Consumer Privacy Act ("CCPA"), the California Consumer Privacy Rights Act, the Virginia Consumer Data Protection Act, the Colorado Privacy Act, the Connecticut Data Privacy Rights Act, and the Utah Consumer Privacy Act contain detailed requirements regarding collecting and processing personal information, and impose certain limitations on how such information may be used, the length for which it may be stored, with whom it may be shared, and the effectiveness of consumer consent. In addition to the comprehensive U.S. state privacy laws and regulations that have or will be going into effect in 2024, similar laws are being proposed elsewhere, which impose additional obligations such as additional rights processes, new contractual requirements, opt outs for certain uses and disclosures of sensitive personal information, and opt outs from sharing personal information for targeted advertising.

Such laws and regulations could restrict our ability to store and process personal data (in particular, our ability to use certain data for purposes such as risk or fraud avoidance, marketing, or advertising), to control our costs by using certain vendors or service providers, and to offer certain services in certain jurisdictions. Moreover, such laws could restrict our merchants’ ability to run their businesses, for example by limiting their ability to effectively market or advertise to interested buyers and, in general, by increasing the resources required to operate their business. This could reduce our revenues and the general demand for our services. Additionally, such laws and regulations are often inconsistent and may be subject to amendment or re-interpretation, which may cause us to incur significant costs and expend significant effort to ensure compliance. Given that requirements may be inconsistent and evolving, how we choose to respond to these requirements globally may not meet the expectations of individual merchants, their buyers, or other stakeholders, which could thereby reduce the demand for our services. Finally, some merchants, partners, or service providers may respond to these evolving laws and regulations by asking us to make certain privacy or data related contractual commitments that we are unable or unwilling to make or by placing restrictions on how data may be used. Restrictions imposed by our partners or other third parties may also impair our merchant's ability to sell or market their products, which could affect the demand for our platform. Any of these responses or restrictions could lead to a loss of current or prospective merchants or other business relationships.

Certain laws and regulations also include restrictions on the transfer of personal information across borders or apply with extra-territorial effect. Because our services are accessible worldwide, certain foreign jurisdictions may claim that we are required to comply with such laws even in jurisdictions where we have no local entity, employees or infrastructure. Some of these laws include strict localization provisions that require certain data to be stored within a particular region or jurisdiction. We rely on a globally distributed infrastructure in order to be able to provide our services efficiently, and consequently may not be able to meet the needs of merchants who are located in or otherwise subject to such localization requirements, which may reduce the demand for our services.

Other laws and regulations, like the GDPR, generally prohibit cross-border data transfers and onward transfers unless specific conditions are met, such as a determination that a jurisdiction provides an "adequate" level of data protection or the existence of other "appropriate safeguards" that provide some assurances as to the treatment and protection of such data. We rely on a variety of these mechanisms, including the European Commission Decision 2002/2/EC regarding the adequacy of Canadian law and Standard Contractual Clauses, and eventually intend to rely on Binding Corporate Rules for transfers between Shopify entities, to enable us to provide our services around the globe at scale. If we are no longer able to rely on a particular transfer mechanism or are otherwise unable to transfer personal information across borders, we may not be able to operate in certain jurisdictions, which may reduce the demand for our services and limit our opportunities for international growth. As the enforcement

landscape further develops, and supervisory authorities issue further guidance on international data transfers, we could encounter additional costs, complaints, regulatory investigations, or fines.

Beyond impacting the demand for our services, our failure to comply with applicable privacy and data protection laws or regulations could expose us to significant fines and penalties as well as injunctions imposed by regulators, and has in the past and could in the future expose us to legal claims by our merchants, or their buyers, or other relevant stakeholders. Some of these laws, such as the CCPA, permit individual or class action claims for certain alleged violations, increasing the likelihood of such legal claims. Similarly, many of these laws require us to maintain internal and external documentation, such as an online privacy policy, data protection impact assessments, terms of service, and other informational pages or documents that disclose or record our practices regarding the collection, processing, and disclosure of personal information. If these records or disclosures contain any information that a court or regulator finds to be inaccurate, we could also be exposed to legal or regulatory liability. Any such proceedings or violations could force us to spend money in defense or settlement of these proceedings, result in the imposition of monetary liability or demanding injunctive relief, divert management's time and attention, increase our costs of doing business, and materially adversely affect our reputation.

We have in the past made, and in the future may make, acquisitions, divestitures, and investments, which could divert management's attention, result in operating difficulties and dilution to our shareholders and otherwise disrupt our operations and adversely affect our business, operating results or financial position.

From time to time, we evaluate potential acquisitions, divestitures, and strategic investment opportunities to support our business initiatives. Any transactions that we enter into could be material to our financial condition and results of operations. Acquisitions, divestitures, and investments involve a number of risks, such as:

- diversion of management time and focus from operating our business;
- use of resources that are needed in other areas of our business;
- in the case of an acquisition:
    - implementation or remediation of controls, procedures and policies of the acquired company;
    - difficulty integrating the accounting systems and operations of the acquired company, including potential risks to our corporate culture;
    - coordination of product, engineering and selling and marketing functions, including difficulties and additional expenses associated with supporting legacy services and products and hosting infrastructure of the acquired company, as applicable, difficulties associated with supporting new products or services, difficulty converting the customers of the acquired company onto our platform and difficulties associated with contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;
    - retention and integration of employees from the acquired company; and
    - in the case of foreign acquisitions, the need to integrate operations across different cultures and languages and to address the particular economic, currency, political and regulatory risks associated with specific countries.
- unforeseen costs or liabilities;
- adverse effects to our existing business relationships with partners and merchants as a result of the acquisition or investment;
- the possibility of adverse tax consequences;

- fluctuations in the value of our strategic investments, impairment to the value of our investments or the failure to realize a return on such investments; and
- regulatory risks and litigation or other claims arising in connection with the acquired company or investment.

Shopify evaluates each investment to determine if the investment should be accounted for as an equity method investment based upon equity ownership, significant influence and ongoing involvement in the investee. Shopify's share of income and loss from current and any future investments accounted for as equity method investment may cause volatility to Shopify's earnings. In addition, a significant portion of the purchase price of companies we acquire may be allocated to acquired goodwill and other intangible assets, which must be assessed for impairment at least annually. In the future, if our acquisitions do not yield expected returns or if the valuations supporting our acquisitions or investments change, we may be required to take charges to our operating results based on this impairment assessment process, which could adversely affect our results of operations. In 2023, in connection with the sale of our logistics businesses, we recognized an impairment of $1.3 billion.

Acquisitions and investments may also result in dilutive issuances of equity securities, which could adversely affect our share price, or result in issuances of securities with superior rights and preferences to the Class A subordinate voting shares or the incurrence of debt with restrictive covenants that limit our future uses of capital.

In conjunction with our strategic investments, we have pursued, and expect to continue to pursue, strategic partnerships to enhance our platform's functionality, introduce new solutions and generate incremental revenue opportunities. If the parties with which we partner fail to perform their obligations to the expected standard or our strategic objectives, this could erode merchant trust, damage our reputation, make it more difficult for us to sell our solutions to new or existing merchants, and adversely affect our revenue.

We may not be able to identify acquisition or investment opportunities that meet our strategic objectives, or to the extent such opportunities are identified, we may not be able to negotiate terms with respect to the acquisition or investment that are acceptable to us. In addition, the acquisitions and investments that we consummate may fail to achieve our strategic objectives, in which case we may shut down, divest or otherwise exit the acquired business or investment, which could harm our reputation and adversely affect our financial position and results of operations.

Shopify Capital and other financing and lending solutions are subject to additional risks relating to the availability of capital to fund merchants, the ability of our merchants to generate sales to remit receivables or make payments, general macroeconomic conditions, legal and regulatory risks, and the risk of fraud.

Our financing and lending solutions include sales-based repayment loans and MCAs (together known as "Shopify Capital") as well as newer products, including a charge card ("Shopify Credit"), term loans repaid periodically in equal installments ("Term Loans"), and an open-end line of credit ("Line of Credit"). These products are subject to additional risks. If we cannot source capital to fund loans, MCAs, charge cards and lines of credit for our merchants, we might have to reduce the availability of these services, or cease offering them altogether. In the United States and certain international markets, we work with banking partners to offer lending products and MCAs, as applicable. If a partner were unable to continue to issue any of these products, we would have to incur costs to find an alternate partner or build our own program or cease offering lending products or MCAs in the applicable market. Additionally, a decline in

macroeconomic conditions could lead to a decrease in the number of merchants eligible for one or more of these lending products or MCAs, and/or increase the risk of fraud or non-payment. If more of our merchants cease operations, experience a decline in their sales, or engage in fraudulent behavior, it would make it more difficult for us to obtain repayment of credit extended through lending products or to obtain the receivables purchased via MCAs. In addition, if we are unable to properly manage the risks of offering lending products or MCAs to merchants or if we fail to correctly predict the likelihood of timely repayment of lending products or likely remittances for MCAs, our business may be materially and adversely affected.

We may sell a percentage of Shopify Capital loans originated in the United States to third party investors. It is not possible for us to predict the future level of demand for the purchase of loans and, based on the terms of Shopify Capital's current and contemplated transactions, purchasers may terminate the purchase of these loans at any time. Purchases of loans may fluctuate based on a number of factors, some of which may be outside of our control, including, but not limited to, economic conditions, changes in the regulatory environment in the United States, the availability of alternative investments, changes in the terms of the loans, loans offered by other entities and prevailing interest rates. If any purchasers significantly reduce the dollar amount of the loans they purchase from us, we may be unable to sell those loans to another purchaser on favorable terms or at all. In addition, these loans are typically sold at a premium to par, and in excess of our costs. Our loan premiums fluctuate from time to time and are sold at variable prices, and we are not guaranteed a gain on all or any of our loan sales. If we are unable to sell loans on terms that are acceptable to us, we may need to secure additional sources of funding, use our balance sheet cash or reduce our origination of Shopify Capital loans. These actions may have an adverse effect on our results of operations, cash and liquidity position and future prospects. We may provide guarantees, indemnities and backstop repurchases for certain representation and covenant breaches related to the loans themselves as well as related to the servicing of those loans. We currently fund lending products including Term Loans, Line of Credit and Shopify Credit using our balance sheet cash. Open lines of credit, including Shopify Credit and Line of Credit, pose liquidity risks to Shopify because Shopify must maintain enough cash to fund the use of these lines. Increased adoption of these new lending products may have an adverse effect on our cash and liquidity position unless we are able to secure external sources of funding.

We are also subject to legal and regulatory risks related to our lending and financing products and these risks increase with expansion into new geographies. If we are unable to maintain third party insurance our exposure to losses increases, which could have an adverse impact on our results. If laws and regulations change subjecting lending products or MCAs to licensing or other issuing requirements, our costs associated may increase or we may decide to discontinue the program altogether or in part, and our business and results of operations would be negatively impacted.

We intend to continue to explore other products, models, structures, and additional markets for Shopify's lending and financing products. We also intend to continue to explore additional funding options. Some of those models, structures, and markets may require, or be deemed to require, additional procedures, partnerships, licenses, regulatory approvals, or capabilities. Should we fail to expand and evolve our lending and financing products in this manner, or should new products, models, structures, or markets or new regulations or interpretations of existing regulations, impose requirements on us that are impractical or that we cannot satisfy, the future growth and success of our lending products may be materially and adversely affected.

We may be unable to achieve or maintain data transmission capacity.

Our merchants often draw significant numbers of buyers to their shops over short periods of time, including from events such as new product releases, holiday shopping seasons and flash sales, which significantly increases the traffic and volume of transactions processed on our platform. Our servers may be unable to achieve or maintain data transmission capacity high enough to handle increased traffic or process orders in a timely manner. Our failure to achieve or maintain high data transmission capacity could significantly reduce demand for our platform and solutions and may require us to issue credits to merchants, which could negatively impact our financial position. Further, as we continue to attract larger merchants, the volume of transactions processed on our platform will increase, especially if such merchants draw significant numbers of buyers over short periods of time. In the future, we may be required to allocate resources, including spending substantial amounts of money, to build, purchase or lease additional equipment and upgrade our technology and network infrastructure in order to handle the increased load. Our ability to deliver our solutions also depends on the development and maintenance of internet infrastructure by third parties, including by our cloud service provider. Such development and maintenance includes the maintenance of reliable networks with the necessary speed, data capacity and bandwidth. If one of these third parties suffers from capacity constraints, our business may be adversely affected. In addition, because we and our merchants generate a disproportionate amount of revenue in the fourth quarter, any disruption in our merchants' ability to process and fulfill customer orders in the fourth quarter could have a disproportionately negative effect on our operating results.

We may be subject to claims by third parties of intellectual property infringement or other third party or governmental claims, litigation, disputes, or other proceedings.

The industries in which we operate are characterized by the existence of a large number of patents and frequent claims and related litigation regarding patents and other intellectual property rights. Third parties have in the past asserted, and may in the future assert, that our platform, hardware, solutions, technology, methods or practices infringe, misappropriate or otherwise violate their intellectual property or other proprietary rights. Such claims may be made by our competitors seeking to obtain a competitive advantage or by other parties. Additionally, non-practicing entities purchasing intellectual property assets for the purpose of making claims of infringement may attempt to extract settlements from us. The risk of claims may increase as the number of solutions that we offer and competitors in our market increases and overlaps occur. In addition, to the extent that we gain greater visibility and market exposure, we face a higher risk of being the subject of intellectual property infringement claims.

Additionally, third parties have in the past asserted, and may in the future assert, that we are directly or secondarily liable because a merchant or partner offered or sold products or services, or engaged in other conduct that infringes, misappropriates, or otherwise violates their intellectual property or other proprietary rights. Third parties have in the past asserted, and may in the future assert, that Shopify is not protected by laws or legal doctrines allowing a safe harbor to platforms for infringing content posted by the platform's users. The risk of claims may increase as the number of merchants and partners using our services, and the variety of solutions that we offer increases.

Any such claims, regardless of merit, that result in litigation could result in substantial expenses, divert the attention of management, cause significant delays in introducing new or enhanced services or technology, materially disrupt the conduct of our business and have a material and adverse effect on our brand, business, financial condition and results of operations. Although we do not believe that our proprietary technology, processes and methods have been patented by any third party, it is possible that patents have been issued to third parties that cover all or a portion of our business. As a consequence of any patent or

other intellectual property claims, we could be required to pay substantial damages, develop non-infringing technology, enter into royalty-bearing licensing agreements, stop selling or marketing some or all of our solutions, re-brand our solutions, or end our relationship with certain merchants or partners. We may also be obligated to indemnify our merchants or partners or pay substantial settlement costs, including royalty payments, in connection with any such claim or litigation and to obtain licenses, modify applications or refund fees, which could be costly. If it appears necessary, we may seek to secure license rights to intellectual property that we are alleged to infringe at a significant cost, potentially even if we believe such claims to be without merit. If required licenses cannot be obtained, or if existing licenses are not renewed, litigation could result. Litigation is inherently uncertain and can cause us to expend significant money, time and attention to it, even if we are ultimately successful. Any adverse decision could result in a loss of our proprietary rights, subject us to significant liabilities, require us to seek licenses for alternative technologies from third parties, prevent us from offering all or a portion of our solutions, end our relationship with certain merchants or partners, and otherwise negatively affect our business and operating results.

We may also become subject to claims, lawsuits (including class action or individual lawsuits), government or regulatory investigations, inquiries or audits, and other proceedings. The number and significance of legal disputes have increased as we have grown larger, as our business has expanded in scope and geographic reach, and as our platform and solutions have increased in complexity, and we expect we will continue to face additional legal disputes. We also receive significant media attention, which could result in increased litigation or other legal or regulatory reviews and proceedings. Such investigations and legal proceedings may have a material and adverse impact on us due to their costs, diversion of our resources, and other factors.

Activities of merchants or partners or the content of our merchants' shops could damage our brand, subject us to liability, and harm our business and financial results.

Our terms of service and acceptable use policy prohibit our merchants and our partners from using our platform to engage in illegal or otherwise prohibited activities and our terms of service and acceptable use policy permit us to terminate a merchant’s shop or a partner's account if we become aware of such use. Merchants or partners may nonetheless engage in prohibited or illegal activities or upload store content on our platform in violation of our terms, policy and applicable laws and regulations, which could harm our reputation and subject us to legal or regulatory claims or actions. Furthermore, our brand may be negatively impacted by the actions of merchants or partners that are deemed to be hostile, offensive or inappropriate. While we use technology to monitor for compliance with or eligibility for certain Shopify offerings, we do not proactively and comprehensively monitor or review the appropriateness of all content on all our merchants’ shops in connection with our services, and we do not have control over merchant activities or the activities in which our merchants’ buyers engage. The safeguards we have in place may not be sufficient for us to avoid liability or avoid harm to our brand, especially if such hostile, offensive, inappropriate or illegal use is high profile, which could adversely affect our business and financial results. Merchants using the platform may also operate businesses in regulated industries, which are subject to additional scrutiny, increasing the potential liability we could incur. In addition, due to our international expansion, we may be subject to international actions alleging that merchants’ store content violate laws in foreign jurisdictions, which could negatively affect our business and operations. The laws relating to the liability of online service providers are evolving and subject to challenge including claims related to defamation, product liability, libel, breach of contract, invasion of privacy, negligence, copyright or trademark infringement. Developments in these laws in various jurisdictions could subject us to liability, penalties or restrictions on our business.

There may be incidents of misuse of merchant or user data or other undesirable activity by third parties who have access to our platforms. We may not discover all such incidents or activity, whether as a result of our data or technical limitations, the scale of activity on our platform, the allocation of resources to other projects, or other factors, and we may be notified of such incidents or activity by the media, or other third parties. Such incidents and activities may include the use of merchant or user data or our systems in a manner inconsistent with our terms, contracts or policies. We may also be unsuccessful in our efforts to enforce our policies or otherwise remediate any such incidents. Consequences of any of the foregoing developments include negative effects on merchant and buyer trust and engagement, harm to our reputation and brands, changes to our business practices in a manner adverse to our business, and adverse effects on our business and financial results. Any such developments may also subject us to litigation and regulatory inquiries, which could divert management's time and attention and subject us to monetary penalties and damages or other remedies.

Unanticipated changes in tax laws or adverse outcomes resulting from tax examinations could adversely affect our operating results and financial condition.

With sales and operations in various countries, we are subject to multiple forms of taxation in many jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws or revised interpretations of existing tax laws and precedents, which could have an adverse impact on our liquidity and results of operations. In particular, the application of tax laws to solutions provided over the internet is unclear and continuously evolving. New laws, statutes, rules, regulations or ordinances could be enacted at any time, possibly with retroactive effect, and could be applied solely or disproportionately to solutions provided over the internet. Such enactments could affect our effective tax rates and overall tax liability as well as the taxes applicable to our merchants or require us or our merchants to pay fines or penalties, as well as interest for past amounts. It is possible that the increased costs associated with these liabilities could negatively impact our operations.

We are subject to review and audit by tax authorities around the world. Although we believe that our tax estimates are reasonable, the final determination of any tax audits or litigation could be materially different from our historical tax provisions and accruals, or the content of our tax filings or tax positions, which could result in additional tax, interest and penalties on us, which could have an impact on our results of operations.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in business operations including entry into new businesses, products, and geographies and increased sales or hiring in new geographies;
- changes in the valuation of our deferred tax assets and liabilities;
- tax effects of stock-based compensation including as a result of the price of our Class A subordinate voting shares;
- costs related to intercompany restructurings;
- changes in tax laws, regulations or interpretations thereof could result in additional taxes; or
- future earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated earnings in countries where we have higher statutory tax rates.

We currently conduct activities in the United States, Ireland, Singapore, and other jurisdictions through our subsidiaries pursuant to transfer pricing arrangements that require affiliated companies to deal on an

arm's length basis. While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, our transfer pricing policies are not binding on applicable tax authorities. If tax authorities in any of these countries were to disagree with positions we have taken and successfully challenge our transfer pricing as not reflecting arm's length principles, they could require us to adjust our transfer prices and reallocate income, which may result in a higher tax liability. Similarly, we may be subject to income tax in jurisdictions if tax authorities argue that our in-country activities could constitute a permanent establishment.

Taxing authorities may successfully assert that we should have collected or in the future should start collecting state, provincial or local business taxes, sales and use taxes or other indirect taxes on transactions by our merchants. If we are subject to liability for past or future sales by our merchants, it could harm our results of operations.

The application of indirect taxes, such as sales and use taxes, value-added taxes, state or provincial taxes, goods and services taxes, digital service taxes, and gross receipt taxes, to businesses like ours and to our merchants and their buyers is a complex and evolving issue. Many of the statutes and regulations that impose these taxes were established before the adoption and growth of the Internet and online commerce. In many cases, it is not clear how existing statutes apply to commerce services provided over the Internet. There is a risk that various jurisdictions could assert that we are liable for indirect taxes or digital service taxes, which could be levied upon income or gross receipts, or for the collection of local sales and use taxes, value-added or other indirect taxes. This risk exists regardless of whether we are subject to U.S. federal, state, provincial, or city income tax or other taxes. Tax authorities are becoming increasingly active in asserting nexus for business activity tax purposes and imposing sales and use taxes and other indirect taxes on products and services provided over the internet. We may be subject to indirect taxes if a local tax authority asserts that our activities or the activities of any of our subsidiaries are sufficient to establish nexus, including with respect to the distribution of solutions over the internet.

Each jurisdiction has different rules and regulations governing indirect sales and use taxes, and these rules and regulations are subject to varying interpretations that change over time. Various jurisdictions (including Canada and E.U. member states) are seeking to impose additional reporting, record-keeping, or indirect tax collection and remittance obligations on certain platforms that facilitate online commerce. In June 2018, the U.S. Supreme Court ruled in *South Dakota v. Wayfair, Inc.* that U.S. states may require collection of sales tax by companies that have no physical presence in the taxing state. Legislation adopted in the wake of this decision could require our merchants or us to incur substantial costs in order to comply, which could adversely affect buyer behavior, adversely affect some of our merchants and indirectly harm our business. Similar laws are being considered and/or implemented in other jurisdictions, where the application of value-added tax or other indirect taxes on online commerce is complex and evolving. We review rules and regulations periodically and, when we believe we are subject to indirect taxes in a particular state or jurisdiction we undertake necessary steps to comply with the applicable rules and regulations. If a tax authority asserts that distribution of our solutions is subject to such taxes or additional reporting or record-keeping obligations, we or our merchants may need to incur additional costs and such additional costs may decrease the likelihood that merchants would purchase our solutions or continue to renew their subscriptions. We cannot assure that we will not be subject to indirect taxes or additional income taxes for past sales in jurisdictions where we currently believe no such taxes are required. New obligations to collect or pay taxes of any kind would increase our cost of doing business.

Our business and prospects would be harmed if changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers adversely impact the process by which merchants and buyers interface with our platform.

We believe the simple and straightforward interface for our platform has helped us to expand and offer our solutions to merchants with limited technical expertise. In the future, providers of internet browsers could introduce new features that would make it difficult for merchants to use our platform. In addition, internet browsers for desktop or mobile devices could introduce new features, change existing browser specifications such that they would be incompatible with our platform, or prevent buyers from accessing our merchants' shops. Any changes to technologies used in our platform, to existing features that we rely on, or to operating systems or internet browsers that make it difficult for our merchants or their buyers to access our solutions, may make it more difficult for us to maintain or increase our revenues and could adversely impact our business and prospects.

We may be unable to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our technology.

Our trade secrets, trademarks, trade dress, domain names, copyrights and other intellectual property rights are important to our business. We rely on a combination of confidentiality clauses, assignment agreements and license agreements with employees and third parties, patents, trade secrets, copyrights and trademarks to protect our intellectual property and competitive position, all of which offer only limited protection. The steps we take to protect our intellectual property require significant resources and may be inadequate. We will not be able to protect our intellectual property if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property. We may be required to use significant resources to monitor and protect these rights. Despite our precautions, it may be possible for unauthorized third parties to copy our platform and use information that we regard as proprietary to create services that compete with ours. Some license provisions protecting against unauthorized use, copying, transfer and disclosure of our proprietary information may be unenforceable under the laws of certain jurisdictions and foreign countries. Further, we hold a number of issued patents but, in many cases, would not be entitled to exclude or prevent our competitors from using our proprietary technology, methods and processes to the extent independently developed by our competitors. We expect to continue to expand internationally and, in some foreign countries, the mechanisms to enforce intellectual property rights may be inadequate to protect our technology, which could harm our business. In addition, we may not be able to acquire or maintain appropriate domain names in all countries in which we do business, or prevent third parties from acquiring domain names that may be used to impersonate us, our partners, or our merchants or that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights. Furthermore, regulations governing domain names may not protect our trademarks or similar proprietary rights.

We enter into confidentiality and intellectual property agreements with our employees and consultants and enter into confidentiality agreements with the parties with whom we have strategic relationships and business alliances. No assurance can be given that these agreements will be effective in securing ownership of our intellectual property or controlling access to our proprietary information and trade secrets. The confidentiality agreements on which we rely to protect certain technologies may be breached, may not be adequate to protect our confidential information, trade secrets and proprietary technologies and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, trade secrets or proprietary technology. Further, these agreements do not prevent our competitors or others from independently developing software that is substantially equivalent or superior to our software. In addition, others may independently discover our trade secrets and confidential information, and in such cases, we likely would not be able to assert any trade secret rights against such

parties. Additionally, we may from time to time be subject to opposition or similar proceedings with respect to applications for registrations of our intellectual property, including our trademarks. While we aim to acquire adequate protection of our brand through trademark registrations in key markets, occasionally third parties may have already registered or otherwise acquired rights to identical or similar marks for services that also address our market. We rely on our brand and trademarks to identify our platform and to differentiate our platform and services from those of our competitors, and if we are unable to adequately protect our trademarks third parties may use our brand names or trademarks similar to ours in a manner that may cause confusion in the market, which could decrease the value of our brand and adversely affect our business and competitive position.

Policing unauthorized use of our intellectual property and misappropriation of our technology and trade secrets is difficult and we may not always be aware of such unauthorized use or misappropriation. Despite our efforts to protect our intellectual property rights, unauthorized third parties may attempt to use, copy or otherwise obtain and market or distribute our intellectual property rights or technology or otherwise develop services with the same or similar functionality as our platform. If our competitors infringe, misappropriate or otherwise misuse our intellectual property rights and we are not adequately protected, or if our competitors are able to develop a platform with the same or similar functionality as ours without infringing our intellectual property, our competitive advantage and results of operations could be harmed. Litigation brought to protect and enforce our intellectual property rights could be costly, time consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. As a result, we may be aware of infringement by our competitors, but may choose not to bring litigation to enforce our intellectual property rights due to the cost, time and distraction of bringing such litigation. Furthermore, if we do decide to bring litigation, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits challenging or opposing our right to use and otherwise exploit particular intellectual property, services and technology or the enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our solutions, impair the functionality of our platform, prevent or delay introductions of new or enhanced solutions, result in our substituting inferior or more costly technologies into our platform, or injure our reputation. Furthermore, many of our current and potential competitors have the ability to dedicate substantially greater resources to developing and protecting their technology or intellectual property rights than we do.

Our pricing decisions may fail to generate expected results and may adversely affect our ability to attract new merchants and retain existing merchants.

We have changed our pricing models from time to time and expect to do so in the future. Such changes may not yield expected benefits to our business and financial results and could also negatively affect the willingness of merchants to use our products and services. If our pricing models are not optimal, it may adversely affect the profitability of our solutions. Our pricing decisions may also impact the mix of merchant adoption among our plans and negatively impact our overall revenue. Moreover, our merchants may be sensitive to changes in our pricing models compared to prices offered by our competitors. As a result, our pricing decisions may result in loss of market share and in the future we may be required to reduce our prices, which could adversely affect our revenue, gross profit, profitability, financial position and cash flows.

Our use of open source software could negatively affect our ability to sell our solutions and subject us to possible litigation.

Our solutions incorporate and are dependent to a significant extent on the use and development of open source software and we intend to continue our use and development of open source software in the future. Such open source software is generally licensed by its authors or other third parties under open source licenses and is typically freely accessible, usable and modifiable. Pursuant to such open source licenses, we may be subject to certain conditions, including requirements that we offer our proprietary software that incorporates the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software and that we license such modifications or derivative works under the terms of the particular open source license. If an author or other third party that uses or distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our solutions that contained or are dependent upon the open source software, and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our solutions. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our platform. The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts. As there is little or no legal precedent governing the interpretation of many of the terms of these licenses, the potential impact of these terms on our business is uncertain and may result in unanticipated obligations regarding our solutions and technologies. It is our view that we do not distribute our core software offering, since no installation of our software is necessary and our platform is accessible solely through the cloud. Nevertheless, this position could be challenged. Any requirement to disclose our proprietary source code, termination of open source license rights or payments of damages for breach of contract could be harmful to our business, results of operations or financial condition, and could help our competitors develop products and services that are similar to or better than ours.

In addition to risks related to license requirements, usage of open source software can lead to greater risks than the use of third-party commercial software, as open source licensors generally do not provide warranties, controls on the origin or development of the software, or remedies against the licensors. Many of the risks associated with usage of open source software cannot be eliminated and could adversely affect our business.

Although we believe that we have complied with our obligations under the various applicable licenses for open source software, it is possible that we may not be aware of all instances where open source software has been incorporated into our proprietary software or used in connection with our solutions or our corresponding obligations under open source licenses. We rely on multiple software programmers to design our proprietary software and we cannot be certain that our programmers have not incorporated open source software into our proprietary software that we intend to maintain as confidential or that they will not do so in the future. To the extent that we are required to disclose the source code of certain of our proprietary software developments to third parties, including our competitors, in order to comply with applicable open source license terms, such disclosure could harm our intellectual property position, competitive position, results of operations and financial condition. In addition, to the extent that we have failed to comply with our obligations under particular licenses for open source software, we may lose the right to continue to use and exploit such open source software in connection with our operations and solutions, which could disrupt and adversely affect our business.

Our operating results are subject to seasonal fluctuations.

Our merchant solutions revenues are directionally correlated with the level of GMV that merchants facilitate 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. We believe that this seasonality has affected and will continue to affect our quarterly results. 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. Fluctuations in quarterly results may materially and adversely affect the predictability of our business and the price of our Class A subordinate voting shares.

Exchange rate fluctuations may negatively affect our results of operations.

While most of our revenues are denominated in U.S. dollars, a significant portion of our operating expenses are incurred in Canadian dollars. As a result, our results of operations will be adversely impacted by an increase in the value of the Canadian dollar relative to the U.S. dollar. The value of the Canadian dollar relative to the U.S. dollar has varied significantly in the past and investors are cautioned that past and current exchange rates are not indicative of future exchange rates. Exchange rate fluctuations may also affect our merchant solutions. For example, we generate revenue through Shopify Payments in the local currency of the country in which the applicable merchant is located. As a result, we will be further exposed to currency fluctuations to the extent non-U.S. dollar revenues from Shopify Payments increase. As our operations continue to expand internationally, we may observe additional risk in other foreign currencies, including the GBP and EUR, as a result of offering local currency billing options and additional operating expenses.

We are dependent upon buyers' and merchants' continued and unimpeded access to the internet, and upon their willingness to use the internet for commerce.

Our success depends upon the general public's ability to access the internet and its continued willingness to use the internet as a means to pay for purchases, communicate, access social media, research and conduct commercial transactions, including through mobile devices. The adoption of any laws or regulations that adversely affect the growth, popularity or use of the internet, including changes to laws or regulations impacting internet neutrality, or restrictions imposed by companies with significant market power in the broadband and internet marketplace could decrease the demand for our products, increase our operating costs, or otherwise adversely affect our business. Given uncertainty around these rules, we could experience discriminatory or anti-competitive practices that could impede both our and our merchants' growth, increase our costs or adversely affect our business. If buyers or merchants become unable, unwilling or less willing to use the internet for commerce for any reason, including lack of access to high-speed communications equipment, congestion of traffic on the internet, internet outages or delays, disruptions or other damage to merchants' and buyers' computers, increases in the cost of accessing the internet and security and privacy risks or the perception of such risks, our business could be adversely affected.

Provisions of our financial instruments may restrict our ability to pursue our business strategies or to pay cash upon conversion or purchase of the Notes and we may not have funds necessary to settle the Notes in cash, to purchase the Notes upon a fundamental change, or repay the Notes at maturity.

Under the indenture governing the Notes, we are not restricted from paying dividends, incurring additional indebtedness or issuing or purchasing securities (by us or any of our subsidiaries). However,

any debt instruments we may enter into in the future may require us, to comply with various covenants that limit our ability to, among other things:

- dispose of assets;
- complete mergers or acquisitions;
- incur indebtedness;
- encumber assets;
- pay dividends or make other distributions to holders of our shares;
- make specified investments;
- change certain key management personnel;
- engage in any business other than the businesses we currently engage in; and
- engage in transactions with our affiliates.

Furthermore, the indenture for the Notes prohibits us from engaging in certain consolidations, mergers, amalgamations, arrangements, binding share exchanges or transfers or leases of all or substantially all of our assets unless, among other things, the resulting or surviving entity assumes our obligations under the Notes. Even if such transactions are permitted, they may be considered a fundamental change under the indenture. These restrictions could inhibit our ability to pursue our business strategies. We may incur additional indebtedness in the future, some of which may be secured debt. The instruments governing such indebtedness could contain provisions that are as, or more, restrictive than our existing debt instruments, including the indenture governing the Notes. Any such restrictions could have the effect of further restricting our ability to pursue business strategies and diminishing our ability to make payments on the Notes when due. If we are unable to repay, refinance or restructure additional future indebtedness when payment is due, the lenders could proceed against the collateral granted to them to secure such indebtedness, as applicable, or force us into bankruptcy or liquidation. In certain events of bankruptcy, or liquidation involving us or our assets, 100% of the principal of and accrued and unpaid interest on the Notes will automatically become due and payable.

We will, subject to limited exceptions, be required to offer to purchase all of the outstanding Notes upon the occurrence of a fundamental change before the maturity date of the Notes at a purchase price equal to 100% of the principal amount of the Notes to be purchased, plus accrued and unpaid interest, if any. Upon conversion of the Notes, we will pay or deliver, as the case may be, cash, our Class A subordinate voting shares or a combination thereof, at our election. We are also required to repay the Notes at maturity, unless earlier converted or repurchased. We may not have sufficient funds available to purchase the Notes or pay cash on conversion as required. Our failure to offer to purchase Notes (or to purchase such Notes) when required by the indenture or to pay cash upon conversions of Notes as required by the indenture would constitute a default under the indenture. A default under the indenture or the fundamental change itself could also lead to a default under agreements governing any future indebtedness. Moreover, the occurrence of a fundamental change under the indenture could constitute an event of default under any agreement for future indebtedness and if such event of default is not cured or waived, future lenders could terminate commitments to lend and cause all amounts outstanding to be due and payable immediately. If the payment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and purchase the Notes or to pay cash upon conversions of Notes and, if applicable, lenders could proceed against any collateral granted to them to secure such indebtedness or force us into bankruptcy or liquidation.

We may need to raise additional funds to pursue our growth strategy or continue our operations, and we may be unable to raise capital when needed or on acceptable terms.

From time to time, we may seek additional equity or debt financing to fund our growth, enhance our platform, respond to competitive pressures or make acquisitions or other investments. Our business plans may change, general economic, financial or political conditions in our markets may deteriorate or other circumstances may arise, in each case that have a material adverse effect on our cash flows and the anticipated cash needs of our business. Any of these events or circumstances could result in significant additional funding needs, requiring us to raise additional capital. We cannot predict the timing or amount of any such capital requirements at this time. If financing is not available on satisfactory terms, or at all, we may be unable to expand our business at the rate desired and our results of operations may suffer. Financing through issuances of equity securities would be dilutive to holders of our shares.

