

SHOPIFY INC.
Form F-1/A
May 06, 2015
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As filed with the Securities and Exchange Commission on May 6, 2015

Registration No. 333-203401

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

Amendment No. 1
to
FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

SHOPIFY INC.
(Exact Name of Registrant as Specified in Its Charter)

Canada (State or Other Jurisdiction of	7372 (Primary Standard Industrial	30-0830605 (I.R.S. Employer
Incorporation or Organization)	Classification Code Number)	Identification Number)

Shopify Inc.

150 Elgin Street, 8th Floor

Ottawa, Ontario, Canada K2P 1L4

(613) 241-2828

(Address, Including ZIP Code, and Telephone Number, including Area Code, of Registrant's Principal Executive Offices)

CT Corporation System

1209 Orange Street

Wilmington, DE 19801

(302) 658-7581

(Name, Address, Including ZIP Code, and Telephone Number, including Area Code, of Agent for Service)

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Approximate date of commencement of proposed offering to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Proposed		Proposed Maximum Aggregate Offering Price ⁽²⁾	Amount of Registration Fee ⁽³⁾
	Amount to be Registered ⁽¹⁾	Offering Price Per Share ⁽²⁾		
Class A subordinate voting shares	8,855,000	\$14.00	\$123,970,000	\$14,406

(1) Includes Class A subordinate voting shares the underwriters have the option to purchase to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) under the Securities Act of 1933, as amended (the Securities Act).

(3) Filing fees in the amount of \$11,620 were previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange

Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

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Neither we nor the underwriters have authorized anyone to provide you with any additional information or information that is different from the information contained in this prospectus or in any free writing prospectus prepared by or on behalf of us or to which we may have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus and any free writing prospectus prepared by us or on our behalf may only be used where it is legal to sell these securities. The information in this prospectus or any free writing prospectus prepared by us or on our behalf is only accurate as of the date of this prospectus or such free writing prospectus.

We are offering to sell, and seeking offers to buy, Class A subordinate voting shares only in jurisdictions where offers and sales are permitted. Persons who come into possession of this prospectus in jurisdictions outside the United States or Canada are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to those jurisdictions.

Until _____, 2015 (25 days after the date of this prospectus), all dealers that buy, sell or trade our Class A subordinate voting shares, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

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PROSPECTUS SUMMARY

This summary highlights certain information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our Class A subordinate voting shares. You should read this entire prospectus carefully, especially the Risk Factors section of this prospectus and our consolidated financial statements and related notes appearing elsewhere in this prospectus, before making an investment decision. In this prospectus, 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. Unless otherwise indicated, all references in this prospectus to Shopify, we, our, us or similar terms refer to Shopify Inc. and its consolidated subsidiaries.

Overview

Shopify provides a leading cloud-based commerce platform designed for small and medium-sized businesses. Merchants use our software to run their business across all of their sales channels, including web, tablet and mobile storefronts, social media storefronts, and brick-and-mortar and pop-up shops. While we started Shopify to help merchants design, set up and manage their online stores, we have expanded far beyond that. Whether a merchant is starting their business online or offline, we provide a platform for merchants to create an omni-channel experience that helps showcase the merchant's brand and grow its business. The Shopify platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage products and inventory, process orders and payments, build customer relationships and leverage analytics and reporting. Merchants can also use Shopify Mobile, our iPhone and Android application, to manage their business on the go.

Technology and the internet are transforming commerce. Consumers now expect to be able to transact anywhere, anytime on any device and the experience needs to be simple, seamless and secure. Consumers quickly become accustomed to the standards set by the largest and most innovative merchants and expect a comparable experience with all merchants, even those that have only been in business for one day. Without the latest technology, it is difficult for merchants to meet the rising demands of consumers.

We built our platform from the ground up to address the growing challenges facing merchants, with the aim of making previously complex tasks simple. The Shopify platform has been engineered to enterprise-level standards and functionality while being designed for simplicity and ease-of-use. Our platform provides merchants with an intuitive user experience that requires no up-front training to implement and use, enabling merchants to set up their shops in less than 15 minutes. We help our merchants own their brand and make the consumer experience memorable.

We believe the Shopify platform is mission critical for all of our merchants and they depend on us for the latest technology. Our platform is able to manage large spikes in traffic that accompany events such as new product releases, holiday shopping seasons and flash sales, and has been benchmarked to process at least 10,000 requests per second. We are constantly innovating and enhancing our platform. Our continuously deployed, multi-tenant architecture ensures that all of our merchants are always using the latest technology.

A rich ecosystem of app developers, theme designers and other partners has evolved around the Shopify platform. The platform's functionality is highly extensible and can be expanded through our application program interface, or API, and the over 900 apps available in the Shopify App Store. This ecosystem helps drive the growth of our merchant base, which in turn further accelerates growth of the ecosystem.

Our mission is to make commerce better for everyone and we believe we can help merchants of nearly all sizes and retail verticals realize their potential. While our platform can scale to meet the needs of large

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merchants, we focus on selling to small and medium-sized businesses, or SMBs. As of March 31, 2015, we had 162,261 merchants from approximately 150 countries using our platform, representing growth of 68.2% in the number of merchants using our platform relative to March 31, 2014. In 2014, our platform processed Gross Merchandise Volume, or GMV, of \$3.8 billion, representing an increase of 132.9% from the year ended December 31, 2013. In the three months ended March 31, 2015, our platform processed GMV of \$1.3 billion, representing an increase of 107.8% from the three months ended March 31, 2014.

Our business has experienced rapid growth. Our total revenue increased from \$23.7 million in 2012, to \$50.3 million in 2013 and to \$105.0 million in 2014, representing year-over-year increases of 111.9% and 109.0%, respectively. In addition, our total revenue for the three months ended March 31, 2015 was \$37.3 million, an increase of 98.5% from the three months ended March 31, 2014. We had net losses of \$1.2 million in 2012, \$4.8 million in 2013, \$22.3 million in 2014, \$6.4 million in the three months ended March 31, 2014 and \$4.5 million in the three months ended March 31, 2015.

Industry Overview and Market Opportunity

Consumers now dictate how, when and where to interact with merchants and their expectations continue to rise. A disappointing experience may lead to the permanent loss of customers and damage to the merchant's reputation on social media. The challenges facing merchants include:

Selling Across Different Channels. Consumers expect to be able to transact through multiple sales channels without losing functionality or experience, making it increasingly important that a merchant has a single view of its business and customers.

Making Transacting Simple, Seamless and Secure. Consumers expect every interaction to be quick, problem-free, intuitive and secure.

Keeping up with the Latest Technology and Innovating. Consumers expect an experience on par with that provided by the most innovative retailers.

Building and Growing their Brand. In a world where consumers have more choices than ever before, a merchant's brand is increasingly important.

Scaling their Business. As a merchant's business grows, it must be able to handle increased traffic and ensure availability 24 hours a day, seven days a week.

Managing their Business Anytime, Anywhere. To keep pace with consumer demands, merchants need to be able to manage their business on the go using their mobile devices.

Traditionally, merchants have been forced to address their commerce needs through one of two means:

Complex Software Built for Enterprise Merchants. Software built for the largest merchants is not designed for SMBs. It is expensive and complex, requires significant technical knowledge and training to install and maintain, and typically takes a long time to deploy.

Cobbled Together Patchwork. Whether a merchant is starting from scratch or building on top of legacy solutions, the process of piecing together a patchwork of disparate technologies is time consuming, complicated and costly. The result is a system that, by its nature, lacks full integration between the applications provided by the various vendors

and may only be as good as its weakest component.

We believe we can help merchants of nearly all sizes and retail verticals realize their potential. While our platform can scale to meet the needs of large merchants, we focus on selling to SMBs. We have merchants in approximately 150 countries, including merchants in our key geographies: the United States, Canada, the United Kingdom, Western Europe, Australia and New Zealand. According to AMI Partners, in

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2014, there were approximately 10 million merchants with less than 500 employees operating in our key geographies, and approximately 46 million such merchants worldwide. As of March 31, 2015, we had 162,261 merchants and our annualized revenue per merchant based on the three months ended March 31, 2015 was approximately \$1,000.

We believe that our market will expand as we continue to inspire entrepreneurs to start new businesses and provide the technology that enables them to do so. In addition, we expect our average revenue per merchant to continue to increase as our merchants grow and we further expand our offerings.

Our Solution

An Omni-Channel Commerce Platform. The Shopify platform enables merchants to sell their products across different sales channels, including web, tablet and mobile storefronts, social media storefronts, and brick-and-mortar and pop-up shops. Our platform provides merchants with a single view of their business, combining and synchronizing all their customer, inventory, order, product, payment and other data that originate in different sales channels.

A Simplified Merchant Experience. The Shopify platform provides merchants with an intuitive user experience that requires no up-front training to implement and use. Merchants can set up their shop in less than 15 minutes. By integrating multiple channels into a single platform, we are also able to remove the complexities inherent in separate systems.

The Latest Technologies, Seamlessly Integrated. The Shopify platform is designed to integrate the latest technologies that a merchant needs to sell products and operate an omni-channel retail business from any device. Our high-availability, continuously deployed, multi-tenant architecture ensures that all of our merchants are able to operate with the latest features and the newest innovations without any need to patch or upgrade their software.

A Platform Designed to Launch and Grow Brands. Merchants can launch and build their brand on the Shopify platform without any intermediaries or middlemen. Their brand is always at the forefront of the experience, and we help our merchants make that experience memorable to consumers.

A Platform for Merchant Success. Our goals are aligned with those of our merchants and we designed the Shopify platform to support their growth. We offer advanced features and resources to help our merchants sell more products and be more successful.

Enterprise-Level Security, Scalability and Reliability. The Shopify platform offers security, scalability and reliability that is normally only available to businesses with enterprise-level budgets, while at the same time being easy to use and affordable for smaller businesses.

An Open Platform with a Thriving Ecosystem. A rich ecosystem of app developers, theme designers and other partners has evolved around the Shopify platform. The Shopify platform's functionality is highly extensible and can be expanded using our API and apps from the Shopify App Store to offer additional sales channels, bolster features in an existing sales channel and integrate with third-party systems.

Growth Strategy

Grow our Base of Merchants. We believe that we have a significant opportunity to increase the size of our current merchant base. We intend to continue to strategically invest in marketing programs that enhance the awareness of our brand and solutions among businesses at different stages of their lifecycle, from entrepreneurs just starting a business to well-established businesses.

Grow our Merchants Revenue. Our goals are closely aligned with the goals of our merchants. The more a merchant sells on our platform, the more revenue we generate as they upgrade their plans, add

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additional sales channels, process more transactions and use additional solutions. We intend to continue helping our merchants be successful by improving and expanding our platform and providing additional solutions and resources.

Continuous Innovation and Expansion of our Platform. We intend to continue to build more sales channels and additional functionality to further differentiate our platform.

Continue to Grow and Develop our Ecosystem. We intend to grow our ecosystem of app developers, theme designers and other partners to bolster the functionality of our platform.

Continue to Expand our Partner Programs. We intend to strengthen our existing relationships with referral partners and resellers and create new ones with the goal of expanding our overall merchant base.

Continue to Build for the Long-term. We have a culture of iteration and testing new ideas with a focus on maximizing long-term value. As we continue to build for the future, we may consider focused international expansion, strategic partnerships, new solutions and selective acquisitions.

Risk Factors

Our business is subject to a number of risks and uncertainties, as more fully described under **Risk Factors** in this prospectus. These risks could materially and adversely impact our business, financial condition, results of operations and future prospects, which could cause the trading price of our Class A subordinate voting shares to decline and could result in a loss of your investment. Some of these risks include:

our rapid growth may not be sustainable and depends on our ability to attract new merchants, retain existing merchants and increase sales to both new and existing merchants;

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

we have a history of losses and we may be unable to achieve profitability;

our limited operating history in a new and developing market makes it difficult to evaluate our current business and future prospects and may increase the risk that we will not be successful;

if we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform in a manner that responds to our merchants' evolving needs, our business may be adversely affected; and

payment transactions on Shopify Payments may subject us to regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business.

As a result of these risks and other risks described under **Risk Factors**, there is no guarantee that we will experience growth or profitability in the future.

Implications of Being an Emerging Growth Company

We qualify as an emerging growth company pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified exemptions from various requirements that are otherwise applicable generally to public companies in the United States. These provisions include:

an exemption to include in an initial public offering registration statement less than five years of selected financial data; and

an exemption from the auditor attestation requirement in the assessment of the emerging growth company's internal control over financial reporting.

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The JOBS Act also permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We have not elected to avail ourselves of the exemption that allows emerging growth companies to extend the transition period for complying with new or revised financial accounting standards. This election is irrevocable.