We may not be able to utilize our loss carryforwards and tax credits, which could adversely affect our profitability.

As of December 31, 2023, we had loss carryforwards and tax credits in various jurisdictions. These loss carryforwards, and tax credits could expire and/or be unavailable to offset future income tax liabilities, which could adversely affect our profitability.

Risks Related to Ownership of our Shares

The Founder Share has a variable number of votes, which has the effect of concentrating a degree of voting power with Tobias Lütke, that could be substantially greater than the economic interest of the shares he holds.

The Founder Share provides a variable number of votes that represents, when combined with the votes attached to certain other voting shares of Shopify beneficially owned or controlled by Tobias Lütke, his immediate family and affiliates, at least 40% of the aggregate voting power attached to all of Shopify's outstanding voting shares, provided that such variable number of votes does not cause the aggregate voting power of Tobias Lütke and his immediate family and affiliates to exceed 49.9% of the aggregate voting power attached to all of the Shopify's outstanding voting shares. Tobias Lütke also holds the substantial majority of our outstanding Class B restricted voting shares, each of which carries 10 votes per share, and as of February 7, 2024, held 631,612 Class A subordinate voting shares, representing 0.03% of the aggregate voting power attached to all of Shopify's outstanding voting shares. As a result, as of February 7, 2024, Tobias Lütke owns, directly or indirectly, or exercises control or direction over shares representing 40.03% of the aggregate voting power attached to all of the Shopify's outstanding voting shares and therefore has significant influence over our management and affairs and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. There are no economic rights associated with the Founder Share, and in certain circumstances, Tobias Lütke could have voting power that is substantially greater than his economic interests and the percentage of shares that he holds. Future issuances of our Class A subordinate voting shares will dilute the voting power of our Class A subordinate voting shareholders. However, because of the variable voting power of the Founder Share, which effectively sets and preserves Tobias Lütke's voting power, future issuances of Class A subordinate voting shares will not generally result in dilution of the voting power of Tobias Lütke. This concentration of voting power will exist for the foreseeable future and continue until the Sunset Date. See "Capital Structure – Founder Share".

Each of our directors and officers owes a fiduciary duty to Shopify and must act honestly and in good faith with a view to the best interests of Shopify. However, any director and/or officer that is a shareholder, even a controlling shareholder, is entitled to vote his or her shares in his or her own interests, which may not always be in the interests of our shareholders generally, and the separation between voting power and economic interests caused by the Founder Share could cause conflicts of interest between Tobias Lütke and our other shareholders.

Our share capital structure has the effect of limiting the influence of holders of Class A subordinate voting shares over most corporate matters.

Because the Class B restricted voting shares carry a greater number of votes per share relative to the Class A subordinate voting shares, and the Founder Share has a variable number of votes, the holders of our Class B restricted voting shares and the Founder Share collectively control a substantial percentage of the combined voting power of our voting shares even though the Class B restricted voting shares and the Founder Share each represent a substantially reduced percentage of our total outstanding shares. The concentrated voting control of holders of our Class B restricted voting shares and the Founder Share limits the ability of our Class A subordinate voting shareholders to influence corporate matters for the foreseeable future, including the election of directors as well as with respect to decisions regarding amendment of our share capital, creating and issuing additional classes of shares, making significant acquisitions, selling significant assets or parts of our business, merging with other companies and undertaking other significant transactions. As a result, holders of Class B restricted voting shares and the Founder Share have the ability to influence many matters affecting us and actions may be taken that our Class A subordinate voting shareholders may not view as beneficial. Given the terms of the Founder Share, this will continue to be the case even following the conversion of all Class B restricted voting shares in accordance with their terms, as the conversion will increase the voting power of the Founder Share. The market price of our Class A subordinate voting shares could be adversely affected due to the significant influence and voting power of the holders of Class B restricted voting shares and the Founder Share. Additionally, the significant voting interest of holders of Class B restricted voting shares and Founder Share may discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Class A subordinate voting shares, might otherwise receive a premium for the Class A subordinate voting shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by our significant shareholder.

Our restated articles of incorporation amend certain default rights provided for under the CBCA for holders of Class B restricted voting shares, Founder Share and Class A subordinate voting shares to vote separately as a class for certain types of amendments to our restated articles of incorporation. Specifically, neither the holders of the Class B restricted voting shares nor Class A subordinate voting shares shall be entitled to vote separately as a class upon a proposal to amend our restated articles of incorporation to (1) increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the shares of such class; or (2) create a new class of shares equal or superior to the shares of such class, which rights are otherwise provided for in paragraphs (a) and (e) of subsection 176(1) of the CBCA. Pursuant to our restated articles of incorporation, neither holders of our Class A subordinate voting shares nor holders of our Class B restricted voting shares are entitled to vote separately as a class on a proposal to amend our restated articles of incorporation to effect an exchange, reclassification or cancellation of all or part of the shares of such class pursuant to Section 176(1)(b) of the CBCA unless such exchange, reclassification or cancellation: (a) affects only the holders of that class; or (b) affects the holders of Class A subordinate voting shares and Class B restricted voting shares differently, on a per share basis, and such holders are not already otherwise entitled to vote separately as a class under applicable law or our restated articles of

incorporation in respect of such exchange, reclassification or cancellation. In addition, the holder of the Founder Share is not entitled to vote separately as a class (i) upon a proposal to amend our restated articles of incorporation in the case of an amendment referred to in paragraph (a) or (e) of subsection 176(1) of the CBCA or (ii) upon a proposal to amend our restated articles of incorporation in the case of an amendment referred to in paragraph (b) of subsection 176(1) of the CBCA unless such exchange, reclassification or cancellation affects only the holder of the Founder Share.

Pursuant to our restated articles of incorporation, holders of Class A subordinate voting shares and Class B restricted voting shares are treated equally and identically, on a per share basis, in certain change of control transactions that require approval of our shareholders under the CBCA, unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of our Class A subordinate voting shares and Class B restricted voting shares, each voting separately as a class.

The market price of our Class A subordinate voting shares may be volatile.

The market price of our Class A subordinate voting shares has fluctuated in the past and we expect it to fluctuate in the future, and it may decline. For example, from January 1, 2023 to December 31, 2023, our closing share price on the New York Stock Exchange ("NYSE") ranged from $34.65 to $79.99. We cannot assure you that an active trading market for our Class A subordinate voting shares will be sustained, and we therefore cannot assure you that you will be able to sell your Class A subordinate voting shares when you would like to do so, or that you will obtain your desired price for your shares, and you could lose all or part of your investment. Some of the factors that may cause the market price of our Class A subordinate voting shares to fluctuate include:

- market risk due to changes to interest rates, exchange rates, geopolitical events, or recessions;
- significant volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in our operating results or in the expectations of market analysts;
- adverse market reaction to any indebtedness we may incur or securities we may issue in the future;
- short sales, hedging and other derivative transactions in our shares;
- announcements of technological innovations, new products, strategic alliances or significant agreements by us or by our competitors;
- changes in the prices of our solutions or the prices of our competitors' solutions;
- litigation or regulatory action against us;
- breaches of security or privacy incidents, and the costs associated with any such breaches and remediation;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with the U.S. Securities and Exchange Commission ("SEC") and Canadian securities regulators;
- fluctuations in quarterly results;
- publication of research reports or news stories about us, our competitors or our industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of our Class A subordinate voting shares and Class B restricted voting shares by our directors, executive officers and existing shareholders;
- recruitment or departure of key personnel; and
- the other risk factors described in this section of our AIF.

In addition, the stock markets have historically experienced substantial price and volume fluctuations, particularly in the case of shares of technology companies, and such fluctuations may be driven by factors other than our operations or results. Such fluctuations and other broad market and industry factors may harm the market price of our Class A subordinate voting shares. Hence, the price of our Class A subordinate voting shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce the share price of our Class A subordinate voting shares regardless of our operating performance. In the past, following periods of volatility in the market price of a company's securities, securities class action litigation has been instituted against that company. If we were involved in any similar litigation, we could incur substantial costs, our management's attention and resources could be diverted and it could harm our business, operating results and financial condition.

The trading volume of the Notes, the terms of the Notes including the conversion feature, if triggered, and the applicable accounting treatment thereof may impact the trading price of the Class A subordinate voting shares and adversely affect our financial condition and operating results.

The market price of our Class A subordinate voting shares could also be affected by possible sales of our Class A subordinate voting shares by investors who view the Notes as a more attractive means of equity participation in us and by hedging or arbitrage trading activity that we expect to develop involving the Notes. Additionally, the market price of the Class A subordinate voting shares could adversely impact the trading price of the Notes.

In the event the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled to convert their Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely our Class A subordinate voting shares (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. If we elect to satisfy our conversion obligation by delivering Class A subordinate voting shares, the issuance could cause dilution to our existing shareholders and cause the market price of our Class A subordinate voting shares to decline. In addition, the accounting method for reflecting the Notes on our balance sheet, accruing interest expense for the Notes and reflecting the underlying Class A subordinate voting shares in our reported diluted earnings per share, including the impact of the Accounting Standards Update published by the Financial Accounting Standards Board in August 2020, may adversely affect our reported earnings and financial condition.

Sales of substantial amounts of our Class A subordinate voting shares in the public market, or the perception that these sales may occur, could cause the market price of our shares to decline.

Certain of our shareholders have certain rights to require us to file registration statements in the United States or prospectuses in Canada covering their shares or to include their shares in registration statements or prospectuses that we may file for ourselves or on behalf of other shareholders.

Further, we cannot predict the size of future issuances of our Class A subordinate voting shares or the effect, if any, that future issuances and sales of our Class A subordinate voting shares will have on the market price of our Class A subordinate voting shares. Sales of substantial amounts of our shares, or the perception that such sales could occur, may adversely affect prevailing market prices for our Class A subordinate voting shares.

If we are unable to maintain an effective system of internal controls over financial reporting, our operations, financial reporting and results of operations could be adversely impacted.

Any failure of our internal controls could have an adverse effect on our stated results of operations and harm our reputation. As a result, we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting and results of operations. If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be adversely impacted.

Because we do not expect to pay any dividends on our Class A subordinate voting shares for the foreseeable future, investors may never receive a return on their investment.

We have never declared or paid any dividends on our securities. We do not have any present intention to pay cash dividends on our Class A subordinate voting shares and we do not anticipate paying any cash dividends on our Class A subordinate voting shares in the foreseeable future. We currently intend to invest our future earnings, if any, to fund our growth. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our Board of Directors and will depend on our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our Board of Directors may deem relevant.

As a foreign private issuer, we are subject to different U.S. securities laws and rules than a domestic U.S. issuer, which may limit the information publicly available to our shareholders.

We are a "foreign private issuer," as such term is defined in Rule 405 under the Securities Act, and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the Exchange Act, we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we do not file the same reports that a U.S. domestic issuer would file with the SEC, although we are required to file or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws. In addition, our officers, directors, and principal shareholders are exempt from the reporting and "short swing" profit recovery provisions of Section 16 of the Exchange Act. Therefore, our shareholders may not know on as timely a basis when our officers, directors and principal shareholders purchase or sell shares, as the reporting deadlines under the corresponding Canadian insider reporting requirements are longer.

As a foreign private issuer, we are exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements. We are also exempt from Regulation FD, which prohibits issuers from making selective disclosures of material non-public information. While we will comply with the corresponding requirements relating to proxy statements and disclosure of material non-public information under Canadian securities laws, these requirements differ from those under the Exchange Act and Regulation FD and shareholders should not expect to receive the same information at the same time as such information is provided by U.S. domestic companies. In addition, we are not required under the Exchange Act to file annual and quarterly reports with the SEC as promptly as U.S. domestic companies whose securities are registered under the Exchange Act.

In addition, as a foreign private issuer, we have the option to follow certain Canadian corporate governance practices, except to the extent that such laws would be contrary to U.S. securities laws, and provided that we disclose the requirements we are not following and describe the Canadian practices we follow instead. We currently rely on this exemption with respect to requirements regarding the quorum for any meeting of our shareholders. We may in the future elect to follow home country practices in Canada with regard to other matters. As a result, our shareholders may not have the same protections afforded to shareholders of U.S. domestic companies that are subject to all U.S. corporate governance requirements.

We may lose foreign private issuer status in the future, which could result in significant additional costs and expenses to us.

We may in the future lose our foreign private issuer status if a majority of the voting power of the Company is held in the United States and we fail to meet the additional requirements necessary to avoid loss of foreign private issuer status, such as if: (1) a majority of our directors or executive officers are U.S. citizens or residents; (2) a majority of our assets are located in the United States; or (3) our business is administered principally in the United States. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such compliance mandatory. The regulatory and compliance costs to us under securities laws as a U.S. domestic issuer will be significantly more than the costs incurred as a Canadian foreign private issuer. If we were not a foreign private issuer, we would not be eligible to use foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are generally more detailed and extensive than the forms available to a foreign private issuer. In addition, we may lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

Provisions of Canadian law may delay, prevent or make undesirable an acquisition of all or a significant portion of our shares or assets.

The *Investment Canada Act* (Canada) subjects an acquisition of control of us by a non-Canadian to government review if the value of our assets as calculated pursuant to the legislation exceeds a threshold amount. A reviewable acquisition may not proceed unless the relevant Minister is satisfied that the investment is likely to be of net benefit to Canada. This could prevent or delay a change of control and may eliminate or limit strategic opportunities for shareholders to sell their Class A subordinate voting shares.

It may be difficult to enforce civil liabilities in Canada under U.S. securities laws.

We were incorporated in Canada, and our corporate headquarters are located in Canada. Certain of our directors and executive officers and the experts named in our Annual Report reside or are based principally in Canada and the majority of our assets and all or a substantial portion of the assets of these persons is located outside the United States. It may be difficult for investors who reside in the United States to effect service of process upon these persons in the United States, or to enforce a U.S. court judgment predicated upon the civil liability provisions of the U.S. federal securities laws against us or any of these persons. There is substantial doubt whether an action could be brought in Canada in the first instance predicated solely upon U.S. federal securities laws. Canadian courts may refuse to hear a claim based on an alleged violation of U.S. securities laws against us or these persons on the grounds that Canada is not the most appropriate forum in which to bring such a claim. Even if a Canadian court agrees to hear a claim, it may determine that Canadian law and not U.S. law is applicable to the claim. If U.S.

law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Canadian law.

Our by-laws provide that any derivative actions, actions relating to breach of fiduciary duties and other matters relating to our internal affairs will presumptively be litigated in Canada, which could limit investors' ability to obtain a preferred judicial forum for disputes with us.

We have adopted a forum selection by-law that provides that, unless we consent in writing to the selection of an alternative forum, the Superior Court of Justice of the Province of Ontario, Canada and appellate Courts therefrom (or, failing such Court, any other "court" as defined in the CBCA having jurisdiction, and the appellate Courts therefrom), will be the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf; (2) any action or proceeding asserting a breach of fiduciary duty owed by any of our directors, officers or other employees to us; (3) any action or proceeding asserting a claim arising pursuant to any provision of the CBCA or our restated articles or by-laws; or (4) any action or proceeding asserting a claim otherwise related to our "affairs" (as defined in the CBCA). Our forum selection by-law also provides that our securityholders are deemed to have consented to personal jurisdiction in the Province of Ontario and to service of process on their counsel in any foreign action initiated in violation of our by-law. Therefore, it may not be possible for securityholders to litigate any action relating to the foregoing matters outside of the Province of Ontario.

Our forum selection by-law seeks to reduce litigation costs and increase outcome predictability by requiring derivative actions and other matters relating to our affairs to be litigated in a single forum. While forum selection clauses in corporate charters and by-laws are becoming more commonplace for public companies in the United States and have been upheld by courts in certain states, they are untested in Canada. It is possible that the validity of our forum selection by-law could be challenged and that a court could rule that such by-law is inapplicable or unenforceable. If a court were to find our forum selection by-law inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions and we may not obtain the benefits of limiting jurisdiction to the courts selected.

Provisions of our charter documents, certain Canadian legislation, and the indenture governing the Notes could delay or deter a change of control, limit attempts by our shareholders to replace or remove our current senior management and affect the market price of our Class A subordinate voting shares.

Our restated articles of incorporation authorize our Board of Directors to issue an unlimited number of preferred shares without shareholder approval and to determine the rights, privileges, restrictions and conditions granted to or imposed on any unissued series of preferred shares. Those rights may be superior to those of our Class A subordinate voting shares and Class B restricted voting shares. For example, preferred shares may rank prior to Class A subordinate voting shares and Class B restricted voting shares as to dividend rights, liquidation preferences or both, may have full or limited voting rights and may be convertible into Class A subordinate voting shares or Class B restricted voting shares. If we were to issue a significant number of preferred shares, these issuances could deter or delay an attempted acquisition of us or make the removal of management more difficult, particularly in the event that we issue preferred shares with special voting rights. Issuances of preferred shares, or the perception that such issuances may occur, could cause the trading price of our Class A subordinate voting shares to drop.

In addition, provisions in the CBCA and in our restated articles of incorporation and by-laws may have the effect of delaying or preventing changes in our senior management, including provisions that:

- require that any action to be taken by our shareholders be effected at a duly called annual or special meeting and not by written consent;
- establish an advance notice procedure for shareholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our Board of Directors; and
- require the approval of a two-thirds majority of the votes cast by shareholders present in person or by proxy in order to amend certain provisions of our restated articles of incorporation, including, in some circumstances, by separate class votes of holders of our Class A subordinate voting shares and Class B restricted voting shares.

Furthermore, the indenture governing the Notes prohibits us from engaging in certain consolidations, mergers, amalgamations, arrangements, binding share exchanges or transfers or leases of all or substantially all of our assets unless, among other things, the resulting or surviving entity assumes our obligations under the Notes.

These provisions may frustrate or prevent any attempts by our shareholders to launch a proxy contest or replace or remove our current senior management by making it more difficult for shareholders to replace members of our Board of Directors, which is responsible for appointing the members of our senior management. Any of these provisions could have the effect of delaying, preventing or deferring a change in control which could limit the opportunity for our Class A subordinate voting shareholders to receive a premium for their Class A subordinate voting shares, and could also affect the price that investors are willing to pay for Class A subordinate voting shares.

Our constating documents permit us to issue an unlimited number of Class A subordinate voting shares and Class B restricted voting shares.

Our restated articles of incorporation permit us to issue an unlimited number of Class A subordinate voting shares and Class B restricted voting shares. We anticipate that we will, from time to time, issue additional Class A subordinate voting shares in the future. Subject to the requirements of the NYSE and the Toronto Stock Exchange ("TSX"), we will not be required to obtain the approval of shareholders for the issuance of additional Class A subordinate voting shares. Although the rules of the TSX generally prohibit us from issuing additional Class B restricted voting shares, there may be certain circumstances where additional Class B restricted voting shares may be issued, including upon receiving shareholder approval and pursuant to the exercise of stock options under our fourth amended and restated option plan (the "Legacy Option Plan") that were granted prior to our initial public offering. Any further issuances of Class A subordinate voting shares or Class B restricted voting shares will result in immediate dilution to existing shareholders and may have an adverse effect on the value of their shareholdings. Additionally, any further issuances of Class B restricted voting shares may significantly lessen the combined voting power of our Class A subordinate voting shares due to the 10-to-1 voting ratio between our Class B restricted voting shares and Class A subordinate voting shares.

DIVIDENDS AND DISTRIBUTIONS

We have, to date, not declared or paid any dividends or distributions on our securities, and we are not currently subject to any restrictions on the payment of dividends. We currently intend to retain any future earnings to fund the development and growth of our business and we do not currently anticipate paying dividends.

CAPITAL STRUCTURE

General

The following is a description of the material terms of our Class A subordinate voting shares, our Class B restricted voting shares, our preferred shares and our Founder Share, as set forth in our restated articles of incorporation and articles of arrangement.

As of February 7, 2024, 1,207,926,050 Class A subordinate voting shares, 79,261,346 Class B restricted voting shares, one Founder Share and no preferred shares were issued and outstanding, and the Class A subordinate voting shares represent 93.84% of the total issued and outstanding shares and 59.83% of the aggregate voting power attached to all of the Company's outstanding voting shares, the Class B restricted voting shares represent 6.16% of the total issued and outstanding shares and 39.26% of the aggregate voting power attached to all of the Company's outstanding voting shares and the Founder Share represents a de minimis percentage of the total issued and outstanding shares and 0.91% of the aggregate voting power attached to all of the Company's outstanding voting shares. Although the rules of the TSX generally prohibit us from issuing additional Class B restricted voting shares, there may be certain circumstances where additional Class B restricted voting shares may be issued, including upon receiving shareholder approval and pursuant to the exercise of stock options under our legacy stock option plan that were granted prior to our initial public offering.

The Class B restricted voting shares carry a greater number of votes per share relative to the Class A subordinate voting shares, and the Founder Share has a variable number of votes. The Class A subordinate voting shares are, and the Class B restricted voting shares may be considered to be, "restricted securities" within the meaning of such term under applicable Canadian securities laws.

Class A and Class B Shares

Except as described herein, the Class A subordinate voting shares and the Class B restricted voting shares have the same rights, are equal in all respects and are treated by Shopify as if they were one class of shares.

Rank

The Class A subordinate voting shares and Class B restricted voting shares rank pari passu with respect to the payment of dividends, the distribution of property and assets in the event of the liquidation, dissolution or winding up of the Company. In the event of the liquidation, dissolution or winding-up of the Company, whether voluntarily or involuntarily, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, the holders of Class A subordinate voting shares and the holders of Class B restricted voting shares are entitled to participate equally in the remaining property and assets of the Company available for distribution to the holders of shares, without preference or distinction among or between the Class A subordinate voting shares and the Class B restricted voting shares, subject to the rights of the holders of any preferred shares.

Dividends

The holders of outstanding Class A subordinate voting shares and Class B restricted voting shares are entitled to receive dividends on a share for share basis at such times and in such amounts and form as our Board of Directors may from time to time determine, but subject to the rights of the holders of any preferred shares, without preference or distinction among or between the Class A subordinate voting shares and the Class B restricted voting shares. In the event of a payment of a dividend in the form of

shares, Class A subordinate voting shares shall be distributed with respect to outstanding Class A subordinate voting shares and Class B restricted voting shares shall be distributed with respect to outstanding Class B restricted voting shares, unless otherwise determined by our Board of Directors.

Voting Rights

Holders of Class A subordinate voting shares and Class B restricted voting shares are entitled to receive notice of and to attend meetings of shareholders, except meetings at which only holders of another particular class or series have the right to vote. Each Class A subordinate voting share is entitled to one vote per share and each Class B restricted voting share is entitled to 10 votes per share.

Conversion

The Class A subordinate voting shares are not convertible into any other class of shares. Each outstanding Class B restricted voting share may at any time, at the option of the holder, be converted into one Class A subordinate voting share. Upon the first date that a Class B restricted voting share is Transferred (as defined below) by a holder of Class B restricted voting shares, other than to a Permitted Holder (as defined below) or from any such Permitted Holder back to such holder of Class B restricted voting shares and/or any other Permitted Holder of such holder of Class B restricted voting shares, the holder thereof, without any further action, shall automatically be deemed to have exercised his, her or its rights to convert such Class B restricted voting share into a fully paid and non-assessable Class A subordinate voting share, effective immediately upon such Transfer, on a share for share basis. However, Tobias Lütke, who directly or indirectly holds the substantial majority of our outstanding Class B restricted voting shares, has agreed not to Transfer any Class B restricted voting shares if such Transfer would result in the Founder not retaining Voting Control over such shares. See " – Founder Share – Founder Agreement".

In addition, all Class B restricted voting shares will convert automatically into Class A subordinate voting shares on the date on which the outstanding Class B restricted voting shares represent less than 5% of the aggregate number of outstanding Class A subordinate voting shares and Class B restricted voting shares as a group.

For the purposes of the foregoing:

"Affiliate" means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such specified Person;

"Members of the Immediate Family" means with respect to any individual, each parent (whether by birth or adoption), spouse, or child or other descendants (whether by birth or adoption) of such individual, each spouse of any of the aforementioned Persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned Persons, and each legal representative of such individual or of any aforementioned Persons (including without limitation a tutor, curator, mandatary due to incapacity, custodian, guardian or testamentary executor), acting in such capacity under the authority of the law, an order from a competent tribunal, a will or a mandate in case of incapacity or similar instrument. For the purposes of this definition, a Person shall be considered the spouse of an individual if such Person is legally married to such individual, lives in a civil union with such individual or is the common law partner (as defined in the Income Tax Act (Canada) as amended from time to time) of such individual. A Person who was the spouse of an individual within the meaning of this paragraph immediately before the death of

such individual shall continue to be considered a spouse of such individual after the death of such individual;

"Permitted Holders" means, in respect of a holder of Class B restricted voting shares that is an individual, the Members of the Immediate Family of such individual and any Person controlled, directly or indirectly, by any such holder, and in respect of a holder of Class B restricted voting shares that is not an individual, an Affiliate of that holder;

"Person" means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company;

"Transfer" of a Class B restricted voting share shall mean any sale, assignment, transfer, conveyance, hypothecation or other transfer or disposition of such share or any legal or beneficial interest in such share, whether or not for value and whether voluntary or involuntary or by operation of law. A "Transfer" shall also include, without limitation, (1) a transfer of a Class B restricted voting share to a broker or other nominee (regardless of whether or not there is a corresponding change in beneficial ownership); or (2) the transfer of, or entering into a binding agreement with respect to, Voting Control over a Class B restricted voting share by proxy or otherwise, provided, however, that the following shall not be considered a "Transfer": (a) the grant of a proxy to our officers or directors at the request of our Board of Directors in connection with actions to be taken at an annual or special meeting of shareholders; or (b) the pledge of a Class B restricted voting share that creates a mere security interest in such share pursuant to a bona fide loan or indebtedness transaction so long as the holder of the Class B restricted voting share continues to exercise Voting Control over such pledged shares; provided, however, that a foreclosure on such Class B restricted voting share or other similar action by the pledgee shall constitute a "Transfer";

"Voting Control" with respect to a Class B restricted voting share means the exclusive power (whether directly or indirectly) to vote or direct the voting of such Class B restricted voting share by proxy, voting agreement or otherwise; and

A Person is "controlled" by another Person or other Persons if: (1) in the case of a company or other body corporate wherever or however incorporated: (a) securities entitled to vote in the election of directors carrying in the aggregate at least a majority of the votes for the election of directors and representing in the aggregate at least a majority of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (b) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (2) in the case of a Person that is not a company or other body corporate, at least a majority of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and "controls", "controlling" and "under common control with" shall be interpreted accordingly.

Subdivision or Consolidation

No subdivision or consolidation of the Class A subordinate voting shares or the Class B restricted voting shares may be carried out unless, at the same time, the Class B restricted voting shares or the Class A subordinate voting shares, as the case may be, are subdivided or consolidated in the same manner and on the same basis.

Certain Class Votes

Except as required by the CBCA, applicable securities laws or our restated articles of incorporation,

holders of Class A subordinate voting shares and Class B restricted voting shares will vote together on all matters subject to a vote of holders of both those classes of shares as if they were one class of shares. Neither the holders of the Class A subordinate voting shares nor the holders of the Class B restricted voting shares shall be entitled to vote separately as a class upon a proposal to amend our restated articles of incorporation in the case of an amendment to (1) increase or decrease any maximum number of authorized shares of such class, or increase any maximum number of authorized shares of a class having rights or privileges equal or superior to the shares of such class; or (2) create a new class of shares equal or superior to the shares of such class, which rights are otherwise provided for in paragraphs (a) and (e) of subsection 176(1) of the CBCA, respectively. Pursuant to our restated articles of incorporation, neither holders of our Class A subordinate voting shares nor holders of our Class B restricted voting shares will be entitled to vote separately as a class on a proposal to amend our restated articles of incorporation to effect an exchange, reclassification or cancellation of all or part of the shares of such class pursuant to Section 176(1)(b) of the CBCA unless such exchange, reclassification or cancellation: (a) affects only the holders of that class; or (b) affects the holders of Class A subordinate voting shares and Class B restricted voting shares differently, on a per share basis, and such holders are not already otherwise entitled to vote separately as a class under applicable law or our restated articles of incorporation in respect of such exchange, reclassification or cancellation.

Pursuant to our restated articles of incorporation, holders of Class A subordinate voting shares and Class B restricted voting shares will be treated equally and identically, on a per share basis, in certain change of control transactions that require approval of our shareholders under the CBCA, unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of our Class A subordinate voting shares and Class B restricted voting shares, each voting separately as a class.

Take-Over Bid Protection

Under applicable Canadian law, an offer to purchase Class B restricted voting shares would not necessarily require that an offer be made to purchase Class A subordinate voting shares. In accordance with the rules of the TSX designed to ensure that, in the event of a take-over bid, the holders of Class A subordinate voting shares will be entitled to participate on an equal footing with holders of Class B restricted voting shares, upon the completion of our initial public offering the holders of over 80% of the then outstanding Class B restricted voting shares entered into a customary coattail agreement with Shopify and a trustee, which we refer to as the Coattail Agreement. The Coattail Agreement contains provisions customary for dual class, TSX listed corporations designed to prevent transactions that otherwise would deprive the holders of Class A subordinate voting shares of rights under the take-over bid provisions of applicable Canadian securities laws to which they would have been entitled if the Class B restricted voting shares had been Class A subordinate voting shares.

The undertakings in the Coattail Agreement will not apply to prevent a sale of Class B restricted voting shares by a holder of Class B restricted voting shares party to the Coattail Agreement if concurrently an offer is made to purchase Class A subordinate voting shares that:

- offers a price per Class A subordinate voting share at least as high as the highest price per share paid or required to be paid pursuant to the take-over bid for the Class B restricted voting shares;
- provides that the percentage of outstanding Class A subordinate voting shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of outstanding Class B restricted voting shares to be sold (exclusive of Class B restricted voting shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the

offeror);
- has no condition attached other than the right not to take up and pay for Class A subordinate voting shares tendered if no shares are purchased pursuant to the offer for Class B restricted voting shares; and
- is in all other material respects identical to the offer for Class B restricted voting shares.

In addition, the Coattail Agreement will not prevent the sale of Class B restricted voting shares by a holder thereof to a Permitted Holder, provided such sale does not or would not constitute a take-over bid or, if so, is exempt or would be exempt from the formal bid requirements (as defined in applicable securities laws). The conversion of Class B restricted voting shares into Class A subordinate voting shares, shall not, in of itself constitute a sale of Class B restricted voting shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any sale of Class B restricted voting shares (including a transfer to a pledgee as security) by a holder of Class B restricted voting shares party to the Coattail Agreement will be conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Class B restricted voting shares are not automatically converted into Class A subordinate voting shares in accordance with our restated articles of incorporation.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Class A subordinate voting shares. The obligation of the trustee to take such action will be conditional on Shopify or holders of the Class A subordinate voting shares providing such funds and indemnity as the trustee may require. No holder of Class A subordinate voting shares will have the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Class A subordinate voting shares and reasonable funds and indemnity have been provided to the trustee.

The Coattail Agreement provides that it may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of the TSX and any other applicable securities regulatory authority in Canada and (b) the approval of at least 66 2/3% of the votes cast by holders of Class A subordinate voting shares represented at a meeting duly called for the purpose of considering such amendment or waiver, excluding votes attached to Class A subordinate voting shares held directly or indirectly by holders of Class B restricted voting shares, their affiliates and related parties and any persons who have an agreement to purchase Class B restricted voting shares on terms which would constitute a sale for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement will limit the rights of any holders of Class A subordinate voting shares under applicable law.

Founder Share

Dividends

The holder of the Founder Share is not entitled to receive any dividends.

Liquidation, Dissolution, or Winding-Up

The holder of the Founder Share is not entitled to receive any property or assets of the Company on the liquidation, dissolution or winding-up of the Company whether voluntarily or involuntarily, or any other distribution of assets of the Company among its shareholders for the purposes of winding up its affairs.

Voting Rights and Sunset

The holder of the Founder Share is entitled to receive notice of and to attend all meetings of shareholders of the Company, except meetings at which only holders of another particular class or series shall have the right to vote.

Subject to the limitations set forth below, at each meeting of shareholders of the Company, the Founder Share shall entitle the holder thereof to the Specified Number (as defined below) of votes.

The Founder Share provides a variable number of votes that represents, when combined with the votes attached to certain other voting shares of the Company beneficially owned or controlled by the Founder, his immediate family and affiliates, at least 40% of the aggregate voting power attached to all of the Company's outstanding voting shares, provided that such variable number of votes does not cause the aggregate voting power of the Founder and his immediate family and affiliates to exceed 49.9% of the aggregate voting power attached to all of the Company's outstanding voting shares. Specifically, the Founder Share will entitle the holder to only one vote at any meeting of shareholders of the Company if either (i) the Founder MVS Percentage (as defined below) is equal to or greater than 40% or (ii) the Founder Group MVS/SVS Percentage (as defined below) is equal to or greater than 49.9%.

The number of votes carried by the Founder Share shall be automatically and permanently reduced to one vote on the Sunset Date (as defined below).

For the purposes of the foregoing:

"Effective Date" means June 9, 2022;

"Founder" means Tobias Lütke;

"Founder Group" means the Members of the Immediate Family of the Founder and any Person (other than the Company and its subsidiaries) controlled, directly or indirectly, by the Founder;

"Founder Group MVS/SVS Percentage" means the Founder Group MVS/SVS Votes divided by the Total Votes, expressed as a percentage;

"Founder Group MVS/SVS Votes" means, as of the applicable record date, the number of votes that may be exercised with respect to all Voting Shares that the holder of the Founder Share or the Founder Group beneficially owns or exercises Voting Control over (except by way of any proxy or power of attorney granted pursuant to a general solicitation of proxies in connection with actions to be taken at an annual or special meeting of shareholders, or otherwise at the direction of the Board of Directors, in respect of Voting Shares over which Voting Control would otherwise be exercised by Persons other than the Founder and the Founder Group), excluding the number of votes attached to the Founder Share;

"Founder MVS Percentage" means the Founder MVS Votes divided by the Total Votes, expressed as a percentage;

"Founder MVS Votes" means, as of the applicable record date, the number of votes that may be exercised with respect to: (1) all Class B restricted voting shares that the holder of the Founder Share or the Founder Group beneficially owns or exercises Voting Control over (except by way of any proxy or power of attorney granted pursuant to a general solicitation of proxies in connection with actions to be taken at an annual or special meeting of shareholders, or otherwise at the direction of the Board of Directors, in respect of Class B restricted voting shares over which Voting Control would otherwise be exercised by Persons other than the Founder and the Founder Group); (2) all Class A subordinate voting shares that the holder of the Founder Share or the Founder Group beneficially owns or exercises Voting Control over (except by way of any proxy or power of attorney granted pursuant to a general solicitation of proxies in connection with actions to be taken at an annual or special meeting of shareholders, or otherwise at the direction of the Board of Directors, in respect of Class A subordinate voting shares over which Voting Control would otherwise be exercised by Persons other than the Founder and the Founder Group) which resulted from the conversion of Class B restricted voting shares in accordance with subsection 1.4 and/or subsection 1.5 of the Company's restated articles of incorporation from and after the Effective Date (such shares, the "MVS Conversion Shares"); and (3) if any MVS Conversion Shares have been transferred, sold or otherwise disposed of by the Founder or the Founder Group, the number of Class A subordinate voting shares equal to the lesser of (a) the number of Class A subordinate voting shares acquired by the Founder or the Founder Group from and after the Effective Date (excluding, for the avoidance of doubt, the MVS Conversion Shares); and (b) the number of MVS Conversion Shares that have been transferred, sold or otherwise disposed of by the Founder or the Founder Group (and, for certainty, if the number of Class A subordinate voting shares in (a) and (b) are equal, that number);

"Members of the Immediate Family" means with respect to any individual, each parent (whether by birth or adoption), spouse, child or other descendants (whether by birth or adoption) of such individual, each spouse of any of the aforementioned Persons, each trust created solely for the benefit of such individual and/or one or more of the aforementioned Persons, and each legal representative of such individual or of any aforementioned Persons (including without limitation a tutor, curator, mandatary due to incapacity, custodian, guardian or testamentary executor), acting in such capacity under the authority of the law, an order from a competent tribunal, a will or a mandate in case of incapacity or similar instrument. For the purposes of this definition, a Person shall be considered the spouse of an individual if such Person is legally married to such individual, lives in a civil union with such individual or is the common law partner (as defined in the Income Tax Act (Canada) as amended from time to time) of such individual. A Person who was the spouse of an individual within the meaning of this paragraph immediately before the death of such individual shall continue to be considered a spouse of such individual after the death of such individual;

"Person" means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company;

"Specified Number" means, as of the applicable record date, the lesser of: (a) the Variable Number, and (b) the Variable Difference;

"Sunset Date" means the date determined by the Board of Directors that is not less than 9 months and not more than 18 months following the occurrence of a Sunset Event and, if no such date is determined by the Board of Directors, the date that is 9 months following the occurrence of a Sunset Event;

"Sunset Event" means the earliest to occur of: (a) the date that both (i) the Founder is no longer providing services to the Company as (A) an executive officer (as such term is defined in the Company's articles); of the Company or (B) a consultant whose primary engagement is with the Company, and (ii) the Founder is no longer serving as a member of the Board of Directors; (b) the date of the Founder's death or Disability (as such term is defined in the Company's articles); or (c) the date that the number of Class B restricted voting shares and Class A subordinate voting shares beneficially owned by the Founder and the Founder Group, in the aggregate, is less than 30% of the aggregate number of Class B restricted voting shares beneficially owned by the Founder and the Founder's affiliates as of April 11, 2022, as adjusted to appropriately reflect any share split, consolidation, stock dividend, reorganization, recapitalization, or similar event approved by the Board of Directors and effected after the Effective Date affecting the number of outstanding Class B restricted voting shares and/or Class A subordinate voting shares;

"Total Votes" means, as of the applicable record date, the number of votes that may be exercised by holders of all of the issued and outstanding Voting Shares (excluding the number of votes attached to the Founder Share);

"Variable Difference" means, as of the applicable record date, the number of votes which, when added together with the Founder Group MVS/SVS Votes, is equal to 49.9% of the number of votes that may be exercised by holders of all of the issued and outstanding Voting Shares (including the number of votes attached to the Founder Share);

"Variable Number" means, as of the applicable record date, the number of votes which, when added together with the Founder MVS Votes, is equal to 40% of the number of votes that may be exercised by holders of all of the issued and outstanding Voting Shares (including the number of votes attached to the Founder Share);

"Voting Control" with respect to a Voting Share means the exclusive power (whether directly or indirectly) to vote or direct the voting of such Voting Share by proxy, voting agreement or otherwise;

"Voting Shares" means any outstanding shares of the Company carrying a voting right either under all circumstances or under some circumstances that have occurred and are continuing; and

A Person is "controlled" by another Person or other Persons if: (1) in the case of a company or other body corporate wherever or however incorporated: (a) securities entitled to vote in the election of directors carrying in the aggregate at least a majority of the votes for the election of directors and representing in the aggregate at least a majority of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (b) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (2) in the case of a Person that is not a company or other body corporate, at least a majority of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and "controls", "controlling" and "under common control with" shall be interpreted accordingly.

Certain Class Votes

The Founder Share will vote together with the Class B restricted voting shares and the Class A subordinate voting shares as a single class except as otherwise expressly provided in the Company's restated articles of incorporation or as provided by law.

The holder of the Founder Share is not entitled to vote separately as a class: (1) upon a proposal to amend the restated articles of incorporation of the Company in the case of an amendment referred to in paragraph (a) or (e) of subsection 176(1) of the CBCA; or (2) upon a proposal to amend the restated articles of incorporation of the Company in the case of an amendment referred to in paragraph (b) of subsection 176(1) of the CBCA unless such exchange, reclassification or cancellation affects only the holder of the Founder Share.

Subdivision or Consolidation

No subdivision or consolidation of the Founder Share may be carried out.

Redemption

Subject to the CBCA, the Company may, at any time on or after the Sunset Date, redeem the Founder Share by payment of CAD$10 to the holder of the Founder Share, and the holder of the Founder Share will be entitled, at such holder's option, to require the Company to redeem the Founder Share at any time upon payment by the Company of CAD$10 to the holder of the Founder Share. From and after redemption, the holder of the Founder Share shall not be entitled to exercise any rights with respect to the Founder Share.

Founder Agreement

In addition to the rights, privileges, restrictions and conditions attaching to the Founder Share, the Company entered into a founder agreement with the Founder and 7910240 Canada Inc., his affiliate, on the Effective Date (the "Founder Agreement"). Pursuant to the Founder Agreement, the Founder agreed not to Transfer, directly or indirectly, the Founder Share. The Founder and 7910240 Canada Inc. (and any additional affiliate who becomes a party to the Founder Agreement pursuant to its terms) also agreed not to Transfer any Class B restricted voting shares if such Transfer would result in the Founder not retaining Voting Control over such shares, in which case such transferred Class B restricted voting shares shall be caused to be converted into Class A subordinate voting shares. The Founder Agreement also provides that the Founder and 7910240 Canada Inc. (and any additional affiliate who becomes a party to the Founder Agreement pursuant to its terms) are not entitled to receive, directly or indirectly, any economic premium, additional payment or collateral benefit in connection with certain transactions involving the elimination, consolidation or collapse of the Class B restricted voting shares or the Founder Share.

Pursuant to the Founder Agreement, the Founder and 7910240 Canada Inc. (and any additional affiliate who becomes a party to the Founder Agreement pursuant to its terms) also agreed following the occurrence of a Sunset Event to convert or cause to be converted all outstanding Class B restricted voting shares held by them into Class A subordinate voting shares on or before the Sunset Date. As a result, in addition to the automatic and permanent reduction of the Founder Share to one vote on the Sunset Date, following a transition period after the occurrence of a Sunset Event, the Founder and 7910240 Canada Inc. (and any additional affiliate who becomes a party to the Founder Agreement pursuant to its terms) will, pursuant to the Founder Agreement, be required to convert any Class B restricted voting shares held by them following a Sunset Event into Class A subordinate voting shares on or before the Sunset Date.

The Founder Agreement may be amended, varied, modified or terminated and the observance of any term thereof may be waived only by a written instrument executed by the Company with the approval of (i) all of the Independent Directors (as such term is defined in the Founder Agreement) then in office, (ii) Mr. Lütke acting on behalf of all Founder Holders (as such term is defined in the Founder Agreement), (iii) the

TSX, provided that the Class A subordinate voting shares are listed on the TSX at the time of such amendment, variation, modification, termination or waiver, (iv) at least two-thirds of the votes cast by holders of Class A subordinate voting shares present or represented at a meeting duly called for the purpose of considering such amendment, variation, modification, termination or waiver, and (v) a majority of the votes cast by holders of Class A subordinate voting shares and Class B restricted voting shares (excluding votes attached to any Class A subordinate voting shares and Class B restricted voting shares held directly or indirectly by the Founder Holders and any associate or affiliate (each as defined in the Securities Act (Ontario)) of the Founder Holders) present or represented at a meeting duly called for the purpose of considering such amendment, variation, modification, termination or waiver.

Notwithstanding the foregoing, the Founder Agreement may be amended without the approvals set forth above in (iv) and (v) to correct or rectify any ambiguities, defective provisions, inconsistencies or omissions therein or to facilitate the operation of the provisions thereof provided the rights and interests of the holders of Class A subordinate voting shares and the holders of Class B restricted voting shares (other than the Founder Holders and any associate or affiliate (each as defined in the Securities Act (Ontario)) of the Founder Holders) are not prejudiced by such amendment and that such amendment has been approved by all of the Independent Directors then in office.

Preferred Shares

We are 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 our Board of Directors prior to the issuance thereof. 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, and will not be entitled to vote separately as a class upon a proposal to amend our restated articles of incorporation in the case of an amendment of the kind referred to in paragraph (a), (b) or (e) of subsection 176(1) of the CBCA. With respect to the payment of dividends and distribution of assets in the event of liquidation, dissolution or winding-up of the company, whether voluntary or involuntary, or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, the preferred shares are entitled to preference over the Class A subordinate voting shares, Class B restricted voting shares and any other shares ranking junior to the preferred shares from time to time and may also be given such other preferences over Class A subordinate voting shares, Class B restricted voting shares and any other shares ranking junior to the preferred shares as may be determined at the time of creation of such series.

The issuance of preferred shares and the terms selected by our Board of Directors could decrease the amount of earnings and assets available for distribution to holders of our Class A subordinate voting shares and Class B restricted voting shares or adversely affect the rights and powers, including the voting rights, of the holders of our Class A subordinate voting shares and Class B restricted voting shares without any further vote or action by the holders of our Class A subordinate voting shares and Class B restricted voting shares. The issuance of preferred shares, or the issuance of rights to purchase preferred shares, could make it more difficult for a third-party to acquire a majority of our outstanding voting shares and thereby have the effect of delaying, deferring or preventing a change of control of us or an unsolicited acquisition proposal or of making the removal of management more difficult. Additionally, the issuance of preferred shares may have the effect of decreasing the market price of our Class A subordinate voting shares.

We have no current intention to issue any preferred shares.

Convertible Notes

In September 2020, Shopify issued $920 million principal amount of 0.125% Notes due 2025 for net proceeds of $907.950 million. The Notes pay interest semi-annually on May 1 and November 1, commencing with the initial interest payment on May 1, 2021 and have a maturity date of November 1, 2025. The Notes have an initial conversion rate of 6.9440 Class A subordinate voting shares per one thousand dollars principal amount of Notes, or an initial conversion price of approximately $144.01 per Class A subordinate voting share, adjusted to give effect to the Share Split.

The Notes are convertible into Class A subordinate voting shares at the option of the holder at any time prior to close of business on the business day immediately preceding August 1, 2025, only under the following circumstances: (1) during any calendar quarter commencing after the calendar quarter ending on March 31, 2021 (and only during such calendar quarter), if the last reported sale price of the Class A subordinate voting shares on the NYSE for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price of the Notes on each applicable trading day; (2) during the ten business day period after any ten consecutive trading day period (the "measurement period") in which the trading price per $1,000 principal amount of Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Class A subordinate voting shares on the NYSE and the conversion rate for the Notes on each such trading day; (3) if we call any or all of the Notes for redemption at our option or for tax or cleanup redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or (4) upon the occurrence of specified corporate events. On or after August 1, 2025, holders of the Notes may convert all or any portion of their Notes at any time prior to the close of business on the second scheduled trading day immediately preceding the maturity date regardless of the foregoing conditions. Upon conversion, Shopify can elect to settle in cash, Class A subordinate voting shares, or a combination of cash and Class A subordinate voting shares.

On or after September 15, 2023, we may, at our option, redeem for cash all or any portion of the Notes if the last reported sale price of the Class A subordinate voting shares on the NYSE is at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the notice of redemption is provided at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

We may redeem for cash all, but not less than all, of the Notes at any time in a clean up redemption provided less than $80,000 aggregate principal amount of Notes remains outstanding at such time, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

We may redeem all, but not less than all, of the Notes if the Company has or would become obligated to pay to the holder of any Note additional amounts (which are more than a de minimis amount) as a result of a change in applicable Canadian tax laws or regulations after September 15, 2020 at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the applicable redemption date but without reduction for applicable Canadian taxes (except in respect of certain excluded holders).

Upon the occurrence of a fundamental change prior to the maturity date of the Notes, we, subject to limited exceptions, will be required to offer to purchase all of the Notes for cash at a price equal to 100% of the principal amount thereof, plus any accrued and unpaid interest thereon to, but excluding, the fundamental change purchase date. The Notes are governed by customary terms and covenants, including that upon certain events of default occurring and continuing, either the trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding may declare 100% of the principal of, and accrued and unpaid interest on, all the Notes to be due and payable immediately.

For additional details regarding the Notes, please refer to the prospectus supplement dated September 15, 2020 to the short form base shelf prospectus dated August 6, 2020 available on the website maintained by the Canadian Securities Administrators at www.sedarplus.ca.

Registration Rights

Our Third Amended and Restated Investors' Rights Agreement (the "Registration Rights Agreement"), provides certain holders of our Class B restricted voting shares with registration rights in respect of: (i) the Class A subordinate voting shares issuable or issued upon conversion of the Class B restricted voting shares held by such holders; (ii) any Class A subordinate voting shares held by such holders or any Class A subordinate voting shares issued or issuable upon conversion or exercise of any other securities issued by us and held by such holders; and (iii) any Class A subordinate voting shares issued as, or issuable upon conversion or exercise of any other securities issued as, a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clauses (i) and (ii) above. We refer to these Class A subordinate voting shares as "registrable securities".

We will pay the expenses, other than underwriting discounts, selling commissions and share transfer taxes incurred in connection with the registration, filing or qualification of registrable securities in accordance with the terms of the Registration Rights Agreement.

The registration rights provided for in the Registration Rights Agreement will expire with respect to any particular holder at such time that such holder: (i) can sell all of its registrable securities under Rule 144(b)(1)(i) under the Securities Act; or (ii) holds less than 1% of the outstanding Class A subordinate voting shares and Class B restricted voting shares, in the aggregate, and can sell its registrable securities during any three month period under Rule 144 of the Securities Act.

MARKET FOR SECURITIES

Trading Price and Volume

Our Class A subordinate voting shares are listed for trading on the Toronto Stock Exchange (TSX) and on the New York Stock Exchange (NYSE) under the trading symbol "SHOP". The following table sets forth the price ranges and volumes of Class A subordinate voting shares traded on the TSX and NYSE for each month of 2023.

	NYSE (US$)			TSX (CAD$)		
2023	High	Low	Volume	High	Low	Volume
January	50.17	34.65	441,616,950	66.75	47.21	95,506,799
February	54.67	39.74	432,234,830	73.03	53.92	81,053,024
March	48.14	39.02	354,874,790	65.15	53.16	86,562,431
April	49.86	43.50	233,539,910	67.02	58.76	68,728,691
May	65.54	46.08	435,925,220	87.53	62.80	86,747,533
June	67.36	55.42	293,422,660	89.02	75.09	74,624,733
July	71.43	60.51	217,357,940	93.83	80.36	65,673,455
August	67.64	51.20	293,810,480	90.33	69.45	76,004,517
September	67.60	50.59	195,994,210	91.59	68.27	68,060,452
October	56.20	45.50	239,823,760	76.73	63.16	73,963,226
November	75.06	47.16	285,885,790	101.91	65.45	74,176,097
December	79.99	70.04	185,609,620	106.68	95.04	71,795,388

Our Class B restricted voting shares are not listed for trading or quoted on any exchange or market; however, as described further above, at any time, at the option of the holder, Class B restricted voting shares can be converted into Class A subordinate voting shares on a one-for-one basis.

Our authorized share capital consists of an unlimited number of Class A subordinate voting shares, of which 1,207,318,947 were issued and outstanding as of December 31, 2023, an unlimited number of Class B restricted voting shares, of which 79,251,346 were issued and outstanding as of December 31, 2023, one Founder Share, which is issued to Tobias Lütke, and an unlimited number of preferred shares, issuable in series, none of which are issued and outstanding.

Prior Sales

In 2023, 498,108 Class B restricted shares were issued as a result of the exercise of options granted under our Legacy Option Plan, at a weighted average exercise price of $0.37 per share. On June 9, 2022, the Founder share was issued to Tobias Lütke for CAD$10.

Securities Subject to Contractual Restrictions on Transfer

Designation of Class	Number of securities subject to a contractual restriction on transfer	Percentage of class
Class A Subordinate Voting Shares	490,440	0.04%

251,972 Class A subordinate voting shares were issued in connection with the acquisition of Remix Software Inc. ("Remix") on August 19, 2022, which shares are subject to transfer restrictions and forfeiture conditions pursuant to the terms of restricted stock agreements between the Company and certain of Remix's stockholders. The contractual restrictions on transfer will terminate in two equal installments on the third and fourth anniversaries of the closing of the acquisition.

238,468 Class A subordinate voting shares were issued in connection with the acquisition of On Technology Pty Ltd ("On Technology") on March 14, 2023, which shares are subject to transfer restrictions and forfeiture conditions pursuant to the terms of restricted stock agreements between the Company and certain of On Technology's stockholders. The contractual restrictions on transfer will terminate for one third of the issued Class A subordinate voting shares on the first anniversary of the closing of the acquisition. The contractual restrictions on transfer in respect of the remaining issued Class A subordinate voting shares will terminate in equal quarterly installments over the subsequent two years.

DIRECTORS AND OFFICERS

Officers

Executive officers are appointed by the Board of Directors to serve, subject to the discretion of the Board of Directors, until their successors are appointed.

Tobias Lütke
Ontario, Canada
Tobias Lütke co-founded Shopify in September 2004. Mr. Lütke has served as Shopify's CEO since 2008. Previously, Mr. Lütke acted as the Company's Chief Technology Officer ("CTO") between September 2004 and April 2008. Mr. Lütke worked on the core team of the Ruby on Rails framework and has created many popular open source libraries such as Active Merchant. Mr. Lütke also serves as Chair of our Board of Directors, and sits on the Board of Directors for Coinbase (Nasdaq).

Harley Finkelstein
Quebec, Canada
Harley Finkelstein is the President at Shopify and has been with the Company since 2010. He oversees Shopify's commercial teams, partnerships, brand and external affairs. Prior to his current role, Mr. Finkelstein served as Shopify's COO and has founded numerous startups and ecommerce companies. He currently is an advisor to Felicis Ventures. Mr. Finkelstein holds a bachelor degree in Economics from Concordia University and a J.D./M.B.A. joint degree in Law and Business from the University of Ottawa.

Jeff Hoffmeister
New York, United States
Jeff Hoffmeister is the CFO at Shopify and has been with the Company since 2022. He previously worked in Morgan Stanley's Technology Investment Banking group for 22 years in their New York, London, and Boston offices. His prior roles at Morgan Stanley included Head of Americas Technology Banking team and Head of Technology Investment Banking for EMEA. Mr. Hoffmeister began his professional career at PwC, serving in their auditing division. Mr. Hoffmeister currently serves on the Board of Directors of a private company. Mr. Hoffmeister holds a Bachelor of Science in Business Administration from Georgetown University and a Master in Business Administration from the University of Virginia Darden School of Business. He also holds a license as a certified public accountant (CPA).

Jessica Hertz
Washington D.C., United States
Jessica Hertz is the General Counsel at Shopify and has been with the Company since 2021. Ms. Hertz oversees Shopify's global legal, communications, policy, and trust teams. Prior to joining Shopify, Ms. Hertz served as Deputy Assistant to the President and Staff Secretary to President Joseph R. Biden Jr. Prior to her work for the Biden administration, Ms. Hertz was General Counsel for the Biden-Harris presidential transition team, and held positions at Facebook and at the law firm of Jenner & Block LLP. Ms. Hertz holds a J.D. from the University of Chicago Law School.

Kasra Nejatian
Old Fort Bay, Bahamas
Kasra Nejatian is the Vice President of Product and COO at Shopify and has been with the Company since 2019. Prior to his current role, Mr. Nejatian served as Shopify's Vice President of Product, Merchant Services, and Commercial. Prior to joining Shopify, Mr. Nejatian co-founded and served as CEO of Kash, a payment technology company, and also served as Product Lead for Payments and Billing at Facebook. He is a graduate of Queen's University's School of Business and the University of Toronto, Faculty of Law.

Directors

Our directors are either elected annually by the shareholders at the annual meeting of shareholders or, subject to our restated articles of incorporation and applicable law, appointed by our Board of Directors between annual meetings. Each director holds office until the close of the next annual meeting of our shareholders or until he or she ceases to be a director by operation of law, or until his or her removal or resignation becomes effective. In addition to Mr. Tobias Lütke, a director since 2004 who serves as Chair of the Board of Directors as well as CEO, the Company's directors are as follows:

Robert Ashe
Ontario, Canada
Robert Ashe has served as a member of our Board of Directors since December 2014 and as our Lead Independent Director since May 2015. Over 24 years, Mr. Ashe held a variety of positions with increasing responsibility at Cognos Incorporated, a business intelligence and performance management software company. Mr. Ashe ultimately served as CEO of Cognos Incorporated from 2005 to 2008 before the company was acquired by IBM. Mr. Ashe remained with IBM as a general manager of business analytics from 2008 to 2012. Mr. Ashe currently serves on the Board of Directors of MSCI Inc. (NYSE). Mr. Ashe holds a Bachelor of Commerce from the University of Ottawa and is a Fellow of the Institute of Chartered Accountants of Ontario.

Gail Goodman
Massachusetts, United States
Gail Goodman has served as a member of our Board of Directors since November 2016. Ms. Goodman previously served as the Chief Product Officer ("CPO") at Pepperlane from March 2019 to March 2021. Prior to Pepperlane, Ms. Goodman served as President and CEO of Constant Contact, a software company providing small businesses with online marketing tools to grow their businesses, for over 16 years. Over that time Ms. Goodman served as a director and chairwoman of the board and led Constant Contact through its initial public offering and for eight years as a publicly traded company, until its acquisition by Endurance International Group Holdings, Inc. (Nasdaq) in February 2016. Ms. Goodman currently serves as a director of a number of private companies and non-profits. Ms. Goodman holds a B.A. from the University of Pennsylvania and an MBA from The Tuck School of Business at Dartmouth College.

Colleen Johnston
Ontario, Canada
Colleen Johnston has served as a member of our Board of Directors since January 2019. Ms. Johnston is the former CFO of Toronto-Dominion Bank. Prior to her retirement in 2018, Ms. Johnston spent 14 years at TD, ten of which she spent as Group Head, Finance, Sourcing, Corporate Communications and CFO. Prior to TD, Ms. Johnston held senior leadership roles at Scotiabank over the course of 15 years, including as CFO of Scotia Capital. Ms. Johnston currently serves on the Board of Directors of Q4 (TSX), as well as a number of private companies and non-profits. Ms. Johnston holds a Bachelor of Business Administration from York University's Schulich School of Business and is a Fellow of the Institute of Chartered Accountants of Ontario.

Jeremy Levine
New York, United States
Jeremy Levine has served as a member of our Board of Directors since February 2011. Since January 2007, Mr. Levine has been a Partner at Bessemer Venture Partners, a venture capital firm he joined in May 2001. Mr. Levine currently serves on the Board of Directors of Pinterest (NYSE) and a number of privately held companies. Mr. Levine holds a B.S. degree in Computer Science from Duke University.

Fidji Simo
California, United States
Fidji Simo has served as a member of our Board of Directors since December 2021. Ms. Simo is the CEO and Chair of the Board of Directors at Instacart. Prior to joining Instacart, Ms. Simo held a variety of positions over 10 years with increasing responsibility at Facebook, ultimately serving as Vice President and Head of the Facebook app. Ms. Simo began her career as a strategy manager at eBay. Ms. Simo is also a co-founder of Metrodora and serves as President of the Metrodora Foundation, and is the co-founder of Women in Product, a non-profit organization. Ms. Simo holds a Master of Management from HEC Paris.

Toby Shannan
Ontario, Canada
Toby Shannan has served as a member of our Board of Directors since January 2023. Mr. Shannan is the former COO of Shopify and spent 12 years leading Shopify's global operations as well as its customer support and service strategy. Prior to joining Shopify, Mr. Shannan also held the role of Vice President, Sales and Marketing, at DNA Genotek. Mr. Shannan is a board member and trustee at the Santa Fe Institute.

Bret Taylor
California, United States
Bret Taylor has served as a member of our Board of Directors since June 2023. Mr. Taylor is currently the Board Chair of OpenAI and co-founder of Sierra Technologies, Inc. Mr. Taylor is the former Co-CEO of Salesforce, where he served in that role and as Vice Chair of the company's Board of Directors from November 2021 to January 2023. Prior to November 2021, Mr. Taylor held a number of leadership roles at Salesforce, including President and COO, President and CPO, and President, Quip. Mr. Taylor joined Salesforce through the acquisition of Quip, a business collaboration software company, which he co-founded and served as CEO. Prior to that, he was the CTO of Facebook and CEO of FriendFeed. Mr. Taylor also served as Group Product Manager at Google, where he co-created Google Maps and the Google Maps API. Mr. Taylor has previously served as a director of Salesforce (NYSE), Axon Enterprise (Nasdaq) and Twitter. Mr. Taylor holds a B.S. and M.S. in Computer Science from Stanford University.

Board Committees

Director[1][2]	Audit Committee	Compensation and Talent Management Committee	Nominating and Corporate Governance Committee
Robert Ashe	Member	Member	Chair
Gail Goodman	Member	Chair	
Colleen Johnston	Chair		Member
Jeremy Levine			Member
Fidji Simo		Member	

(1) Toby Shannan was appointed to the Company's Board of Directors on January 1, 2023, but does not sit on any committees at this time.
(2) Bret Taylor was elected to the Company's Board of Directors on June 27, 2023, but does not sit on any committees at this time.

Audit Committee

Our Audit Committee is comprised of Robert Ashe, Gail Goodman, and Colleen Johnston and is chaired by Ms. Johnston. Our Board of Directors has determined that each of these directors meets the independence requirements, including the heightened independence standards for members of the Audit Committee, of the NYSE, the SEC and National Instrument 52-110 - Audit Committees ("NI 52-110"). Our Board of Directors has determined that each of the members of the Audit Committee is "financially literate" within the meaning of the NYSE rules and NI 52-110. Ms. Johnston has been identified as an audit committee financial expert as defined by the SEC rules. For a description of the education and experience of each member of the audit committee, see "Directors", above.

Our Board of Directors has established a written charter setting forth the purpose, composition, authority and responsibility of the Audit Committee, consistent with the rules of the NYSE, the SEC and NI 52-110. A copy of the Audit Committee Charter is appended to this AIF as Exhibit A.

The principal purpose of our Audit Committee is to assist our Board of Directors in discharging its oversight of:

- the quality and integrity of our financial statements and related regulatory filings;
- the independence, qualifications, appointment and performance of our external auditor;
- our disclosure controls and procedures, internal control over financial reporting and management's responsibility for assessing and reporting on the effectiveness of such controls;
- our compliance with applicable legal and regulatory requirements; and
- our enterprise risk management processes.

At least annually, the Audit Committee will review and confirm the independence of the auditor by obtaining statements from the independent auditor describing all relationships or services that may affect their independence and objectivity, and the committee will take appropriate actions to oversee our auditor.

Our Audit Committee has access to all of our books, records, facilities and personnel and may request any information about us as it may deem appropriate. It also has the authority in its sole discretion and at our expense, to retain and set the compensation of outside legal, accounting or other advisors as necessary to assist in the performance of its duties and responsibilities.

Our Audit Committee also reviews our procedures for reviewing and approving or ratifying related-party transactions, and it is responsible for reviewing and approving or ratifying all related-party transactions.

Audit Committee Pre-Approval Policies and Procedures

From time to time, management recommends to and requests approval from the Audit Committee for audit and non-audit services to be provided by the Company's independent registered public accounting firm. The Audit Committee considers such requests, if applicable, on a quarterly basis, and if acceptable, pre-approves such audit and non-audit services. During such deliberations, the Audit Committee assesses, among other factors, whether the services requested would be considered "prohibited services" as contemplated by the SEC, and whether the services requested and the fees related to such services could impair the independence of the Company's registered public accounting firm.

The Audit Committee considered and agreed that the fees paid to the Company's independent registered public accounting firm in the years ended December 31, 2023 and 2022 are compatible with maintaining the independence of the Company's registered public accounting firm. Since the implementation of the Audit Committee pre-approval process in November 2015, all audit and non-audit services rendered by our independent registered public accounting firm have been pre-approved by the Audit Committee.

Auditor Service Fees

The aggregate amounts paid or accrued by the Company with respect to fees payable to PricewaterhouseCoopers LLP, the independent registered public accounting firm of the Company, for audit (including separate audits of wholly-owned and non-wholly owned entities, financings, regulatory reporting requirements and SOX related services), audit-related, tax and other services in the years ended December 31, 2023 and 2022 were as follows:

	Fiscal 2023	Fiscal 2022
	(in thousands)	
Audit Fees	$ 3,516	$ 3,549
Audit-Related Fees	—	—
Tax Fees	73	106
All Other Fees	3	32
Total	$ 3,592	$ 3,687

Audit fees relate to the audit of our annual consolidated financial statements, the review of our unaudited interim condensed consolidated financial statements, statutory audits of certain of our wholly-owned subsidiaries' financial statements, and services in connection with regulatory prospectus filings in Canada and our Registration Statements on Form F-10 (related to our 2021 public offering of Class A subordinate voting shares) and Form S-8.

Audit-related fees consist of aggregate fees for accounting consultations and other services that were reasonably related to the performance of audits or reviews of our consolidated financial statements and were not reported above under "Audit Fees".

Tax fees relate to assistance with tax compliance, tax planning and various tax advisory services.

Other fees are any additional amounts for products and services provided by the principal accountants other than the services reported above under "Audit Fees", "Audit-Related Fees" and "Tax Fees".

Ownership of Securities

As of February 7, 2024, as a group, our directors and executive officers beneficially own, or control or direct, directly or indirectly, a total of 2,366,709 Class A subordinate voting shares and 78,918,520 Class B restricted voting shares and one Founder Share, representing 0.20% of the Class A subordinate voting shares and 99.57% of the Class B restricted voting shares, and 100% of the Founder Share outstanding and 40.12% of the voting power attached to all of our issued and outstanding shares.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of Shopify, no director or executive officer of Shopify (a) is at the date hereof or has been, in the last 10 years before the date hereof, a director, CEO or CFO of any company, including Shopify, that (i) was subject to a cease trade order, similar order or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than 30 consecutive days (an "Order") that was issued while the director or executive officer was acting in that capacity; or, (ii) was subject to an Order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

To the knowledge of Shopify, no director or executive officer of Shopify, and no shareholder holding a sufficient number of securities of Shopify to affect materially the control of Shopify, is at the date hereof or has been in the 10 years before the date hereof, a director or executive officer of a company, including Shopify that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold its assets, except for:

- Jeremy Levine, who, until June 4, 2018, was a board member of Onestop Internet Inc., a corporation that made an assignment for the benefit of creditors on June 4, 2018. The sale of assets and the liquidation have been completed and any arrangements with creditors have been or are expected to be settled. Mr. Levine was also a board member, until May 29, 2019, of Rabbit, Inc., a corporation that made an assignment for the benefit of creditors on May 24, 2019. The liquidation has been completed.
- Fidji Simo, who, until November 24, 2020, was a board member of Cirque du Soleil Entertainment Group, a corporation that filed for protection under the Companies' Creditors Arrangement Act ("CCAA") in Canada and Chapter 15 in the United States on June 30, 2020. On November 24, 2020, the company announced the closing of a sale transaction with the company's secured creditors and its emergence from CCAA and Chapter 15 protection.

To the knowledge of Shopify, no director or executive officer of Shopify, and no shareholder holding a sufficient number of securities of Shopify to affect materially the control of Shopify, has, within the last 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Conflicts of Interest

To the Company's knowledge, there are no existing or potentially material conflicts of interest between the Company or a subsidiary of the Company and any director or officer of the Company or of a subsidiary of the Company. Certain of the Company's directors and officers also serve as directors or officers of other companies, and therefore it is possible that a conflict may arise between their duties to us and their duties as a director or officer of such other companies. Directors are required to comply with the relevant provisions of the CBCA regarding conflicts of interest.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

We are involved in legal proceedings and regulatory inquiries, as well as demands, claims and threatened litigation, that arise in the normal course of our business. In particular, as is common in our industry, we have received notices alleging that we infringe patents belonging to various third parties. These notices are dealt with in accordance with our internal procedures, which include assessing the merits of each notice and seeking, where appropriate, a business resolution. Where a business resolution cannot be reached, litigation may be necessary. The ultimate outcome of any litigation is uncertain, and regardless of outcome, litigation can have an adverse impact on our business because of defense costs, negative publicity, diversion of management resources and other factors. Our failure to obtain any necessary license or other rights on commercially reasonable terms, or otherwise, or litigation arising out of intellectual property claims could materially adversely affect our business. As of the date of this AIF, we are not party to any litigation that we believe may be material to our business, other than as noted below.

Shopify Inc. et al. v. Express Mobile, Inc. On August 31, 2022, a jury in the U.S. District Court for the District of Delaware returned a verdict finding that Shopify infringed three web technology patents owned by Express Mobile, Inc. Shopify has challenged the verdict through post-trial motions and the plaintiff has moved for interest on the amount of the verdict. The post-trial motions remain pending in the trial court.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than Mr. Lütke, as the recipient of the Founder Share as described elsewhere in this AIF, no director or executive officer of Shopify, and to the knowledge of the directors and executive officers of Shopify, (i) no person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of Shopify's voting shares, (ii) nor any of such persons' or companies' associates or affiliates, (iii) nor any associates or affiliates of any director of executive officer of Shopify, has had a material interest, direct or indirect, that has materially affected or is reasonably expected to materially affect the Company within the three most recently completed financial years or during the current financial year.

TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for our Class A subordinate voting shares in the United States is Computershare Trust Company, N.A. at its principal office in Canton, Massachusetts, and in Canada is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

Computershare Trust Company, N.A. is the U.S. trustee for the Notes at its principal office in Canton, Massachusetts. Computershare Trust Company of Canada is the Canadian co-trustee for the Notes at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts, other than those contracts entered into in the ordinary course of business, which have been entered into by the Company within the most recently completed fiscal year, or were entered into before the most recently completed fiscal year and are still in effect and deemed to be material:

- Coattail Agreement dated as of May 27, 2015, in connection with our Class B restricted voting shares;
- Third Amended and Restated Investors' Rights Agreement dated May 27, 2015; and
- Founder Agreement dated June 9, 2022, in connection with the Founder Share.

Copies of the above material agreements may be inspected during ordinary business hours at our principal executive offices located at 151 O'Connor Street, Ground Floor, Ottawa, Canada, K2P 2L8 or may be viewed at the website maintained by the SEC at www.sec.gov or the website maintained by the Canadian Securities Administrators at www.sedarplus.ca.

INTERESTS OF EXPERTS

Shopify's independent registered public accounting firm is PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have issued a Report of Independent Registered Public Accounting Firm, dated February 13, 2024, in respect of Shopify's consolidated financial statements as of December 31, 2023 and 2022 and for each of the years then ended and on the effectiveness of internal control over financial reporting as of December 31, 2023. PricewaterhouseCoopers LLP have advised that they are independent with respect to the Company within the meaning of the CPA Code of Professional Conduct in the province of Ontario and the rules of the U.S. Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) on auditor independence.

ADDITIONAL INFORMATION

Additional information about Shopify is available on our website at www.shopify.com, on the website maintained by the SEC at www.sec.gov or the website maintained by the Canadian Securities Administrators at www.sedarplus.ca.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans will be contained in our management information circular that will be filed in connection with our next annual meeting of

shareholders. Once filed, the circular will be available on our website at www.shopify.com, or atwww.sec.gov or www.sedarplus.ca.

Additional financial information is provided in our consolidated Financial Statements and MD&A for the fiscal year ended December 31, 2023, available on our website at www.shopify.com, or at www.sec.gov or www.sedarplus.ca.