We will remain an emerging growth company until the earliest of:

the last day of our fiscal year during which we have total annual gross revenues of at least \$1.0 billion;

the last day of our fiscal year following the fifth anniversary of the completion of this offering;

the date on which we have, during the previous three-year period, issued more than \$1.0 billion in non-convertible debt securities; or

the date on which we are deemed to be a large accelerated filer under the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our Class A subordinate voting shares and Class B multiple voting shares that are held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter.

We have availed ourselves in this prospectus of the reduced reporting requirements described above with respect to selected financial data. As a result, the information that we are providing to you may be less comprehensive than what you might receive from other public companies. When we are no longer deemed to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

Corporate Information

We were incorporated under the *Canada Business Corporations Act*, or CBCA, on September 28, 2004. Prior to the closing of this offering, we will file articles of amendment to amend and redesignate our authorized and issued share capital. See Description of Share Capital.

Our principal and registered office is located at 150 Elgin Street, 8th Floor, Ottawa, Ontario, Canada K2P 1L4, and our telephone number is (613) 241-2828. Our website address is www.shopify.com. Information contained on, or accessible through, our website is not a part of this prospectus, and the inclusion of our website address in this prospectus is an inactive textual reference.

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THE OFFERING

Class A subordinate voting shares offered by us	7,700,000 shares.
Offering price	\$ per Class A subordinate voting share.
Over-allotment option	We have granted the underwriters an option, exercisable within 30 days of the date of this prospectus, to purchase up to an additional 1,155,000 Class A subordinate voting shares to cover over-allotments, if any, in connection with this offering.
Class A subordinate voting shares to be outstanding immediately after this offering	7,700,000 shares (8,855,000 shares if the over-allotment option is exercised in full).
Class B multiple voting shares to be outstanding immediately after this offering	66,737,417 shares.
Total Class A subordinate voting shares and Class B multiple voting shares to be outstanding immediately after this offering	74,437,417 shares (75,592,417 shares if the over-allotment option is exercised in full).
Voting rights	The Class A subordinate voting shares will have one vote per share and the Class B multiple voting shares will have 10 votes per share. After giving effect to the offering, the Class A subordinate voting shares will collectively represent 10.3% of our total issued and outstanding shares and 1.1% of the voting power attached to all of our issued and outstanding shares (11.7% and 1.3%, respectively, if the over-allotment option is exercised in full). See Description of Share Capital Shares Voting Rights.
Conversion rights	The Class A subordinate voting shares are not convertible into any other class of shares, including Class B multiple voting shares. The Class B multiple voting shares are convertible into Class A subordinate voting shares on a one-for-one basis at the option of the holder. In addition, our amended articles of

incorporation will provide that Class B multiple voting shares will automatically convert into Class A subordinate voting shares in certain other circumstances. See Description of Share Capital Shares Conversion.

Take-over bid protection

In accordance with applicable regulatory requirements designed to ensure that, in the event of a take-over bid, the holders of Class A subordinate voting shares will be entitled to

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	participate on an equal footing with holders of Class B multiple voting shares, we will enter into a coattail agreement with holders of Class B multiple voting shares. The coattail agreement will contain provisions customary for dual class corporations listed on the Toronto Stock Exchange, or the TSX, designed to prevent transactions that otherwise would deprive the holders of Class A subordinate voting shares of rights under applicable take-over bid legislation in Canada to which they would have been entitled if the Class B multiple voting shares had been Class A subordinate voting shares. See Description of Share Capital Shares Take-Over Bid Protection.
Proposed NYSE trading symbol	SHOP
Proposed TSX trading symbol	SH
Use of proceeds	We estimate that we will receive net proceeds from this offering of approximately \$89.3 million, or approximately \$103.3 million if the underwriters exercise their option to purchase additional Class A subordinate voting shares in full, based upon an assumed initial public offering price of \$13.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. We expect to use the net proceeds from this offering to strengthen our balance sheet, providing us flexibility to fund our growth strategies. See Use of Proceeds.
Risk factors	See Risk Factors for a discussion of risks you should carefully consider before investing in our Class A subordinate voting shares.
<p>Certain of our shareholders affiliated with Insight Venture Partners have indicated an interest in purchasing Class A subordinate voting shares with an aggregate offering price of approximately \$4.0 million in this offering. In addition, one of our directors, Mr. Robert Ashe, has indicated an interest in purchasing Class A subordinate voting shares with an aggregate offering price of approximately \$1.0 million in this offering. Because indications of interest are not binding agreements or commitments to purchase, the underwriters may determine to sell more, less or no shares in this offering to such persons, or such persons may determine to purchase more, less or no shares in this offering. The underwriters will receive the same discount from Class A subordinate voting shares purchased by such persons as they will from other Class A subordinate voting shares sold to the public in this offering.</p>	

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The total number of Class A subordinate voting shares and Class B multiple voting shares to be outstanding after this offering is based on no Class A subordinate voting shares and 66,737,417 Class B multiple voting shares outstanding as of April 30, 2015 on a pro forma basis after giving effect to the transactions described below, and excludes:

15,213,799 Class B multiple voting shares issuable upon the exercise of stock options outstanding as of April 30, 2015 at a weighted average exercise price of \$1.58 per share; and

3,743,692 Class A subordinate voting shares reserved for future issuance under our Incentive Plans (as defined below), which will become effective prior to or upon the consummation of this offering.

Except as otherwise indicated, the information in this prospectus reflects or assumes:

an initial public offering price of \$13.00 per Class A subordinate voting share, the midpoint of the estimated price range set forth on the cover page of this prospectus;

the filing of articles of amendment, which will occur immediately prior to the consummation of this offering, to, among other things, (1) authorize the creation of our Class A subordinate voting shares and (2) amend and redesignate our common shares as Class B multiple voting shares;

the automatic conversion of all of our outstanding Series A, Series B and Series C convertible preferred shares into an equivalent number of Class B multiple voting shares, which will occur upon consummation of this offering;

no exercise of stock options outstanding; and

no exercise by the underwriters of their option to purchase up to an additional 1,155,000 Class A subordinate voting shares to cover over-allotments, if any, in connection with this offering.

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SUMMARY HISTORICAL AND PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our summary historical and pro forma consolidated financial information. Except as described below, the information set forth below does not give effect to the amendment and redesignation of our common shares as Class B multiple voting shares, which will occur immediately prior to the consummation of this offering, or the conversion of all of our outstanding Series A, Series B and Series C convertible preferred shares into Class B multiple voting shares, which will occur upon the consummation of this offering. You should read the following summary historical and pro forma consolidated financial information in conjunction with Presentation of Financial Information, Selected Historical Consolidated Financial Information and Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

We have derived the summary consolidated statement of operations information for the years ended December 31, 2012, 2013 and 2014 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary consolidated statement of operations information for the three months ended March 31, 2014 and 2015 and the summary consolidated balance sheet information as of March 31, 2015 from our unaudited interim consolidated financial statements included elsewhere in this prospectus, which, in the opinion of management, include all adjustments necessary to present fairly the results of operations and financial condition at the dates and for the periods presented. Our consolidated financial statements have been prepared in accordance with U.S. GAAP and are presented in U.S. dollars except where otherwise indicated. Our historical results are not necessarily indicative of the results that should be expected in any future period.

The pro forma balance sheet information below gives effect to the amendment and redesignation of our common shares as Class B multiple voting shares and the conversion of all of our outstanding Series A, Series B and Series C convertible preferred shares into Class B multiple voting shares. The pro forma as adjusted balance sheet information below also gives effect to our sale of 7,700,000 Class A subordinate voting shares in this offering at an assumed initial public offering price of \$13.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. Pro forma information is provided for illustrative purposes only.

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	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
	(in thousands)				
Consolidated Statement of Operations Information:					
Revenues:					
Subscription solutions	\$ 19,200	\$ 38,339	\$ 66,668	\$ 13,053	\$ 22,352
Merchant solutions	4,513	11,913	38,350	5,757	14,996
	23,713	50,252	105,018	18,810	37,348
Cost of revenues ⁽¹⁾ :					
Subscription solutions	4,291	8,504	16,790	3,284	5,033
Merchant solutions	485	5,009	26,433	3,898	10,749
	4,776	13,513	43,223	7,182	15,782
Gross profit	18,937	36,739	61,795	11,628	21,566
Operating expenses:					
Sales and marketing ⁽¹⁾	12,262	23,351	45,929	9,718	13,540
Research and development ⁽¹⁾⁽²⁾	6,452	13,682	25,915	6,086	7,313
General and administrative ⁽¹⁾	1,737	3,975	11,566	1,796	4,189
	20,451	41,008	83,410	17,600	25,042
Loss from operations	(1,514)	(4,269)	(21,615)	(5,972)	(3,476)
Other income (expense):					
Interest income, net	50	42	57	10	11
Loss on asset disposal		(73)	(100)		
Foreign exchange gain (loss)	232	(537)	(653)	(403)	(1,065)
	282	(568)	(696)	(393)	(1,054)
Net loss and comprehensive loss	\$ (1,232)	\$ (4,837)	\$ (22,311)	\$ (6,365)	\$ (4,530)

(1) Includes stock-based compensation expense as follows:

Year Ended December 31,	Three Months Ended March 31,
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	2012	2013	2014	2014	2015
	(in thousands)				
Cost of revenues	\$ 11	\$ 113	\$ 259	\$ 40	\$ 59
Sales and marketing	66	354	696	133	174
Research and development	282	1,152	2,776	869	779
General and administrative	49	147	712	73	428
Total stock-based compensation expense	\$ 408	\$ 1,766	\$ 4,443	\$ 1,115	\$ 1,440

(2) Net of refundable tax credits (\$902, \$891 and \$1,295 for the years ended December 31, 2012, 2013 and 2014, respectively, and \$240 and \$300 for the three months ended March 31, 2014 and 2015, respectively).

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	As of March 31, 2015		
	Actual	Pro Forma (in thousands)	Pro Forma As Adjusted ⁽¹⁾
Balance Sheet Information:			
Cash, cash equivalents and short-term investments	\$ 59,161	\$ 59,161	\$ 148,454
Working capital	43,556	43,556	132,849
Total assets	97,326	97,326	186,619
Total liabilities	32,571	32,571	32,571
Shareholders' equity	64,755	64,755	154,048

(1) A \$1.00 increase (decrease) in the assumed initial public offering price of \$13.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) pro forma as adjusted cash, cash equivalents and short-term investments, working capital, total assets and shareholders' equity by \$7,161, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

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RISK FACTORS

An investment in our Class A subordinate voting shares involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this prospectus, including our financial statements and related notes thereto, before deciding to invest in our Class A subordinate voting shares. The occurrence of any of the following risks could have a material adverse effect on our business, financial condition, results of operations and future prospects. In these circumstances, the market price of our Class A subordinate voting shares could decline, and you may lose all or part of your investment. This prospectus 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 Cautionary Note Regarding Forward-Looking Statements.

Risks Related to Our Business and Industry

Our rapid growth may not be sustainable and depends on our ability to attract new merchants, retain 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 subscription plans typically have a one-month term, although a small percentage of our merchants have annual or multi-year subscription terms. Our merchants have no obligation to renew their subscriptions after their subscription term expires. 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. In fact, we have historically experienced merchant turnover as a result of many of our merchants being SMBs that are more susceptible than larger businesses to general economic conditions and other risks affecting their businesses. Further, many of these SMBs are in the entrepreneurial stage of their development and there is no guarantee that their businesses will succeed. Our costs associated with subscription renewals are substantially lower than costs associated with generating revenue from new merchants or costs associated with generating sales of additional solutions to existing merchants. Therefore, if we are unable to retain merchants, even if such losses are offset by an increase in new merchants or an increase in other revenues, our operating results could be adversely impacted.

We may also fail to attract new merchants, retain 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;

competitive factors affecting the software as a service, or SaaS, business software applications market, 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;

a decline in our merchants' level of satisfaction with our platform and merchants' usage of our platform;

changes in our relationships with third parties, including our partners, app developers, theme designers, referral sources and payment processors;

the timeliness and success of our solutions;

the frequency and severity of any system outages;

technological change; 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.

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Additionally, 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. To the extent our growth rate slows, our business performance will become increasingly dependent on our ability to retain existing merchants and increase sales to existing merchants.

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

The rapid growth we have experienced 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.

Our growth has placed, and will likely continue to place, a significant strain on our managerial, administrative, operational, financial and other resources. We have grown from 131 employees at December 31, 2012 to 632 employees at March 31, 2015. We intend to further expand our overall business, including headcount, with no assurance that our revenues will continue to grow. As we grow, we will be required to continue to improve our operational and financial controls and reporting procedures and we may not be able to do so effectively. In addition, some members of our management do not have significant experience managing a large global business operation, so our management may not be able to manage such growth effectively. As such, we may be unable to manage our expenses effectively in the future, which may negatively impact our gross profit or operating expenses.