We are a "foreign private issuer" as such term is defined in Rule 405 under theU.S. Securities Act of 1933, as amended, and are not subject to the same requirements that are imposed upon U.S. domestic issuers by the SEC. Under the U.S. Securities Exchange Act of 1934, as amended, we are subject to reporting obligations that, in certain respects, are less detailed and less frequent than those of U.S. domestic reporting companies. As a result, we do not file the same reports that a U.S. domestic issuer would file with the SEC, although we are required to file or furnish to the SEC the continuous disclosure documents that we are required to file in Canada under Canadian securities laws.

We will provide without charge to each person, including any beneficial owner, on the written or oral request of such person, a copy of any or all documents referred to above which have been or may be incorporated by reference in this AIF or our Annual Report on Form 40-F for the year ended December 31, 2023 (not including exhibits to such incorporated reports that are not specifically incorporated by reference into such reports). Requests for such copies should be directed to us via email to IR@shopify.com or by calling 1 (613) 241-2828 ext.1024.

EXHIBIT A
SHOPIFY INC.
AUDIT COMMITTEE CHARTER

This Audit Committee Charter ("**Charter**") has been adopted by the Board of Directors ("**Board**") of Shopify Inc. ("**Company**") and sets forth the purpose, composition, authority and responsibility of the Audit Committee ("**Committee**") of the Board.

I. Purpose

The Committee's purpose is to assist the Board in its oversight of:

- the quality and integrity of the Company's financial statements and related regulatory filings;
- the independence, qualifications, appointment and performance of the Company's external auditor ("**external auditor**");
- the appointment and dismissal of the Company's head of Risk and Internal Audit;
- the independence and performance of the Risk and Internal Audit function;
- the Company's disclosure controls and procedures, internal control over financial reporting, and management's responsibility for assessing and reporting on the effectiveness of such controls;
- the Company's compliance with applicable legal and regulatory requirements; and
- the Company's enterprise risk management processes.

II. Access to Information and Authority

In carrying out its duties and responsibilities, the Committee shall have the authority to:

- communicate directly with the external auditors and the head of Risk and Internal Audit;
- investigate any matter relating to the Company's accounting, auditing, internal control or financial reporting practices or anything else within its scope of responsibility;
- obtain full access to all Company books, records, facilities and personnel; and
- at its sole discretion and at the Company's expense, retain and set the compensation of outside legal, accounting, or other advisors, as necessary to assist in the performance of its duties and responsibilities.

The Company will provide appropriate funding, as determined by the Committee, for compensation to the external auditor, to any advisors that the Committee chooses to engage, and for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

III. Composition and Meetings

The Board shall elect annually from among its members the Committee, which shall be composed of three or more directors as determined by the Board, each of whom shall meet all applicable standards of independence and financial literacy under applicable laws, regulations and rules, which determination of independence will be made by the Board. At least one member shall be designated as an "audit committee financial expert" as defined by applicable legislation and regulation, including within the meaning of Section 407 of the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder by the SEC.

The Board may remove members of the Committee at any time, with or without cause.

The Chair shall be designated by the Board; provided, that if the Board does not so designate a Chair, the Committee shall choose one of its members to be its Chair by majority vote. The Chair shall have the duties and responsibilities set out in Section VI.

The Committee will meet at least quarterly, or more frequently as circumstances dictate. The Committee shall be convened whenever requested by external auditors or any member of the Committee or otherwise as required by law. The external auditors shall be entitled to receive notice of every meeting of the Committee and to attend and be heard at all such meetings. The Committee shall periodically meet separately with management and the external auditors and the Company's head of Risk and Internal Audit in executive sessions. In addition, the Committee shall periodically meet with the external auditors and management to discuss the annual audited financial statements and quarterly financial statements and the related "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("**MD&A**"). Subject to applicable law and exchange requirements, the Committee and the Chair may invite any director, executive, employee, or such other person as it deems appropriate to attend and participate in any portion of any Committee meeting, and may exclude from all or any portion of its meetings any person it deems appropriate in order to carry out its responsibilities. The Committee will also meet before or after each regularly scheduled meeting in camera. Meetings may be held in person or by tele- or video-conference. The Committee may also act by unanimous written consent, whether given in writing or electronically, in lieu of a meeting.

Unless otherwise determined from time to time by resolution of the Board, a majority of members of the Committee shall constitute a quorum for the transaction of business at a meeting. For any meeting(s) at which the Committee Chair is absent, the Chair of the meeting shall be the person present who shall be decided upon by all members present. At a meeting, any question shall be decided by a majority of the votes cast by members of the Committee, except where only two members are present, in which case any question shall be decided unanimously. Unless otherwise determined by resolution of the Board, the Corporate Secretary of the Company or his/her delegate shall be the Secretary of the Committee. The Committee will maintain written minutes of its meetings and copies of written consents. The Committee shall report regularly to the Board.

IV. Responsibilities and Duties of the Committee

In addition to such other duties as may from time to time be expressly assigned to the Committee by the Board, the Committee shall have the following responsibilities and duties:

Financial Reporting

1. Prepare an audit committee report, if required under applicable exchange requirements, to be included in the Company's annual proxy statement.

2. Prior to their public disclosure, review and discuss with management and, if applicable, the external auditor:
    - the Company's annual financial statements and the related MD&A, including the discussion of critical accounting estimates included therein and, if appropriate, recommend to the Board the approval, filing and disclosure of such information;
    - the Company's annual earnings press releases, including any pro forma or non-GAAP information included therein and, if appropriate, recommend to the Board the approval, filing and disclosure of such information;

- the Company's quarterly unaudited financial statements and associated MD&A, including the discussion of critical accounting estimates included therein and, if appropriate, approve the filing and disclosure of such information;
- the Company's quarterly earnings press releases, including any pro forma or non-GAAP information included therein and, if appropriate, approve the filing and disclosure of such information;
- the type and presentation of financial information and earnings guidance provided to analysts, ratings agencies and others;
- to the extent they include financial information extracted or derived from the Company's financial statements, other public reports or filings by the Company, including the Company's annual information form and proxy statement, approve such information, or where appropriate recommend to the Board their approval; and
- internal controls (or summaries thereof) and the integrity of the financial reporting and related attestations by the external auditors of the Company's internal control over financial reporting.

External Auditor

3. Review, report and approve of, or where appropriate, provide recommendations to the Board as to, the appointment, term, compensation and review of engagement, removal, independence, audit plan (including the timing and scope of the audit), estimated and actual fees and contractual arrangements of the external auditor. The external auditor will report directly to the Committee and the Committee will oversee the work performed by the external auditor and the resolution of disagreements between management and the external auditor if they arise, taking into account where appropriate the opinions of management.

4. Review the external auditors' management letters and management's responses to such letters.

5. At least annually, the Committee shall assess the external auditor's independence. The Committee shall obtain and review a report by the external auditor describing all relationships between the external auditor and the Company, including the written disclosures and the letter from the external auditor required by applicable requirements. The Committee shall review any disclosed relationships or services that may affect the independence and objectivity of the auditor and take appropriate actions to oversee the external auditor.

6. Review and preapprove (which may be pursuant to preapproval policies and procedures) all audit and non-audit services to be provided by the external auditor. Delegate, if deemed appropriate, authority to one or more members of the Committee to grant preapprovals of audit and non-audit services, provided that any such approvals be presented to the Committee at its next scheduled meeting. Consider whether the auditor's provision of permissible non-audit services is compatible with the auditor's independence.

7. Discuss with the external auditor and management any matters required to be discussed in accordance with applicable Public Company Accounting Oversight Board ("**PCAOB**") standards.

8. Meet periodically with the external auditor in the absence of management. Review with the external auditor any audit problems or difficulties the external auditor encountered in the course of the audit work and management's response, including any restrictions on the scope of the

external auditor's activities or access to requested information and any significant disagreements with management.

9. Review and discuss the reports required to be made by the external auditor regarding:
    - critical accounting policies and practices;
    - material selections of accounting policies when there is a choice of policies available under GAAP that have been discussed with management, including the ramifications of the use of such alternative treatment, and the treatment preferred by the external auditor;
    - other material written communications between the external auditor and management; and,
    - any other matters required to be communicated to the Committee by applicable rules and regulations.

10. At least annually, obtain and review a report by the external auditor describing:
    - the external auditor's internal quality-control procedures;
    - any material issues raised by the most recent internal quality-control review or peer review, or by any inquiry or investigation by governmental or professional authorities within the preceding five years with respect to independent audits carried out by the external auditor, and any steps taken to deal with such issues; and,
    - all relationships between the external auditor and the Company, addressing the matters set forth in PCAOB Rule 3526. This report should be used to evaluate the external auditor's qualifications, performance, and independence. Further, the Committee will review the experience and qualifications of the lead partner each year and determine that all partner rotation requirements, as promulgated by applicable rules and regulations, are executed. The Committee will also consider whether there should be rotation of the external auditor itself. The Committee will present its conclusions to the Board.

11. Oversee applicable policies, as established by the Company's management from time to time, consistent with any applicable governing laws and regulations and accounting standards, for the hiring of current or former personnel of the external auditor.

Financial Reporting Processes, Accounting Policies and Internal Controls

12. Review and discuss with management and the external auditor, and monitor, report and where appropriate, provide recommendations to the Board on:
    - the adequacy and effectiveness of the Company's system of internal control over financial reporting, including any significant deficiencies and significant changes in internal controls;
    - the integrity of the Company's external financial reporting processes;
    - the Company's disclosure controls and procedures, including any significant deficiencies in or material non-compliance with, such controls and procedures; and
    - the relationship of the Committee with other committees of the Board and management.

13. Understand the scope of the external auditors' review of internal control over financial reporting and obtain reports on significant findings and recommendations, together with management responses.

14. Review and discuss with the Company's Chief Executive Officer ("**CEO**") and Chief Financial Officer ("**CFO**") the process for the certifications to be provided and receive and review any

disclosure from the Company's CEO and CFO made in connection with the required certifications of the Company's quarterly and annual reports filed, including: a) any significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize, and report financial data; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal controls.

15. Review major issues and analyses prepared by management and/or the external auditor regarding accounting principles and financial reporting issues and judgments made in connection with the preparation of financial statements, including any significant changes in the Company's selection or application of accounting principles, the effect of alternative GAAP methods on the financial statements, complex or unusual transactions and highly judgmental areas, such as the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting, the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company, and major issues as to the adequacy of the Company's internal controls, and any special audit steps adopted in light of material control deficiencies.

16. Review the Company's procedures for reviewing and approving or ratifying related-party transactions. Review and approve or ratify all related-party transactions.

17. Establish and oversee procedures for the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters, including procedures for confidential, anonymous submissions by employees regarding questionable accounting or auditing matters.

18. Meet periodically with management in the absence of the external auditor.

19. Consider the risk of management's ability to override the Company's internal controls.

Risk and Internal Audit Function

20. Review and approve the risk-based internal audit plan, and any significant changes thereto.

21. Review and approve the budget and resource plan for the Risk and Internal Audit function and review significant updates.

22. Review and approve at least annually the head of Risk and Internal Audit's Independence Attestation and the internal audit charter.

23. Conduct an annual review of the performance of the head of Risk and Internal Audit and assess the effectiveness and operational adequacy of the department.

24. Review and discuss regular reports prepared by the head of Risk and Internal Audit, including all information outlined in regulatory guidance, together with management's response and follow-up on outstanding issues (to ensure progress is occurring within an appropriate timeframe), and proactively consider thematic issues across the Company;

25. Provide a forum for the head of Risk and Internal Audit to have unfettered access to the Committee to raise any internal audit organizational or industry issues or issues with respect to the relationship and interaction between the Risk and Internal Audit department, management, the external auditor and/or regulators.

Ethical and Legal Compliance and Risk Management

26. Review, with the Company's counsel, legal compliance and legal matters that could have a significant impact on the Company's financial statements. Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any instances of non-compliance. Receive and review periodic reports from the Company with respect to the Company's pending or threatened material litigation. Review the appropriateness of the disclosure thereof in the documents reviewed by the Committee. Review, with Company's counsel, on a regular basis, any whistleblower reports, including any reports made to the Anonymous Hotline.

27. Review the Company's procedures with respect to risk assessment and risk management and the implementation of the systems and controls to manage the principal risks including the adequacy of the Company's insurance coverage and make recommendations to the Board, as the Committee considers appropriate.

28. Review the Company's or the Board's policies or procedures that are relevant to the purview of the Committee and propose any recommended changes that are deemed appropriate for consideration to the Board. Oversee compliance with applicable policies and review the Company's progress in remedying any material deficiencies in such compliance that could have a significant impact on the Company.

29. Review the findings of any examinations by regulatory agencies, and any external auditors observations made regarding those findings.

X. Other Responsibilities

30. Report regularly to the Board regarding the execution of the Committee's duties and responsibilities, activities, any issues encountered, and related recommendations.

31. Review this Charter at least annually and propose any changes that are deemed appropriate for consideration for the Board.

32. Institute and oversee special investigations as needed.

33. Perform any other activities consistent with this Charter, the Company's by-laws, and governing laws that the Board or Committee determines are necessary or appropriate.

V. Delegation of Authority

The Committee may form subcommittees for any purpose that the Committee deems appropriate and may delegate to such subcommittees such power and authority as the Committee deems appropriate; *provided, however,* that no subcommittee shall consist of fewer than two members; and *provided further*

that the Committee shall not delegate to a subcommittee any power or authority required by any law, regulation or listing standard to be exercised by the Committee as a whole.

VI. Responsibilities and Duties of the Chair

The Chair shall have the following responsibilities and duties:

- chair meetings of the Committee;
- in consultation with the Board Chair and the Corporate Secretary, determine the frequency, dates and locations of meetings of the Committee;
- in consultation with the CEO, the CFO, the Corporate Secretary and others as required, review the annual work plan and the meeting agendas to ensure all required business is brought before the Committee;
- in consultation with the Board Chair, ensure that all items requiring the Committee's approval are appropriately tabled;
- report to the Board on the matters reviewed by, and on any decisions or recommendations of, the Committee at the next meeting of the Board following any meeting of the Committee; and
- carry out any other or special assignments or any functions as may be requested by the Board.

VII. Limitation on Committee's Duties

The Committee shall discharge its responsibilities, and shall assess the information provided by the Company's management and the external auditor, in accordance with its business judgment. Members of the Committee are not full-time employees of the Company and are not, and do not represent themselves to be, professional accountants or auditors. The authority and responsibilities set forth in this Charter do not reflect or create any duty or obligation of the Committee to (i) plan or conduct any audits, (ii) determine or certify that the Company's financial statements are complete, accurate, fairly presented or in accordance with generally accepted accounting principles or applicable law, (iii) guarantee the external auditor's reports, or (iv) provide any expert or special assurance as to the Company's internal controls or management of risk. Members of the Committee are entitled to rely, absent knowledge to the contrary, on the integrity of the persons and organizations from whom they receive information, the accuracy and completeness of the information provided, and representations made by management as to any audit or non-audit services provided by the external auditor.

Nothing in this Charter is intended or may be construed as imposing on any member of the Committee or the Board a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject under applicable law. This Charter is not intended to change or interpret the amended articles of incorporation or by-laws of the Company or any federal, provincial, state or exchange law, regulation or rule to which the Company is subject, and this Charter should be interpreted in a manner consistent with all such applicable laws, regulations and rules. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Company or other liability whatsoever.

Any action that may or is to be taken by the Committee may, to the extent permitted by law or regulation, be taken directly by the Board.

VIII. Evaluation of Committee

The Committee shall, on an annual basis, review and evaluate its performance. Such review may be included in the evaluation conducted by the Nominating and Corporate Governance Committee. In conducting this review, the Committee shall address such matters that the Committee considers relevant to its performance and evaluate whether this Charter appropriately addresses the matters that are or should be within its scope and propose any recommended changes to this Charter to the Board.

* * * * *

EXHIBIT 1.2



Consolidated
Financial Statements
December 31, 2023

Management's Annual Report on Internal Control Over Financial Reporting

Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over the Company's financial reporting. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with United States generally accepted accounting principles.

We, including the Chief Executive Officer and Chief Financial Officer, have assessed the effectiveness of the Company's internal control over financial reporting in accordance with Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we, including the Chief Executive Officer and Chief Financial Officer, have determined that the Company's internal control over financial reporting was effective as of December 31, 2023. Additionally, based on our assessment, we determined that there were no material weaknesses in the Company's internal control over financial reporting as of December 31, 2023.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included herein.

February 13, 2024

/s/ Tobias Lütke

Tobias Lütke
Chief Executive Officer

/s/ Jeff Hoffmeister

Jeff Hoffmeister
Chief Financial Officer

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Shopify Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Shopify Inc. and its subsidiaries (together, the Company) as of December 31, 2023 and 2022, and the related consolidated statements of operations and comprehensive income (loss), of changes in shareholders' equity and of cash flows for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2023, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable

assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.
Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Revenue Recognition - Principal versus Agent Considerations

As described in Note 3 to the consolidated financial statements, management follows the guidance provided in ASC 606, Revenue from Contracts with Customers, for determining whether the Company is the principal or an agent in arrangements with customers that involve another party that contributes to providing a specified service to a customer. In these instances, management determines whether the Company has promised to provide the service itself (as principal) or to arrange for the specified service to be provided by another party (as an agent). As disclosed by management, this determination is a matter of significant judgment that depends on the facts and circumstances of each arrangement. The Company recognizes revenue from the sale of shipping labels, the sale of apps, the sale of themes, card services and installments services on a net basis as the Company is not primarily responsible for the fulfillment of the promised service, does not have control of the promised service, and does not have full discretion in establishing prices for the promised service and therefore is the agent in the arrangement with customers. All other revenue is reported on a gross basis, as management has determined it is the principal in the respective arrangements. Revenue reported on a gross basis makes up a significant portion of total revenues of $7,060 million.

The principal considerations for our determination that performing procedures relating to Revenue Recognition – Principal versus Agent Considerations is a critical audit matter are (i) that there was significant judgment applied by management, in some instances, in assessing whether the Company (a) was primarily responsible for the fulfillment of the promised service, (b) had control of the promised service, and (c) had full discretion in establishing prices for the promised service; and (ii) a high degree of auditor judgment, subjectivity and effort in performing audit procedures and evaluating the results of those procedures.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's determination as to whether the Company had promised to provide the service as principal or as an agent. These procedures also included, among others, testing the reasonableness of management's determination as to whether the Company had promised to provide the service as principal or as an agent, which included assessing whether the Company was primarily responsible for the fulfillment of the promised service, had control of the promised service and had full discretion in establishing pricing by considering the contractual terms with customers, on a sample basis, and agreements with service providers, where applicable, and considering whether these conclusions were consistent with evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants
Ottawa, Canada
February 13, 2024

We have served as the Company's auditor since 2011.

Shopify Inc.
Consolidated Balance Sheets
(Expressed in US millions, except share amounts)

	As of	
	December 31, 2023	**December 31, 2022**
	$	**$**
Assets		
Current assets		
Cash and cash equivalents	1,413	1,649
Marketable securities	3,595	3,404
Trade and other receivables, net	282	273
Loans and merchant cash advances, net	816	580
Other current assets	169	144
	6,275	6,050
Long-term assets		
Property and equipment, net	49	131
Operating lease right-of-use assets, net	98	355
Intangible assets, net	29	390
Deferred tax assets	44	41
Equity and other investments ($2,977 and $869, carried at fair value)	3,597	1,954
Equity method investment	780	—
Goodwill	427	1,836
	5,024	4,707
Total assets	11,299	10,757
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	579	542
Deferred revenue	302	296
Operating lease liabilities	17	18
	898	856
Long-term liabilities		
Deferred revenue	196	268
Operating lease liabilities	217	465
Convertible senior notes	916	913
Deferred tax liabilities	6	16
	1,335	1,662
Contingencies (Note 18)		
Shareholders' equity		
Common stock, unlimited Class A subordinate voting shares authorized, 1,207,318,947 and 1,195,697,614, issued and outstanding; unlimited Class B restricted voting shares authorized, 79,251,346 and 79,430,952 issued and outstanding; 1 Founder share authorized, 1 and 1 issued and outstanding	9,201	8,747
Additional paid-in capital	251	30
Accumulated other comprehensive income (loss)	4	(16)
Accumulated deficit	(390)	(522)
Total shareholders' equity	9,066	8,239
Total liabilities and shareholders' equity	11,299	10,757

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

On Behalf of the Board:

"/s/ Tobias Lütke"	"/s/ Colleen Johnston"
Tobias Lütke	Colleen Johnston
Chair, Board of Directors	Chair, Audit Committee

Shopify Inc.
Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in US millions, except share and per share amounts)

	Years ended	
	December 31, 2023	**December 31, 2022**
	$	**$**
Revenues		
Subscription solutions	1,837	1,488
Merchant solutions	5,223	4,112
	7,060	5,600
Cost of revenues		
Subscription solutions	354	331
Merchant solutions	3,191	2,515
	3,545	2,846
Gross profit	3,515	2,754
Operating expenses		
Sales and marketing	1,220	1,230
Research and development	1,730	1,503
General and administrative	491	708
Transaction and loan losses	152	135
Impairment on sales of Shopify's logistics businesses	1,340	—
Total operating expenses	4,933	3,576
Loss from operations	(1,418)	(822)
Other income (expense), net		
Interest income	241	75
Net realized (loss) gain on equity and other investments	(5)	124
Net unrealized gain (loss) on equity and other investments	1,424	(2,998)
Net loss on equity method investment	(58)	—
Foreign exchange gain (loss)	1	(2)
Total other income (expense), net	1,603	(2,801)
Income (loss) before income taxes	185	(3,623)
(Provision for) recovery of income taxes	(53)	163
Net income (loss)	132	(3,460)
Net income (loss) per share attributable to shareholders:		
Basic	$ 0.10	$ (2.73)
Diluted	$ 0.10	$ (2.73)
Weighted average shares used to compute net income (loss) per share attributable to shareholders:		
Basic	1,281,554,559	1,266,268,155
Diluted	1,295,511,385	1,266,268,155
Other comprehensive income (loss)		
Unrealized gain (loss) on cash flow hedges	20	(10)
Tax effect on unrealized gain (loss) on cash flow hedges	—	—
Total other comprehensive income (loss)	20	(10)
Comprehensive income (loss)	152	(3,470)

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

Shopify Inc.
Consolidated Statements of Changes in Shareholders' Equity
Expressed in US millions, except share amounts

	Common Stock		Additional Paid-In Capital $	Accumulated Other Comprehensive Income (Loss) $	(Accumulated Deficit) Retained Earnings $	Total $
	Shares[1]	Amount $				
As of December 31, 2021	**1,258,971,590**	**8,040**	**161**	**(6)**	**2,938**	**11,133**
Exercise of stock options	3,126,869	34	(17)	—	—	17
Stock-based compensation	—	—	549	—	—	549
Vesting of restricted share units	7,380,507	471	(471)	—	—	—
Issuance of the Founder share	1	—	—	—	—	—
Issuance of shares related to business acquisitions	5,649,600	202	(192)	—	—	10
Net loss and comprehensive loss for the year	—	—	—	(10)	(3,460)	(3,470)
As of December 31, 2022	**1,275,128,567**	**8,747**	**30**	**(16)**	**(522)**	**8,239**
Exercise of stock options	3,915,216	109	(49)	—	—	60
Stock-based compensation	—	—	615	—	—	615
Vesting of restricted share units	7,288,043	335	(335)	—	—	—
Issuance of shares related to business acquisitions	238,468	10	(10)	—	—	—
Net income and comprehensive income for the year	—	—	—	20	132	152
As of December 31, 2023	**1,286,570,294**	**9,201**	**251**	**4**	**(390)**	**9,066**

[1] Share amounts as of December 31, 2021 have been retrospectively adjusted to reflect the share split ("Share Split") effected in June 2022. See Note 20 for details.

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

Shopify Inc.
Consolidated Statements of Cash Flows
(Expressed in US millions)

	Years ended	
	December 31, 2023	December 31, 2022
	$	$
Cash flows from operating activities		
Net income (loss) for the year	132	(3,460)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Amortization and depreciation	70	93
Stock-based compensation	615	549
Impairment of right-of-use assets and leasehold improvements	38	84
Provision for transaction and loan losses	80	74
Deferred income tax recovery	(1)	(187)
Revenue related to non-cash consideration	(158)	(121)
Impairment on sales of Shopify's logistics businesses	1,340	—
Net (gain) loss on equity and other investments	(1,419)	2,919
Net loss on equity method investment	58	—
Unrealized foreign exchange (gain) loss	(6)	12
Changes in operating assets and liabilities:		
Trade and other receivables	(98)	(105)
Merchant cash advances and related receivables, net	214	(23)
Other current assets	(50)	(31)
Accounts payable and accrued liabilities	69	28
Deferred revenue[1]	60	32
Net cash provided by (used in) operating activities	944	(136)
Cash flows from investing activities		
Purchases of property and equipment	(39)	(50)
Purchases of marketable securities	(5,841)	(5,011)
Maturities of marketable securities	5,590	6,890
Purchases and originations of loans	(1,861)	(526)
Repayments of loans	1,338	367
Purchases of equity and other investments	(364)	(635)
Acquisition of businesses, net of cash acquired	(31)	(1,754)
Other	(36)	—
Net cash used in investing activities	(1,244)	(719)
Cash flows from financing activities		
Proceeds from the exercise of stock options	60	18
Net cash provided by financing activities	60	18
Effect of foreign exchange on cash and cash equivalents	4	(17)
Net decrease in cash and cash equivalents	(236)	(854)
Cash and cash equivalents – Beginning of Year	1,649	2,503
Cash and cash equivalents – End of Year	1,413	1,649
Supplemental cash flow information:		
Cash paid for income taxes, net	50	27
Cash paid for interest	1	1

[1] Comparative figures have been reclassified in order to conform to the current period presentation.

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

1. Nature of Business

Shopify Inc. ("Shopify" or the "Company") was incorporated as a Canadian corporation on September 28, 2004. Shopify is a leading global commerce company that provides essential internet infrastructure for commerce, offering trusted tools to start, scale, market, and run a retail business of any size. Shopify makes commerce better for everyone with a software 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 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 consolidated financial statements include the accounts of the Company and its directly and indirectly held wholly owned subsidiaries including, but not limited to: Shopify International Limited, incorporated in Ireland; Shopify Commerce Singapore Pte. Ltd., incorporated in Singapore; and Shopify LLC, Shopify Holdings (USA) 2 Inc. and Shopify (USA) Inc., incorporated in the state of Delaware in the United States. All intercompany accounts and transactions have been eliminated upon consolidation.

These 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 regarding financial reporting.

The Company began reporting all dollar amounts in millions in fiscal year 2023.

3. Significant Accounting Policies

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 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 and judgments involved in applying the measurement alternative associated with equity and other investments in private companies, including revenue growth rates and revenue multiples based on market comparables; estimates involved in our equity method investment; probabilities of achieving performance milestones associated with non-cash revenue consideration from strategic partnerships; and the probability and amount of loss contingencies.

Revenue Recognition

The Company's sources of revenue consist of subscription solutions and merchant solutions.

Subscription Solutions

For services where the performance obligation is to provide merchants with access to the Shopify platform, such as Online Subscriptions and Point-of-Sale ("POS") Pro subscriptions, revenue is recognized over time on a ratable basis over the contractual term. Certain subscription contracts have a transaction price that includes a variable component that is based on the merchants' volume of sales. In such cases, the Company recognizes revenue when the merchant's sale occurs, the variable price becomes known, and it has a right to invoice. Payments received in advance of services being rendered are recorded as deferred revenue and recognized ratably over time, over the requisite service period.

Revenue from the sale of separately priced apps and themes is recognized at a point in time, when the arrangement between the merchant and partner is established. Revenue from the sale of rights to use a domain name that is sold separately is recognized ratably over time, over the contractual term, which is generally an annual term.

Merchant Solutions

The Company offers a variety of merchant solutions, which are primarily transaction based, to augment those provided through a subscription and to address the broad array of functionality merchants commonly require.

For services where the performance obligation is to process payments for the Company’s merchants, from such services as Shopify Payments, Transaction Fees and Shop Pay Installments, revenues are recognized at a point in time, at the time of the transaction.

The Company earns referral fees from third parties to whom it directs business pursuant to agreements with such partners. Related revenues can be recurring or non-recurring and are recognized once the arrangement between the partner and customer has been made or over the expected term of the contract. In connection with certain referral revenue contracts with partners, the Company receives a component of the transaction price in non-cash consideration in the form of equity in the partner at the outset of the contract. When the transaction price includes non-cash consideration, the non-cash consideration is measured as the fair value at the inception of the contract.

For lending services, including loans and merchant cash advances ("MCAs"), the performance obligations associated with these services is to arrange and provide funding to merchants. Certain loans and MCAs are facilitated by the Company and originated by bank partners, from whom the Company then purchases the loans and MCAs, obtaining all rights, title, and interest or discount for a fee calculated as a percentage of the MCA's or loan's principal. Revenues are presented net of any deferred origination fees which are amortized over the contractual or expected term of the loan or MCA. For loans, 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. For some loans, the Company sells its full rights, title and interest to third-party investors. We account for the asset transfer as a sale and derecognize the full amount the Company paid to its bank partner to originate the loan and record a gain on sale of the loans sold to the third-party investor as revenue upon transfer of title. For MCA's, the Company applies a percentage of the remittances collected against the merchant's receivable balance, and a percentage, which is related to the discount, as merchant solutions revenue.

Other revenue generating services and products to merchants include, but are not limited to, the sale of shipping labels, the sale of POS hardware, advertising on the Shopify App Store and Shop Cash Offers, the Company’s buyer acquisition offering. Revenue is recognized when services are performed, or as ownership passes to the merchant.

Logistics related revenue was recognized up until the second quarter of 2023, at which point the Company sold its logistics businesses, as further described in Note 4. Prior to the sale of these businesses, revenue was generated from the respective fulfillment solutions, which included picking, packing and preparing orders for shipment, and outbound shipping, as well as additional revenues from inbound shipping, storage, returns processing and other fulfillment-related services as needed by merchants. Revenue related to these fulfillment solutions were recognized over time as the Company fulfilled, up to completion of delivery. Revenues related to the inbound, storage and return processing offerings were recognized over time, and revenues related to other fulfillment-related services were recognized at a point in time, once the services had been rendered. The Company also earned revenues from providing cloud-based software on collaborative warehouse fulfillment solutions which were recognized over time, over the contractual term, which could have been up to five years. Payments received in advance of services being rendered were recorded as deferred revenue and recognized ratably over time, over the requisite service period.

For revenue streams that involve another party that contributes to providing a specified service to a customer, the Company determines whether it is the principal or an agent. In these instances, the Company determines whether it has promised to provide the specified service itself (as principal) or to arrange for the specified service to be provided by another party (as an agent). This determination depends on the facts and circumstances of each arrangement and, in some instances, involves significant judgment. The Company recognizes revenue from certain services, such as the sale of shipping labels, the sale of apps, the sale of themes, card services and installments services, on a net basis as the Company is the agent in the arrangement with customers. All other revenue is reported on a gross basis, as the Company has determined it is the principal in the respective arrangements.

Sales taxes collected from merchants and remitted to government authorities are excluded from revenue.

The Company's arrangements with customers can include multiple performance obligations, which may consist of some or all of the Company's subscription solutions. The total transaction price is determined at the inception of the contract and allocated to each performance obligation based on their relative standalone selling prices. In the case of merchant solutions, the transaction price for each performance obligation is based on the observable standalone selling price for each performance obligation. The transaction price for multiple merchant solutions is never a bundled price, therefore a relative allocation is not required.

The Company generally receives payment from its merchants at the time of invoicing. In all other cases, payment terms and conditions vary by contract type, although terms generally include a requirement for payment within 30 days of the invoice date.

Rewards Program

Our merchants' customers (or "buyers") in the U.S. can participate in our rewards program ("Shop Cash") and earn Shop Cash rewards on certain eligible purchases made from merchants or through other incentive programs. Buyers can then redeem Shop Cash against purchases through the Shop app, which we track on their behalf. Shop Cash cannot be redeemed for cash.

Rewards issued to buyers, to whom we have no performance obligation, are generally expensed as a cost of revenues, however depending on the policy the rewards were earned under, they may be expensed as sales and marketing. The rewards are expensed when they are made available to the buyer at an estimated value based on the redemption value, less an estimate of Shop Cash rewards that are not expected to be redeemed ("breakage"). Breakage is based on historical breakage trends and supportable forecasted information.

Software Development Costs

Research and development costs are generally expensed as incurred. The Company may capitalize certain development costs incurred in connection with its internal use software. The Company expenses costs in the preliminary stages of development and may capitalize direct and incremental costs through

technological feasibility, in which capitalization ceases once the additional features and functionality are put into service. Capitalized costs are recorded as part of intangible assets in the consolidated balance sheets and are amortized on a straight-line basis over their estimated useful lives of two or three years. Costs that meet the criteria for capitalization were not material for the periods presented.

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs included in sales and marketing expenses during the years ended December 31, 2023 and 2022 were $497 and $505 respectively.

Stock-Based Compensation

The accounting for stock-based awards is based on the fair value of the award measured at the grant date. Accordingly, stock-based compensation cost is recognized as an operating expense over the requisite service period.

The fair value of stock options is determined using the Black-Scholes option-pricing model, single option approach. An estimate of forfeitures is applied when determining compensation expense. The Company determines the fair value of stock option awards on the date of grant using assumptions regarding expected term, share price volatility over the expected term of the awards, risk-free interest rate and dividend rate. All Class A subordinate voting shares issued in connection with options under the Company's Second Amended and Restated Stock Option Plan ("SOP") are from the Company's treasury pool.

The fair value of restricted share units ("RSU") is measured using the fair value of the Company's shares as if the RSUs were issued and vested on the grant date. An estimate of forfeitures is applied when determining compensation expense. All Class A subordinate voting shares issued in connection with awards under the Company's Second Amended and Restated Long Term Incentive Plan ("LTIP") are from the Company's treasury pool.

Income Taxes

Income tax expense includes Canadian, U.S., and foreign income taxes.

Deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not to be realized. The Company considers many factors when assessing the likelihood of future realization of our deferred tax assets, including its recent cumulative loss experience and expectations of future earnings, capital gains and investment in the applicable jurisdiction, the carry-forward periods available to it for tax reporting purposes and other relevant factors.

The Company evaluates tax positions taken or expected to be taken in the course of preparing tax returns to determine whether the tax positions have met a “more-likely-than-not” threshold of being sustained by the applicable tax authority. Tax benefits related to tax positions not deemed to meet the “more-likely-than-not” threshold are not permitted to be recognized in the consolidated financial statements.

Foreign Currency Translation and Transactions

The functional and reporting currency of the Company and its subsidiaries is USD. Monetary assets and liabilities denominated in foreign currencies are re-measured to USD using the exchange rates prevailing at the consolidated balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are measured in USD using historical exchange rates. Revenues and expenses are measured using the actual exchange rates prevailing on the dates of the transactions. Gains and losses resulting from re-measurement

are recorded in the Company's consolidated statement of operations and comprehensive income (loss) as "Foreign exchange gain (loss)", with the exception of foreign exchange forward contracts and options used for hedging which are re-measured in "Accumulated other comprehensive income (loss)" and the income (loss) is then reclassified into earnings to either cost of revenue or operating expenses in the same period, or periods, during which the hedged transaction affects earnings.

Cash and Cash Equivalents

The Company considers all short-term highly liquid investments that are readily convertible into known amounts of cash, with original maturities at their acquisition date of three months or less to be cash equivalents.

Marketable Securities

The Company's marketable debt securities consist of U.S. and Canadian federal bonds and agency securities, U.S. term deposits and corporate bonds and commercial paper, and mature within 36 months from the date of purchase. Marketable debt securities are classified as held-to-maturity at the time of purchase and this classification is re-evaluated as of each consolidated balance sheet date. Held-to-maturity debt securities represent those securities that the Company has both the positive intent and ability to hold to maturity and are carried at amortized cost. Interest on these debt securities, as well as amortization/accretion of premiums/discounts, are included in interest income. Marketable debt securities are assessed as to whether any unrealized loss positions are other than temporarily impaired. Impairments are considered other than temporary if they are related to deterioration in credit risk or if it is likely the Company would be required to sell the securities before the recovery of their remaining amortized cost basis. Realized gains and losses determined to be other than temporary are determined based on the specific identification method and are reported in "Other income (expense), net" in the consolidated statement of operations and comprehensive income (loss).

Fair Value Measurements

The carrying amounts for cash and cash equivalents, marketable securities, trade and other receivables, merchant cash advances receivable, loans, trade accounts payable and accruals and employee-related accruals approximate fair value due to the short-term maturities of these instruments.

The Company measures certain financial assets and liabilities at fair value based on applicable accounting guidance, using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Fair Value Option

The guidance in ASC 815, Derivatives and Hedging, provides a fair value option election that allows entities to make an irrevocable election to not separate embedded derivatives from their host contract and to fair value the hybrid instrument upon initial recognition and subsequent measurement dates for certain eligible financial assets and liabilities. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The decision to elect the fair value option is determined on an instrument by instrument basis and must be applied to an entire instrument and is irrevocable once elected. The Company has elected to apply the fair value option to its investments in convertible notes in private companies. The fair value elections were made in order to maintain consistency in presentation across equity and other investments.

Equity and Other Investments

Strategic investments are a part of the Company's strategy and use of capital, expanding its expertise and building strong partnerships around strategic initiatives. The Company evaluates each investment to determine if the investment is a variable interest entity and, if so, whether the Company is the primary beneficiary of the variable interest entity. As of December 31, 2023 and 2022, there were no variable interest entities required to be consolidated in the Company’s consolidated financial statements.

The Company classifies each equity investment into one of three categories: (i) equity and other investments with readily determinable fair values, (ii) equity and other investments without readily determinable fair values, and (iii) equity and other investments under the equity method of accounting.

Equity and other investments in publicly traded companies with readily determinable fair values are carried at fair value at each balance sheet date and any movements in the fair value are classified as "Other income (expense), net" in the consolidated statement of operations and comprehensive income (loss).

Equity and other investments in private companies without readily determinable fair values are carried at cost less impairments, with subsequent adjustments for observable changes (referred to as the measurement alternative). Estimates and judgments are involved in applying the measurement alternative associated with equity and other investments without readily determinable fair values by developing certain key assumptions, including revenue growth rates and revenue multiples based on market comparables.

The Company also holds investments in convertible notes of private companies which are classified as available-for-sale debt securities, for which the Company has elected to account for under the fair value option. The investments are carried at fair value at each balance sheet date and any movements in the fair values are classified as "Other income (expense), net" in the consolidated statement of operations and comprehensive income (loss).

The Company evaluates each investment to determine if the investment should be accounted for as an equity method investment based upon equity ownership, significant influence and ongoing involvement in the investee, including factors such as representation on the investee's board of directors. Investments that qualify for the equity method of accounting treatment are carried at the Company’s investment amounts and adjusted each period for the Company’s share of the investee’s income or loss plus the amortization of the basis difference, which is the difference between the fair value of our investment in the company and the underlying equity in the net assets of the investee. The Company determined that the investment in Flexport, Inc. ("Flexport") is an equity method investment. The Company's share of income or loss in the investee, combined with the amortization of the basis difference, is presented as "Net loss on equity method investment" in the consolidated statement of operations and comprehensive income (loss).

Investment options to purchase additional shares of equity and other investments are classified as a derivative instrument at fair value using the Black-Scholes model. These derivative instruments are not

designated as hedges and presented within "Equity and other investments" in the consolidated balance sheets.

The Company assesses its equity and other investments in private companies and equity method investment for impairment through analyzing market conditions, business results and other qualitative measures that suggest that the carrying amount of the investment may be impaired, and the decline in value below the carrying amount is determined to be other than temporary.

Derivatives and Hedging

The majority of the Company's derivative products are foreign exchange forward contracts and options, which are designated as cash flow hedges of foreign currency forecasted expenses. By their nature, derivative financial instruments involve risk, including the credit risk of non-performance by counterparties. The Company may hold foreign exchange forward contracts and options to mitigate the risk of future foreign exchange rate volatility related to future Canadian dollar ("CAD"), British Pound Sterling ("GBP") and Australian dollar denominated costs and current and future obligations.

The Company's foreign currency forward contracts and options generally have maturities of 12 months or less. The critical terms match method is used when the key terms of the hedging instrument and that of the hedged item are aligned; therefore, the changes in fair value of the forward contracts and options are recorded in accumulated other comprehensive income ("AOCI"). The effective portion of the gain or loss on each forward contract and option is reported as a component of AOCI and reclassified into earnings to either cost of revenue or operating expense in the same period, or periods, during which the hedged transaction affects earnings. The ineffective portion of the gains or losses, if any, is recorded immediately in "Other income (expense), net".

For hedges that do not qualify for the critical terms match method of accounting, a formal assessment is performed to verify that derivatives used in hedging transactions continue to be highly effective in offsetting the changes in fair value or cash flows of the hedged item. Hedge accounting is discontinued if a derivative ceases to be highly effective, matures, is terminated or sold, if a hedged forecasted transaction is no longer probable of occurring, or if the Company removes the derivative's hedge designation. For discontinued cash flow hedges, the accumulated gain or loss on the derivative remains in AOCI and is reclassified into earnings in the period in which the previously hedged forecasted transaction impacts earnings or is no longer probable of occurring.

In addition, the Company has a master netting agreement with each of the Company's counterparties, which permits net settlement of multiple, separate derivative contracts with a single payment. The Company presents its derivative instruments on a net basis in the consolidated financial statements.

Provision for Credit Losses Related to Loans and Merchant Cash Advances

Loans and merchant cash advance receivables represent the aggregate amount of Shopify Capital related receivables owed by merchants as of the balance sheet date, net of an allowance for expected credit losses. The Company estimates the loss provision based on an assessment of various factors, including historical trends, merchants' gross merchandise volume ("GMV"), supportable forecasted information and other factors, including macroeconomic factors, that may affect the merchants' ability to make future payments on the receivables. Increases to the provision are reflected in current operating results, while charges against the provision are made when losses are incurred. Recoveries are reflected as a reduction in the allowance for credit losses related to loans and merchant cash advances when the recovery occurs. These additions, charges, and recoveries are classified within "Transaction and loan losses" on the consolidated statements of operations and comprehensive income (loss).

Provision for Transaction Losses Related to Shopify Payments, Shop Pay Installments, and Shopify Balance

Transaction losses arise from unrecovered merchant transactions due to returns and disputes. The Company may also incur losses when a merchant account experiences unauthorized transactions where funds cannot be recovered or reversed. The Company estimates the provision for transaction losses based on an assessment of various factors, including historical trends, GMV (facilitated using Shopify Payments and Shop Pay Installments including those managed using Shopify Balance), supportable forecasted information and other factors that may increase the volume of losses. Additions to the provision are reflected in current operating results, while charges against the provision are made when losses are incurred. These additions are classified within "Transaction and loan losses" on the consolidated statements of operations and comprehensive income (loss).

Loss Contingencies

The Company records accruals for loss contingencies when losses are probable and reasonably estimable. The Company evaluates developments in legal matters that could affect the amount of liability that has been previously accrued and makes adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount of a loss or potential loss. The Company may be unable to reasonably estimate the reasonably possible loss or range of loss for a particular legal contingency for various reasons, including, among others, because: (i) the damages sought are indeterminate; (ii) the proceedings are in the relative early stages; (iii) there is uncertainty as to the outcome of pending proceedings (including motions and appeals); (iv) there is uncertainty as to the likelihood of settlement and the outcome of any negotiations with respect thereto; (v) there remain significant factual issues to be determined or resolved; (vi) the relevant law is unsettled; or (vii) the proceedings involve novel or untested legal theories. In such instances, there may be considerable uncertainty regarding the ultimate resolution of such matters, including the likelihood or magnitude of a possible eventual loss, if any.

Operating Leases

The Company accounts for operating leases by first determining if an arrangement is a lease, or contains a lease, at inception. The operating lease right-of-use assets and operating lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The Company's leases do not provide an implicit rate, therefore, the incremental borrowing rate based on the information available at commencement date was used to determine the present value of lease payments. The Company's lease terms may include options to extend or terminate the lease. Lease expense related to lease components is recognized on a straight-line basis over the lease term.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and impairment. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Computer equipment is depreciated over the lesser of three years and their estimated useful lives while furniture and equipment are depreciated over four years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of their associated leases, which range from one to fifteen years. Fulfillment robots and fulfillment equipment, which were depreciated over the lesser of three years and its useful life and ranged from three to ten years, respectively, were depreciated up until the second quarter of 2023, at which point the Company sold its logistics businesses, as further described in Note 4.

Intangible Assets

Intangible assets are stated at cost, less accumulated amortization and impairment. Amortization is calculated using the straight-line method over the estimated useful lives of the related assets. Purchased

software is amortized over a three-year period, acquired technology is amortized over a two to nine year period, acquired customer relationships are amortized over a two- to five-year period, capitalized software development costs are amortized over a two- to three-year period, and other intangible assets are amortized over a three- to ten-year period or may have an indefinite useful life and not amortized. Amortization is recorded into cost of revenues and operating expenses, depending on the nature of the asset.

Impairment of long-lived assets

The carrying values of long-lived assets (including leases, property and equipment, and intangible assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be recoverable. The determination of whether any impairment exists includes a comparison of estimated undiscounted future cash flows anticipated to be generated over the remaining life of the asset or asset group to their net carrying value. If the estimated undiscounted future cash flows associated with the asset or asset group are less than the carrying value, an impairment loss will be recorded based on the estimated fair value.

Goodwill

Goodwill represents the excess of the purchase price over the estimated fair value of net assets of a business acquired in a business combination. Goodwill is not amortized, but instead tested for impairment at least annually. Should certain events or indicators of impairment occur between annual impairment tests, the Company will perform the impairment test as those events or indicators occur for our reporting unit.

Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. The qualitative assessment considers the following factors: macroeconomic conditions, industry and market considerations, cost factors, overall company financial performance, events affecting the reporting unit and changes in the Company's fair value. If the reporting unit does not pass the qualitative assessment, the Company carries out a quantitative test for impairment of goodwill. This is done by comparing the fair value of the reporting unit with the carrying value of the reporting unit that includes goodwill. If the fair value of the reporting unit is greater than its carrying value, including goodwill, no impairment results. If the fair value of the reporting unit is less than its carrying value, including goodwill, an impairment loss would be recognized in the consolidated statements of operations and comprehensive income (loss) in an amount equal to that difference, limited to the total amount of goodwill allocated to that reporting unit. The Company has an unconditional option to bypass the qualitative assessment for our reporting unit in any period and proceed directly to performing the quantitative goodwill impairment test. The Company may resume performing the qualitative assessment in any subsequent period.

Segment Information

The Company's chief operating decision maker ("CODM") is the Chief Executive Officer. The CODM is the highest level of management responsible for assessing Shopify's overall performance, and making operational decisions such as resource allocations related to operations, product prioritization and delegations of authority. The CODM has determined that the Company operates in a single operating and reportable segment.

Concentration of Credit Risk

The Company's cash and cash equivalents, marketable securities, trade and other receivables, loans, merchant cash advances, and foreign exchange derivative instruments 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. We limit the amount of credit exposure with any one financial institution and conduct timely evaluations of the credit worthiness of these financial

institutions. 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, loans receivable and merchant cash advances. Trade and other receivables, loans receivable and merchant cash advances are monitored on an ongoing basis to ensure timely collection of amounts. 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 of December 31, 2023. The Company pays EDC a monthly premium based on total eligible dollars advanced, and records this as "General and administrative" expense in the consolidated statements of operations and comprehensive income (loss). 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 loans and merchant cash advances as of December 31, 2023 is covered. The receivable related to insurance recoveries, if any, is included in "Loans and merchant cash advances, net" in the consolidated balance sheets. There are no receivables from individual merchants accounting for 10% or more of revenues or receivables.

Equity and Other Investments Risk

The Company holds equity and other investments that are subject to a wide variety of market-related risks that could substantially reduce or increase the fair value of our holdings. The Company's equity and other investments in public companies are recorded at fair value, which is subject to market price volatility. The Company also holds an investment option to purchase Series B common shares in Klaviyo, Inc., which is accounted for as a derivative instrument and valued using the Black-Scholes model, and is subject to market price volatility as well as a discount for lack of marketability. The Company's equity investments in private companies 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. Certain equity investments in private companies are in the early stages of development and are inherently risky due to their lack of operational history. Furthermore, for the equity method investment, Shopify's share of income and loss from these investments may cause volatility to Shopify's earnings. The Company's debt investments in convertible notes of private companies are recorded at fair value, which are impacted by the underlying entities' valuations and interest rates.

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.

Interest Rate Risk

A portion of the Company's cash, cash equivalents and marketable securities and loans and debt securities earn interest. The Company's trade and other receivables, accounts payable and accrued liabilities and lease liabilities do not bear interest. The Company's 0.125% convertible senior notes due 2025 (the "Notes") have a fixed annual interest rate and thus, the Company does not have economic interest rate exposure on the Notes. The Company is not exposed to material interest rate risk.

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, Shopify Capital, subscriptions, and other billings to select countries in local currency, a significant proportion of revenue transactions are denominated in GBP, Euros, and CAD. Furthermore, the Company

expects to continue to have significant Canadian operations and expand operations internationally, therefore a significant proportion of operating expenses are also incurred and expected to be included in the aforementioned foreign currencies.

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 6. By their nature, derivative financial instruments involve risk, including the credit risk of non-performance by counterparties.

Recent Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-07 on Improvements to Reportable Segment Disclosures for entities that are managed as a single reportable segment that governs when an entity is expected to conclude that consolidated net income is the measure of segment profit or loss consistent with U.S. GAAP. The Updates are effective for annual periods beginning after January 1, 2024. The Company will adopt and apply the guidance in fiscal year 2024. There is no material impact expected to our results of operations, cash flows and financial condition at the time of adoption, however the Company is still assessing the disclosure impact.

In December 2023, the FASB issued ASU 2023-09 on Improvements to Income Tax Disclosures that require greater disaggregation of income tax disclosures to the income rate tax rate reconciliation and income taxes paid. The Updates are effective for annual periods beginning after December 15, 2024. The Company will adopt and apply the guidance in fiscal year 2025. There is no material impact expected to our results of operations, cash flows and financial condition at the time of adoption, however the Company is still assessing the disclosure impact.

4. Sales of Businesses

In the second quarter of 2023 the Company sold its logistics businesses (the "divested businesses"). The majority of the logistics business was sold to Flexport, a leading tech-driven global logistics platform. The Company received non-cash consideration in the form of a 13% equity interest on a fully-diluted basis inclusive of warrants and options.

The net assets of the divested businesses had an aggregate carrying amount above their estimated fair value and accordingly, an impairment loss was recorded in operating expenses as "Impairment on sales of Shopify's logistics businesses" in the consolidated statement of operations and comprehensive income (loss), for the year ended December 31, 2023. The components of the sale were as follows:

Goodwill	$	(1,438)
Intangible assets		(337)
Net assets and transaction costs		(93)
Non-cash consideration received[(1)]		528
Impairment on sales of Shopify's logistics businesses	$	(1,340)

[(1)] The value of non-cash consideration received is an estimate and was independently estimated by Shopify by using unobservable inputs, including the investee's revenue growth rates and revenue multiples based on market comparables.

The non-cash consideration was in addition to the Company's existing equity interest in Flexport. The investment in Flexport is accounted for under the equity method investment (see Note 6).

5. Cash and Cash Equivalents

As of December 31, 2023 and 2022, the Company's cash and cash equivalents balance was $ 1,413 and $1,649, respectively. These balances included $755 and $1,228, respectively, of money market funds, corporate bonds and commercial paper.

6. Financial Instruments

The Company measures financial instruments based on quoted prices in active markets (Level 1), inputs from similar instruments such as quoted prices or other observable market data (Level 2), or where little or no market activity exists, using unobservable inputs that require judgment or estimation (Level 3).

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 classified as available-for-sale for which the Company has elected to apply the fair value option. The investments are carried at fair value at each balance sheet date and any movements in the fair values are recognized in net income (loss).

The following tables summarize debt securities by balance sheet classification and level within the fair value hierarchy:

	As of December 31, 2023			
	Carrying Value			
	Cash Equivalents	Marketable Securities	Equity and Other Investments	Fair Value
	$	$	$	$
Level 1:				
U.S. term deposits	—	445	—	458
U.S. federal bonds and agency securities	—	1,541	115	1,657
Canadian federal bonds and agency securities	—	100	—	100
Corporate bonds and commercial paper	152	—	—	152
	152	2,086	115	2,367
Level 2:				
Corporate bonds and commercial paper	—	1,509	—	1,509
Level 3:				
Convertible notes in private companies[1]	—	—	495	495
	152	3,595	610	4,371

[1] In December 2023, the Company made a separate investment in Flexport through the purchase of convertible notes of $260 and has elected to apply the fair value option to account for this instrument. As the inputs used in determining the fair value are unobservable, the fair value measurement of the investment is Level 3 in the fair value hierarchy.

The fair values of marketable securities above include accrued interest of $ 15, which is excluded from the carrying amounts. The accrued interest is included in trade and other receivables in the consolidated balance sheets. Additional accrued interest of $21 recognized on the convertible notes in private companies is included in the carrying amount and fair value above.

In the year ended December 31, 2023, $ 5 of unrealized gains, associated with the Company's convertible notes in private companies were recorded within "Net unrealized gain (loss) on equity and other investments" in the consolidated statement of operations and comprehensive income (loss) ($30 of unrealized losses in the year ended December 31, 2022). Additionally, interest income of $ 10 was recorded within "Interest income" in the consolidated statement of operations and comprehensive income (loss) ($9 of interest income in the year ended December 31, 2022).

	As of December 31, 2022			
	Carrying Value			
	Cash Equivalents $	Marketable Securities $	Equity and Other Investments $	Fair Value $
Level 1:				
U.S. term deposits	—	600	—	608
U.S. federal bonds and agency securities	28	741	—	769
Canadian federal bonds and agency securities	202	547	—	750
Corporate bonds and commercial paper	202	—	—	202
Repurchase agreements	99	—	—	99
	531	1,888	—	2,428
Level 2:				
Corporate bonds and commercial paper	—	1,516	—	1,518
Level 3:				
Convertible notes in private companies	—	—	221	221
	531	3,404	221	4,167

The fair values above include accrued interest of $ 16, which is excluded from the carrying amounts. The accrued interest is included in trade and other receivables in the consolidated balance sheets. Additional accrued interest of $12 recognized on the convertible notes in private companies is included in the carrying amount and fair value above.

The following table outlines estimated fair values of our debt investments by date of contractual maturity as of December 31, 2023:

	Fair Value
Due within one year	$ 3,761
Due after one year to three years	115
	$ 3,876

Equity Securities

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:

	December 31, 2023			December 31, 2022		
	Level 1	Level 3	Total	Level 1	Level 3	Total
	$	$	$	$	$	$
Affirm Holdings, Inc.	997	—	997	196	—	196
Global-E Online Ltd.[1]	856	18	874	400	51	451
Klaviyo, Inc.[2]	376	113	489	—	—	—
Other	—	—	—	1	—	1
	2,229	131	2,360	597	51	648

[1] In the year ended December 31, 2023, $49 was transferred from Level 3 to Level 1 due to the vesting of warrants (December 31, 2022 - $200). The equity investments categorized as Level 3 in the fair value hierarchy represent unvested warrants that require the application of a discount for lack of marketability which was 8% at December 31, 2023 (December 31, 2022 - 9%).
[2] On September 20, 2023, Klaviyo, Inc. completed its initial public offering and began trading on the New York Stock Exchange. As a result, the fair value of our investment became readily determinable. In the year ended December 31, 2023, $11 was transferred from Level 3 to Level 1 due to the vesting of warrants. The equity investments categorized as Level 3 in the fair value hierarchy represent unvested warrants that require the application of a discount for lack of marketability which was 21% at December 31, 2023.

Adjustments related to equity and other investments with readily determinable fair values for the years ended December 31, 2023 and 2022 were as follows:

	Years ended	
	December 31, 2023	December 31, 2022
	$	$
Balance, beginning of the year	648	3,206
Adjustments related to equity and other investments with readily determinable fair values:		
Investments received not tied to services[1]	—	105
Investments received as non-cash consideration in exchange for services	—	30
Sale of equity and other investments	(1)	(3)
Net unrealized gains (losses)	1,456	(2,690)
Transfers from measurement alternative[2]	257	—
Balance, end of the year	2,360	648

[1] In the year ended December 31, 2022, certain private investments were acquired by third-party investors resulting in the deemed sale of equity and other investments in the period and shares were received in certain public companies. Any resulting realized gains or losses were presented as "Net realized (loss) gain on equity and other investments" in the consolidated statement of operations and comprehensive income (loss).
[2] Effective September 20, 2023, the Company's investment in Klaviyo, Inc. 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:

	December 31, 2023 $	December 31, 2022 $
Total initial value	820	1,360
Cumulative gross unrealized gains	55	59
Cumulative gross unrealized losses and impairment	(370)	(334)
Total carrying value of equity and other investments without readily determinable fair values	505	1,085

Adjustments related to equity and other investments without readily determinable fair values for the years ended December 31, 2023 and 2022 were as follows:

	Years ended	
	December 31, 2023 $	December 31, 2022 $
Balance, beginning of the period	1,085	543
Adjustments related to equity and other investments without readily determinable fair values:		
Purchases of equity and other investments	104	599
Investments received as non-cash consideration in exchange for services	60	244
Gross unrealized gains	10	20
Sales of equity and other investments[1]	—	(13)
Gross unrealized losses and impairments[2]	(120)	(308)
Transfers out of measurement alternative[3]	(634)	—
Balance, end of the period	505	1,085

[1] During the year ended December 31, 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 (loss) gain on equity and other investments" in the consolidated statement of operations and comprehensive income (loss).
[2] During the year ended December 31, 2023, the Company identified observable price changes resulting in the remeasurement of private investments at fair value on a non-recurring basis. During the year ended December 31, 2022, 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 recognized. The resulting unrealized losses and impairment were presented as "Net unrealized gain (loss) on equity and other investments" in the consolidated statement of operations and comprehensive income (loss).
[3] Effective September 20, 2023, the date of Klaviyo's initial public offering, the Company's investment in Klaviyo, Inc. no longer qualified for the use of the measurement alternative as $257 of the fair value of the investment became readily determinable. Additionally, the net settlement criteria was met for the Company's investment option to purchase Series B common shares resulting in $54 of the fair value being accounted for as a derivative.

As of December 31, 2023, included in the total $ 505 of equity and other investments without readily determinable fair values, $ 346 was remeasured at fair value and was classified within Level 3 of the fair value measurement hierarchy on a non-recurring basis.

Equity Method Investment

Shopify holds an equity method investment in Flexport which is presented within "Equity method investment" in the consolidated balance sheets and is carried at the amount of Shopify's original investment, as adjusted each period for Shopify's share of the investee's income or loss and the basis difference amortization, which is the difference between the fair value of our investment in the company and the underlying equity in the net assets of the investee. Shopify's share of the investee's income or loss and the basis difference amortization are reflected in Shopify's "Net loss on equity method investment" in the consolidated statement of operations and comprehensive income (loss).

Due to the timing of availability in the reporting of financial information from the investee, results are presented on a one-quarter lag. For the year ended December 31, 2023, our share of the loss in the investee for the period, including amortization of the basis difference, was $58.

The carrying value of the equity method investment as of December 31, 2023 was $ 780. As of December 31, 2022, Shopify's investment was not accounted for under the equity method and therefore the equity method investment was $nil.

Derivative Instruments and Hedging

As of December 31, 2023, the Company held foreign exchange forward contracts and options for USD, GBP and CAD with a total notional value of $473 (December 31, 2022 - $527), to fund a portion of its operations. 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.

The fair values of outstanding derivative instruments were as follows:

	December 31, 2023 $	December 31, 2022 $
Level 2:		
Foreign exchange forward contracts and options assets (classified in other current assets)	6	1
Foreign exchange forward contract liabilities (classified in accounts payable and accrued liabilities)	3	16

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

	December 31, 2023	December 31, 2022
	$	$
Unrealized gains	6	1
Unrealized losses	—	(15)
Total net unrealized gains (losses)	6	(14)

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

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

	Years ended	
	December 31, 2023	December 31, 2022
	$	$
Realized losses cost of revenues	—	(1)
Realized losses in operating expenses	(13)	(22)
	(13)	(23)

Derivative Instruments Not Designated as Hedges

The Company holds an investment option to purchase 15,743,174 of Series B common shares of Klaviyo, Inc. at an exercise price of $88.93 with an expiration date of July 28, 2030. The options are fair valued quarterly under Level 3 of the fair value hierarchy as certain unobservable inputs are used within the Black-Scholes model as well as a discount for lack of marketability. The fair value of the options as of December 31, 2023, utilizing a discount for lack of marketability of 31%, was $122 (presented within "Equity and other investments" in the consolidated balance sheets), representing an unrealized gain of $68 for the year ended December 31, 2023 (presented as a component of "Net unrealized gain (loss) on equity and other investments").

7. Trade and Other Receivables

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

	December 31, 2023	December 31, 2022	January 1, 2021
	$	$	$
Unbilled revenues, net	132	123	87
Trade receivables, net	62	80	40
Indirect taxes receivable	46	31	39
Other receivables	27	23	13
Accrued interest	15	16	13
	282	273	192

Unbilled revenues represent amounts not yet billed related to subscription fees for Plus merchants, transaction fees, shipping charges and partner referral fees as of the 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:

	Years ended	
	December 31, 2023 $	December 31, 2022 $
Balance, beginning of the year	16	7
Provision for credit losses related to uncollectible receivables	9	17
Write-offs	(12)	(8)
Balance, end of the year	13	16

8. Loans and Merchant Cash Advances

	December 31, 2023 $	December 31, 2022 $	January 1, 2022 $
Loans receivable, gross[(1)]	732	228	73
Allowance for credit losses related to uncollectible loans receivable	(60)	(19)	(3)
Merchant cash advances receivable, gross	180	420	439
Allowance for credit losses related to uncollectible merchant cash advances receivable	(36)	(49)	(38)
Loans and merchant cash advances, net	816	580	471

(1) Included in the loans receivable gross balance as of December 31, 2023 is $10 of interest receivable (December 31, 2022 - $3, January 1, 2022 - $nil).

Certain loans and merchant cash advances are facilitated by the Company and originated by a bank partner, from whom the Company then purchases the loans and merchant cash advances obtaining all rights, title and interest or discount. In the years ended December 31, 2023 and 2022, these purchases added up to $1,966 and $512, respectively, of merchant cash advances and loans to Shopify merchants.

Loans

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

	Years ended	
	December 31, 2023	December 31, 2022
	$	$
Allowance, beginning of the year	19	3
Provision for credit losses related to uncollectible loans receivable	60	21
Loans receivable charged off, net of recoveries	(19)	(5)
Allowance, end of the year	60	19

The following table presents the delinquency status of the gross amount of merchant loans by year of origination. The delinquency status is determined based on the number of days past the contractual or expected 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.

	December 31, 2023	
	Total	Percent
Current	$ 696	95.1 %
30-59 Days	5	0.7 %
60-89 Days	2	0.3 %
90-179 Days	7	0.9 %
180+ Days	22	3.0 %
Total	$ 732	100.0 %

	December 31, 2022	
	Total	Percent
Current	$ 215	94.2 %
30-59 Days	2	0.9 %
60-89 Days	1	0.7 %
90-179 Days	4	1.6 %
180+ Days	6	2.6 %
Total	$ 228	100.0 %

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. In March 2023, the Company modified its policy to charging off receivables outstanding under the program when the merchant receivable is included on its internal monitoring list for a period of 150 consecutive days (previously 90 consecutive days).

Merchant Cash Advances

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

	Years ended	
	December 31, 2023 $	December 31, 2022 $
Allowance, beginning of the period	49	38
Provision for credit losses related to uncollectible merchant cash advances receivable	20	43
Merchant cash advances receivable charged off, net of recoveries	(33)	(32)
Allowance, end of the period	36	49

9. Other Current Assets

	December 31, 2023 $	December 31, 2022 $
Prepaid expenses	55	48
Capitalized contract costs	47	27
Deposits	31	34
Other current assets	20	29
Income taxes receivable	10	5
Foreign exchange contracts	6	1
	169	144

10. Property and Equipment

	December 31, 2023		
	Cost $	Accumulated depreciation and impairment $	Net book value $
Leasehold improvements[(1)]	142	107	35
Computer equipment	37	24	13
Furniture and equipment	26	25	1
	205	156	49

[(1)] $12 of leasehold improvements were impaired and disposed of in the year ended December 31, 2023. See note 11 for details.

	December 31, 2022		
	Cost $	Accumulated depreciation and impairment $	Net book value $
Leasehold improvements[1]	182	104	78
Computer equipment	40	17	23
Fulfillment equipment	19	—	19
Fulfillment robots	15	9	6
Furniture and equipment	28	23	5
	284	153	131

[1] Included are $4 of leasehold improvements that were impaired and disposed of in the year ended December 31, 2022. See Note 11 for details.

During the year ended December 31, 2023, the Company disposed of and retired computer equipment with an original cost of $ 6 (December 31, 2022 - $15). There was no material gain or loss recognized in the consolidated statement of operations and comprehensive income (loss) as a result of the retirement and disposal of these assets.

The following table illustrates the classification of depreciation in the consolidated statement of operations and comprehensive income (loss):

	Years ended	
	December 31, 2023 $	December 31, 2022 $
Cost of revenues	3	4
Sales and marketing	7	8
Research and development	13	18
General and administrative	5	6
	28	36

11. Leases

The Company has office and commercial 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 13 years, some of which include options to extend the leases for up to 5 years. All of the Company's leases are operating leases.

The components of lease expense were as follows:

	Years ended	
	December 31, 2023 $	December 31, 2022 $
Operating lease expense	31	33
Variable lease expense, including non-lease components	17	14
Total lease expense	48	47

As of December 31, 2023, the weighted average remaining lease term is 10 years and the weighted average discount rate is 3.4% (December 31, 2022 - 11 years and 4.9%, respectively).

Net sublease income for the year ended December 31, 2023 was $ 4 (December 31, 2022 - $3), which is recorded as an offset within the total lease expense disclosed above.

During the year ended December 31, 2023, as part of the sales of Shopify's logistics businesses, the Company's warehouse leases were assigned in connection with the divested businesses and are no longer recognized on the Company's consolidated balance sheets. However, the Company retained the guarantee of certain leases and entered into an indemnification agreement, governing the liability obligations in connection with these guarantees.

During the years ended December 31, 2023 and 2022, the Company identified leased office space for which it has ceased use. This resulted in impairment charges to its right-of-use assets and leasehold improvements. These impairment charges were determined by comparing the asset groups' fair values made up of the right-of-use assets and leasehold improvements, to their carrying values as of the impairment measurement date, as required under ASC 360, Property, Plant and Equipment. Fair value was determined based on the present value of the estimated future cash flows. These charges were recorded as general and administrative expenses in the consolidated statements of operations and comprehensive income (loss). In the year ended December 31, 2023, the Company recorded impairment charges related to its operating lease right-of-use assets and leasehold improvements of $38 (December 31, 2022 - $84).

During the year ended December 31, 2022, the Company terminated portions of leased office space consisting of leases recognized on the consolidated balance sheet as well as future committed lease space. The terminations resulted in gains of $3 which is recorded as an offset within the total lease expense disclosed above.

Maturities of lease liabilities as of December 31, 2023 were as follows:

Fiscal Year	**Operating Leases $**
2024	53
2025	57
2026	34
2027	49
2028	48
Thereafter	241
Total future minimum payments	482
Minimum payments related to variable lease payments, including non-lease components	(203)
Imputed interest	(45)
Total operating lease liabilities	234

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 $7 in 2024 and $27 thereafter.

During the year ended December 31, 2023 the Company recognized $ 22 of operating lease liabilities arising from obtaining operating lease right-of-use assets (December 31, 2022 - $265). The Company paid $34 for amounts included in the measurement of operating lease liabilities included in cash flow from operating activities (December 31, 2022 - $40).

12. Intangible Assets

	December 31, 2023		
	Cost $	Accumulated amortization $	Net book value $
Acquired technology	65	38	27
Other intangible assets	4	2	2
Software development costs	14	14	—
Acquired customer relationships	1	1	—
	84	55	29

	December 31, 2022		
	Cost $	Accumulated amortization $	Net book value $
Acquired technology	449	94	355
Other intangible assets	9	3	6
Software development costs	15	15	—
Acquired customer relationships	37	8	29
	510	120	390

During the year December 31, 2023, the Company recognized an impairment of $ 307 of acquired technology, $27 of acquired customer relationships and $3 of other intangible assets as a result of the sales of Shopify's logistics businesses (see Note 4).

During the year ended December 31, 2023, the Company disposed of and retired software development costs, acquired technology and purchased software with a combined original cost of $440, primarily due to the sales of our logistics businesses (December 31, 2022 - $31). Other than the impairment charges noted above, there was no additional gain or loss recognized in the consolidated statement of operations and comprehensive income (loss) as a result of the retirement or disposal of these assets.

The following table illustrates the classification of amortization expense related to intangible assets in the consolidated statement of operations and comprehensive income (loss):

	Years ended	
	December 31, 2023 $	December 31, 2022 $
Cost of revenues	35	49
Sales and marketing	3	5
	38	54

Estimated future amortization expense related to intangible assets, as of December 31, 2023 is as follows:

Fiscal Year	Amount $
2024	13
2025	4
2026	1
Thereafter	—
Total	18

13. Goodwill

The Company's goodwill relates to acquisitions of various companies.

The Company recognized goodwill impairment of $ 1,438 in the year ended December 31, 2023 due to the sales of Shopify's logistics businesses (see Note 4), presented within "Impairment on sales of Shopify's logistics businesses" in the consolidated statement of operations and comprehensive income (loss).

The remaining goodwill was tested for impairment as part of the Company's annual impairment test as of September 30, 2023. The Company exercised its option to bypass the qualitative assessment pursuant to ASC 350, Intangibles - Goodwill and Other, and performed a quantitative analysis. The Company determined that the consolidated business is represented by a single reporting unit and concluded the estimated fair value of the reporting unit, determined using market capitalization, was greater than its carrying amount.

There were no indicators of impairment between September 30, 2023, the date which the Company completed its annual impairment test of goodwill, and December 31, 2023. No goodwill impairment was recognized on the remaining goodwill during the year ended December 31, 2023 or in the year ended December 31, 2022.

The gross changes in the carrying amount of goodwill as of December 31, 2023 and December 31, 2022 are as follows:

	December 31, 2023 $	December 31, 2022 $
Balance, beginning of the year	1,836	357
Acquisition of Deliverr	—	1,438
Other acquisitions[(1)]	29	41
Impairment on sales of Shopify's logistics businesses	(1,438)	—
Balance, end of the year	427	1,836

[(1)] During the years ended December 31, 2023 and 2022, the Company completed individually immaterial acquisitions that resulted in goodwill being recognized.

14. Accounts Payable and Accrued Liabilities

	December 31, 2023 $	December 31, 2022 $
Trade accounts payable and trade accruals	364	364
Employee related accruals	55	68
Indirect taxes payable	73	47
Other payables and accruals	66	38
Income taxes payable	18	9
Foreign exchange forward contracts	3	16
	579	542

15. Deferred Revenue

	Years ended	
	December 31, 2023 $	December 31, 2022 $
Balance, beginning of the year	564	380
Deferral of revenue	213	400
Recognition of deferred revenue[(1)]	(279)	(216)
Balance, end of the year	498	564

[(1)] Includes impairment of deferred revenue due to the sales of Shopify's logistics businesses (see Note 4) during the year ended December 31, 2023.