In addition, we believe that an important contributor to our success has been our corporate culture, which we believe fosters innovation, teamwork, passion for our merchants and a focus on attractive designs and technologically advanced and well-crafted software. Most of our employees have been with us for fewer than two years as a result of our rapid growth. As we continue to grow, we must effectively integrate, develop and motivate a growing number of new employees. As a result, we may find it difficult to maintain our corporate culture, 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, continue to perform at current levels or execute on our business strategy.

We have a history of losses and we may be unable to achieve profitability.

We incurred net losses of \$1.2 million in 2012, \$4.8 million in 2013 and \$22.3 million in 2014. We also incurred net losses of \$6.4 million and \$4.5 million in the three months ended March 31, 2014 and 2015, respectively. At March 31, 2015, we had an accumulated deficit of \$33.6 million. These losses and accumulated deficit are 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 continue to spend on marketing activities and expand our partner referral programs. 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 comply with continuously changing security and operational requirements, we plan to continue investing in our data center and network infrastructure. These increased expenditures will make it harder for us to achieve profitability and we cannot predict if we will achieve 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 also expect to

incur additional general and administrative expenses as a result of both

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our growth and the increased costs associated with being a public company. Our expenses may be greater than we anticipate, and our investments to make our business and our technical infrastructure more efficient may not be successful. Increases in our costs may adversely affect our business and profitability.

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

We launched the Shopify platform in 2006 and the majority of our revenue growth has occurred in 2013 and 2014. This short history makes it difficult to accurately assess our future prospects. We also operate in a new and developing market that may not develop as we expect. You should consider our future prospects in light of the challenges and uncertainties that we face, including the fact that our business has grown rapidly and it may not be possible to discern fully the trends that we are subject to, that we operate in a new and developing market and that 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 will be harmed.

If we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform 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 a platform that provides them with the tools they need to operate their businesses. Our ability to attract new merchants, retain 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.

We may experience difficulties with software development that could delay or prevent the development, introduction or implementation of new solutions and enhancements. Software development involves a significant amount of time for our research and development team, as it can take our developers 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. To the extent we are not able to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform in a manner that responds to our merchants' evolving needs, our business, operating results and financial condition will be adversely affected.

Payment transactions on Shopify Payments may subject us to regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business.

Many of our merchants use Shopify Payments, an integrated payment processing solution that allows them to accept payments on major payment cards. We are subject to a number of risks related to payments processed through Shopify Payments, including:

we pay interchange and other fees, which may increase our operating expenses;

if we are unable to maintain our chargeback rate at acceptable levels, our credit card fees may increase or credit card issuers may terminate their relationship with us;

increased costs and diversion of management time and effort and other resources to deal with fraudulent transactions or chargeback disputes;

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potential fraudulent or otherwise illegal activity by merchants, their customers, developers, employees or third parties;

restrictions on funds or required reserves related to payments; and

additional disclosure and other requirements, including new 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 fines they are assessed by payment card networks as a result of any rule violations by us or our merchants. The payment card networks 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 or terminate our ability to accept credit card payments or other forms of online payments from customers, which would have an adverse effect on our business, financial condition and operating results.

If we fail to comply with the rules and regulations adopted by the payment card networks, including the Payment Card Industry Data Security Standard, or 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 are currently subject to a variety of laws and regulations in Canada, the United States, the United Kingdom and elsewhere related to payment processing, including those governing cross-border and domestic money transmission, gift cards and other prepaid access instruments, electronic funds transfers, foreign exchange, anti-money laundering, counter-terrorist financing, banking and import and export restrictions. Depending on how Shopify Payments and our other merchant solutions evolve, we may be subject to additional laws in Canada, the United States, the United Kingdom and elsewhere. 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.

We rely on a single supplier to provide the technology we offer through Shopify Payments.

In order to provide Shopify Payments, we have entered into payment service provider agreements with Stripe Inc., or Stripe. These payment service provider agreements renew every 12 months, unless either party provides a notice of termination prior to the end of the then current term. These agreements are integral to Shopify Payments and any disruption or problems with Stripe or its services could have an adverse effect on our reputation, results of operations and financial results. If Stripe were to terminate its relationship with us, we could incur substantial delays and expense in finding and integrating an alternative payment service provider into Shopify Payments, and the quality and reliability of such alternative payment service provider may not be comparable. Any long term or permanent disruption in Shopify Payments would decrease our revenues from merchant solutions, since our merchants would be required to use one of the alternative payment gateways offered through our platform.

If our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our merchants.

Software such as ours often contains 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

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released. Despite internal testing, our platform may contain serious errors or defects, security vulnerabilities or software bugs that we may be unable to successfully correct in a timely manner or at all, which could result in lost revenue, significant expenditures of capital, a delay or loss in market acceptance 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.

Since our merchants use our services for processes that are critical to their businesses, errors, defects, security vulnerabilities, service interruptions or software bugs in our platform could result in losses to our merchants. Our merchants may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. Further, a merchant could share information about bad experiences on social media, which could result in damage to our reputation and loss of future sales. There can be no assurance that provisions typically included in our agreements with our merchants that attempt to limit our exposure to claims would be enforceable or adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if not successful, a claim brought against us by any of our merchants would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our solutions.

A denial of service attack or security breach could delay or interrupt service to our merchants and their customers, harm our reputation or subject us to significant liability.

In the past, we have been subject to distributed denial of service, or DDoS, attacks, a technique used by hackers to take an internet service offline by overloading its servers. Our platform and our third-party apps may be subject to DDoS attacks in the future and we cannot guarantee that applicable recovery systems, security protocols, network protection mechanisms and other procedures are or will be adequate to prevent network and service interruption, system failure or data loss. Moreover, our platform and our third-party apps could be breached if vulnerabilities in our platform or our third-party apps are exploited by unauthorized third parties. Since techniques used to obtain unauthorized access change frequently and the size of DDoS attacks is increasing, we may be unable to implement adequate preventative measures or stop the attacks while they are occurring. A DDoS attack or security breach could delay or interrupt service to our merchants and their customers and may deter consumers from visiting our merchants shops. In addition, any actual or perceived DDoS attack or security breach 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 alleviate problems caused by the DDoS attack or security breach. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data and our agreements with certain merchants require us to notify them in the event of a security incident. Such mandatory disclosures could lead to negative publicity 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 another SaaS provider, merchants may lose trust in the security of the SaaS business model generally, which could adversely impact our ability to retain existing merchants or attract new ones.

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

Our merchants often draw significant numbers of consumers 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 on our servers and the 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 solutions. In the future, we may be required

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to allocate resources, including spending substantial amounts of money, to build, purchase or lease additional data centers and 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 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.

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 relationships with our app developers, theme designers, referral sources, resellers, payment processors and other partners. In addition to growing our third-party partner ecosystem, we intend to pursue additional relationships with other third-parties, such as technology and content providers and implementation consultants. 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 the direct contractual relationships with the merchants, and therefore we risk the loss of such merchants if the third parties fail to perform their obligations. Our agreements with providers of cloud hosting, technology, content and consulting services 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. 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, these 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.

If we fail to maintain a consistently high level of customer service, our brand, business and financial results may be harmed.

We believe our focus on customer service and support is critical to onboarding new merchants and retaining our existing merchants and growing our business. As a result, we have invested heavily in the quality and training of our support team along with the tools they use to provide this service. If we are unable to maintain a consistently high level of customer service, we may lose existing merchants. In addition, our ability to attract new merchants is highly dependent on our reputation and on positive recommendations from our existing merchants. Any failure to maintain a consistently high level of customer service, or a market perception that we do not maintain high-quality customer service, could adversely affect our reputation and the number of positive merchant referrals that we receive.

We use a limited number of data centers to deliver our services. Any disruption of service at these facilities could harm our business.

We currently manage our services and serve all of our merchants from two third-party data center facilities. While we own the hardware on which our platform runs and deploy this hardware to the data center facilities, we do not control the operation of these facilities. We have experienced, and may in the future experience, failures at the third-party data centers where our hardware is deployed from time to time. Data centers are vulnerable to damage or interruption from human error, intentional bad acts, earthquakes, hurricanes, floods, fires, war, terrorist attacks, power losses, hardware

failures, systems failures,

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telecommunications failures and similar events. Any of these events could result in lengthy interruptions in our services. Changes in law or regulations applicable to data centers in various jurisdictions could also cause a disruption in service. 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. The performance, reliability and availability of our platform is critical to our reputation and our ability to attract and retain merchants. Merchants could share information about bad 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.

Our agreements with our third-party data facility providers terminate on May 31, 2016 and September 23, 2017, respectively. The agreements do not provide for early termination without cause, as defined therein. Upon expiration of the initial term, both agreements will automatically renew for successive 12 month periods unless appropriate notice is provided. However, when our agreements with the third-party data facilities terminate, the owners of the data facilities have no obligation to renew their agreements with us on commercially reasonable terms, or at all. If we are unable to renew these agreements on commercially reasonable terms, or if the owners of the data facilities decide to close such facilities, we may be required to transfer to new data center facilities and we may incur costs and possible service interruption in connection with doing so.

Mobile devices are increasingly being used to conduct commerce, and if our solutions do not operate as effectively when accessed through these devices, our merchants and their customers may not be satisfied with our services, which could harm our business.

We are dependent on the interoperability of our platform with third-party mobile devices and mobile operating systems as well as web browsers that we do not control. Any changes in such devices, systems or web browsers that degrade the functionality of our platform or give preferential treatment to competitive services could adversely affect usage of our platform. Effective mobile functionality is integral to our long-term development and growth strategy. In the event that our merchants and their customers have difficulty accessing and using our platform on mobile devices, our business and operating results could be adversely affected.

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 consumers 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 consumers 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 merchants to access our platform or consumers to access our merchants' shops, may make it more difficult for us to maintain or increase our revenues and could adversely impact our business and prospects.

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

A majority of the merchants that use our platform are SMBs and many of our merchants are in the entrepreneurial stage of their development. Our performance is subject to worldwide economic conditions and their impact on levels of spending by SMBs and their customers. SMBs and entrepreneurs may be disproportionately affected by economic

downturns. SMBs and entrepreneurs frequently have limited budgets and may choose to allocate their spending to items other than our platform, especially in times of economic uncertainty or recessions.

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Economic downturns may also adversely impact retail sales, 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. Weakening 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.

We store personally identifiable information of our merchants and their customers. If the security of this information is compromised or otherwise subjected to unauthorized access, our reputation may be harmed and we may be exposed to liability.

We store personally identifiable information, credit card information and other confidential information of our merchants and their customers. The third-party apps sold on our platform may also store personally identifiable information, credit card information and other confidential information of our merchants and their customers. We do not regularly monitor or review the content that our merchants upload and store and, therefore, do not control the substance of the content on our servers, which may include personal information. We may experience successful attempts by third parties to obtain unauthorized access to the personally identifiable information of our merchants and their customers. This information could also be otherwise exposed through human error or malfeasance. The unauthorized access or compromise of this personally identifiable information could have an adverse affect on our business, financial condition and results of operations.

We are also subject to federal, state, provincial and foreign laws regarding privacy and protection of data. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data and our agreements with certain merchants require us to notify them in the event of a security incident. We post on our website our privacy policy and terms of service, which describe our practices concerning the use, transmission and disclosure of merchant data and data relating to their customers. In addition, the interpretation of data protection laws in the United States, Canada and elsewhere, and their application to the internet, is unclear and in a state of flux. There is a risk that these laws may be interpreted and applied in conflicting ways from jurisdiction to jurisdiction, and in a manner that is not consistent with our current data protection practices. Changes to such data protection laws may impose more stringent requirements for compliance and impose significant penalties for non-compliance. Any such new laws or regulations, or changing interpretations of existing laws and regulations, may cause us to incur significant costs and effort to ensure compliance. Because our services are accessible worldwide, certain foreign jurisdictions may claim that we are required to comply with their laws, including in jurisdictions where we have no local entity, employees or infrastructure.

Our failure to comply with federal, state, provincial and foreign laws regarding privacy and protection of data could lead to significant fines and penalties imposed by regulators, as well as claims by our merchants or their customers. These proceedings or violations could force us to spend money in defense or settlement of these proceedings, result in the imposition of monetary liability, diversion of management's time and attention, increase our costs of doing business, and 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 both our merchants and their customers 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 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 also cannot be sure that our existing general liability 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.

Table of Contents***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 intellectual property rights are important to our business. We rely on a combination of confidentiality clauses with employees and third parties, trade secrets, copyrights and trademarks to protect our intellectual property and competitive advantage, 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 no issued patents and thus 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 enter into confidentiality and invention assignment 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 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 advantages.

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

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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.

We may be subject to claims by third-parties of intellectual property infringement.