	December 31, 2023 $	December 31, 2022 $
Current portion	302	296
Long-term portion	196	268
	498	564

The opening balances of current and long-term deferred revenue were $ 217 and $163, respectively, as of January 1, 2022.

As of December 31, 2023, 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 two to three 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.

The table below summarizes the gross changes in deferred revenue associated with this non-cash consideration received for the years ended December 31, 2023 and 2022.

	Years Ended	
	December 31, 2023 $	December 31, 2022 $
Balance, beginning of the year	382	230
Non-cash consideration received in exchange for services	60	273
Revenue recognized related to non-cash consideration	(158)	(121)
Balance, end of the year	284	382
Current portion	95	135
Long term portion	189	247
	284	382

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

16. Convertible Senior Notes

In September 2020, the Company issued $ 920 aggregate principal amount of 0.125% convertible senior notes due 2025. The net proceeds from the issuance of the Notes were $908 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.

Prior to the close of business on the business day immediately preceding August 1, 2025, the Notes may be convertible at the option of the holders only under the following circumstances:

(1) during any calendar quarter commencing after March 31, 2021, and only during such calendar quarter, if the last reported sale price of the Class A subordinate voting shares on the New York Stock Exchange (the "NYSE") for at least 20 trading days (whether or not consecutive) in a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is more than or equal to 130% of the conversion price for the Notes on each applicable trading day;

(2) during the ten business day period after any ten consecutive trading day period in which, for each trading day of that period, the trading price per one thousand dollars principal amount of Notes for

each trading day was less than 98% of the product of the last reported sale price of the Class A subordinate voting shares on the NYSE and the conversion rate for the Notes on each such trading day;

(3) if the Company calls any or all of the Notes for optional redemption, clean-up redemption or tax redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or

(4) upon the occurrence of certain specified corporate events.

On or after August 1, 2025, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders of the Notes may, at their option, convert all or any portion of their Notes regardless of the foregoing conditions.

Upon conversion, the Company can elect to settle in cash, Class A subordinate voting shares, or a combination of cash and Class A subordinate voting shares.

On or after September 15, 2023, the Company may, at its option, redeem for cash all or any portion of the Notes if the last reported sale price of the Company's Class A subordinate voting shares on the NYSE has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. No "sinking fund" is provided for the Notes.

The Company may redeem for cash all, but not less than all, of the Notes at any time if less than $ 80 aggregate principal amount of Notes remains outstanding at such time, at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

The Company may redeem all, but not less than all, of the Notes if the Company has or would become obligated to pay to the holder of any Note additional amounts (which are more than a de minimis amount) as a result of a change in applicable Canadian tax laws or regulations after September 15, 2020 at a redemption price equal to 100% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest (including additional interest, if any) to, but excluding, the applicable redemption date but without reduction for applicable Canadian taxes (except in respect of certain excluded holders).

Upon the occurrence of a fundamental change (as set out or defined in the supplemental indenture governing the Notes) prior to the maturity date of the Notes, the Company, subject to limited exceptions, will be required to offer to purchase all of the Notes for cash at a price equal to 100% of the principal amount thereof, plus any accrued and unpaid interest thereon to, but excluding, the fundamental change purchase date.

The Notes are governed by customary terms and covenants, including that upon certain events of default occurring and continuing, either the Trustee or the holders of at least 25% in aggregate principal amount of the Notes then outstanding may declare 100% of the principal of, and accrued and unpaid interest on, all the Notes to be due and payable immediately.

The Notes are senior unsecured obligations and will rank senior in right of payment to any of the Company’s indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment with the Company’s existing and future unsecured liabilities that are not so subordinated; effectively subordinated to any of the Company’s secured indebtedness to the extent of the value of the

assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of current or future subsidiaries of the Company.

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 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:

	December 31, 2023 $	December 31, 2022 $
Principal	920	920
Unamortized offering costs	(4)	(7)
Net carrying amount	916	913

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

	Years ended	
	December 31, 2023 $	December 31, 2022 $
Contractual interest expense	1	1
Amortization of offering costs	3	2
Total interest expense related to the outstanding Notes	4	3

As of December 31, 2023, the estimated fair value of the Notes was approximately $ 865 (December 31, 2022 - $783). 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.

17. Credit Facility

The Company has a revolving credit facility with Royal Bank of Canada for $ 8 CAD. The credit facility bears interest at the Royal Bank Prime Rate plus 0.30%. As of December 31, 2023 and December 31, 2022, the effective rate was 7.50% and 6.75%, respectively, and no cash amounts were drawn under this credit facility.

18. 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 August 31, 2022, a jury in the U.S. District Court for the District of Delaware returned a verdict finding that the Company infringed three web technology patents owned by Express Mobile, Inc. The Company

has challenged the verdict through post-trial motions and the Plaintiff has moved for interest on the amount of the verdict.

The Company currently has no other known material pending litigation or claims. The Company is not aware of any other litigation matters or loss contingencies that would be expected to have a material adverse effect on the business, consolidated financial position, results of operations or cash flows.

19. Related Parties

In November 2023, the Company entered a commercial agreement with Flexport following the sale of the Shopify Logistics businesses in the second quarter of 2023. Under the terms of the commercial agreement, the Company will earn a share of revenues for orders processed or otherwise sent through services provided by the Company. Transactions between the Company and Flexport under the commercial agreement will be eliminated from the Company's share of income and loss in the investee, including amortization of the basis difference, presented as "Net loss on equity method investment" in the consolidated statement of operations and comprehensive income (loss).

In December 2023, the Company made a separate investment in Flexport with the purchase of convertible notes of $ 260. This investment is classified within "Equity and other investments" and the Company has elected to account for it using the fair value option.

20. 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 retrospectively adjusted to reflect the impact of the Share Split.

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 Authorized

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. 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.

Employee Compensation System

On September 1, 2022, the Company launched our flexible compensation program "Flex Comp", which provides employees with a single total compensation reward amount that is to be allocated between cash, stock options and RSUs at the discretion of the employees, subject to certain restrictions around minimum allocations of cash and stock-based compensation. The majority of the Company's employees were eligible and entered into Flex Comp, and all previously granted but unvested stock options and RSUs of these employees were forfeited in connection with the new system on September 1, 2022. The Company applied modification accounting resulting in stock-based compensation cost equal to, or greater than, the original grant date fair value of the modified awards being recognized as an operating expense over the requisite service period. The modification did not result in a one-time expense on the date Flex Comp was launched because none of the requisite service period had been completed as of that date. Employee elections for allocating their total compensation reward between cash and stock-based compensation currently occur on a quarterly basis, which may result in the split between cash and stock-based compensation varying from quarter to quarter.

Stock-Based Compensation

In 2008, the Board of Directors adopted and the Company's shareholders approved the Legacy Option Plan. Immediately prior to the completion of the Company's May 2015 Initial Public Offering ("IPO"), and in connection with the closing of the offering, each option outstanding under the Legacy Option Plan became exercisable for one Class B restricted voting share. Following the closing of the Company's IPO, no further awards were made under the Legacy Option Plan. The Legacy Option Plan continues to govern awards granted thereunder.

The Company's Board of Directors and shareholders approved a stock option plan, as well as a long term incentive plan, each of which became effective upon the closing of the Company's IPO on May 27, 2015. On May 30, 2018 and on May 26 2021, these plans were amended following approval from the Company's Board of Directors and shareholders.

On July 8, 2022, the Company approved the issuance of rollover options, from the Company's treasury pool, under the Deliverr, Inc. 2017 Stock Option and Grant Plan, adopted on the closing of the acquisition of Deliverr.

The SOP allows for the grant of options to the Company's officers, directors, employees and consultants. All options granted under the SOP will have an exercise price determined and approved by the Company's Compensation and Talent Management Committee of the Board of Directors at the time of grant, which shall not be less than the market price of the Class A subordinate voting shares at such time. For purposes of the SOP, the market price of the Class A subordinate voting shares shall be the volume weighted average trading price of the Class A subordinate voting shares on the NYSE for the five trading days ending on the last trading day before the day on which the option is granted. Options granted under the SOP are exercisable for Class A subordinate voting shares. Both the vesting period and term of the options in the SOP are determined by the Compensation and Talent Management Committee of the Board of Directors at the time of grant. Options granted under the SOP between November 2017 and August 2022 have been approved with a three year vesting schedule with one-third vesting after one year and the remainder vesting

evenly over the remaining 24 months. As a result of Flex Comp, certain options in the aforementioned plans were forfeited and their associated vesting schedules were ended. For employees that allocated a portion of their new total compensation reward to obtain options, such options are granted quarterly and generally vest on a monthly basis over a period of three months.

The LTIP provides for the grant of share units, or LTIP Units, consisting of RSUs, performance share units (PSUs) and deferred share units (DSUs). Each LTIP Unit represents the right to receive one Class A subordinate voting share in accordance with the terms of the LTIP. Unless otherwise approved by the Compensation and Talent Management Committee of the Board of Directors, RSUs will vest as to 1/3 each on the first, second and third anniversary dates of the date of grant. RSUs granted between November 2017 and August 2022 have been approved with three-year vesting schedules. As a result of Flex Comp, certain RSUs were forfeited and their associated vesting schedules were ended. For employees that allocated a portion of their new total compensation reward to obtain RSUs, the RSUs are granted quarterly and generally vest on a monthly basis over the period of three months. A PSU participant's grant agreement will describe the performance criteria established by the Company's Compensation and Talent Committee of the Board of Directors that must be achieved for PSUs to vest to the PSU participant, provided the participant is continuously employed by or in the Company's service or the service or employment of any of the Company's affiliates from the date of grant until such PSU vesting date. As of December 31, 2023, there have been nil PSUs granted. DSUs are granted solely to non-employee directors of the Company, at their option, in lieu of their Board retainer fees. DSUs will vest upon a director ceasing to act as a director.

The maximum number of Class A subordinate voting shares reserved for issuance, in the aggregate, under the Company's SOP and the LTIP was initially equal to 37,436,920 Class A subordinate voting shares, adjusted to give effect to Share Split. The number of Class A subordinate voting shares available for issuance, in the aggregate, under the SOP and the LTIP will be automatically increased on January 1st of each year, beginning on January 1, 2016 and ending on January 1, 2026, in an amount equal to 5% of the aggregate number of outstanding Class A subordinate voting shares and Class B restricted voting shares on December 31st of the preceding calendar year. As of January 1, 2024, there were 423,152,823 shares available for issuance under the Company's SOP and LTIP.

The following table summarizes the stock option and RSU award activities under the Company's share-based compensation plans for the years ended December 31, 2023 and 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	Weighted Average Grant Date Fair Value $
December 31, 2021	**11,538,665**	**34.52**	**5.67**	**1,191**	**—**	**8,438,183**	**107.63**
Stock options granted	7,432,555	35.61	—	—	24.83	—	—
Stock options exercised	(3,126,869)	5.61	—	—	—	—	—
Stock options forfeited	(1,835,590)	72.65	—	—	—	—	—
RSUs granted	—	—	—	—	—	22,100,197	44.44
RSUs settled	—	—	—	—	—	(7,380,507)	63.86
RSUs forfeited	—	—	—	—	—	(12,938,967)	75.11
December 31, 2022	**14,008,761**	**36.55**	**6.71**	**195**	**—**	**10,218,906**	**43.74**
Stock options granted	3,133,704	57.89	—	—	30.08	—	—
Stock options exercised	(3,915,216)	15.04	—	—	—	—	—
Stock options forfeited	(1,764,618)	35.57	—	—	—	—	—
RSUs granted	—	—	—	—	—	5,262,115	57.84
RSUs settled	—	—	—	—	—	(7,288,043)	45.64
RSUs forfeited	—	—	—	—	—	(4,114,500)	43.79
December 31, 2023	**11,462,631**	**49.88**	**7.09**	**406**	**—**	**4,078,478**	**58.50**
Stock options exercisable as of December 31, 2023	7,694,330	44.96	6.13	316			

[1] As of December 31, 2023 549,110 of the outstanding stock options were granted under the Company's Legacy Option Plan and are exercisable for Class B restricted voting shares, 10,801,400 of the outstanding stock options were granted under the Company's Stock Option Plan and are exercisable for Class A subordinate voting shares, and 112,121 of the outstanding stock options were granted under the Deliverr 2017 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 December 31, 2023 and December 31, 2022.

As of December 31, 2023 the Company had issued 13,517 DSUs under its LTIP.

The total intrinsic value of stock options exercised and RSUs settled during the years ended December 31, 2023 and 2022 was $ 564 and $465, respectively. The aggregate intrinsic value of options exercised is calculated as the difference between the exercise price of the underlying stock option awards and the market value on the date of exercise.

As of December 31, 2023 and 2022, there was $ 261 and $492, respectively, of remaining unamortized compensation cost related to unvested stock options and RSUs granted to the Company's employees. This cost will be recognized over an estimated weighted-average remaining period of 1.68 years. Total unamortized compensation cost will be adjusted for future changes in estimated forfeitures.

Stock-Based Compensation Expense

All share-based awards are measured based on the grant date fair value of the awards and recognized in the consolidated statement of operations and comprehensive income (loss) over the period during which the employee is required to perform services in exchange for the award (generally the vesting period of the award).

The Company estimates the fair value of stock options granted using the Black-Scholes option valuation model, which requires assumptions, including the fair value of the Company's underlying common stock, expected term, expected volatility, risk-free interest rate and dividend yield of the Company's Class A subordinate voting shares. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, share-based compensation expense could be materially different in the future.

These assumptions are estimated as follows:

- *Fair Value of Common Stock.* The Company uses the five-day volume weighted average price for its Class A subordinate voting shares as reported on the New York Stock Exchange.
- *Expected Term.* The Company determines the expected term based on the average period the stock options are expected to remain outstanding. The Company bases the expected term assumptions on its historical behavior combined with estimates of the post-vesting holding period.
- *Expected Volatility.* The Company determines the price volatility factor based on the Company's historical volatility over the expected term of the stock options.
- *Risk-Free Interest Rate.* The Company bases the risk-free interest rate used in the Black-Scholes valuation model on the yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term of the stock options for each stock option group.
- *Expected Dividend.* The Company has not paid and does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option pricing model.

The grant weighted average assumptions used to estimate the fair value of stock options granted to employees were as follows:

	Years ended	
	December 31, 2023	**December 31, 2022**
Expected volatility	68.0 %	63.3 %
Risk-free interest rate	4.39 %	2.90 %
Dividend yield	Nil	Nil
Average expected term	3.83	3.65

In addition to the assumptions used in the Black-Scholes option valuation model, the Company also estimates a forfeiture rate to calculate the share-based compensation expense for our awards. The Company's forfeiture rate is based on an analysis of its actual forfeitures. The Company will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors. Changes in the estimated forfeiture rate can have a significant impact on share-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher/lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase/decrease to the share-based compensation expense recognized in the consolidated financial statements.

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

	Years ended	
	December 31, 2023	December 31, 2022
	$	$
Cost of revenues	4	9
Sales and marketing[1]	56	63
Research and development[1]	481	386
General and administrative	74	91
	615	549

[1] Includes accelerated stock-based compensation of $5 and $164 in sales and marketing and research and development, respectively, during the year ended December 31, 2023.

21. 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 years ended December 31, 2023 and 2022:

	Accumulated Other Comprehensive Income (Loss)	
	Years ended	
	December 31, 2023	December 31, 2022
	$	$
Balance, beginning of the year	(16)	(6)
Other comprehensive income (loss) before reclassifications	7	(33)
Loss on cash flow hedges reclassified from accumulated other comprehensive income (loss) to earnings:		
Cost of revenues	—	1
Sales and marketing	3	5
Research and development	9	13
General and administrative	1	4
Other comprehensive income (loss), net of tax	20	(10)
Balance, end of the year	4	(16)

22. Income Taxes

The domestic and foreign components of income (loss) before income taxes and (provision for) recovery of income taxes were as follows:

	Years ended	
	December 31, 2023	December 31, 2022
	$	$
Income (loss) before income taxes		
Domestic	599	(2,553)
Foreign	(414)	(1,070)
	185	(3,623)
Current income tax (expense) recovery		
Domestic	1	—
Foreign	(55)	(24)
	(54)	(24)
Deferred income tax recovery (expense)		
Domestic	(2)	180
Foreign	3	7
	1	187
(Provision for) recovery of income taxes	(53)	163

The reconciliation of the expected income tax (expense) recovery calculated using the statutory tax rate to the actual (provision for) recovery of income taxes reported in the consolidated statements of operations and comprehensive income (loss) for the years ended December 31, 2023 and 2022 is as follows:

	Years ended	
	December 31, 2023	December 31, 2022
	$	$
Income (loss) before income taxes	185	(3,623)
Expected income tax (expense) recovery at Canadian statutory income tax rate of 26.5% (2022 - 26.5%)	(49)	960
Permanent differences		
Net unrealized gain (loss) on equity and other investments	276	(419)
Sales of businesses	195	—
Canadian taxes on foreign earnings	(51)	—
Stock-based compensation	(74)	(18)
Other permanent differences	(6)	(11)
Foreign tax rate differential	48	36
Tax credits recognized during the year	21	17
Change in valuation allowance	(409)	(397)
Other items	(4)	(5)
(Provision for) recovery of income taxes	(53)	163

The significant components of the Company's deferred income tax assets and liabilities as of December 31, 2023 and 2022 were as follows:

	December 31, 2023 $	December 31, 2022 $
Deferred tax assets		
Tax loss carryforwards	806	435
Accruals and reserves	98	90
Tax credits	84	57
Capital and intangible assets	39	35
Stock-based compensation expense	34	54
Research and development expenditures	156	88
Lease liabilities	74	130
Share issuance costs	5	10
Other deferred tax assets	1	—
Total deferred tax assets, before valuation allowance	1,297	899
Valuation allowance	(1,039)	(630)
Total deferred tax assets	258	269
Deferred tax liabilities		
Equity and other investments	(77)	(23)
Outside basis difference of foreign subsidiaries	(104)	(24)
Lease assets	(29)	(90)
Intangible assets	(6)	(104)
Other deferred tax liabilities	(4)	(3)
Total deferred tax liabilities	(220)	(244)
Total deferred tax assets, net	38	25

During the year ended December 31, 2023, the Company assessed whether a valuation allowance should be established or maintained against its deferred tax assets, based on consideration of all available positive and negative evidence, using a "more-likely-than-not" standard. The factors the Company uses to assess the likelihood of realization are its recent operating results, historical losses and the cumulative losses, forecasts of future pre-tax income, and tax planning strategies that could be implemented to realize the deferred tax assets.

The Company had a provision for income taxes of $ 53 in the year ended December 31, 2023, primarily on account of earnings in jurisdictions outside of North America.

As a result of the application of the Company's tax rates to the results of ongoing operations, other discrete items primarily related to unrealized non-deductible losses on equity and other investments, share-based compensation, and change in valuation allowance related to deferred tax assets in Canada as well as the United States, the Company had a recovery for income taxes of $163 in the year ended December 31, 2022.

During the year ended December 31, 2022, and following the reversal of a large portion of the unrealized gains on the Company's equity and other investments, a valuation allowance was recorded against the excess of the Company's Canadian deferred income tax assets relative to its deferred income tax liabilities as the Company has a history of operating losses.

The Company receives a development and expansion incentive under the International Headquarters Award in Singapore. The incentives granted by the authorities to the Company expires March 31, 2026 and provide a concessionary tax rate of 5% to earnings in excess of the base income threshold. As a result of the incentive, the Company received an aggregate tax benefit of $9 during the year ended December 31, 2023 and $2 during the year ended December 31, 2022.

The Company had no material uncertain income tax positions for the years ended December 31, 2023 and 2022. The Company's accounting policy is to recognize interest and penalties related to uncertain tax positions as a component of income tax expense. In the years ended December 31, 2023 and 2022, there was no material interest or penalties related to uncertain tax positions.

The Company remains subject to audit by the relevant tax authorities for the years ended 2016 through 2023.

Investment tax credits, which are earned as a result of qualifying R&D expenditures, are recognized and applied to reduce income tax expense in the year in which the expenditures are made and their realization is reasonably assured.

As of December 31, 2023 and 2022, the Company had Canadian and U.S. federal unused non-capital tax losses of approximately $ 500 and $1,220, respectively. In addition, as of December 31, 2023 and 2022, the Company had unused non-capital tax losses in various U.S. states of approximately $1,507 and $1,766, respectively. As of December 31, 2023, $ 347 and $59 of the federal and state non-capital tax losses, respectively, have no expiry. The remaining non-capital tax losses of $153 and $1,448, respectively, are due to expire between 2029 and 2042. As of December 31, 2023, the Company also has $764 of capital losses in Canada that do not expire as well as $1,679 of capital losses in the U.S. that begin to expire in 2028. In addition, as of December 31, 2023 and 2022, the Company had an undeducted Canadian R&D expenditure balance totaling $226 and $141, respectively, which does not expire. As of December 31, 2023 and 2022, the Company had tax credits of $104 and $70, respectively. The U.S federal tax credits will begin to expire in 2034 if unused and the U.S. state R&D credits will begin to expire starting in 2031. The Canadian investment tax credits are due to expire between 2039 and 2043.

23. Net Income (Loss) per Share

The Company applies the two-class method to calculate its basic and diluted net loss 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 Company uses the treasury stock method and if-converted method for calculating the effect of dilutive potential common stock from employee stock options and employee RSUs and from its Notes, respectively.

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

	Years ended	
	December 31, 2023	December 31, 2022
Numerator:		
Net income (loss)	$ 132	$ (3,460)
After tax effect of debt interest[1]	1	—
Net income (loss) after tax effected debt interest	$ 133	$ (3,460)
Denominator:		
Basic weighted average number of shares outstanding	1,281,554,559	1,266,268,155
Weighted average effect of dilutive securities:		
Stock options	4,586,659	—
Restricted share units	2,974,367	—
Convertible senior notes	6,388,480	—
Deferred share units	7,320	—
Diluted weighted average number of shares	1,295,511,385	1,266,268,155
Net income (loss) per share:		
Basic	$ 0.10	$ (2.73)
Diluted	$ 0.10	$ (2.73)
Common stock equivalents excluded from net income (loss) per diluted share because they are anti-dilutive:		
Stock options	150,558	14,008,761
Restricted share units	1,058,628	10,218,906
Convertible senior notes	—	6,388,480
Deferred share units	—	11,413
	1,209,186	30,627,560

[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.

24. Segment and Geographical Information

The Company has determined that it operates in a single operating and reportable segment.

The following table presents total external revenues by geographic location, based on the location of the Company's merchants:

	Years ended			
	December 31, 2023		December 31, 2022	
	$	%	$	%
North America				
Canada	388	5 %	346	6 %
United States	4,649	66 %	3,720	67 %
EMEA	1,255	18 %	917	16 %
APAC	699	10 %	553	10 %
Latin America	69	1 %	64	1 %
Total Revenue[(1)]	7,060	100 %	5,600	100 %

[(1)] Total revenue includes $147 and $46 for the years ended December 31, 2023 and 2022, respectively, which do not represent revenues recognized in the scope of ASC 606, Revenue from Contracts with Customers. These revenues relate to interest and fees earned from certain lending services.

The following table presents the total net book value of the Company's long-lived physical assets by geographic location:

	December 31, 2023		December 31, 2022	
	$	%	$	%
Canada	42	86 %	55	42 %
United States	5	10 %	57	44 %
Rest of World	2	4 %	19	14 %
	49	100.0 %	131	100 %

25. Reduction in Workforce

In May 2023, the Company reduced headcount by approximately 23% of employees across the Company ("2023 Reduction in Workforce"). The Company incurred and paid $148 in total severance related costs in the year ended December 31, 2023.

The 2023 Reduction in Workforce costs recorded for severance related costs in the year ended December 31, 2023 were as follows:

Sales and marketing	$ 28
Research and development	102
General and administrative	18
	$ 148

EXHIBIT 1.3

MANAGEMENT'S DISCUSSION AND ANALYSIS

February 13, 2024

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 present Shopify's results of operations for the fourth quarter and the fiscal years ended December 31, 2023, 2022, and 2021, our cash flows for the fiscal years ended December 31, 2023 and 2022, and our financial position as of December 31, 2023. You should read this MD&A together with our sets of audited consolidated financial statements and the accompanying notes for the fiscal years ended December 31, 2023, 2022, and 2021. Additional information regarding Shopify, including our 2023 annual information form ("AIF") and our annual report on Form 40-F for the year ended December 31, 2023, is available on our website at www.shopify.com, or at www.sedarplus.ca and www.sec.gov.

Our audited 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. Beginning in the first quarter of 2023, we began reporting all dollar amounts in millions.

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 period with the same period 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 (the "Exchange Act"), 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 "may", "will", "could", "expects", "further", "plans", "anticipates", "believes", "potential", "continue", "estimate", "assumes", "intends", 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:

- our expectation that we will continue to work with Flexport, Inc. ("Flexport") to optimize logistics offerings to support our merchants and that Flexport will continue to develop fulfillment offerings for our merchants;

- our expectation that we continue leveraging data for the benefit of our merchants with critical safeguards in place to ensure privacy, security, and compliance;
- our exploration of new ways to accelerate checkout;
- our ability to make it easier for merchants to manage their storefronts via their mobile devices;
- 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;
- the impact of the sales of our logistics businesses, including the impact of such sales on gross profit and research and development expenses and the comparability of revenues, gross margin and operating expenses;
- our expectation that the continued growth of merchant solutions may cause a decline in our overall gross margin percentage and that the costs of our merchants' solutions will increase with growth in volumes processed with the expansion of Shopify Payments internationally;
- 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 the cost of subscription solutions will increase in absolute dollars as we continue to invest in growing our business, and as the number of merchants utilizing the platform increases along with the costs of supporting those merchants;
- our expectation that our subscription solutions gross margin percentage will fluctuate modestly based on the mix of subscription plants that our merchants select and the timing of expenditures related to infrastructure expansion project;
- our expectation that operating expenses, including sales and marketing, research and development and general and administrative costs, will increase over time, but eventually decline as a percentage of total revenues;
- our expectation that transaction and loan losses will increase in absolute dollars over time;
- our expectation that as we continue to 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;
- our expectation that any short-term impact from any free or paid trial experiences will drive long-term benefits in the form of more merchants on our platform, an increase in MRR once these cohorts of merchants convert to standard Shopify plans, and increase use of 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 our share of income and loss from equity investments accounted for under the equity method may cause volatility to our earnings;
- our expectation that we will continue to see an overall trend where merchant solutions revenue make up an increasing component of total revenues over time, most notably in the fourth quarter due to higher holiday volume;
- 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 Company's 0.125% convertible senior notes due 2025 (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;
- future transactions and the availability of financings related to such transactions;
- our expectation that existing off-balance sheet arrangements, and any obligations arising from such arrangements will not have a material impact on our current or future financial performance of financial condition;
- 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 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 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;
- our belief that ecommerce growth will proceed at a normalized rate in 2024, supported by continued penetration of retail by ecommerce, subject to inflationary or other macroeconomic pressures on our merchants and their buyers;
- our ability to manage our growth effectively;
- our ability to enhance and 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 build with a focus on long-term value;
- our ability to hire, retain and motivate qualified personnel;
- 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 belief that Attach Rate provides a useful measure of our ability to provide unified commerce solutions to our merchants and the traction of those products;
- 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 will continue to grow through increased adoption and international expansion;
- our expectation that Shopify Payments will continue to expand internationally;

- 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 hire, retain and motivate qualified personnel and to manage our operations in a remote-first model;
- our expectations regarding the impact of litigation matters or loss contingencies on our business, financial positions, results of operations or cash flows;
- our ability to protect against currency, interest rate, investment, 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 AIF for the year ended December 31, 2023 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 cyberattack or security breach;
- our ability to innovate;
- the impact of worldwide economic conditions, including the resulting effect on spending by small and medium-sized businesses or their buyers;
- our current reliance on a few suppliers to provide the technology we offer through Shopify Payments;
- the reliance of our growth in part on the success of our strategic relationships with third parties;
- our limited operating history in new and developing markets and new geographic regions;
- international sales and operations and the use of our platform in various countries;
- our potential inability to hire, retain and motivate qualified personnel, including key personnel;
- our reliance on third-party cloud providers to deliver our services;
- complex and changing laws and regulations worldwide;
- our dependence on the continued services and performance of our senior management and other key employees;
- payments processed through Shopify Payments, Shop Pay Installments, or payments processed or funds managed through Shopify Balance;
- our potential failure to effectively maintain, promote and enhance our brand;
- our history of losses and our efforts to maintain profitability;
- serious errors or defects in our software or hardware;
- evolving privacy laws and regulations, cross-border data transfer restrictions, data localization requirements and other domestic or foreign regulations that may limit the use and adoption of our services;
- acquisitions and investments, including strategic investments and fluctuations in the fair value of our equity and other investment holdings and fluctuations in our share of income and loss from equity method investment;
- risks associated with Shopify Capital and other financing and lending products offered to merchants;
- our potential inability to achieve or maintain data transmission capacity;
- potential claims by third parties of intellectual property infringement or other third party or governmental claims, litigation, disputes, or other proceedings;

- activities of merchants or partners or the content of merchants' shops and our ability to detect and address unauthorized activity on our platform;
- unanticipated changes in tax laws or adverse outcomes resulting from examination of our income or other tax returns;
- being required to collect federal, state, provincial or local business taxes, sales and use taxes or other indirect taxes in additional jurisdictions on transactions by our merchants;
- changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers;
- our potential inability to obtain, maintain and protect our intellectual property rights and proprietary information or prevent third parties from making unauthorized use of our technology;
- our pricing decisions and changes to our pricing models for our solutions;
- our use of open source software;
- seasonal fluctuations in our operating results;
- exchange rate fluctuations that may negatively affect our results of operations;
- our dependence upon buyers' and merchants' access to, and willingness to use, the internet for commerce;
- provisions of our financial instruments including 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 ability to maintain an effective system of internal controls over financial reporting;
- the perceived impact of return on investment without issuing a dividend;
- our status as a foreign private issuer and the laws applicable to us as a foreign private issuer;
- the impact of provisions of Canadian law applicable to us; and
- provisions of our constating and charter documents.

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.

Fiscal Year 2023 Events

Sales of Shopify's Logistics Businesses

On June 6, 2023, the majority of our logistics businesses were sold to Flexport, a leading tech-driven global logistics platform. We received non-cash consideration in the form of a 13% equity interest in Flexport's common stock on a fully-diluted basis inclusive of warrants and options. The consideration received was in addition to our existing equity interest in Flexport. We expect to continue to work with Flexport to optimize Shopify's logistics offerings to support our merchants. Our offerings include Shop Promise, our buyer-facing badge that uses real-time data to predict the delivery promise for every order.

As a result of the sales of our logistics businesses, we recognized an impairment of $1.3 billion.

Reduction in Workforce

On May 4, 2023, we took steps to change the shape of our business to sharpen our focus on our mission. We reduced our total headcount by approximately 23%. This reduction in workforce has resulted in $148 million of severance related costs, all of which is recognized in operating expenses in the second quarter of 2023.

Overview

Shopify is a leading global commerce company that provides essential internet infrastructure for commerce, offering trusted tools to start, scale, market, and run a 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, artificial intelligence 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 more than a dozen different sales channels, including web and mobile storefronts, physical retail locations, pop-up shops, directly to other businesses ("B2B"), social media storefronts, native mobile apps, buy buttons, and marketplaces. More than 90% of our merchants have connected their Shopify stores to two or more channels. Beyond our pre-configured channels, the Shopify application programming interface ("API") has been developed to support custom storefronts that let merchants sell anywhere.

A single integrated back-end. Our software provides a single integrated, easy-to-use back-end that merchants use to manage their business and buyers across multiple sales channels. Merchants use their Shopify dashboard, which is available in more than 20 languages, to source and manage products and inventory, manage cash, payments and transactions, fulfill and ship orders, discover new buyers and build customer relationships, leverage analytics and reporting, and access financing.

Infrastructure for data-informed decisions. 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 highly-qualified team of data science personnel, we expect to continue to support our merchants in making data-informed decisions with critical safeguards in place to ensure privacy, security, and compliance.

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

Brand ownership. Shopify is designed to help our merchants own their brands, develop direct relationships with their buyers, and make their buyer experiences 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 in order to build buyer loyalty and create competitive advantages. While our platform is designed to empower merchants first, merchants also 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 embedded features such as Shop Pay and Shop Pay Installments, and with our ongoing investments in opening up additional buyer touchpoints for merchants, such as offline commerce, shipping, and Shop (our all-in-one digital shopping companion app), brands that sell on Shopify can increasingly offer buyers an end-to-end, managed shopping experience.

Mobile. Buyers expect to be able to transact anywhere, anytime, on any device through an experience that is simple, seamless, and secure. Since transactions over mobile devices now represent the majority of transactions across online stores powered by Shopify, the mobile experience has become one of a merchant's primary and most important interactions with 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 purchase products on mobile devices. With our platform, our merchants are able to offer their buyers a quick and secure checkout option through Shop Pay, Apple Pay, Meta Pay, Amazon Pay, and Google Pay on the web, and we continue to explore new ways to offer payment flexibility and accelerate checkouts. Just as Shopify's tools enable brands to sell directly to their buyers, the Shop app provides them that same direct sales power through a mobile experience. Buyers can use the Shop app to track packages, discover products from their favorite merchants, earn Shop Cash through our rewards program, and engage with brands directly, all of which help merchants increase opportunities to find new customers and drive greater 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 global brands and sell beyond their own borders with little friction. Shopify offers merchants across several countries a localized experience within the country in which they are based. In addition, Shopify Markets allows 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 estimates duty and import fees. Such tailored experiences are designed to increase local buyer trust and conversion, enabling merchants to enter new geographies more easily. In addition, Shopify Markets Pro, introduced in 2022, and made generally available in the United States in September 2023, offers merchants a native merchant-of-record solution.

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 with a view to managing the 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, and our continuously deployed, multi-tenant architecture provides our merchants with the latest technology.

This combination of ease of use with enterprise-level functionality allows merchants to grow with our platform, no matter their size. Using Shopify, merchants should 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 caters to larger merchants not already on Shopify who want to migrate from their expensive and complex legacy solutions to achieve greater functionality and flexibility. With enterprise-level merchants in mind, in January of 2023, we launched Commerce Components by Shopify ("Commerce Components" or "CCS"). Commerce Components is a modern composable stack where retailers can choose from over 30 modular

Shopify components to integrate with their existing systems, enabling these merchants to create incredible customer experiences while eliminating the need to fully re-platform.

Sustainability

Shopify is a company that wants to see the next century, and has taken many steps to build a sustainable business, including becoming a carbon neutral company in 2019. Our commitment includes powering our global operations with renewable energy, purchasing high quality carbon credits to address travel-related emissions, and by utilizing Google's cloud infrastructure, which is 100% powered by renewable energy, to deliver our software services.

Because we view commerce as a powerful vehicle for positive systemic change, as part of our focus on the long term, in 2019 we launched our Sustainability Fund with the intent to commit at least $5 million annually to fund what Shopify believes are the most promising and impactful technologies and projects to combat climate change. Since launch, we've partnered with 40 entrepreneurial climate companies to help them prove and scale their carbon removal solutions. Since we launched Frontier, an advance market commitment, in 2022 alongside Stripe, Alphabet, Meta and McKinsey Sustainability, the partnership has grown by adding four new buyers, increasing our combined commitment to purchase over $1 billion of carbon removal by the end of 2030. 2023 was the fourth consecutive year where Shopify has tracked, calculated, and purchased enough carbon credits to counteract the impact of carbon emissions from shipping orders placed on our platform over the Black Friday/Cyber Monday shopping weekend. Our merchants have the ability to address the carbon associated with shipping their orders by adding our Planet app to their store. We also fund carbon removal through our Sustainability Fund with every order placed using Shop Pay, our checkout accelerator.