The software industry is 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, 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, in recent years, non-practicing entities have begun purchasing intellectual property assets for the purpose of making claims of infringement and attempting to extract settlements from companies like ours. 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.

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 or re-brand our solutions. 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 and otherwise negatively affect our business and operating results.

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,

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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 certain 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 software, 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 do not have robust open source software usage policies or monitoring procedures in place. 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 advantage, 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.

We rely on search engines and social networking sites to attract a meaningful portion of our merchants. If we are not able to generate traffic to our website through search engines and social networking sites, our ability to attract new merchants may be impaired. In addition, if our merchants are not able to generate traffic to their shops through search engines and social networking sites, their ability to attract consumers may be impaired.

Many of our merchants locate our website through internet search engines, such as Google, and advertisements on social networking sites, such as Facebook. The prominence of our website in response to internet searches is a critical factor in attracting potential merchants to our platform. If we are listed less prominently or fail to appear in search results for any reason, visits to our website could decline significantly, and we may not be able to replace this traffic.

Similarly, many consumers locate our merchants' shops through internet search engines and advertisements on social networking sites. If our merchants' shops are listed less prominently or fail to appear in search results for any reason, visits to our merchants' shops could decline significantly. As a result, our merchants' businesses may suffer, which would affect the GMV that they process through our platform and could affect the ability of such merchants to pay for our solutions.

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Search engines revise their algorithms from time to time in an attempt to optimize their search results. If search engines modify their algorithms, our website and our merchants' shops may appear less prominently or not at all in search results, which could result in reduced traffic to our website and to our merchants' shops.

Additionally, if the price of marketing our solutions over search engines or social networking sites increases, we may incur additional marketing expenses or may be required to allocate a larger portion of our marketing spend to search engine marketing and our business and operating results could be adversely affected. Furthermore, competitors may in the future bid on the search terms that we use to drive traffic to our website. Such actions could increase our marketing costs and result in decreased traffic to our website. In addition, search engines or social networking sites may change their advertising policies from time to time. If any change to these policies delays or prevents us from advertising through these channels, it could result in reduced traffic to our website and sales of our solutions. As well, new search engines or social networking sites may develop, particularly in specific jurisdictions, that reduce traffic on existing search engines and social networking sites, and if we are not able to achieve prominence through advertising or otherwise, we may not achieve significant traffic to our website through these new platforms and our business and operating results could be adversely affected.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage 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, may harm our reputation and brand. We may introduce new solutions or terms of service that our merchants and their customers do not like, which may negatively affect our brand. Additionally, if our merchants or their customers have a negative experience using our solutions or third-party solutions integrated with Shopify, such an experience may affect our brand. Our Shopify Experts 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 believe that the importance of brand recognition will 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. While we market our platform primarily through advertisements on search engines and social networking and media sites, and paid banner advertisements on other websites, our platform is also marketed through our partner and reseller channels and through a number of free traffic sources, including customer referrals, word-of-mouth and search engines. We have also recently begun to hire sales personnel to market Shopify Plus, a subscription plan for merchants with higher volume sales and additional functionality requirements, introducing additional costs with no assurance of success. Our efforts to market our brand have involved significant expenses, which we intend to increase. Our marketing spend may not yield increased revenue, and even if it does, any increased revenue may not offset the expenses we incur in building and maintaining our brand.

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. The 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 employees with high levels of experience

in designing and developing software and internet-related services, will be

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critical to our future success. Competition for highly skilled personnel in the Ottawa area, Greater Toronto area, Montreal area, Kitchener-Waterloo area and elsewhere can be intense due in part to the more limited pool of qualified personnel as compared to other places in the world, and we have experienced difficulties hiring employees from foreign jurisdictions to work in our offices. Further, 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 qualified personnel. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information. While we intend to issue stock options or other 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. Most of our employees have outstanding options or directly own some shares. The ability to either exercise their options or sell their shares in a public market after the completion of this offering may lead to a larger than normal turnover rate.

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 Chief Executive Officer, Tobias Lütke, and other key employees to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of our strategic objectives. In addition, some of the members of our current senior management team have only been working together for a short period of time, which could adversely impact our ability to achieve our goals. 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. We do not maintain key person life insurance policies on any of our employees other than a policy providing limited coverage on the life of our Chief Executive Officer. 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 and operating results and require significant amounts of time, training and resources to find suitable replacements and integrate them within our business, and could affect our corporate culture.

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

Our terms of service prohibit our merchants from using our platform to engage in illegal activities and our terms of service permit us to take down a merchant's shop if we become aware of such illegal use. Merchants may nonetheless engage in prohibited or illegal activities or upload store content in violation of applicable laws, which could subject us to liability. Furthermore, our brand may be negatively impacted by the actions of merchants that are deemed to be hostile, offensive, inappropriate or illegal. We do not proactively monitor or review the appropriateness of the content of our merchants' shops and we do not have control over merchant activities. 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.

Exchange rate fluctuations may negatively affect our results of operations.

While most of our revenues are denominated in U.S. dollars, the majority 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. Exchange rate fluctuations may also

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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. The value of the Canadian dollar relative to the U.S. dollar has varied significantly and investors are cautioned that past and current exchange rates are not indicative of future exchange rates.

Our operating results are subject to seasonal fluctuations.

Our merchant solutions revenues are directionally correlated with the level of GMV that our merchants process through our platform. Our merchants historically have processed additional GMV during the 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 sales activity or performance.

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

We currently have merchants in approximately 150 countries. 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 universal terms of service and other agreements;

lack of familiarity and burdens and complexity involved with complying with multiple, conflicting and changing foreign laws, standards, regulatory requirements, tariffs, export controls and other barriers;

difficulties in ensuring compliance with countries' multiple, conflicting and changing international trade, customs and sanctions laws;

data privacy laws which may require that merchant and customer data be stored and processed in a designated territory;

difficulties in managing systems integrators and technology partners;

differing technology standards;

potentially adverse tax consequences, including the complexities of foreign value added tax (or other tax) systems and restrictions on the repatriation of earnings;

uncertain political and economic climates;

currency exchange rates;

reduced or uncertain protection for intellectual property rights in some countries; and

new and different sources of competition.

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 impact from our international business efforts could adversely affect our business, results of operations and financial condition.

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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 provide third-party apps and themes that our merchants desire to add to their shops, demand for our platform could decline.

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 offerings or alter the terms governing the use of their offerings in a manner that is adverse to us. If we are unable to maintain technical interoperation, 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. Further, third-party developers may refuse to partner with us or limit or restrict our access to their offerings. 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 need for their shops, or to 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 customers expect, which would negatively impact our offerings and, as a result, harm our business.

We rely on computer hardware, purchased or leased, 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.

We rely on computer hardware, purchased or leased, 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. Third-party hardware, software and services may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use or any failures of third-party hardware, software or services could result in delays in our ability to provide our solutions or run our business until equivalent hardware, software or services are developed by us or, if available, identified, obtained and integrated, which could be costly and time-consuming and may not result in an equivalent solution, any of which could cause an adverse effect on our business and operating results. Further, merchants could assert claims against us in connection with such service disruption or cease conducting business with us altogether. Even if not successful, a claim brought against us by any of our merchants would likely be time-consuming and costly to defend and could seriously damage our reputation and brand, making it harder for us to sell our solutions.

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 to grow in the future. 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. As a result, our potential 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. In addition, 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.

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 including: by integrating competing platforms or features into products they control such as search engines, web browsers, mobile device operating systems or social

networks; by making acquisitions; or by making access to our platform more difficult. Further, current and future competitors could choose to offer a

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different pricing model or to undercut prices in an effort to increase their market share. If we cannot compete successfully against current and future competitors, our business, results of operations and financial condition could be negatively impacted.

We do not have the history with our solutions or pricing models necessary to accurately predict optimal pricing necessary to attract new merchants and retain existing merchants.

We have limited experience determining the optimal prices for our solutions. We have changed our pricing model from time to time and expect to do so in the future. For example, in February 2014, we launched Shopify Plus. Given our limited experience with selling new solutions, we may not offer new solutions at the optimal price, which may result in our solutions not being profitable or not gaining market share. As competitors introduce new solutions that compete with ours, especially in the payments space where we face significant competition, we may be unable to attract new merchants at the same price or based on the same pricing models as we have used historically. Pricing decisions may also impact the mix of adoption among our plans and negatively impact our overall revenue. Moreover, SMBs, which comprise the majority of merchants using our platform, may be quite sensitive to price increases or prices offered by competitors. As a result, 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.

We have in the past made and in the future may make acquisitions 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 strategic acquisition or investment opportunities. Any transactions that we enter into could be material to our financial condition and results of operations. The process of acquiring and integrating another company or technology could create unforeseen operating difficulties and expenditures. Acquisitions 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;

in the case of an acquisition, difficulty integrating the accounting systems and operations of the acquired company, including potential risks to our corporate culture;

in the case of an acquisition, 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 and difficulty converting the customers of the acquired company onto our platform and contract terms, including disparities in the revenues, licensing, support or professional services model of the acquired company;

in the case of an acquisition, retention and integration of employees from the acquired company;

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;

litigation or other claims arising in connection with the acquired company or investment; 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.

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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, 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.

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 pursuit of business opportunities.

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. At this time we have made no commitments or agreements with respect to any such transaction.

Provisions of our debt instruments may restrict our ability to pursue our business strategies.

We currently have two credit facilities, one of which is collateralized by substantially all of our assets. Our credit facilities require us, and 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.

These restrictions could inhibit our ability to pursue our business strategies. If we default under a credit facility, and such event of default is not cured or waived, the lenders could terminate commitments to lend and cause all amounts outstanding with respect to the debt to be due and payable immediately, which in turn could result in cross-defaults under our other debt instruments. Our assets and cash flow may not be sufficient to fully repay borrowings under all of our outstanding debt instruments if some or all of these instruments are accelerated upon a default.

We may also incur additional indebtedness in the future. The instruments governing such indebtedness could contain provisions that are as, or more, restrictive than our existing debt instruments. If we are unable to repay, refinance or restructure our 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.

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

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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.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition.

With sales in various countries, we are subject to taxation in several 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 addition, the authorities in Canada and other jurisdictions could review our tax returns and impose additional tax, interest and penalties, which could have an impact on us and our results of operations. We previously have participated in government programs with both the Canadian federal government and the Government of Ontario that provide investment tax credits based upon qualifying research and development expenditures. If Canadian taxation authorities successfully challenge such expenses or the correctness of such income tax credits claimed, our historical operating results could be adversely affected. As a public company, we will no longer be eligible for refundable tax credits under the Canadian federal Scientific Research and Experimental Development Program, or SR&ED credits.

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

changes in the valuation of our deferred tax assets and liabilities;

expected timing and amount of the release of any tax valuation allowances;

tax effects of stock-based compensation;

costs related to intercompany restructurings;

changes in tax laws, regulations or interpretations thereof; 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 through our subsidiaries pursuant to transfer pricing arrangements and may in the future conduct operations in other jurisdictions pursuant to similar arrangements. If two or more

affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arms length. While we believe that we operate in compliance with applicable transfer pricing laws and intend to continue to do so, our transfer pricing procedures are not binding on applicable tax authorities. If tax authorities in any of these countries were to successfully challenge our transfer prices as not reflecting arm s length transactions, they could require us to adjust our transfer prices and thereby reallocate our income to reflect these revised transfer prices, which could result in a higher tax liability to us.

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New tax laws could be enacted or existing laws could be applied to us or our merchants, which could increase the costs of our solutions and adversely impact our business.

The application of federal, state, provincial, local and foreign tax laws to solutions provided over the internet is evolving. New income, sales, use or other tax 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. These enactments could adversely affect our sales activity due to the inherent cost increase the taxes would represent, and could ultimately result in a negative impact on our results of operations and cash flows.

State tax authorities may seek to assess state and local business taxes and sales and use taxes. If we are required to collect sales and use taxes in additional jurisdictions, we might be subject to tax liability for past sales.

There is a risk that U.S. states could assert that we are liable for U.S. state and local business activity taxes, which are levied upon income or gross receipts, or for the collection of U.S. local sales and use taxes. This risk exists regardless of whether we are subject to U.S. federal income tax. States are becoming increasingly active in asserting nexus for business activity tax purposes and imposing sales and use taxes on products and services provided over the internet. We may be subject to U.S. state and local business activity taxes if a state tax authority asserts that our activities or the activities of our non-U.S. subsidiaries are sufficient to establish nexus. We could also be liable for the collection of U.S. state and local sales and use taxes if a state tax authority asserts that distribution of our solutions over the internet is subject to sales and use taxes. Each state has different rules and regulations governing sales and use taxes, and these rules and regulations are subject to varying interpretations that change over time. We review these rules and regulations periodically and, when we believe we are subject to sales and use taxes in a particular state, voluntarily engage state tax authorities in order to determine how to comply with their rules and regulations. If a state tax authority asserts that distribution of our solutions is subject to such sales and use taxes, the additional cost may decrease the likelihood that such merchants would purchase our solutions or continue to renew their subscriptions.

A successful assertion by one or more states requiring us to collect sales or other taxes on subscription service revenue could result in substantial tax liabilities for past transactions and otherwise harm our business. We cannot assure you that we will not be subject to sales and use taxes or related penalties for past sales in states where we currently believe no such taxes are required. New obligations to collect or pay taxes of any kind could increase our cost of doing business. In the quarter ended December 31, 2014, we determined that we owed amounts related to sales and use taxes in various states and local jurisdictions and as a result recorded a sales tax liability of \$2.2 million, which has been included in general and administrative expenses for the year ended December 31, 2014. During the first quarter of 2015, we registered in applicable states, filed all necessary voluntary disclosure agreements and began charging sales taxes to our merchants. As at March 31, 2015, we recorded an additional sales tax liability of \$0.6 million within general and administrative expenses.

We are dependent upon consumers and merchants willingness to use the internet for commerce.

Our success depends upon the general public's 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. If consumers or merchants become 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 consumers' 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.

Table of Contents**Risks Related to this Offering and Ownership of our Class A Subordinate Voting Shares**

The dual class structure that will be contained in our articles of incorporation has the effect of concentrating voting control and the ability to influence corporate matters with those shareholders who held our shares prior to our initial public offering, including our executive officers, employees and directors and their affiliates.

Our Class B multiple voting shares have 10 votes per share and our Class A subordinate voting shares, which are the shares we are selling in this offering, have one vote per share. Shareholders who hold Class B multiple voting shares, including our executive officers, employees and directors and their affiliates, will together hold approximately 98.9% of the voting power of our outstanding voting shares following this offering (assuming no exercise of the over-allotment option) and will therefore have significant influence over our management and affairs and over all matters requiring shareholder approval, including election of directors and significant corporate transactions.

In addition, because of the 10-to-1 voting ratio between our Class B multiple voting shares and Class A subordinate voting shares, the holders of our Class B multiple voting shares, collectively, will continue to control a majority of the combined voting power of our voting shares even where the Class B multiple voting shares represent a substantially reduced percentage of our total outstanding shares. The concentrated voting control of holders of our Class B multiple voting shares will limit 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 multiple voting shares will 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. 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 multiple voting shares. Additionally, the significant voting interest of holders of Class B multiple voting shares 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 one or more holders of Class B multiple voting shares.

Future transfers by holders of Class B multiple voting shares will generally result in those shares converting to Class A subordinate voting shares, which will have the effect, over time, of increasing the relative voting power of those holders of Class B multiple voting shares who retain their shares. If, for example, our Chief Executive Officer, Tobias Lütke, who will hold approximately 13.5% of our outstanding Class B multiple voting shares following this offering, retains a significant portion of his holdings of Class B multiple voting shares for an extended period of time, he could, in the future, control a significant percentage of the combined voting power of our Class A subordinate voting shares and Class B multiple voting shares. 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.

Our articles of incorporation will also amend certain default rights provided for under the CBCA for holders of Class B multiple voting shares and Class A subordinate voting shares to vote separately as a class for certain types of amendments to our articles. Specifically, neither the holders of the Class B multiple voting shares nor Class A subordinate voting shares shall be entitled to vote separately as a class upon a proposal to amend our 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

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176(1) of the CBCA. Pursuant to our amended articles of incorporation, neither holders of our Class A subordinate voting shares nor holders of our Class B multiple voting shares will be entitled to vote separately as a class on a proposal to amend our articles 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 multiple 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 amended articles of incorporation in respect of such exchange, reclassification or cancellation.

Pursuant to our amended articles of incorporation, holders of Class A subordinate voting shares and Class B multiple 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 multiple voting shares, each voting separately as a class.

An active, liquid and orderly trading market for our Class A subordinate voting shares may not develop, and you may not be able to resell your shares at or above the initial public offering price.

We have applied to have our Class A subordinate voting shares listed on the NYSE under the symbol SHOP and on the TSX under the symbol SH. There is currently no market through which our Class A subordinate voting shares may be sold and, if a market for our Class A subordinate voting shares does not develop or is not sustained, you may not be able to resell your Class A subordinate voting shares purchased in this offering. This may affect the pricing of the securities in the secondary market, the transparency and availability of trading prices, the liquidity of the securities and the extent of issuer regulation. The initial public offering price of our Class A subordinate voting shares will be determined through negotiations between us and the underwriters. This initial public offering price may not be indicative of the market price of our Class A subordinate voting shares after the offering. In the absence of an active trading market for our Class A subordinate voting shares, investors may not be able to sell their shares at or above the initial public offering price. We cannot predict the prices at which our Class A subordinate voting shares will trade.

The market price of our Class A subordinate voting shares may be volatile, which could result in substantial losses for investors purchasing shares in this offering.

The market price of our Class A subordinate voting shares could be subject to significant fluctuations after this offering, and it may decline below the initial public offering price. Some of the factors that may cause the market price of our Class A subordinate voting shares to fluctuate include:

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;

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, or the SEC, and Canadian securities regulators;

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the market's reaction to our reduced disclosure as a result of being an emerging growth company under the JOBS Act;

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 multiple 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 the prospectus.

In addition, the stock markets have historically experienced substantial price and volume fluctuations, particularly in the case of shares of technology companies. 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.

A significant portion of our total outstanding shares may be sold into the public market in the near future, which could cause the market price of our Class A subordinate voting shares to drop significantly.

Sales of a substantial number of our shares in the public market could occur at any time after the expiration of the 180-day contractual lock-up period described in the Underwriting section of this prospectus. These sales, or the market perception that the holders of a large number of shares intend to sell shares, could significantly reduce the market price of our Class A subordinate voting shares and the market price could decline below the initial public offering price. We cannot predict the effect, if any, that future public sales of these securities or the availability of these securities for sale will have on the market price of our Class A subordinate voting shares. If the market price of our Class A subordinate voting shares was to drop as a result, this might impede our ability to raise additional capital and might cause remaining shareholders to lose all or part of their investments.

After the closing of this offering, we will have 7,700,000 Class A subordinate voting shares and 66,737,417 Class B multiple voting shares outstanding (assuming no exercise of the over-allotment option). This includes the 7,700,000 Class A subordinate voting shares that we are selling in this offering, which may be resold in the public market immediately. We, our executive officers and directors, and the holders of substantially all of our outstanding Class B multiple voting shares, collectively representing 99.9% of our outstanding shares and options on a fully-diluted basis, have agreed with the underwriters that, subject to limited exceptions, for a period of 180 days after the date of this prospectus, we and they will not directly or indirectly offer, pledge, sell, contract to sell, grant any option to purchase or otherwise dispose of any Class A subordinate voting shares or Class B multiple voting shares or any securities

convertible into or exercisable or exchangeable for such shares, or in any manner transfer all or a portion of the economic consequences associated with the ownership of our Class A subordinate voting shares or Class B multiple voting shares, or cause a registration statement or prospectus relating to our Class A subordinate voting shares or Class B multiple voting shares to be filed, without the prior written consent of the designated representative of the underwriters, who may, in their sole discretion and at any time without notice, release all or any portion of the shares subject to these lock-up agreements. Following the expiration of the 180-day period, the Class A subordinate voting shares issuable upon conversion of the Class B multiple voting shares

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that will be outstanding immediately following completion of this offering will be available for sale in the public markets subject to restrictions under applicable securities laws. In addition, as of March 31, 2015, there were outstanding 15,245,654 options to acquire our common shares which, following completion of this offering, will be exercisable for Class B multiple voting shares. The Class A subordinate voting shares issuable upon conversion of the Class B multiple voting shares subject to these options will, to the extent permitted by any applicable vesting requirements, lock-up agreements and restrictions under applicable securities laws, also become eligible for sale in the public market.

Moreover, after this offering, certain of our shareholders will 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.

Purchasers in this offering will incur immediate and substantial dilution in the net tangible book value of their investment as a result of this offering.

The initial public offering price will be substantially higher than the net tangible book value per share immediately after this offering. If you purchase Class A subordinate voting shares in this offering, you will incur immediate and substantial dilution of \$11.01 per share, representing the difference between the assumed initial public offering price of \$13.00 per share and our pro forma net tangible book value per share as of March 31, 2015. Moreover, we issued options in the past to acquire common shares (which, following the amendment to our articles to redesignate our common shares as Class B multiple voting shares, will be exercisable for Class B multiple voting shares) at prices significantly below the assumed initial public offering price. As of March 31, 2015, there were 15,245,654 options issued and outstanding with a weighted average exercise price of \$1.58 per share. To the extent that these outstanding options are ultimately exercised, you will incur further dilution. For more information, see [Dilution](#).

We have not yet determined whether our existing internal controls over financial reporting are compliant with Section 404 of the Sarbanes-Oxley Act or National Instrument 52-109.

We are not currently required to comply with Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, or National Instrument 52-109 Certification of Disclosure in Issuers Annual and Interim Filings, or NI 52-109, of the Canadian Securities Administrators. As a result, we are not currently required to make an assessment of the effectiveness of our internal controls, or to deliver a report that assesses the effectiveness of our internal control over financial reporting. Pursuant to Section 404 of the Sarbanes-Oxley Act and the related rules adopted by the SEC and the Public Company Accounting Oversight Board, our management will be required to report on the effectiveness of our internal control over financial reporting starting with the second annual report that we file with the SEC after the consummation of this offering. We have elected to take advantage of certain exceptions from reporting requirements that are available to emerging growth companies under the JOBS Act and therefore our auditor will not be required to deliver an attestation report on the effectiveness of our internal control over financial reporting pursuant to Section 404 until after the date we are no longer an emerging growth company. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our shares held by non-affiliates exceeds \$700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31.

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We have not yet commenced the process of determining whether our existing internal controls over financial reporting are compliant with Section 404 or NI 52-109. This process will require the investment of substantial time and resources, including by our Chief Financial Officer and other members of our senior management. In addition, we cannot predict the outcome of this determination and whether we will need to implement remedial actions. The determination and any remedial actions required could result in us incurring additional costs that we did not anticipate. Irrespective of compliance with Section 404 or NI 52-109, 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.

We will incur increased costs and regulatory burden and devote substantial management time as a result of being a public company.

Prior to this offering, we were not subject to the continuous and timely disclosure requirements of Canadian and U.S. securities laws and the rules, regulations and policies of the NYSE and the TSX. As a public company, we will incur increased legal, accounting and other costs not incurred as a private company. We will be subject to, among other things, the Exchange Act, the rules and regulations of the Canadian Securities Administrators, the corporate governance requirements found in the Sarbanes-Oxley Act and related rules and regulations of the SEC, the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as the rules and regulations implemented by the NYSE and the TSX. We expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time consuming and costly. In addition, we expect that our management and other personnel will need to divert attention from operational and other business matters to devote substantial time to these public company requirements. We have made, and will continue to make, changes to our financial management control systems and other areas to manage our obligations as a public company, including corporate governance, corporate controls, disclosure controls and procedures and financial reporting and accounting systems. However, we cannot assure you that these and other measures that we might take will be sufficient to allow us to satisfy our obligations as a public company on a timely basis.

Our senior management team has limited experience managing a public company, and regulatory compliance may divert its attention from the day-to-day management of our business.

The individuals who now constitute our senior management team have limited experience managing a publicly-traded company and limited experience complying with the increasingly complex laws pertaining to public companies. Our senior management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under U.S. and Canadian securities laws. In particular, these new obligations will require substantial attention from our senior management and could divert their attention away from the day-to-day management of our business.

Because we do not expect to pay any dividends on our Class A subordinate voting shares for the foreseeable future, investors in this offering 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

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condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our board of directors may deem relevant.

Our management will have broad discretion over the use of the proceeds we receive from this offering and might not use them effectively, which could affect our results of operations and cause our share price to decline.

Our management will have broad discretion to use our net proceeds from this offering, and you will be relying on the judgment of our management regarding the application of these proceeds. Our management might not apply our net proceeds of this offering in ways that increase the value of your investment. Our management might not be able to yield a significant return, if any, on any investment of these net proceeds. You will not have the opportunity to influence our decisions on how to use our net proceeds from this offering.

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 will be 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 will not file the same reports that a U.S. domestic issuer would file with the SEC, although we will be 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 will be exempt from the rules and regulations under the Exchange Act related to the furnishing and content of proxy statements. We will also be 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 will have four months after the end of each fiscal year to file our annual report with the SEC and will not be required under the Exchange Act to file 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 intend to 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 corporate governance requirements. See Management Corporate Governance.