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. We believe our partner ecosystem helps drive the growth of our merchant base by extending the functionality of the Shopify platform through the development of apps. At December 31, 2023, more than 13,000 apps were 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 all verticals and sizes, from aspirational entrepreneurs to companies with large-scale, direct-to-consumer or business-to-business operations, or both, realize their potential at all stages of their business life cycle. In the year ended December 31, 2023, our platform facilitated GMV of $235.9 billion, representing an increase of 20% from the year ended December 31, 2022. A detailed description of this metric is presented below in the section entitled, “Key Performance Indicators”.

During the year ended December 31, 2023, our total revenue was $7.1 billion, an increase of 26% versus the year ended December 31, 2022. Our business model has two revenue components: a recurring subscription component we call subscription solutions and a merchant success-based component we call merchant solutions.

In the year ended December 31, 2023, subscription solutions revenues accounted for 26% of our total revenues (27% in the year ended December 31, 2022). We offer a range of plans that increase in price depending on additional features and economic considerations. 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 Audiences, B2B features, and Launchpad, for ecommerce automation. Gymshark, Heinz, FTD, Netflix, Kylie Cosmetics, SKIMS and Supreme 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 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 $1.5 billion in the year ended December 31, 2022 to $1.8 billion in the year ended December 31, 2023, representing an increase of 23%. 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 December 31, 2023, MRR totaled $149 million, representing an increase of 35% relative to MRR at December 31, 2022. In the year ended December 31, 2023, both subscription solutions revenue and MRR observed higher growth rates due mainly to a higher number of merchants using our platforms, including prospective merchants on the free and paid trials converting to full price subscription plans during the period, and by increases in subscription plan pricing. The paid trial incentives initially launched beginning in the second half of 2022. Prospective merchants that join through these paid trials are included in MRR at their trial price, throughout the trial period, until they convert to a full price subscription plan. These trial incentive amounts are immaterial to MRR as of December 31, 2023. A detailed description of this metric is presented below in the section entitled, "Key Performance Indicators". As of December 31, 2023, we host millions of merchants on our platform.

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 year ended December 31, 2023, merchant solutions revenues accounted for 74% of total revenues (73% in the year ended December 31, 2022). 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 referral fees from third parties, other transaction services and other services rendered as part of strategic partnerships and Shopify Capital. Shopify Capital helps eligible merchants secure financing and is currently available for merchants in the United States, the United Kingdom, Canada, and Australia. In the year ended December 31, 2023, we also generated merchants solutions revenue from our logistics offerings, prior to the sales of our logistics businesses in the second quarter of 2023. The majority of our merchant solutions revenues are directionally correlated with the level of GMV that our merchants process through our platform. Merchant solutions revenues increased from $4.1 billion in the year ended December 31, 2022 to $5.2 billion in the year ended December 31, 2023, representing an increase of 27%.

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 depends on many factors, including our ability to expand our merchant base; localize features for specific geographies; retain merchants as they grow their businesses on our platform and adopt more features; offer more sales channels that connect merchants with potential customers; develop new solutions to extend our platform's functionality and catalyze merchants' sales growth; leverage emerging technologies, including artificial intelligence; 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.

During the second quarter of 2023, we completed the sales of our logistics businesses assets to third parties, with the majority of the assets being sold to Flexport. We believe this sale to Flexport places the core logistics solution we

had been building in the hands of a mission-aligned partner that will continue developing this solution, and we expect to continue to work with Flexport to optimize Shopify's logistics offerings to support our merchants. Our offerings include Shop Promise, our buyer-facing badge that uses real-time data to predict the delivery promise for every order.

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 MRR, Gross Merchandise Volume ("GMV") and Attach Rate. 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, GMV, Revenue and Attach Rate for the years ended December 31, 2023 and 2022:

	Years ended December 31,	
	2023	2022
	(in millions, except percentages)	
Monthly Recurring Revenue	$ 149	$ 110
Gross Merchandise Volume	$ 235,910	$ 197,167
Revenue	$ 7,060	$ 5,600
Attach Rate	2.99 %	2.84 %

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. Prospective merchants that have joined the platform through special new merchant trial incentives are included in MRR at their trial price while merchants on free trials are excluded from the calculation of MRR 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 $149 million of MRR as of December 31, 2023 compared to $110 million as of December 31, 2022.

In the year ended December 31, 2023, we observed a higher MRR growth rate, relative to the year ended December 31, 2022. The MRR growth rate in the year ended December 31, 2023 was driven mainly by the effects of the increase in subscription plan pricing during the second quarter of 2023 and merchants converting to full price subscription plans that were previously on paid trial incentives. The paid trial incentives initially launched in the second half of 2022. The amounts associated with prospective merchants that are on these trial incentives are immaterial to MRR as of December 31, 2023, but we expect to continue to see an increase in MRR as these cohorts of merchants convert to full price subscription plans.

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 year ended December 31, 2023 we facilitated GMV of $236 billion (2022 - $197 billion), representing year-over-year growth of 20%. On a constant currency basis, in which GMV in the year ended December 31, 2023 is converted using the comparative period's monthly average exchange rates, year-over-year growth was 16%.

Attach Rate

Attach Rate is defined as total revenue divided by GMV and is a key performance indicator of our business and our ability to generate greater value for our merchants. We believe that Attach Rate provides a useful measure of our ability to provide unified commerce solutions to our merchants and the traction of those products.

In the year ended December 31, 2023, we observed a higher Attach Rate, relative to the year ended December 31, 2022. The Attach Rate growth in the respective periods is largely attributable to the increased adoption of Shopify Payments.

Factors Affecting the Comparability of Our Results

Change in Revenue Mix

As a result of the continued growth of Shopify Payments, referral fees, other transaction services and other services rendered as part of strategic partnerships and Shopify Capital, 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. 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.

The sales of our logistics businesses in the second quarter of 2023 will impact the comparability of our results in future periods.

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, Shopify Capital, 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"). We expect to continue to have significant Canadian operations and expand operations internationally, therefore a significant proportion of operating expenses are also incurred and expected to be included in the aforementioned 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

Revenues

We derive revenues from subscription solutions and merchant solutions.

Subscription Solutions

We principally generate subscription solutions revenues 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 for brick and mortar merchants. We also generate associated subscription solutions revenues from the sale of apps, the registration of domain names, and the sale of themes.

We offer subscription plans with various price points, for businesses of all sizes from entry level plans to Shopify Plus and Commerce Components by Shopify plans that cater to higher-volume businesses that offer additional functionality, scalability and support. Our subscription plans typically have a one-month term, although merchants can have annual or multi-year subscription terms. Subscription terms automatically renew unless notice of cancellation is provided in advance. Merchants purchase subscription plans directly from us.

We also generate additional subscription solutions revenues from merchants that have subscription plans with us through the sale of apps, the registration of domain names, and the sale of themes. Revenues from the sale of apps, the registration of domain names, and the sale of themes have been classified within subscription solutions on the basis that they are typically sold at the time the merchant enters into the subscription arrangement or because they are charged on a recurring basis.

Merchant Solutions

We principally generate merchant solutions revenues from payment processing fees and currency conversion fees from Shopify Payments, referral fees from partners, Shopify Capital, and Transaction Fees.

Other revenue generating services and products include, but are not limited to, the sale of shipping labels through Shopify Shipping, the sale of point-of-sale ("POS") hardware, advertising on the Shopify App Store and Shop Cash Offers, our buyer acquisition offering.

In the second quarter of 2023, we sold our logistics businesses. Prior to the sales of these businesses, Shopify Fulfillment Network and Deliverr fulfillment services generated revenue from their respective fulfillment solutions, which included picking, packing and preparing orders for shipment, and outbound shipping, as well as additional revenues from inbound shipping, storage, returns processing, and other fulfillment-related services as needed by merchants. We also earned revenues from providing cloud-based software on collaborative warehouse fulfillment solutions.

For a discussion of how we expect seasonal factors to affect our merchant solutions revenue, see “Factors Affecting the Comparability of our Results—Seasonality.”

Cost of Revenues

Cost of Subscription Solutions

Cost of subscription solutions consists primarily of third-party infrastructure, hosting costs and other direct costs, an allocation of costs incurred by both the operations and support functions, including personnel-related costs directly associated with subscription solutions such as salaries, benefits and stock-based compensation, processing fees related to billing our merchants, payments for domain registration, and amortization of acquired intangible assets.

We expect that the cost of subscription solutions will increase in absolute dollars as we continue to invest in growing our business, and as the number of merchants utilizing the platform increases along with the costs of supporting those merchants. Over time, we expect that our subscription solutions gross margin percentage will fluctuate modestly based on the mix of subscription plans that our merchants select and the timing of expenditures related to infrastructure expansion projects.

Cost of Merchant Solutions

Cost of merchant solutions primarily consists of costs that we incur when transactions are processed using Shopify Payments, such as credit card network fees (charged by credit card providers such as Visa, MasterCard and American Express) as well as third-party processing fees. Cost of merchant solutions also consists of rewards earned by merchants through our rewards program, processing fees related to billing our merchants, POS hardware costs, product costs associated with expanding our product offerings, including Shopify Balance, third-party infrastructure and hosting costs, chargeback protection program costs, amortization of acquired intangible assets, and an allocation of costs incurred by both the operations and support functions, including personnel-related costs directly associated with merchant solutions such as salaries, benefits and stock-based compensation.

In the second quarter of 2023, we sold our logistics businesses. Prior to the sales of these businesses, merchant solutions cost of revenues included amortization of acquired intangible assets relating mostly to the acquired Deliverr and 6 River Systems, LLC technology, costs associated with picking, packing and preparing orders for shipment, outbound shipping, warehouse storage, overhead costs and other costs for fulfillment-related services as part of our logistics offerings, and materials and third-party manufacturing costs associated with fulfillment robots sold to customers rather than leased to customers, which were capitalized and depreciated into cost of revenues.

We expect that the cost of merchant solutions will increase in absolute dollars in future periods as the number of merchants utilizing these solutions increases, resulting in a growth in volumes processed. We also expect additional increases as we continue to expand Shopify Payments internationally.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of marketing programs, partner referral payments related to merchant acquisitions, costs associated with partner and developer conferences, employee-related expenses for marketing, business development and sales, as well as the portion of merchant support required for the onboarding of prospective new merchants. Other costs within sales and marketing include travel-related expenses and corporate overhead allocations. Costs to acquire merchants are expensed as incurred, however, contract costs associated with Shopify Plus merchants are amortized over the expected life of their relative contract. We plan to continue to expand sales and marketing efforts to attract new merchants, retain revenue from existing merchants and increase revenues from both new and existing merchants. Sales and marketing expenses are expected to increase in absolute dollars but over time, we expect sales and marketing expenses will eventually decline as a percentage of total revenues.

Research and Development

Research and development expenses consist primarily of employee-related expenses for product management, product development, product design, data analytics, contractor and consultant fees as well as internal use hosting costs and corporate overhead allocations. We continue to focus our research and development efforts on adding new features and solutions, and increasing the functionality and enhancing the ease of use of our platform. While we expect research and development expenses to increase in absolute dollars as we continue to increase the functionality of our platform, over the long term we expect our research and development expenses will eventually decline as a percentage of total revenues.

General and Administrative

General and administrative expenses consist of employee-related expenses for finance and accounting, legal, administrative, human relations and information technology personnel, impairment related to certain office leases we have ceased using, professional services fees, sales and use tax and other indirect taxes, insurance, the provision for expected credit losses on uncollectible receivables, corporate overhead allocations, legal contingencies and other corporate expenses, including sustainability spend. We expect that over time general and administrative expenses will increase on an absolute dollar basis but may decrease as a percentage of total revenues as we focus on processes, systems and controls to enable our internal support functions to scale with the growth of our business.

Transaction and Loan Losses

Transaction and loan losses consist of expected and actual losses related to Shopify Payments, Shop Pay Installments, Shopify Balance, and Shopify Capital. We are exposed to transaction losses on Shopify Payments, Shop Pay Installments, and Shopify Balance as a result of unrecovered merchant transactions due to returns and disputes. We are also exposed to Shopify Balance losses when a merchant account experiences unauthorized transactions where funds cannot be recovered or reversed. We are exposed to transaction losses on loans and merchant cash advances offered through Shopify Capital as a result of fraud or uncollectibility. Transaction and loan losses are expected to increase in absolute dollars over time as merchant penetration and adoption grow.

Impairment on Sales of Shopify's Logistics Businesses

Impairment on sales of Shopify's logistics businesses consists of impairment charges incurred as the result of the sales of our logistics businesses.

Other Income (Expense)

Other income (expense) consists primarily of unrealized and realized gains or losses on equity and other investments, losses on our equity method investment in Flexport, transaction gains or losses on foreign currency, interest income, and interest expense related to the Notes. Equity and other investments in publicly traded companies with readily determinable fair values are carried at fair value at each balance sheet date based on the closing share price at the end of the period. Equity and other investments in private companies without readily determinable fair values are carried at cost less impairments, with subsequent adjustments for observable changes (referred to as the measurement alternative). We also hold investments in convertible notes of private companies which are classified as available-for-sale debt securities, which we have elected to account for under the fair value option. The results from these equity investments 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.

Results of Operations

The following table sets forth our consolidated statement of operations for the years ended December 31, 2023, 2022 and 2021:

	Years ended December 31,		
	2023	2022	2021
	(in millions, except share and per share data)		
Revenues:			
Subscription solutions	$ 1,837	$ 1,488	$ 1,342
Merchant solutions	5,223	4,112	3,270
	7,060	5,600	4,612
Cost of revenues[1][2]:			
Subscription solutions	354	331	264
Merchant solutions	3,191	2,515	1,866
	3,545	2,846	2,130
Gross profit	3,515	2,754	2,482
Operating expenses:			
Sales and marketing[1][2][3]	1,220	1,230	902
Research and development[1][3]	1,730	1,503	854
General and administrative[1][3][4][5]	491	708	375
Transaction and loan losses	152	135	82
Impairment on sales of Shopify's logistics businesses	1,340	—	—
Total operating expenses	4,933	3,576	2,213
(Loss) income from operations	(1,418)	(822)	269
Other income (expense), net	1,603	(2,801)	2,872
Income (loss) before income taxes	185	(3,623)	3,141
(Provision for) recovery of income taxes	(53)	163	(226)
Net income (loss)	$ 132	$ (3,460)	$ 2,915
Net income (loss) per share attributable to shareholders[6]:			
Basic	$ 0.10	$ (2.73)	$ 2.34
Diluted	$ 0.10	$ (2.73)	$ 2.29
Shares used to compute net income (loss) per share attributable to shareholders[6]:			
Basic	1,281,554,559	1,266,268,155	1,246,588,910
Diluted	1,295,511,385	1,266,268,155	1,273,647,350

[1] Includes stock-based compensation expense and related payroll taxes as follows:

	Years ended December 31,		
	2023	2022	2021
	(in millions)		
Cost of revenues	$ 4	$ 9	$ 8
Sales and marketing[a]	59	65	47
Research and development[a]	497	396	251
General and administrative	76	93	91
	$ 636	$ 563	$ 397

[a] Includes accelerated stock-based compensation of $5 million and $164 million in sales and marketing and research and development, respectively, during the year ended December 31, 2023.

[2] Includes amortization of acquired intangibles as follows:

	Years ended December 31,		
	2023	2022	2021
	(in millions)		
Cost of revenues	$ 35	$ 49	$ 20
Sales and marketing	3	5	2
	$ 38	$ 54	$ 22

[3] In the year ended December 31, 2023, we had $148 million of severance related costs associated with the reduction in workforce with $28 million in sales and marketing, $102 million in research and development and $18 million in general and administrative. Additionally, in the year ended December 31, 2022, we had $30 million of severance related costs associated with the reduction in workforce with $11 million in sales and marketing, $8 million in research and development, and $11 million in general and administrative.
[4] In the year ended December 31, 2022, we incurred $97 million of expense related to litigation matters.
[5] In the years ended December 31, 2023, 2022 and 2021, we had $38 million, $84 million and $30 million, respectively, of impairment related costs associated with right-of-use assets and leasehold improvements.
[6] Fiscal year 2021 share and per share amounts have been retrospectively adjusted to reflect the ten-for-one share split effected in June 2022.

The following table sets forth our consolidated statement of operations as a percentage of total revenues for the years ended December 31, 2023, 2022, and 2021:

	Years ended December 31,		
	2023	2022	2021
Revenues:			
Subscription solutions	26 %	27 %	29 %
Merchant solutions	74 %	73 %	71 %
	100 %	100 %	100 %
Cost of revenues:			
Subscription solutions	5 %	6 %	6 %
Merchant solutions	45 %	45 %	40 %
	50 %	51 %	46 %
Gross profit	50 %	49 %	54 %
Operating expenses:			
Sales and marketing	17 %	22 %	20 %
Research and development	25 %	27 %	19 %
General and administrative	7 %	13 %	8 %
Transaction and loan losses	2 %	2 %	2 %
Impairment on sales of Shopify's logistics businesses	19 %	— %	— %
Total operating expenses	70 %	64 %	48 %
(Loss) income from operations	(20)%	(15)%	6 %
Other income (expense), net	23 %	(50)%	62 %
Income (loss) income before income taxes	3 %	(65)%	68 %
(Provision for) recovery of income taxes	(1)%	3 %	(5)%
Net income (loss)	2 %	(62)%	63 %

The following table sets forth our consolidated revenues by geographic location for the years ended December 31, 2023, 2022, and 2021, based on the location of our merchants:

	Years ended December 31,		
	2023	2022	2021
	(in millions)		
Revenues:			
North America			
Canada	$ 388	$ 346	$ 317
United States	4,649	3,720	2,974
EMEA	1,255	917	799
APAC	699	553	467
Latin America	69	64	55
Total Revenues[1]	$ 7,060	$ 5,600	$ 4,612

[1] Total revenue includes $147 million and $46 million for the years ended December 31, 2023 and 2022, respectively, which do not represent revenues recognized in the scope of ASC 606, Revenue from Contracts with Customers. These revenues relate to interest and fees earned from certain lending services.

The following table sets forth our consolidated revenues by geographic location as a percentage of total revenues for the years ended December 31, 2023, 2022, and 2021, based on the location of our merchants:

	Years ended December 31,		
	2023	2022	2021
Revenues:			
North America			
Canada	5 %	6 %	7 %
United States	66 %	67 %	65 %
EMEA	18 %	16 %	17 %
APAC	10 %	10 %	10 %
Latin America	1 %	1 %	1 %
Total Revenues	100 %	100 %	100 %

Discussion of the Results of Operations for the years ended December 31, 2023, 2022, and 2021

Revenues

	Years ended December 31,			2023 vs 2022	2022 vs 2021
	2023	2022	2021	% Change	% Change
	(in millions, except percentages)				
Revenues:					
Subscription solutions	$ 1,837	$ 1,488	$ 1,342	23 %	11 %
Merchant solutions	5,223	4,112	3,270	27 %	26 %
Total revenues	$ 7,060	$ 5,600	$ 4,612	26 %	21 %
Percentage of revenues:					
Subscription solutions	26 %	27 %	29 %		
Merchant solutions	74 %	73 %	71 %		
	100 %	100 %	100 %		

Subscription Solutions

Subscription solutions revenues increased for the year ended December 31, 2023 compared to the same period in 2022. The increase was primarily a result of growth in MRR, which was driven largely by a higher number of merchants using our platform, as well as prospective merchants on the free and paid trials converting to full price subscription plans during the period, and by an increase in subscription plan pricing for certain plans in 2023.

Merchant Solutions

Merchant solutions revenues increased for the year ended December 31, 2023 compared to the same period in 2022. The increase in merchant solutions revenues was primarily a result of Shopify Payments revenue, relating to payment processing and currency conversion fees, growing by $888 million, or 30%, in 2023 compared to the same period in 2022. This increase was a result of an increase in our Shopify Payments penetration rate and number of merchants using our platform. These factors drove $31.0 billion of additional GMV facilitated using Shopify Payments in 2023 compared to the same period in 2022, representing growth of 29% year over year. For the year ended December 31, 2023, the Shopify Payments penetration rate was 58.1%, resulting in GMV of $137.0 billion that was facilitated using Shopify Payments. This compares to a penetration rate of 53.8%, resulting in GMV of $106.1 billion that was facilitated using Shopify Payments in the same period in 2022. As of December 31, 2023 Shopify Payments adoption among our merchants was as follows: Canada, 92%, United States, 90%, and other countries where Shopify Payments is available, 83% (December 31, 2022 - Canada, 92%, United States, 88%, and other countries where Shopify Payments is available, 77%).

In addition to the increase in revenue from Shopify Payments, revenues from Shopify Capital, referral fees from partners, non-cash consideration received for services rendered as part of strategic partnerships, and Shop Pay Installments increased during the year ended December 31, 2023 compared to the same period in 2022. Shopify Capital revenue increased mainly as a result of an increase in the loans and advances outstanding throughout the period. 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 2022. Shop Pay Installments revenue increased due to an increase in GMV processed through Shop Pay Installments.

Cost of Revenues

	Years ended December 31,			2023 vs 2022	2022 vs 2021
	2023	2022	2021	% Change	% Change
	(in millions, except percentages)				
Cost of revenues:					
Cost of subscription solutions	$ 354	$ 331	$ 264	7 %	25 %
Cost of merchant solutions	3,191	2,515	1,866	27 %	35 %
Total cost of revenues	$ 3,545	$ 2,846	$ 2,130	25 %	34 %
Percentage of revenues:					
Cost of subscription solutions	5 %	6 %	6 %		
Cost of merchant solutions	45 %	45 %	40 %		
	50 %	51 %	46 %		

Cost of Subscription Solutions

Cost of subscription solutions increased for the year ended December 31, 2023 compared to the same period in 2022. The increase was primarily due to an increase in payment processing fees on merchant billings and cloud and infrastructure costs, partially offset by a decrease in support costs. As a percentage of revenues, cost of subscription solutions decreased for the year ended December 31, 2023 compared to the same period in 2022, due to lower growth on cloud and infrastructure costs, relative to the growth in revenue as well as a decrease in support costs.

Cost of Merchant Solutions

Cost of merchant solutions increased for the year ended December 31, 2023 compared to the same period in 2022. The increase was primarily due to higher payment processing fees resulting from an increase in GMV facilitated through Shopify Payments and Shop Cash issued following the program launch in June 2023, offset by a decrease in costs associated with our logistics operations, and a decrease in acquired intangibles, following the sales of our logistics business in the second quarter of 2023. As a percentage of revenues, cost of merchant solutions remained flat for the year ended December 31, 2023 compared to the same period in 2022 due to higher payment processing fees from Shopify Payments caused by increased network costs and changes in payment card type relative to the increase in Shopify Payments revenue and Shop Cash issued following the program launch in June 2023. The increases were offset by the decrease in costs associated with revenue from our logistics operations, and a decrease in amortization of acquired intangibles, following the sales of our logistics business in the second quarter of 2023.

Gross Profit

	Years ended December 31,			2023 vs 2022	2022 vs 2021
	2023	2022	2021	% Change	% Change
	(in millions, except percentages)				
Gross profit	$ 3,515	$ 2,754	$ 2,482	28 %	11 %
Percentage of total revenues	50 %	49 %	54 %		

Gross profit increased for the year ended December 31, 2023 compared to the same period in 2022. As a percentage of total revenues, gross profit increased during the same period, due to the exclusion of costs associated with our logistics businesses and related amortization of acquired intangibles, as a result of the sales of the logistics businesses in the second quarter of 2023, an increase in subscription plan pricing and the decrease in cloud and infrastructure costs relative to revenue. The increases were partially offset by 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 relative to the increase in Shopify Payments revenue and higher Shop Cash issued following the program launch in June 2023.

Operating Expenses

Sales and Marketing

	Years ended December 31,			2023 vs 2022	2022 vs 2021
	2023	2022	2021	% Change	% Change
	(in millions, except percentages)				
Sales and marketing	$ 1,220	$ 1,230	$ 902	(1) %	36 %
Percentage of total revenues	17 %	22 %	20 %		

Sales and marketing expenses decreased for the year ended December 31, 2023 compared to the same period in 2022, due to decreases of $58 million in employee related costs and $53 million in online marketing spend, partially offset by increases of $38 million in offline marketing spend, $30 million in payouts related to our affiliate partner program, and $17 million in severance related costs.

Research and Development

	Years ended December 31,			2023 vs 2022	2022 vs 2021
	2023	2022	2021	% Change	% Change
	(in millions, except percentages)				
Research and development	$ 1,730	$ 1,503	$ 854	15 %	76 %
Percentage of total revenues	25 %	27 %	19 %		

Research and development expenses increased for the year ended December 31, 2023 compared to the same period in 2022, due to acceleration of stock-based compensation of $164 million primarily related to the sales of our logistics businesses and an increase in severance related costs of $93 million. The increases were partially offset by a decrease of $57 million in employee-related costs.

General and Administrative

	Years ended December 31,			2023 vs 2022	2022 vs 2021
	2023	2022	2021	% Change	% Change
	(in millions, except percentages)				
General and administrative	$ 491	$ 708	$ 375	(31) %	89 %
Percentage of total revenues	7 %	13 %	8 %		

General and administrative expenses decreased for the year ended December 31, 2023 compared to the same period in 2022, due to $97 million in legal expenses incurred in the third quarter of 2022, a decrease of $70 million in employee-related costs and a decrease of $46 million in impairment related costs associated with right-of-use assets and leasehold improvements.

Transaction and Loan Losses

	Years ended December 31,			2023 vs 2022	2022 vs 2021
	2023	2022	2021	% Change	% Change
	(in millions, except percentages)				
Transaction and loan losses	$ 152	$ 135	$ 82	13 %	65 %
Percentage of total revenues	2 %	2 %	2 %		

Transaction and loan losses increased for the year ended December 31, 2023 compared to the same period in 2022, due to an increase of $11 million in losses related to Shopify Capital driven by an expansion of our Capital offerings and programs relative to the same period in 2022 and an increase of $4 million in losses related to Shopify Payments, primarily related to higher realized losses in the period with the increase in GMV.

Impairment on Sales of Shopify's Logistics Businesses

In the year ended December 31, 2023, we had a net impairment on the sales of our logistics businesses of $1.3 billion, inclusive of impairment of $1.4 billion in goodwill, $337 million in intangible assets, and $93 million in net assets and transaction costs, reduced by non-cash consideration received of $528 million.

Other Income (Expense)

	Years ended December 31,			2023 vs 2022	2022 vs 2021
	2023	2022	2021	% Change	% Change
	(in millions, except percentages)				
Other income (expense), net	$ 1,603	$ (2,801)	$ 2,872	*	*

* Not a meaningful comparison

In the year ended December 31, 2023, we had net unrealized income on equity and other investments of $1.4 billion, of which $1.5 billion was in investments with readily determinable fair values and was the result of an unrealized gain on our Klaviyo investment as a result of its initial public offering during the year, and the change in share prices from December 31, 2022 to December 31, 2023 in our Affirm and Global-E investments, partially offset by $110 million of unrealized losses related to investments without readily determinable fair values due to impairments in the year. Additionally, we had interest income of $241 million and a net loss of $58 million on our equity method investment.

In the year ended December 31, 2022, we had an unrealized loss on equity and other investments of $3.0 billion due to our investments with readily determinable fair values, investments without readily determinable fair values and interest income. The unrealized losses were offset slightly by net realized gains on equity and other investments of $124 million and interest income of $75 million.

(Provision for) Recovery of Income Taxes

	Years ended December 31,			2023 vs 2022	2022 vs 2021
	2023	2022	2021	% Change	% Change
	(in millions, except percentages)				
(Provision for) recovery of Income taxes	$ (53)	$ 163	$ (226)	*	*

* Not a meaningful comparison

In the year ended December 31, 2023, we had a provision for income taxes of $53 million primarily as a result of earnings in jurisdictions outside of North America. This compares to a recovery of income taxes of $163 million in the same period of 2022 primarily as a result of the unrealized loss on equity and other investments, share-based compensation and the change in valuation allowance related to deferred tax assets in Canada, as well as the United States.

Profit (Loss)

	Years ended December 31,			2023 vs 2022	2022 vs 2021
	2023	2022	2021	% Change	% Change
	(in millions, except share and per share data)				
Net income (loss)	$ 132	$ (3,460)	$ 2,915	*	*
Net income (loss) per share attributable to shareholders[(1)]:					
Basic	$ 0.10	$ (2.73)	$ 2.34	*	*
Diluted	$ 0.10	$ (2.73)	$ 2.29	*	*
Shares used to compute net income (loss) per share attributable to shareholders[(1)]:					
Basic	1,281,554,559	1,266,268,155	1,246,588,910	*	*
Diluted	1,295,511,385	1,266,268,155	1,273,647,350	*	*

(1) Fiscal year 2021 share and per share amounts have been retrospectively adjusted to reflect the ten-for-one share split effected in June 2022.
* Not a meaningful comparison

Quarterly Results of Operations

The following table sets forth our results of operations for the three months ended December 31, 2023 and 2022:

	Three months ended December 31,	
	2023	2022
	(in millions, except share and per share data)	
Revenues:		
Subscription solutions	$ 525	$ 400
Merchant solutions	1,619	1,335
	2,144	1,735
Cost of revenues[1][2]:		
Subscription solutions	97	86
Merchant solutions	985	851
	1,082	937
Gross profit	1,062	798
Operating expenses:		
Sales and marketing[1][2]	317	298
Research and development[1]	311	440
General and administrative[1][3]	100	214
Transaction and loan losses	45	34
Impairment on sales of Shopify's logistics businesses	—	—
Total operating expenses	773	986
Income (loss) from operations	289	(188)
Other income (expense), net	393	(426)
Income (loss) before income taxes	682	(614)
Provision for income taxes	(25)	(9)
Net income (loss)	$ 657	$ (623)
Net income (loss) per share attributable to shareholders:		
Basic	$ 0.51	$ (0.49)
Diluted	$ 0.51	$ (0.49)
Weighted average shares used to compute net income (loss) per share attributable to shareholders:		
Basic	1,285,498,532	1,273,338,804
Diluted	1,297,295,576	1,273,338,804

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

	Three months ended December 31,	
	2023	2022
	(in millions)	
Cost of revenues	$ 1	$ 3
Sales and marketing	14	15
Research and development	69	104
General and administrative	19	24
	$ 103	$ 146

(2) Includes amortization of acquired intangibles as follows:

	Three months ended December 31,	
	2023	2022
	(in millions)	
Cost of revenues	$ 4	$ 19
Sales and marketing	—	2
	$ 4	$ 21

(3) In the three months ended December 31, 2022, we had $84 million of impairment related costs associated with right-of-use assets and leasehold improvements.

Revenues

	Three months ended December 31,		2023 vs. 2022 % Change
	2023	2022	
	(in millions, except percentages)		
Revenues:			
Subscription solutions	$ 525	$ 400	31 %
Merchant solutions	1,619	1,335	21 %
Total revenues	$ 2,144	$ 1,735	24 %
Percentage of revenues:			
Subscription solutions	24 %	23 %	
Merchant solutions	76 %	77 %	
	100 %	100 %	

Subscription Solutions

Subscription solutions revenues increased for the three months ended December 31, 2023 compared to the same period in 2022. The period-over-period increase was primarily a result of growth in MRR, which was driven largely by a higher number of merchants using our platform, including prospective merchants on the free and paid trials beginning in 2022, converting to full price subscription plans through 2023, and by an increase in subscription plan pricing for certain plans in 2023.

Merchant Solutions

Merchant solutions revenues increased for the three months ended December 31, 2023 compared to the same period in 2022. 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 December 31, 2023 compared to the same period in 2022. This increase was a result of an increase in our Shopify Payments penetration

rate and the number of merchants using our platform. These factors drove $10.8 billion of additional GMV facilitated using Shopify Payments in the three months ended December 31, 2023 compared to the same period in 2022, representing growth of 32%. For the three months ended December 31, 2023, the Shopify Payments penetration rate was 60%, resulting in GMV of $45.1 billion that was facilitated using Shopify Payments. This compares to a penetration rate of 56% resulting in GMV of $34.2 billion that was facilitated using Shopify Payments in the same period in 2022.

Cost of Revenues

	Three months ended December 31,		2023 vs. 2022
	2023	2022	% Change
	(in millions, except percentages)		
Cost of revenues:			
Cost of subscription solutions	$ 97	$ 86	13 %
Cost of merchant solutions	985	851	16 %
Total cost of revenues	$ 1,082	$ 937	15 %
Percentage of revenues:			
Cost of subscription solutions	5 %	5 %	
Cost of merchant solutions	46 %	49 %	
	50 %	54 %	

Cost of Subscription Solutions

Cost of subscription solutions increased for the three months ended December 31, 2023 compared to the same periods in 2022. The increase was due mainly to an increase in cloud and infrastructure costs. As a percentage of revenues, cost of subscription solutions decreased slightly for the three months ended December 31, 2023 compared to the same periods in 2022, due to lower growth on cloud and infrastructure costs, relative to the growth in revenue as well as a decrease in support costs.

Cost of Merchant Solutions

Cost of merchant solutions increased for the three months ended December 31, 2023 compared to the same period in 2022. The increase was primarily due to higher payment processing fees resulting from an increase in GMV facilitated through Shopify Payments, offset by a decrease in costs associated with our logistics operations, and decrease in amortization of acquired intangibles, as a result of the sales of our logistics businesses in the second quarter of 2023. As a percentage of revenues, cost of merchant solutions decreased for the three months ended December 31, 2023, compared to the same period in 2022, primarily due to decreased costs associated with revenue from our logistics operations and amortization of acquired intangibles, following the sales of our logistics businesses in the second quarter of 2023.

Gross Profit

	Three months ended December 31,		2023 vs. 2022
	2023	2022	% Change
	(in millions, except percentages)		
Gross profit	$ 1,062	$ 798	33 %
Percentage of total revenues	50 %	46 %	

Gross profit increased for the three months ended December 31, 2023 compared to the same period in 2022. As a percentage of total revenues, gross profit increased for the three months ended December 31, 2023, principally due

to the exclusion of costs associated with our logistics businesses and related amortization of acquired intangibles, as a result of the sales of our logistics businesses in the second quarter of 2023.

Operating Expenses

Sales and Marketing

	Three months ended December 31,		2023 vs. 2022 % Change
	2023	2022	
	(in millions, except percentages)		
Sales and marketing	$ 317	$ 298	6 %
Percentage of total revenues	15 %	17 %	

Sales and marketing expenses increased for the three months ended December 31, 2023 compared to the same period in 2022, due to increases of $20 million in online marketing spend, $11 million in offline marketing spend, and $4 million in payouts related to our affiliate partner program, partially offset by a decrease of $20 million in employee-related costs.

Research and Development

	Three months ended December 31,		2023 vs. 2022 % Change
	2023	2022	
	(in millions, except percentages)		
Research and development	$ 311	$ 440	(29) %
Percentage of total revenues	15 %	25 %	

Research and development expenses decreased for the three months ended December 31, 2023 compared to the same period in 2022, due to a decrease of $131 million in employee-related costs.

General and Administrative

	Three months ended December 31,		2023 vs. 2022
	2023	2022	% Change
	(in millions, except percentages)		
General and administrative	$ 100	$ 214	(53) %
Percentage of total revenues	5 %	12 %	

General and administrative expenses decreased for the three months ended December 31, 2023 compared to the same period in 2022, due to $84 million in impairment expenses related to certain office locations we ceased using in 2022 and a decrease of $29 million in employee-related costs.