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 our shares are held in the United States and we fail to meet the additional requirements necessary to avoid loss of foreign private issuer

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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 provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer will be significantly more than the costs incurred as a Canadian foreign private issuer. If we are 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.

We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our Class A subordinate voting shares less attractive to investors.

We are an emerging growth company. For as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations and exemptions from the requirements of auditor attestation reports on the effectiveness of our internal control over financial reporting. We cannot predict if investors will find our Class A subordinate shares less attractive because we will rely on these exemptions. If some investors find our Class A subordinate shares less attractive as a result, there may be a less active trading market for our Class A subordinate voting shares and our share price may be more volatile. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our shares held by non-affiliates exceeds \$700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31.

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. A majority of our directors and executive officers and certain of the experts named in this prospectus reside 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.

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Our by-laws provide that any derivative actions, actions relating to breach of fiduciary duties and other matters relating to our internal affairs will be required to be litigated in Canada, which could limit your ability to obtain a favorable 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 amended 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 and certain Canadian legislation 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 amended articles of incorporation will 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 multiple voting shares. For example, preferred shares may rank prior to Class A subordinate voting shares and Class B multiple 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. 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 amended 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 amended articles of incorporation, including,

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in some circumstances, by separate class votes of holders of our Class A subordinate voting shares and Class B multiple voting shares.

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 multiple voting shares.

Our amended articles of incorporation permit us to issue an unlimited number of Class A subordinate voting shares and Class B multiple 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 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 multiple voting shares, there may be certain circumstances where additional Class B multiple voting shares may be issued, including upon receiving shareholder approval and pursuant to the exercise of stock options under the Legacy Option Plan that were granted prior to this offering. Any further issuances of Class A subordinate voting shares or Class B multiple 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 multiple 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 multiple voting shares and Class A subordinate voting shares.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are based on our management's current estimates, beliefs and assumptions, which are based on management's perception of historic trends, current conditions and expected future developments, as well as other factors management believes are appropriate in the circumstances. Although we believe that the plans, intentions, expectations, assumptions and strategies reflected in these 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 that may cause our actual results to be materially different from any future results expressed or implied by these forward-looking statements.

In some cases, you can identify forward-looking statements by terminology such as may, will, should, could, expect, intends, plans, anticipates, believes, estimates, predicts, projects, potential, continue or the negative or other comparable terminology. 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 prospectus include, but are not limited to, statements about:

the size of our addressable markets and our ability to serve those markets;

the achievement of advances in and expansion of our platform and our solutions;

our ability to predict future commerce trends and technology;

the growth of our merchants' revenues;

the growth of our third-party ecosystem, including formation of strategic partnerships;

potential selective acquisitions and investments;

the expansion of our platform internationally; and

the proposed use of proceeds of this offering.

Although the forward-looking statements contained in this prospectus are based upon what we believe are reasonable assumptions, investors are cautioned against placing undue reliance on these statements since actual results may vary from the forward-looking statements. Certain assumptions made in preparing the forward-looking statements include:

our ability to generate revenue while controlling our costs and expenses;

our ability to manage our growth effectively;

the absence of material adverse changes in our industry or the global economy;

trends in our industry and markets;

our ability to maintain good business relationships with our merchants, vendors and partners;

our ability to develop solutions that keep pace with the continuing changes in technology, evolving industry standards, changes to the regulatory environment, new product introductions by competitors and changing merchant preferences and requirements;

our ability to protect our intellectual property rights;

our continued compliance with third-party license terms and the non-infringement of third-party intellectual property rights;

our ability to manage and integrate acquisitions;

our ability to retain key personnel; and

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our ability to raise sufficient debt or equity financing to support our continued growth.
Forward-looking statements involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect our results. Factors that may cause actual results to differ materially from current expectations include:

our rapid growth may not be sustainable and depends on our ability to attract new merchants, retain existing merchants and increase sales to both new and existing merchants;

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

we have a history of losses and we may be unable to achieve profitability;

our limited operating history in a new and developing market makes it difficult to evaluate our current business and future prospects and may increase the risk that we will not be successful;

if we fail to improve and enhance the functionality, performance, reliability, design, security and scalability of our platform in a manner that responds to our merchants' evolving needs, our business may be adversely affected;

payment transactions on Shopify Payments may subject us to regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business;

we rely on a single supplier to provide the technology we offer through Shopify Payments;

if our software contains serious errors or defects, we may lose revenue and market acceptance and may incur costs to defend or settle claims with our merchants;

a denial of service attack or security breach could delay or interrupt service to our merchants and their customers, harm our reputation or subject us to significant liability;

we may be unable to achieve or maintain data transmission capacity;

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

if we fail to maintain a consistently high level of customer service, our brand, business and financial results may be harmed;

any disruption of service at our data facilities could harm our business;

if our solutions do not operate as effectively when accessed through mobile devices, our merchants and their customers may not be satisfied with our solutions;

changes to technologies used in our platform or new versions or upgrades of operating systems and internet browsers could adversely impact the process by which merchants and customers interface with our platform;

the impact of worldwide economic conditions, including the resulting effect on spending by SMBs, may adversely affect our business, operating results and financial condition;

if the security of personally identifiable information we store relating to merchants and their customers is breached or otherwise subjected to unauthorized access, our reputation may be harmed and we may be exposed to liability;

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;

we may be subject to claims by third-parties of intellectual property infringement;

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

if we are not able to generate traffic to our website through search engines and social networking sites, our ability to attract new merchants may be impaired and if our merchants are not able to

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generate traffic to their shops through search engines and social networking sites, their ability to attract consumers may be impaired;

if we fail to effectively maintain, promote and enhance our brand, our business and competitive advantage may be harmed;

if we are unable to hire, retain and motivate qualified personnel, our business will suffer;

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;

activities of merchants or the content of their shops could damage our brand, subject us to liability and harm our business and financial results;

exchange rate fluctuations may negatively affect our results of operations;

our operating results are subject to seasonal fluctuations;

our business is susceptible to risks associated with international sales and the use of our platform in various countries;

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 provide third-party apps and themes that our merchants desire to add to their shops, demand for our platform could decline;

we rely on computer hardware, purchased or leased, 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;

we may not be able to compete successfully against current and future competitors;

we do not have the history with our solutions or pricing models necessary to accurately predict optimal pricing necessary to attract new merchants and retain existing merchants;

we have in the past made and in the future may make acquisitions and investments that 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;

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;

unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition;

new tax laws could be enacted or existing laws could be applied to us or our merchants, which could increase the costs of our solutions and adversely impact our business;

if we are required to collect sales and use taxes in additional jurisdictions, we might be subject to tax liability for past sales; and

we are dependent upon consumers' and merchants' willingness to use the internet for commerce.

These risks are described in further detail in the section entitled "Risk Factors" and elsewhere in this prospectus. 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 prospectus and the documents that we reference in this prospectus and have filed with the SEC as exhibits to the registration statement, of which this prospectus is a part, 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.

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The forward-looking statements in this prospectus represent our views as of the date of this prospectus. 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 prospectus.

PRESENTATION OF FINANCIAL INFORMATION

We prepare and report our consolidated financial statements in accordance with accounting principles generally accepted in the United States, or U.S. GAAP. We maintain our books and records in U.S. dollars.

We have made rounding adjustments to some of the figures included in this prospectus. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that precede them.

EXCHANGE RATE DATA

We express all amounts in this prospectus in U.S. dollars, except where otherwise indicated. References to \$ and US\$ are to U.S. dollars and references to C\$ are to Canadian dollars. The following table sets forth, for the periods indicated, the high, low, average and end of period noon rates of exchange for one U.S. dollar, expressed in Canadian dollars, published by the Bank of Canada during the respective periods.

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
Highest rate during the period	1.0418	1.0697	1.1643	1.1279	1.2835
Lowest rate during the period	0.9710	0.9839	1.0614	1.0589	1.1599
Average noon spot rate for the period ⁽¹⁾	0.9994	1.0345	1.1084	1.1028	1.2403
Rate at the end of the period	0.9949	1.0636	1.1601	1.1050	1.2686

(1) Determined by averaging the rates on the last day of each month during the respective period. On May 5, 2015, the Bank of Canada noon rate of exchange was \$1.00 = C\$1.2040.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the market in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, on assumptions that we have made based on that data and other similar sources, and on our knowledge of the markets for our services. Projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

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USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately \$89.3 million based upon an assumed initial public offering price of \$13.00 per Class A subordinate voting share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters' over-allotment option to purchase additional shares in this offering is exercised in full, we estimate that our net proceeds will be approximately \$103.3 million, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$13.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by approximately \$7.2 million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of one million shares in the number of Class A subordinate voting shares offered by us would increase (decrease) the net proceeds to us from this offering by approximately \$12.1 million, assuming the assumed initial public offering price remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The principal reasons for this offering are to increase our capitalization and financial flexibility, increase our visibility in the marketplace and create a public market for our Class A subordinate voting shares. We currently expect to use the net proceeds from this offering to strengthen our balance sheet, providing us flexibility to fund our growth strategies that may include: increasing our investment in sales and marketing, research and development and general and administrative functions; investing in maintaining our high level of merchant service and support; continuing to invest in our data centers and network infrastructure; and future acquisitions. See Business Growth Strategy. As a result of our significant growth in recent periods and the fact that we operate in a rapidly evolving market, we do not believe we can provide the approximate amounts of the proceeds that will be allocated to each of these purposes with certainty. As such, we have not specifically allocated the net proceeds amongst these purposes as at the date of this prospectus. Such decisions will depend on market and competitive factors as they evolve over time. Pending their use, we intend to invest the net proceeds to us from this offering in short-term, investment grade, interest bearing instruments or hold them as cash.

While we currently anticipate that we will use the net proceeds from the offering as outlined above, the actual use of the net proceeds may vary depending upon numerous factors, including our operating costs and capital expenditure requirements, our strategy relative to the market and other conditions in effect at the time, as well as the other factors described under Risk Factors in this prospectus. Accordingly, we will retain the discretion to allocate the net proceeds of this offering, and we reserve the right to change the allocation of the net proceeds from time to time.

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DIVIDEND POLICY

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. However, any future determination as to the declaration and payment of dividends 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.

Table of Contents**CAPITALIZATION**

The following table sets forth our cash, cash equivalents and short-term investments and consolidated capitalization as of March 31, 2015:

on an actual basis;

on a pro forma basis to give effect to the amendment and redesignation of our common shares as Class B multiple voting shares, which will occur immediately prior to the consummation of this offering, and the conversion of all of our outstanding Series A, Series B and Series C convertible preferred shares into Class B multiple voting shares, which will occur upon the consummation of this offering; and

on a pro forma as adjusted basis to give effect to the transactions described above as well as the issuance by us of 7,700,000 Class A subordinate voting shares in this offering at an assumed initial public offering price of \$13.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma and pro forma as adjusted information below is illustrative only, and our cash, cash equivalents and short-term investments and consolidated capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of our initial public offering determined at pricing. You should read this table together with Selected Historical Consolidated Financial Information, Management's Discussion and Analysis of Financial Condition and Results of Operations, Use of Proceeds and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of March 31, 2015		
	Actual	Pro Forma (in thousands)	Pro Forma As Adjusted⁽⁵⁾
Cash, cash equivalents and short-term investments	\$ 59,161	\$ 59,161	\$ 148,454
Long-term debt	\$	\$	\$
Shareholders' equity:			
Preferred shares ⁽¹⁾	87,056		
Common shares ⁽²⁾	4,303		
Class A subordinate voting shares ⁽³⁾			89,293
Class B multiple voting shares ⁽⁴⁾		91,359	91,359
Additional paid-in-capital	6,990	6,990	6,990
Accumulated deficit	(33,594)	(33,594)	(33,594)
Total shareholders' equity	64,755	64,755	154,048
Consolidated capitalization	\$ 64,755	\$ 64,755	\$ 154,048

- (1) Actual: Series A convertible preferred shares 13,025,765 shares authorized, issued and outstanding; Series B convertible preferred shares 7,247,070 shares authorized, issued and outstanding; Series C convertible preferred shares 6,886,442 shares authorized, issued and outstanding. Pro forma and pro forma as adjusted: preferred shares no shares authorized, issued or outstanding.
- (2) Actual: unlimited shares authorized; 39,574,306 shares issued and outstanding, which includes 110,262 shares issued and held in escrow in connection with certain historical acquisitions. Pro forma and pro forma as adjusted: no shares authorized, issued or outstanding.
- (3) Actual: no shares authorized, issued or outstanding. Pro forma: unlimited shares authorized; no shares issued and outstanding; Pro forma as adjusted: unlimited shares authorized; 7,700,000 shares issued and outstanding.

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- (4) Actual: no shares authorized, issued or outstanding. Pro forma and pro forma as adjusted: unlimited shares authorized, 66,737,417 shares issued and outstanding, which includes 110,262 shares issued and held in escrow in connection with certain historical acquisitions.
- (5) A \$1.00 increase (decrease) in the assumed initial public offering price of \$13.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) pro forma as adjusted cash, cash equivalents and short-term investments and shareholders' equity by \$7,161, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us.

Table of Contents**DILUTION**

If you invest in our Class A subordinate voting shares in this offering, your interest will be immediately diluted to the extent of the difference between the initial public offering price per Class A subordinate voting share and the pro forma as adjusted net tangible book value per share immediately after this offering.

Our historical net tangible book value as of March 31, 2015 was \$59.0 million, or \$0.88 per share. The historical net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of common shares outstanding as of March 31, 2015.

Our pro forma net tangible book value as of March 31, 2015 was \$59.0 million, or \$0.88 per share. Pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of Class A subordinate voting shares and Class B multiple voting shares outstanding as of March 31, 2015 after giving effect to (1) the amendment and redesignation of our common shares as Class B multiple voting shares and (2) the conversion of all of our outstanding Series A, Series B and Series C convertible preferred shares into Class B multiple voting shares.

After giving effect to the sale by us of Class A subordinate voting shares in this offering at an assumed initial public offering price of \$13.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of March 31, 2015 would have been \$148.3 million, or \$1.99 per share. This represents an immediate increase in pro forma as adjusted net tangible book value of \$1.11 per share to our existing shareholders and an immediate dilution in pro forma as adjusted net tangible book value of \$11.01 per share to new investors in this offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share	\$ 13.00
Pro forma net tangible book value per share as of March 31, 2015	\$ 0.88
Increase in pro forma net tangible book value per share attributable to this offering	1.11
Pro forma as adjusted net tangible book value per share after this offering	1.99
Dilution to new investors in this offering	\$ 11.01

A \$1.00 increase (decrease) in the assumed initial public offering price of \$13.00 per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) pro forma as adjusted net tangible book value per share after this offering by \$0.10 per share and increase (decrease) the dilution to new investors by \$(0.10) per share, in each case assuming the number of Class A subordinate voting shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, as of March 31, 2015, on a pro forma as adjusted basis as described above, the aggregate number of Class A subordinate voting shares and Class B multiple voting shares, as well as the total consideration and the average price per share paid to us by existing shareholders and to be paid by new investors acquiring shares in this offering.

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	Shares Acquired		Total Consideration		Average Price
	Number	Percent	Amount	Percent	per Share
Existing shareholders	66,733,583	89.7%	\$ 89,367,000	47.2%	\$ 1.34
New investors	7,700,000	10.3	100,100,000	52.8	\$ 13.00
Totals	74,433,583	100%	\$ 189,467,000	100%	

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If the underwriters' option to purchase additional Class A subordinate voting shares is exercised in full, the number of shares held by the existing shareholders after this offering would be reduced to 88.3% of the total number of shares outstanding after this offering, and the number of shares held by new investors would increase to 8,855,000 shares, or 11.7% of the total number of shares outstanding after this offering.

The foregoing discussion assumes no exercise of options to purchase 15,245,654 Class B multiple voting shares at a weighted average exercise price of \$1.58 per share, which were outstanding as of March 31, 2015, and excludes 3,743,692 Class A subordinate voting shares reserved for future issuance under our Incentive Plans, which will become effective prior to or upon the consummation of this offering. See Executive Compensation Incentive Plans. To the extent that options are exercised that have an exercise price that is less than the offering price of the Class A subordinate voting shares in this offering, new investors will experience further dilution.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth our selected historical consolidated financial information. The information set forth below does not take into account the amendment and redesignation of our common shares as Class B multiple voting shares, which will occur immediately prior to the consummation of this offering, or the conversion of all of our outstanding Series A, Series B and Series C convertible preferred shares into Class B multiple voting shares, which will occur upon the consummation of this offering. You should read the following selected historical consolidated financial information in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus.

We have derived the selected consolidated statement of operations information for the years ended December 31, 2012, 2013 and 2014 and the selected consolidated balance sheet information as of December 31, 2013 and 2014 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the selected consolidated statement of operations information for the three months ended March 31, 2014 and 2015 and the selected consolidated balance sheet information as of March 31, 2015 from our unaudited interim consolidated financial statements included elsewhere in this prospectus, which, in the opinion of management, include all adjustments necessary to present fairly the results of operations and financial condition at the dates and for the periods presented. Our consolidated financial statements have been prepared in accordance with U.S. GAAP and are presented in U.S. dollars except where otherwise indicated. Our historical results are not necessarily indicative of the results that should be expected in any future period.

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All of our operations are continuing operations and we have not paid any dividends since inception.

	Year Ended December 31,			Three Months Ended	
	2012	2013	2014	2014	2015
(in thousands, except share and per share data)					
Consolidated Statement of Operations Information:					
Revenues:					
Subscription solutions	\$ 19,200	\$ 38,339	\$ 66,668	\$ 13,053	\$ 22,352
Merchant solutions	4,513	11,913	38,350	5,757	14,996
	23,713	50,252	105,018	18,810	37,348
Cost of revenues ⁽¹⁾ :					
Subscription solutions	4,291	8,504	16,790	3,284	5,033
Merchant solutions	485	5,009	26,433	3,898	10,749
	4,776	13,513	43,223	7,182	15,782
Gross profit	18,937	36,739	61,795	11,628	21,566
Operating expenses:					
Sales and marketing ⁽¹⁾	12,262	23,351	45,929	9,718	13,540
Research and development ⁽¹⁾⁽²⁾	6,452	13,682	25,915	6,086	7,313
General and administrative ⁽¹⁾	1,737	3,975	11,566	1,796	4,189
	20,451	41,008	83,410	17,600	25,042
Loss from operations	(1,514)	(4,269)	(21,615)	(5,972)	(3,476)
Other income (expense):					
Interest income, net	50	42	57	10	11
Loss on asset disposal		(73)	(100)		
Foreign exchange gain (loss)	232	(537)	(653)	(403)	(1,065)
	282	(568)	(696)	(393)	(1,054)
Net loss and comprehensive loss	\$ (1,232)	\$ (4,837)	\$ (22,311)	\$ (6,365)	\$ (4,530)
Basic and diluted net loss per share attributable to	\$ (0.03)	\$ (0.13)	\$ (0.57)	\$ (0.16)	\$ (0.12)

common shareholders ⁽³⁾					
Weighted average shares used to compute net loss per share attributable to common shareholders ⁽³⁾	36,155,333	37,248,710	38,940,252	38,643,293	39,344,619
Pro forma basic and diluted net loss per share attributable to common shareholders (unaudited) ⁽⁴⁾			\$ (0.34)		\$(0.07)
Weighted average shares used to compute pro forma net loss per share attributable to common shareholders (unaudited) ⁽⁴⁾			66,099,529		66,503,896

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(1) Includes stock-based compensation expense as follows:

	Year Ended December 31,			Three Months Ended	
	2012	2013	2014	2014	2015
	(in thousands)				
Cost of revenues	\$ 11	\$ 113	\$ 259	\$ 40	\$ 59
Sales and marketing	66	354	696	133	174
Research and development	282	1,152	2,776	869	779
General and administrative	49	147	712	73	428
Total stock-based compensation expense	\$ 408	\$ 1,766	\$ 4,443	\$ 1,115	\$ 1,440

(2) Net of refundable tax credits (\$902, \$891 and \$1,295 for the years ended December 31, 2012, 2013 and 2014, respectively, and \$240 and \$300 for the three months ended March 31, 2014 and 2015, respectively).

(3) Does not give effect to the conversion of our Series A, Series B and Series C convertible preferred shares into common shares, which will occur upon the consummation of this offering.

(4) See note 8 to the notes to our unaudited condensed consolidated interim financial statements and note 16 to the notes to our audited consolidated financial statements included elsewhere in this prospectus for an explanation of the method used to calculate pro forma net loss per share attributable to common shareholders and the weighted average number of shares used in the pro forma computation of the per share amounts.

	As of December 31,			As of
	2012	2013	2014	March 31,
	(in thousands)			
Balance Sheet Information:				
Cash, cash equivalents and short-term investments	\$ 17,655	\$ 83,529	\$ 59,662	\$ 59,161
Working capital	14,735	77,960	48,610	43,556
Total assets	23,603	95,788	95,193	97,326
Total liabilities	5,634	10,407	27,461	32,571
Shareholders' equity	17,969	85,381	67,732	97,326

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial condition and results of operations should be read together with our consolidated financial statements and the related notes and the other financial information included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results, performance and achievements could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed below and elsewhere in this prospectus, particularly under Risk Factors. See Cautionary Note Regarding Forward-Looking Statements.

Our consolidated financial statements have been prepared in accordance with U.S. GAAP. All amounts are in U.S. dollars except where otherwise indicated. See Presentation of Financial Information.

Overview

Shopify provides a leading cloud-based commerce platform designed for small and medium-sized businesses, or SMBs. Merchants use our software to run their business across all of their sales channels, including web, tablet and mobile storefronts, social media storefronts, and brick-and-mortar and pop-up shops. While we started Shopify to help merchants design, set up and manage their online stores, we have expanded far beyond that. Whether a merchant is starting their business online or offline, we provide a platform for merchants to create an omni-channel experience that helps showcase the merchant's brand and grow its business. The Shopify platform provides merchants with a single view of their business and customers across all of their sales channels and enables them to manage products and inventory, process orders and payments, build customer relationships and leverage analytics and reporting. Merchants can also use Shopify Mobile, our iPhone and Android application, to manage their business on the go. The Shopify platform has been engineered to enterprise-level standards and functionality while being designed for simplicity and ease-of-use. We have also designed our platform with a robust technical infrastructure able to manage large spikes in traffic. We are constantly innovating and enhancing our platform, with our continuously deployed, multi-tenant architecture ensuring all merchants are always using the latest technology.

A rich ecosystem of app developers, theme designers and other partners has evolved around the Shopify platform. The platform's functionality is highly extensible and can be expanded through our application program interface, or API, and the over 900 apps available in the Shopify App Store. This ecosystem helps drive growth of our merchant base, which in turn further accelerates growth of the ecosystem.

We principally generate revenues through the sale of subscriptions to our platform. In 2014, subscription solutions revenues accounted for 63.5% of our total revenues (59.8% in the three months ended March 31, 2015). We offer subscription plans with various price points. Merchants can choose from the Starter Plan, which is priced at \$14 per month, or from a range of other plans that increase in price depending on additional features and credit card rates. We also offer Shopify Plus, which caters to merchants with higher volume sales and additional functionality requirements. The flexibility of our pricing plans is designed to help our merchants grow and to provide more advanced features and support as their business needs evolve. Our Starter Plan allows merchants to sell up to 25 products with 1GB of file storage (along with unlimited bandwidth and chat and email support). Our Professional Plan provides additional features including gift cards, professional reports and abandoned cart recovery. For larger, higher volume businesses, we offer premium features and dedicated support to allow merchants to easily manage millions of orders. Revenue from subscription solutions is generated through the sale of subscriptions to our platform as well as from the sale of themes and apps and registration of domain names. Our merchants typically enter into monthly subscription plans so we do not believe deferred revenue is an accurate indicator of future revenue. Instead, we believe Monthly Recurring

Revenue, or MRR, is most closely correlated with the long-term value of our merchant relationships. Subscription solutions revenues increased from \$19.2 million in 2012, to \$38.3 million in 2013 and to \$66.7 million in 2014, representing year-over-year increases of 99.7% in 2013 and 73.9% in 2014. Subscription solutions revenues increased from \$13.1 million in the

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three months ended March 31, 2014 to \$22.4 million in the three months ended March 31, 2015, representing an increase of 71.0%.

We also offer a variety of merchant solutions that are intended to add value to our merchants and supplement our subscription solutions. We principally generate merchant solutions revenues from payment processing fees from Shopify Payments. In 2014, merchant solutions revenues accounted for 36.5% of total revenues (\$40.2% in the three months ended March 31, 2015). In August 2013, we launched Shopify Payments in the United States and have since released Shopify Payments in other jurisdictions. Shopify Payments is a fully integrated payment processing service that allows our merchants to accept and process payment cards online and offline. As a result of the launch of Shopify Payments, we have seen significant growth in the revenues generated from our merchant solutions. In addition to payment processing fees from Shopify Payments, we also generate revenue from transaction fees and referral fees from partners. Our merchant solutions revenues are directionally correlated with the level of Gross Merchandise Volume, or GMV, that our merchants process through our platform. Merchant solutions revenue increased from \$4.5 million in 2012, to \$11.9 million in 2013 and to \$38.4 million in 2014, representing year-over-year increases of 164.0% in 2013 and 221.9% in 2014. Merchant solutions revenues increased from \$5.8 million in the three months ended March 31, 2014 to \$15.0 million in the three months ended March 31, 2015, representing an increase of 158.6%.