Transaction and Loan Losses

	Three months ended December 31,		2023 vs. 2022
	2023	2022	% Change
	(in millions, except percentages)		
Transaction and loan losses	$ 45	$ 34	32 %
Percentage of total revenues	2 %	2 %	

Transaction and loan losses increased for the three months ended December 31, 2023 compared to the same period in 2022, primarily due to an increase of $12 million in losses related to Shopify Capital driven by an expansion of our Capital offerings and programs relative to the same period in 2022.

Other Income (Expenses), net

	Three months ended December 31,		2023 vs. 2022
	2023	2022	% Change
	(in millions, except percentages)		
Other income (expenses), net	$ 393	$ (426)	*

* Not a meaningful comparison

In the three months ended December 31, 2023, we had an unrealized gain on equity and other investments of $373 million, which included a $448 million unrealized gain in investments with readily determinable fair values and was the result of the net change in share prices from September 30, 2023 to December 31, 2023 in our Affirm, Global-E, and Klaviyo, Inc. investments, partially offset by $83 million of unrealized losses related to investments without readily determinable fair values in the quarter. Additionally, we had interest income of $68 million recognized on investments and a net loss of $48 million on our equity method investment.

In the three months ended December 31, 2022 where we had unrealized loss on equity and other investments of $475 million due mainly to unrealized losses of $314 million on our investments in Affirm and Global-E caused by the change in their share prices from September 30, 2022 to December 31, 2022 and unrealized losses of $145 million related to investments without readily determinable fair values due to impairments in the year. The unrealized loss was partially offset by interest income of $38 million recognized on our investments during the period.

Provision for Income Taxes

	Three months ended December 31,		2023 vs. 2022
	2023	2022	% Change
	(in millions, except percentages)		
Provision for income taxes	$ (25)	$ (9)	*

* Not a meaningful comparison

We had a provision for income taxes of $25 million in the three months ended December 31, 2023, compared to a provision for income taxes of $9 million in the three months ended December 31, 2022, both on account of earnings in jurisdictions outside of North America.

Summary of Quarterly Results

The following table sets forth selected unaudited quarterly results of operations data for each of the eight quarters ended December 31, 2023. 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 periods.

	Three months ended							
	Dec 31, 2023	Sep 30, 2023	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
	(in millions, except per share data)							
Revenues:								
Subscription solutions	$ 525	$ 486	$ 444	$ 382	$ 400	$ 377	$ 366	$ 345
Merchant solutions	1,619	1,228	1,250	1,126	1,335	989	929	859
	2,144	1,714	1,694	1,508	1,735	1,366	1,295	1,204
Cost of revenues[1][2]:								
Subscription solutions	97	88	85	84	86	82	85	78
Merchant solutions	985	725	774	707	851	622	554	488
	1,082	813	859	791	937	704	639	566
Gross profit	1,062	901	835	717	798	662	656	638
Operating expenses:								
Sales and marketing[1][2][4]	317	295	321	287	298	302	327	303
Research and development[1][4]	311	313	648	458	440	412	347	304
General and administrative[1][3][4][5]	100	137	131	123	214	255	130	109
Transaction and loan losses	45	34	31	42	34	39	42	20
Impairment on sales of Shopify's logistics businesses	—	—	1,340	—	—	—	—	—
Total operating expenses	773	779	2,471	910	986	1,008	846	736
Income (loss) from operations	289	122	(1,636)	(193)	(188)	(346)	(190)	(98)
Other income (expenses), net	393	606	335	269	(426)	188	(1,008)	(1,555)
Income (loss) before income taxes	682	728	(1,301)	76	(614)	(158)	(1,198)	(1,653)
(Provision for) recovery of income taxes	(25)	(10)	(10)	(8)	(9)	(1)	(6)	179
Net income (loss)	$ 657	$ 718	$ (1,311)	$ 68	$ (623)	$ (159)	$ (1,204)	$ (1,474)
Net income (loss) per share attributable to shareholders:								
Basic	$ 0.51	$ 0.56	$ (1.02)	$ 0.05	$ (0.49)	$ (0.12)	$ (0.95)	$ (1.17)
Diluted	$ 0.51	$ 0.55	$ (1.02)	$ 0.05	$ (0.49)	$ (0.12)	$ (0.95)	$ (1.17)

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

	Three months ended							
	Dec 31, 2023	Sep 30, 2023	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
	(in millions)							
Cost of revenues	$ 1	$ —	$ 1	$ 2	$ 2	$ 3	$ 2	$ 2
Sales and marketing[a]	14	17	13	15	15	17	17	16
Research and development[a]	69	70	252	106	104	108	99	85
General and administrative	19	20	19	18	24	26	23	20
	$ 103	$ 107	$ 285	$ 141	$ 145	$ 154	$ 141	$ 123

(a) Includes accelerated stock-based compensation of $1 million and $4 million in sales and marketing during the third and second quarter of 2023, respectively, and $164 million in research and development during the second quarter of 2023.

(2) Includes amortization of acquired intangibles as follows:

	Three months ended							
	Dec 31, 2023	Sep 30, 2023	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
	(in millions)							
Cost of revenues	$ 4	$ 4	$ 8	$ 19	$ 19	$ 17	$ 7	$ 6
Sales and marketing	—	—	1	2	2	2	—	1
	$ 4	$ 4	$ 9	$ 21	$ 21	$ 19	$ 7	$ 7

(3) In the third quarter of 2022, we incurred $97 million of expenses related to legal matters.
(4) In the second quarter of 2023, we had $148 million of severance related costs associated with reductions in workforce with $28 million in sales and marketing, $102 million in research and development, and $18 million in general and administrative. In the third quarter of 2022, we had $30 million of severance related costs associated with reductions in workforce with $11 million in sales and marketing, $8 million in research and development, and $11 million in general and administrative.
(5) In the third quarter of 2023 and the fourth quarter of 2022, we had $38 million and $84 million of impairment related costs associated with right-of-use assets and leasehold improvements, respectively.

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 December 31, 2023:

	Three months ended							
	Dec 31, 2023	Sep 30, 2023	June 30, 2023	Mar 31, 2023	Dec 31, 2022	Sep 30, 2022	Jun 30, 2022	Mar 31, 2022
Revenues:								
Subscription solutions	24%	28%	26%	25%	23%	28%	28%	29%
Merchant solutions	76%	72%	74%	75%	77%	72%	72%	71%
	100%	100%	100%	100%	100%	100%	100%	100%
Cost of revenues:								
Subscription solutions	5%	5%	5%	6%	5%	6%	7%	6%
Merchant solutions	46%	42%	46%	47%	49%	45%	43%	41%
	50%	47%	51%	52%	54%	52%	49%	47%
Gross profit	50%	53%	49%	48%	46%	48%	51%	53%
Operating expenses:								
Sales and marketing	15%	17%	19%	19%	17%	22%	25%	25%
Research and development	15%	18%	38%	30%	25%	30%	27%	25%
General and administrative	5%	8%	8%	8%	12%	19%	10%	9%
Transaction and loan losses	2%	2%	2%	3%	2%	3%	3%	2%
Impairment on sales of Shopify's logistics businesses	—%	—%	79%	—%	—%	—%	—%	—%
Total operating expenses	36%	45%	146%	60%	57%	74%	65%	61%
Income (loss) from operations	13%	7%	(97)%	(13)%	(11)%	(25)%	(15)%	(8)%
Other income (expense), net	18%	35%	20%	18%	(25)%	14%	(78)%	(129)%
Income (loss) before income taxes	32%	42%	(77)%	5%	(35)%	(12)%	(93)%	(137)%
(Provision for) recovery of income taxes	(1)%	(1)%	(1)%	(1)%	(1)%	0%	0%	15%
Net income (loss)	31%	42%	(77)%	5%	(36)%	(12)%	(93)%	(122)%

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. 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 quarter as consumers 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.

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, Shopify Capital, 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.

The acquisition of Deliverr, which closed in the third quarter of 2022, and the sales of our logistics businesses in the second quarter of 2023 has impacted the comparability of our revenues and gross margin.

Quarterly Operating Expenses Trends

Historically, total operating expenses have increased sequentially for each period presented as we grow our operations. In recent quarters, our operating expense dollars, excluding the items discussed in this section, did not grow significantly. We recognized an impairment on the sales of our logistics businesses in the second quarter of 2023. We recognized restructuring expenses in the second quarter of 2023 which caused an increase in research and development, sales and marketing, and general and administrative spend relative to revenue in the quarter. We impaired certain office spaces in the third quarter of 2023 and the fourth quarter of 2022, which caused an increase in general and administrative spend relative to revenue. In the third quarter of 2022, we recorded litigation contingencies which caused an increase in general and administrative spend relative to revenue in that quarter. Total operating expenses have historically increased primarily due to the addition of personnel in connection with the expansion of our business and additional marketing initiatives to attract potential merchants, but as a result of the workforce reduction in the second quarter of 2023 we have seen a decrease in personnel expenses in the second half of 2023. In addition, the Deliverr acquisition, which closed in the third quarter of 2022, and the sales of our logistics businesses in the second quarter of 2023, has impacted the comparability of operating expenses. 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.

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 our equity method investment based on our share of income and loss, including amortization of the basis difference, 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

	As of	
	December 31, 2023	**December 31, 2022**
	(in millions)	
Cash, cash equivalents and marketable securities	$ 5,008	$ 5,053
Total assets	$ 11,299	$ 10,757
Total liabilities	$ 2,233	$ 2,518
Total non-current liabilities	$ 1,335	$ 1,662

Total net assets increased $827 million as of December 31, 2023 compared to December 31, 2022, due to the increase of $542 million in total assets and the decrease of $285 million in total liabilities. The increase in net assets is primarily due to a $1.4 billion increase in Equity and other investments from net unrealized gains on our

investments and cash provided by operating activities of $0.9 billion offset by the impairment of $1.3 billion incurred from the sales of our logistics businesses.

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 September 2022, due to the expiry of our previous short-form base shelf prospectus, we filed a new 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. This shelf prospectus and registration statement allows Shopify to offer an unlimited amount of 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 that the shelf prospectus is effective, which commenced September 9, 2022.

Our principal cash requirements are for working capital and ongoing operations. Excluding current deferred revenue, working capital as of December 31, 2023 was $5.7 billion. As a result of our employee compensation program there is a potential for an increase in cash usage as employees have the ability to elect how much of their total compensation will be in the form of cash versus stock-based compensation awards. 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. Our future financing requirements will depend on many factors, including but not limited to 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 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 $45 million to $5.0 billion as of December 31, 2023 from $5.1 billion as of December 31, 2022, primarily as a result of the purchase and origination of loans, net of repayments, and the purchase of equity and other investments offset by cash provided by our operating activities, the maturity of merchant cash advances, and proceeds from the exercise of stock options.

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 December 31, 2023.

The following table summarizes our total cash, cash equivalents and marketable securities as of December 31, 2023 and 2022 as well as our operating, investing and financing activities for the years ended December 31, 2023 and 2022:

	Years ended December 31,	
	2023	2022
	(in millions)	
Cash, cash equivalents and marketable securities (end of year)	$ 5,008	$ 5,053
Net cash provided by (used in):		
Operating activities	$ 944	$ (136)
Investing activities	(1,244)	(719)
Financing activities	60	18
Effect of foreign exchange on cash and cash equivalents	4	(17)
Net decrease in cash and cash equivalents	(236)	(854)
Change in marketable securities[1]	191	(1,861)
Net decrease in cash, cash equivalents and marketable securities	$ (45)	$ (2,715)

[1] Excludes $115 million of marketable securities classified in "Equity and other investments".

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 third-party payment processing fees, employee-related expenditures, marketing programs, providing cash advances to merchants through Shopify Capital, and outsourced hosting costs.

For the year ended December 31, 2023, net cash provided by operating activities was primarily the result of operating income, once adjusted for non-cash items.

Cash Flows From Investing Activities

Net cash used in investing activities in the year ended December 31, 2023 was driven by $523 million used for purchases and originations of loans, net of repayments, $364 million used to purchase equity and other investments, $251 million used for purchases of marketable securities, net of maturities, $39 million used to purchase property and equipment, which consisted mainly of leasehold improvements and computer equipment, and $31 million used for business acquisitions.

Cash Flows From Financing Activities

Net cash provided by financing activities in the year ended December 31, 2023 was driven by proceeds from the issuance of Class A subordinate voting shares and Class B restricted multiple voting shares as a result of stock options exercises.

Contractual Obligations

Our principal commitments consist of our Notes and obligations under our operating leases for office space. The following table summarizes our contractual obligations as of December 31, 2023:

	Payments Due by Period				
	Less Than 1 Year	1 to 3 Years	3 to 5 Years	More Than 5 Years	Total
			(in millions)		
Convertible senior notes[1]	$ 1	$ 921	$ —	$ —	$ 922
Operating lease and unconditional purchase obligations[2]	53	91	98	241	483
Total contractual obligations	$ 54	$ 1,012	$ 98	$ 241	$ 1,405

[1] $920 million of the payments due in one to three years may be settled in Class A subordinate voting shares instead of cash, at our option.
[2] Consists of payment obligations under our office space leases.

Off-Balance Sheet Arrangements

In connection with the sales of our logistics businesses in the second quarter of 2023, we retained our guarantee of certain leases. We also entered into an indemnification agreement that governs the liability obligations of the purchaser in connection with these guarantees. These arrangements, and our obligations arising from such arrangements, are not expected to have a material impact on the current or future financial performance or financial condition of the Company.

Litigation and Loss Contingencies

On August 31, 2022, a jury in the U.S. District Court for the District of Delaware returned a verdict finding that Shopify infringed three web technology patents owned by Express Mobile, Inc. We have challenged the verdict through post-trial motions and the Plaintiff has moved for interest on the amount of the verdict.

We are not aware of any other litigation matters or loss contingencies that would be expected to have a material adverse effect on the business, consolidated financial position, results of operations, or cash flows.

Related Parties

In November 2023, we entered a commercial agreement with Flexport following the sale of our logistics businesses in the second quarter of 2023. Under the terms of the commercial agreement, Flexport will provide fulfillment services to Shopify merchants.

In December 2023, we made a separate investment in Flexport with the purchase of convertible notes of $260. This investment is classified within "Equity and other investments" and we have elected to account for it using the fair value option.

Risks and Uncertainties

We are exposed to a variety of risks, as discussed in Note 3 in our consolidated financial statements and the accompanying notes for the fiscal year ended December 31, 2023. We regularly assess these risks to minimize any adverse effects on our business as a result of those factors. Our risk over foreign currency exchange fluctuations, changes in interest rates and inflation is discussed below.

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, Shopify Capital, subscriptions,

and other billing to select countries in local currency, a significant proportion of revenue transactions are denominated in GBP, EUR and CAD. As we continue to have significant Canadian operations and as operations continue to expand internationally, a significant proportion of operating expenses are also incurred in the aforementioned 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 from operations using the comparative period's monthly average exchange rates:

	Three months ended December 31,			
	2023			2022
	At Prior Year Effective Rates [1]	Exchange Rate Effect [2]	GAAP Amounts as Reported	GAAP Amounts As Reported
	(in millions)			
Revenues	$ 2,135	$ 9	$ 2,144	$ 1,735
Cost of revenues	(1,079)	(3)	(1,082)	(937)
Operating expenses	(780)	7	(773)	(986)
Income (loss) from operations	$ 276	$ 13	$ 289	$ (188)

	Year ended December 31,			
	2023			2022
	At Prior Year Effective Rates [1]	Exchange Rate Effect [2]	GAAP Amounts as Reported	GAAP Amounts As Reported
	(in millions)			
Revenues	$ 7,069	$ (9)	$ 7,060	$ 5,600
Cost of revenues	(3,554)	9	(3,545)	(2,846)
Operating expenses	(4,986)	53	(4,933)	(3,576)
Loss from operations	$ (1,471)	$ 53	$ (1,418)	$ (822)

[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 year to year 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.

The following table summarizes the effects on revenues, cost of revenues, operating expenses, and loss from operations of a 10% strengthening 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:

	Years Ended					
	December 31, 2023			December 31, 2022		
	GAAP Amounts As Reported $	Exchange Rate Effect [1][2] $	At 10% Stronger Rates [3] $	GAAP Amounts As Reported $	Exchange Rate Effect [2] $	At 10% Stronger Rates [1][3] $
Revenues	7,060	125	7,185	5,600	76	5,676
Cost of revenues	(3,545)	(64)	(3,609)	(2,846)	(45)	(2,891)
Operating expenses	(4,933)	(117)	(5,050)	(3,576)	(119)	(3,695)
Loss from operations	(1,418)	(56)	(1,474)	(822)	(88)	(910)

[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 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.

Equity and Other Investments

We hold equity and other investments that are subject to market-related risks that could substantially reduce or increase the fair value of our holdings. As of December 31, 2023, we had equity and other investments in public and private companies totaling $4.4 billion. Our equity and other investments with readily determinable fair values, which relate to Affirm, Global-E, and Klaviyo, representing $2.4 billion of our investments, are recorded at fair value, which is subject to market price volatility. Our equity investments in private companies, representing $505 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. Certain equity investments in private companies are in the early stages of development and are inherently risky due to their lack of operational history. Our equity method investment in Flexport, representing $780 million, is subject to risks based on our share of income or loss, including amortization of the basis difference, from this investment which may cause volatility to our earnings. Our debt investments in convertible notes of private companies are recorded at fair value and represent $495 million of our investments, which are impacted by the underlying entities' valuations and interest rates. Our investment option derivative to purchase Series B common shares in Klaviyo, Inc., represents $122 million of our investments, is impacted by market price volatility and interest rates.

Our marketable securities greater than one year, representing $115 million of our investments, are recorded at carrying value and any changes in the fair value due to the interest rate are not recorded until the investment is sold as they are classified as "held to maturity". 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 $5.0 billion as of December 31, 2023. 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 September 2020, we issued $920 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. 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.

The Company holds convertible notes in private companies. These investments are classified as available-for-sale debt securities, for which we have elected to account for under the fair value option. These investments are carried at fair value at each balance sheet date and any movements in the fair value are recognized in "Net income (loss)" in the consolidated statement of operations and comprehensive income (loss). The underlying entity's valuation includes inputs such as interest rates which impact the market value of the investment.

Concentration of Credit Risk

The Company’s cash and cash equivalents, marketable securities, trade and other receivables, loans, merchant cash advances, and foreign exchange derivative instruments 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. We limit the amount of credit exposure with any one financial institution and conduct timely evaluations of the credit worthiness of these financial institutions. 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, loans receivable and merchant cash advances. Trade and other receivables, loans receivable and merchant cash advances are monitored on an ongoing basis to ensure timely collection of amounts. 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 of December 31, 2023. The Company pays EDC a monthly premium based on total eligible dollars advanced, and records this as "General and administrative" expense in the consolidated statements of operations and comprehensive income (loss). 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 loans and merchant cash advances as of December 31, 2023 is covered. The receivable related to insurance recoveries, if any, is included in "Loans and merchant cash advances, net" in the consolidated balance sheets. 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, particularly if economic growth has slowed across many of the regions in which we operate.

Disclosure Controls and Procedures and 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.

Disclosure Controls and Procedures

Management of the Company, under the supervision of the Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining disclosure controls and procedures (as defined by the United States Securities and Exchange Commission ("SEC") in Rule 13a-15(e) under the Exchange Act for the Company to ensure that material information relating to the Company, including its consolidated subsidiaries, that is required to be made known to the Chief Executive Officer and Chief Financial Officer by others within the Company and disclosed by the Company in reports filed or submitted by it under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

We, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2023 and have concluded that the Company's disclosure controls and procedures were effective as of December 31, 2023.

Management's Annual Report on Internal Control Over Financial Reporting

Management of the Company, under the supervision of the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over the Company's financial reporting.

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with United States generally accepted accounting principles.

We, including the Chief Executive Officer and Chief Financial Officer, have assessed the effectiveness of the Company's internal control over financial reporting in accordance with Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, we, including the Chief Executive Officer and Chief Financial Officer, have determined that the Company's internal control over financial reporting was effective as of December 31, 2023. Additionally, based on our assessment, we determined that there were no material weaknesses in the Company's internal control over financial reporting as of December 31, 2023.

Attestation Report of the Independent Registered Public Accounting Firm

The effectiveness of the Company's internal control over financial reporting as of December 31, 2023 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report on the audited consolidated financial statements for December 31, 2023.

Changes in Internal Control Over Financial Reporting

In the year ended December 31, 2023, 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 consolidated financial statements in accordance with U.S. GAAP. In the preparation of these 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. We refer to accounting estimates of this type as significant accounting policies and estimates, which we discuss below and in further detail in Note 3 - Significant Accounting Policies of our audited consolidated financial statements for the year ended December 31, 2023.

Revenue Recognition

For revenue streams that involve another party that contributes to providing a specified service to a customer, the Company determines whether it is the principal or an agent. In these instances, the Company determines whether it has promised to provide the specified service itself (as principal) or to arrange for the specified service to be provided by another party (as an agent). This determination depends on the facts and circumstances of each arrangement and, in some instances, involves significant judgment. The Company recognizes revenue from certain services, such as the sale of shipping labels, the sale of apps, the sale of themes, card services and installments services, on a net basis as the Company is the agent in the arrangement with customers. All other revenue is reported on a gross basis, as the Company has determined it is the principal in the respective arrangements.

Equity and Other Investments

The Company evaluates each investment to determine if the investment is a variable interest entity and, if so, whether the Company is the primary beneficiary of the variable interest entity. As of December 31, 2023 and 2022, there were no variable interest entities required to be consolidated in the Company’s consolidated financial statements.

The Company also assesses each investment to determine its classification based on fair value measurements and other factors, which then are classified as equity and other investments with readily determinable fair values, equity and other investments without readily determinable fair values and equity and other investments under the equity method of accounting.

Equity and other investments in private companies without readily determinable fair values are carried at cost less impairments, with subsequent adjustments for observable changes (referred to as the measurement alternative). Estimates and judgments are involved in applying the measurement alternative associated with equity and other investments without readily determinable fair values by developing certain key assumptions, including revenue growth rates and revenue multiples based on market comparables.

The Company also holds investments in convertible notes of private companies which are classified as available-for-sale debt securities, for which the Company has elected to account for under the fair value option. The investments are carried at fair value at each balance sheet date and any movements in the fair values are classified as "Other income (expense), net" in the consolidated statement of operations and comprehensive income (loss).

The Company evaluates each investment to determine if the investment should be accounted for as an equity method investment based upon equity ownership, significant influence and ongoing involvement in the investee, including factors such as representation on the investee's Board of Directors. Investments that qualify for the equity method of accounting treatment are carried at the Company’s investment amounts and adjusted each period for the Company’s share of the investee’s income or loss and amortization of the basis difference, which is the difference between the fair value of our investment in the company and the underlying equity in the net assets of the investee.

The Company assesses its equity and other investments in private companies and equity method investment for impairment through analyzing market conditions, business results and other qualitative measures that suggest that the carrying amount of the investment may be impaired, and the decline in value below the carrying amount is determined to be other than temporary.

Loss Contingencies

The Company records accruals for loss contingencies when losses are probable and reasonably estimable. The Company evaluates developments in legal matters that could affect the amount of liability that has been previously accrued and makes adjustments as appropriate. Significant judgment is required to determine both probability and the estimated amount of a loss or potential loss. The Company may be unable to reasonably estimate the reasonably possible loss or range of loss for a particular legal contingency for various reasons, including, among others, because: (i) the damages sought are indeterminate; (ii) the proceedings are in the relative early stages; (iii) there is uncertainty as to the outcome of pending proceedings (including motions and appeals); (iv) there is uncertainty as to the likelihood of settlement and the outcome of any negotiations with respect thereto; (v) there remain significant factual issues to be determined or resolved; (vi) the relevant law is unsettled; or (vii) the proceedings involve novel or untested legal theories. In such instances, there may be considerable uncertainty regarding the ultimate resolution of such matters, including the likelihood or magnitude of a possible eventual loss, if any.

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 February 7, 2024 there were 1,207,926,050 Class A subordinate voting shares issued and outstanding, 79,261,346 Class B restricted voting shares issued and outstanding, and 1 Founder share issued and outstanding.

As of February 7, 2024 there were 539,110 options outstanding under the Company's Fourth Amended and Restated Incentive Stock Option Plan, of which 539,110 were vested as of such date. Each such option is or will become exercisable for one Class B restricted voting share. As of February 7, 2024 there were 10,661,820 options outstanding under the Company's Amended and Restated Stock Option Plan, of which 7,128,780 were vested as of such date. Each such option is or will become exercisable for one Class A subordinate voting share. As of February 7, 2024 there were 108,062 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, 23,970 were vested as of such date. Each option is or will become exercisable for one Class A subordinate voting share.

As of February 7, 2024 there were 3,476,818 Restricted Share Units ("RSUs") and 13,517 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 February 7, 2024 there were 320 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.

EXHIBIT 23.1



Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F for the year ended December 31, 2023 of Shopify Inc. of our report dated February 13, 2024, relating to the consolidated financial statements and the effectiveness of internal control over financial reporting, which appears in Exhibit 1.2 incorporated by reference in this Annual Report on Form 40-F.

We also consent to the incorporation by reference in the Registration Statements on Form F-10 (No.333-267353) and Form S-8s (Nos. 333-204568, 333-211305, 333-234241, 333-258230, 333-266243 and 333-267364) of Shopify Inc. of our report dated February 13, 2024 referred to above.

We also consent to reference to us under the heading “Interests of Experts”, which appears in the Annual Information Form, filed as Exhibit 1.1 to the Annual Report on Form 40-F, which is incorporated by reference in such Registration Statements.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Canada
February 13, 2024

PricewaterhouseCoopers LLP
99 Bank Street, Suite 710, Ottawa, Ontario, Canada K1P 1E4
T: +1 613 237 3702, F: +1 613 237 3963, ca_ottawa_main_fax@pwc.com, www.pwc.com/ca

“PwC” refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

EXHIBIT 31.1

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Tobias Lütke, certify that:

1. I have reviewed this annual report on Form 40-F of Shopify Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;

(c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: **February 13, 2024**

/s/ Tobias Lütke

Tobias Lütke
Chief Executive Officer

CERTIFICATION
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jeff Hoffmeister, certify that:

1. I have reviewed this annual report on Form 40-F of Shopify Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) designed such internal control over financial reporting, or caused such internal control over financial reporting 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 generally accepted accounting principles;

(c) evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: **February 13, 2024**

/s/ Jeff Hoffmeister

Jeff Hoffmeister
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Shopify Inc. (the "Company") on Form 40-F for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tobias Lütke, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **February 13, 2024**

/s/ Tobias Lütke

Tobias Lütke
Chief Executive Officer

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed "filed" by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Shopify Inc. (the "Company") on Form 40-F for the year ended December 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeff Hoffmeister, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: **February 13, 2024**

/s/ Jeff Hoffmeister

Jeff Hoffmeister
Chief Financial Officer

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed "filed" by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section.

EXHIBIT 97

SHOPIFY INC.

CLAWBACK POLICY

This Clawback Policy has been adopted by the Board of Directors (the "**Board**") of Shopify Inc. (the "**Company**") effective as of October 2, 2023 (the "**Effective Date**").

1. **Definitions**
   a. "**Committee**" has the meaning given to it in Section 2 of this Clawback Policy.

   b. "**Company Group**" means the Company and each of its subsidiaries, as applicable.

   c. "**Covered Compensation**" means any Incentive-Based Compensation granted, vested or paid to a person who served as an Executive Officer at any time during the performance period for the Incentive-Based Compensation and that was Received (i) on or after the effective date of the NYSE listing standard (October 2, 2023), (ii) after the person became an Executive Officer and (iii) at a time that the Company had a class of securities listed on a national securities exchange or a national securities association.

   d. "**Erroneously Awarded Compensation**" has the meaning given to it in Section 3 of this Clawback Policy.

   e. "**Executive Officer**" means the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function, any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. Executive officers of the Company's parent(s) or subsidiaries are deemed executive officers of the Company if they perform such policy-making functions for the Company. "Policy-making function" does not include policy-making functions that are not significant. For the purposes of this Clawback Policy, "Executive Officers" are determined in accordance with Rule 16(a)-1(f) of the U.S. Securities Exchange Act of 1934, as amended.

   f. "**Financial Reporting Measure**" means (i) any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measures derived wholly or in part from such measures, (ii) stock price or (iii) total shareholder return. A Financial Reporting Measure does not need to be presented within the Company's financial statements or included in a filing with the SEC.

g. "**Home Country**" means the Company's jurisdiction of incorporation.

h. "**Incentive-Based Compensation**" means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is deemed "**Received**" in the fiscal year during which the Financial Reporting Measure specified in or otherwise relating to the Incentive-Based Compensation award is attained, even if the grant, vesting or payment of the Incentive-Based Compensation occurs after the end of that period.

i. "**Lookback Period**" means the three completed fiscal years immediately preceding the date on which the Company is required to prepare a Restatement for a given reporting period (plus any transition period of less than nine months that is within or immediately following the three completed fiscal years and that results from a change in the Company's fiscal year), with such date being the earlier of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Restatement, or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare a Restatement.

j. "**NYSE**" means the New York Stock Exchange.

k. "**Restatement**" has the meaning given to it in Section 3 of this Clawback Policy.

l. "**SEC**" means the United States Securities and Exchange Commission.

2. Administration

This Clawback Policy will generally be administered and interpreted by the Compensation and Talent Management Committee (the "Committee"), however the Board may, from time to time, exercise discretion to administer and interpret this Clawback Policy, in which case, all references herein to "Committee" shall be deemed to refer to the Board.

Any determination by the Committee with respect to this Clawback Policy shall be final, conclusive and binding on all interested parties. Any discretionary determinations of the Committee under this Clawback Policy, if any, do not need to be uniform with respect to all persons, and may be made selectively amongst persons, whether or not such persons are similarly situated.

3. Recovery of Erroneously Awarded Compensation

In the event the Company is required to prepare an accounting restatement of any Company financial statement due to material non-compliance by the Company with any financial reporting requirement under securities laws, including an accounting restatement:

a. to correct an error in previously issued financial statements that is material to the previously issued financial statements (commonly referred to as a "Big R" restatement), or

b. to correct an error in previously issued financial statements that is not material to the previously issued financial statements but that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (commonly referred to as a "little r" restatement)

(in each case, a "**Restatement**"),

then the Committee shall, in respect of any current or former Executive Officer who Received Covered Compensation during the Lookback Period, pursue (and shall not have the discretion to waive) forfeiture and/or recovery from such current or former Executive Officer, without regard to any taxes paid, of an amount equal to:

a. the amount of Covered Compensation granted, vested or paid to such current or Executive Officer during the fiscal period when the applicable Financial Reporting Measure relating to such Covered Compensation was attained, less

b. the amount of Covered Compensation that otherwise would have been granted, vested or paid to such current or former Executive Officer had such amount been determined on the basis of the applicable Restatement.

(the "**Erroneously Awarded Compensation**").

Where the amount of Erroneously Awarded Compensation is not subject to mathematical re-calculation directly from the information in a Restatement (for example, where Covered Compensation is based on stock price or total shareholder return), the Committee will determine the amount of such Covered Compensation that constitutes Erroneously Awarded Compensation, if any, based on a reasonable estimate of the effect of the Restatement on the stock price or total shareholder return upon which the Covered Compensation was granted, vested or paid and the Committee shall maintain documentation of such determination and provide such documentation to the NYSE.

Notwithstanding the foregoing, the Committee may determine not to pursue the forfeiture and/or recovery of Erroneously Awarded Compensation from any current or former

Executive Officer if the Committee determines that such forfeiture and/or recovery would be impracticable due to any of the following circumstances:

a. the direct expense paid to a third party (for example, reasonable legal expenses and consulting fees, including costs that could be incurred if pursuing recovery would violate laws other than the Company's Home Country laws) to assist in enforcing this Clawback Policy would exceed the amount to be recovered,

b. pursuing such recovery would violate the Company's Home Country laws adopted prior to November 28, 2022, or

c. recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company Group, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and the regulations thereunder.

The Committee shall only be entitled to rely on paragraph (a) above if the Company Group has made reasonable attempts to recover the applicable Erroneously Awarded Compensation, has documented those attempts, and has provided such documentation to the NYSE. The Committee shall only be entitled to rely on paragraph (b) above if the Company has obtained an opinion of Home Country counsel that recovery would result in a violation of the Company's Home Country laws adopted prior to November 28, 2022 and such opinion is provided to, and accepted by, the NYSE.

Recovery of any Erroneously Awarded Compensation under the Policy is not dependent on fraud or misconduct by any person in connection with the Restatement.

4. Means of Repayment

In the event of a Restatement, the Committee shall provide written notice to any person that the Committee determines must repay Erroneously Awarded Compensation and such notice shall be delivered by email or certified mail to the address for such person on file with the Company Group. The person receiving the notice shall satisfy the repayment in a manner and on such terms as required by the Committee, and the Company Group shall be entitled to set off the repayment amount against any amount owed to the person by the Company Group, to require the forfeiture of any award granted by the Company Group to the person, or to take any and all necessary actions to reasonably promptly recover the repayment amount from the person, in each case, to the fullest extent permitted under applicable law, including without limitation, Section 409A of the Internal Revenue Code and the regulations and guidance thereunder.

5. No Indemnification

No person shall be indemnified, insured or reimbursed by the Company Group in respect of any loss of compensation by such person in accordance with this Clawback Policy, nor

shall any person receive any advancement of expenses for disputes related to any loss of compensation by such person in accordance with this Clawback Policy, and no person shall be paid or reimbursed by the Company Group for any premiums paid by such person for any third-party insurance policy covering potential recovery obligations under this Clawback Policy.

For the purposes of this Clawback Policy, "indemnification" includes any modification to current compensation arrangements or other arrangements that would amount to de facto indemnification (for example, providing an Executive Officer with a new cash award that would thereafter be cancelled to effect the recovery of any Erroneously Awarded Compensation).

6. Invalidity of Provisions

The provisions in this Clawback Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Clawback Policy is found to be unenforceable or invalid under any applicable law, such provision will be applied to the maximum extent permitted and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to applicable law.

7. Cumulative Rights

The rights of the Company Group under this Clawback Policy to seek forfeiture and/or reimbursement are in addition to, and not in lieu of, any rights of recoupment, or remedies or rights other than recoupment, that may be available to the Company Group pursuant to the terms of any law, government regulation or stock exchange listing requirement or any other policy, code of conduct, employee handbook, employment agreement, equity award agreement, or other plan or agreement of the Company Group.

8. Amendment and Termination

To the extent permitted by, and in a manner consistent with applicable law, including SEC and NYSE rules, the Board, upon the recommendation of the Committee, may terminate, suspend or amend this Clawback Policy at any time in its discretion.

9. Successors

This Clawback Policy shall be binding and enforceable against all persons and their respective beneficiaries, heirs, executors, administrators or other legal representatives with respect to any Covered Compensation granted, vested or paid to or administered by such persons or entities.

SHOPIFY INC.

CLAWBACK POLICY

ACKNOWLEDGMENT, CONSENT AND AGREEMENT

I acknowledge that I have received and reviewed a copy of the Shopify Inc. Clawback Policy (as may be amended from time to time, the "Policy") and I have been given an opportunity to ask questions about the Policy and review it with my counsel. I knowingly, voluntarily and irrevocably consent to and agree to be bound by and subject to the Policy's terms and conditions, including that I will return any Erroneously Awarded Compensation that is required to be repaid in accordance with the Policy. I further acknowledge, understand and agree that (i) the compensation that I receive, have received or may become entitled to receive from the Company Group is subject to the Policy, and the Policy may affect such compensation and (ii) I have no right to indemnification, insurance payments or other reimbursement by or from the Company Group for any compensation that is subject to recoupment and / or forfeiture under the Policy. Capitalized terms not defined herein have the meanings set forth in the Policy.

Signed: _____
Print Name: _____
Date: _____