Our business model is driven by our ability to attract new merchants, retain existing merchants and increase sales to both new and existing merchants. The total number of merchants using our platform grew from 41,295 as of December 31, 2012 to 162,261 as of March 31, 2015. Our merchants represent a wide array of retail verticals and business sizes and no single merchant represented more than one percent of our total revenues in 2012, 2013, 2014 or the three months ended March 31, 2014 or 2015.

We generate the majority of our revenues from merchants located in the United States. As of March 31, 2015, approximately 60% of our merchants were located in the United States. Although most of our merchants are in the United States, we currently have merchants from approximately 150 countries using our platform. In 2014, we generated 68.7% of our total revenues from merchants located in the United States, up from 63.2% in 2013. The growth in the percentage of revenue from merchants located in the United States was primarily a result of Shopify Payments being launched in the United States in August 2013, while only being released in Canada in September 2013 and in the United Kingdom in November 2014. We plan to continue to roll out merchant solutions, such as Shopify Payments, in additional jurisdictions.

We have focused on rapidly growing our business and plan to continue making investments to drive future growth. We believe that our future success is dependent on many factors, including our ability to expand our merchant base, grow our merchants' revenue on our platform, develop new solutions to extend the functionality of our platform, enhance our ecosystem and partner programs and provide a high level of merchant service and support. We expect to use the proceeds from this offering to fund these and other growth strategies.

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. We further believe this will result in revenue increasing faster than the increase in sales and marketing, research and development and general and administrative expenses as we reach economies of scale. However, we expect to continue to incur losses in the near term. If we are unable to achieve our revenue growth objectives, we may not be able to achieve profitability.

Key Performance Indicators

Key performance indicators that we use to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions include Monthly

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Recurring Revenue and Gross Merchandise Volume. Our key performance indicators may be calculated in a manner different than similar key performance indicators used by other companies.

The following table sets forth the key performance indicators that we use to evaluate our business for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015.

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
	(in thousands, except percentages)				
Monthly Recurring Revenue (at period end)	\$ 2,024	\$ 3,819	\$ 6,573	\$ 4,294	\$ 7,400
Gross Merchandise Volume	707,402	1,616,301	3,763,838	637,282	1,324,082
Monthly Billing Retention Rate	99%	101%	101%	101%	101%

Monthly Recurring Revenue

We calculate Monthly Recurring Revenue, or 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 revenue in effect on the last day of that period, assuming they maintain their subscription plans the following month. 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 and predict monthly, quarterly and annual subscription solutions revenue.

Gross Merchandise Volume

Gross Merchandise Volume, or GMV, is the total dollar value of orders processed through our platform in the period, net of refunds, inclusive of shipping and handling, duty and value-added taxes. GMV does not represent revenue earned by us. However, the volume of GMV processed through our platform is an indicator of the success of our merchants and the strength of our platform.

Monthly Billings Retention Rate

Monthly Billings Retention Rate, or MBRR, is calculated as of the end of each month by considering the cohort of merchants on the Shopify platform as of the beginning of the month and dividing total billings attributable to this cohort in the then-current month by total billings attributable to this cohort in the immediately preceding month. Billings includes billings from subscriptions, apps (net of referral fees), transaction fees and fees for Shopify Payments. For annual and quarterly fiscal periods, we report the average MBRR over the preceding 12 months. We use MBRR to evaluate our ability to maintain and expand our relationships with merchants.

To provide a deeper understanding of our merchant economics, the chart below displays the annual billings for merchant cohorts that joined the Shopify platform at different times in our history: from 2007 to 2011 (or the Pre-2012 cohort), as well as in 2012, 2013 and 2014. Although our focus on SMBs results in merchant retention rates that we believe are consistent with what we would associate with early stage businesses, the chart below demonstrates that any merchant decline within a cohort has been largely offset by increased billings from remaining merchants within

that cohort. This shows the real strength of our monetization strategy: As our merchants have grown their businesses and become more successful, they have gradually moved to higher plans and consume more of our merchant solutions.

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Factors Affecting the Comparability of our Results

Change in Revenue Mix

We introduced Shopify Payments in the United States in August 2013, in Canada in September 2013 and in the United Kingdom in November 2014. Principally as a result of introducing Shopify Payments, our revenues from merchant solutions and associated costs have increased significantly. Merchant solutions are intended to supplement subscription solutions by providing additional value to our merchants and increasing their use of our platform. Gross profit margins on merchant solutions are typically lower due to the associated third-party costs of providing these solutions. As a result, the introduction of Shopify Payments and the resultant shift in the mix of revenue sources has affected our overall gross margin. More specifically, while our total revenues have increased in recent periods as a result of offering Shopify Payments, our overall gross margin percentage has decreased in these periods. In the near term, we expect our overall gross margin percentage to decline marginally as a result of the revenue mix shift, however in the longer term, we anticipate that overall gross margin percentages will increase as our revenue mix stabilizes and merchant solutions gross margins increase.

Seasonality

Our merchant solutions revenues are directionally correlated with the level of GMV that our merchants process through our platform. Our merchants typically process additional GMV during the 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 most of our revenues are denominated in U.S. dollars, the majority 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. In addition, a portion of Shopify Payments revenue is based on 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 based payment processing revenues increase.

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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. We also generate associated subscription solutions revenues from the sale of themes and apps and registration of domain names.

We offer subscription plans with various price points, from starter plans to Shopify Plus, a plan for merchants with higher volume sales and additional functionality requirements. Our subscription plans typically have a one-month term, although a small number of our merchants have annual or multi-year subscription terms that allow them to realize a small discount relative to our monthly subscription terms. Subscription terms automatically renew unless notice of cancellation is provided in advance. Most merchants purchase subscription plans directly from us, although a small number of subscription plans are purchased through third-parties with whom we have reseller agreements in place. Where we contract directly with the merchant, subscription fees are paid to us at the start of the applicable subscription period, regardless of the length of the subscription period. As subscription fees are received in advance of providing the related services, we record deferred revenue on our consolidated balance sheet for the unearned revenue and recognize revenue ratably over the related subscription period. These subscription fees are non-refundable. Where we have reseller agreements in place, we bill the reseller for eligible merchants on a monthly basis and do not record deferred revenues on our consolidated balance sheet in connection with these subscriptions.

We also generate additional subscription solutions revenues from merchants that have subscription plans with us through the sale of themes and apps and the registration of domain names. Revenues from the sale of themes and apps are recognized at the time of the transaction. The right to use domain names is sold separately and is recognized on a rateable basis over the contractual term, which is generally an annual term. Revenues from the sale of apps are recognized net of amounts attributable to the third-party app developers, while revenues from the sale of themes are recognized on a gross basis. Revenues from the sale of themes and apps and the registration of domain names have been classified within subscription solutions on the basis that they are typically sold at the time the merchant enters into the subscriptions arrangement or because they are charged on a recurring basis.

Merchant Solutions

We generate merchant solutions revenues from payment processing fees from Shopify Payments, transaction fees, referral fees from partners and sales of POS hardware.

The majority of merchant solutions revenues are generated from Shopify Payments. Revenue from processing payments is recognized at the time of the transaction. For Shopify Payments transactions, fees are determined based on a percentage of the dollar amount processed. Card-not-present transactions also include an additional per transaction fee.

For subscription plans where the merchant does not sign up for Shopify Payments, we typically charge a transaction fee based on a percentage of GMV processed. We bill our merchants for transaction fees at the end of a 30-day billing cycle and any fees that have not been billed are accrued as an unbilled receivable at the end of the reporting period.

We also generate revenues in the form of referral fees from partners to whom we direct business. Pursuant to terms of the agreements with our partners, these revenues can be recurring or non-recurring.

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Where the agreement provides for recurring payments to us, we continue to 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. In either case, we recognize referral revenues when we are entitled to receive payment from the partner pursuant to the terms of the underlying agreement.

In connection with Shopify POS, a mobile application that lets merchants sell their products in a physical or retail setting, we sell compatible hardware products, which are sourced from third-party vendors. We recognize revenues from the sale of POS hardware when title passes to the merchant, in accordance with the shipping terms of the sale.

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 costs associated with hosting infrastructure, billing processing fees and operations and merchant support expenses. Operations and merchant support expenses include costs associated with our data and network infrastructure and personnel-related costs directly associated with operations and merchant support, including salaries, benefits and stock-based compensation, as well as allocated overhead. Overhead associated with facilities, information technology and depreciation is allocated to our cost of revenues and operating expenses based on headcount. We expect that cost of subscription solutions will increase in absolute dollars as we continue to invest in growing our business and 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.

Additionally, cost of subscription solutions includes costs we are required to pay to third-party developers in connection with sales of themes. Our paid themes are primarily designed by third-party developers who earn fees for each theme sold by us. The amount paid to the third-party developer varies depending on whether the developer has agreed to provide ongoing support to the merchant in connection with the merchant's use of the theme.

Also included as cost of subscription solutions are domain registration fees and amortization of internal use software relating to the capitalized costs associated with the development of Shopify POS software and data infrastructure.

While gross margin percentage on subscription solutions decreased slightly in 2014 relative to the prior year, this decrease was principally a result of one-time costs associated with building out the Company's second data center for geographical redundancy. Building out the second data center is expected to result in operational efficiencies going forward.

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 interchange and network fees (charged by credit card providers such as Visa, Mastercard and American Express) as well as third-party processing fees. We introduced Shopify Payments in the United States in August 2013, in Canada in September 2013 and in the United Kingdom in November 2014. Principally as a result of introducing Shopify Payments, our cost of merchant solutions has increased significantly. Cost of merchant solutions also consists of costs associated with hosting infrastructure and operations and merchant support expenses, including personnel-related costs directly associated with merchant solutions such as salaries,

benefits and stock-based compensation, as well as allocated overhead.

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Overhead associated with facilities, information technology and depreciation is allocated to our cost of revenues and operating expenses based on headcount. Cost of merchant solutions also includes costs associated with POS hardware, such as the cost of acquiring the hardware inventory, including hardware purchase price, expenses associated with a third-party fulfillment company, shipping and handling and inventory adjustments. Also included within cost of merchant solutions is amortization of internal use software relating to capitalized costs associated with the development of the Shopify Payments processing platform.

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 and the volume processed also grows. The gross margin percentage on merchant solutions is expected to stabilize in the short term. In the longer term, we believe that we will see increases in our gross margin as additional merchant solutions offerings are launched.

Operating Expenses

Sales and Marketing

Sales and marketing expenses consist primarily of marketing programs, partner referral payments, 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 commissions, travel-related expenses and corporate overhead allocations. Costs to acquire merchants are expensed as incurred. We plan to continue to expand sales and marketing efforts to attract new merchants, retain existing merchants and increase revenues from both new and existing merchants. This growth will include adding outbound sales personnel and expanding our marketing activities to continue to generate additional leads and build brand awareness. Over time, we expect sales and marketing expenses will 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 and product design, contractor and consultant fees 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. In the past, these expenses have been reduced by Canadian federal Scientific Research and Experimental Development Program, or SR&ED, tax credits. Once we are a public company, we will no longer be able to reduce our research and development expenses through refundable SR&ED credits, which will cause our research and development expenses to increase. While we expect research and development expenses to increase in absolute dollars as we continue to increase the functionality of our platform, we expect our research and development expenses to decline as a percentage of total revenues.

General and Administrative

General and administrative expenses consist of employee-related expenses for finance and accounting, legal, data analytics, administrative, human resources and IT personnel, legal costs, professional fees, other corporate expenses and corporate overhead allocations. We expect that general and administrative expenses will increase on an absolute dollar basis but 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. We also anticipate increases to general and administrative expenses as we incur the costs of compliance associated with being a public company, including increased accounting and legal expenses.

Other Income (Expense)

Other income (expense) consists primarily of transaction gains or losses on foreign currency, interest income net of interest expense and loss on asset disposals.

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The following table sets forth our consolidated statement of operations data for the years ended December 31, 2012, 2013 and 2014 and the three months ended March 31, 2014 and 2015:

	Year Ended December 31,			Three Months Ended	
	2012	2013	2014	2014	2015
	(in thousands)				
Revenues:					
Subscription solutions	\$ 19,200	\$ 38,339	\$ 66,668	\$ 13,053	\$ 22,352
Merchant solutions	4,513	11,913	38,350	5,757	14,996
	23,713	50,252	105,018	18,810	37,348
Cost of revenues⁽¹⁾:					
Subscription solutions	4,291	8,504	16,790	3,284	5,033
Merchant solutions	485	5,009	26,433	3,898	10,749
	4,776	13,513	43,223	7,182	15,782