



**Consolidated Financial Statements**  
**December 31, 2015**

## **Independent Auditor's Report**

### **To the Shareholders of Shopify Inc.**

We have audited the accompanying consolidated financial statements of Shopify Inc. and its subsidiaries, which comprise the consolidated balance sheets as at December 31, 2015 and 2014 and the consolidated statements of operations and comprehensive loss, of changes in shareholders' equity, and of cash flows for each of the three years in the period ended December 31, 2015, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

#### **Management's responsibility for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Canadian generally accepted auditing standards also require that we comply with ethical requirements.

An audit involves performing procedures to obtain audit evidence, on a test basis, about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. We were not engaged to perform an audit of the company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles and policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Shopify Inc. and its subsidiaries as at December 31, 2015 and 2014 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

**Chartered Professional Accountants, Licensed Public Accountants**

Ottawa, Ontario, Canada  
February 16, 2016

**Shopify Inc.**  
**Consolidated Balance Sheets**  
Expressed in US \$000's except share amount

	Note	As at	
		December 31, 2015	December 31, 2014
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	110,070	41,953
Marketable securities	5	80,103	17,709
Trade and other receivables	6	6,089	7,227
Other current assets	7	6,203	1,495
		<u>202,465</u>	<u>68,384</u>
<b>Long term assets</b>			
Property and equipment	8	33,048	21,728
Intangible assets	9	5,826	2,708
Goodwill		2,373	2,373
		<u>41,247</u>	<u>26,809</u>
<b>Total assets</b>		<u>243,712</u>	<u>95,193</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	10	23,689	12,514
Current portion of deferred revenue		12,726	6,775
Current portion of lease incentives	11	822	485
		<u>37,237</u>	<u>19,774</u>
<b>Long term liabilities</b>			
Deferred revenue		661	394
Lease incentives	11	10,497	7,293
		<u>11,158</u>	<u>7,687</u>
<b>Commitments and contingencies</b>	13		
<b>Shareholders' equity</b>			
Convertible preferred shares; nil and 27,159,277 shares authorized, issued and outstanding (aggregate liquidation preference of nil and \$87,500)	14	—	87,056
Common stock, unlimited Class A subordinate voting shares authorized, 56,877,089 and nil issued and outstanding; unlimited Class B multiple voting shares authorized, 23,212,769 and nil issued and outstanding; unlimited Common shares authorized, nil and 39,310,446 issued and outstanding	14	231,452	4,055
Additional paid-in capital		11,719	5,685
Accumulated deficit		(47,854)	(29,064)
<b>Total shareholders' equity</b>		<u>195,317</u>	<u>67,732</u>
<b>Total liabilities and shareholders' equity</b>		<u>243,712</u>	<u>95,193</u>

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

On behalf of the Board:

"Tobias Lütke"  
Tobias Lütke  
Chairman, Board of Directors

"Steven Collins"  
Steven Collins  
Chairman, Audit Committee

**Shopify Inc.**  
**Consolidated Statements of Operations and Comprehensive Loss**  
Expressed in US \$000's, except share and per share amounts

	Note	Years ended		
		December 31, 2015	December 31, 2014	December 31, 2013
		\$	\$	\$
<b>Revenues</b>				
Subscription solutions	18	111,979	66,668	38,339
Merchant solutions	18	93,254	38,350	11,913
		205,233	105,018	50,252
<b>Cost of revenues</b>				
Subscription solutions		24,531	16,790	8,504
Merchant solutions		69,631	26,433	5,009
		94,162	43,223	13,513
<b>Gross profit</b>				
		111,071	61,795	36,739
<b>Operating expenses</b>				
Sales and marketing		70,374	45,929	23,351
Research and development, net of refundable tax credits of \$1,058 (2014 – \$1,295; 2013 – \$891)		39,722	25,915	13,682
General and administrative		18,731	11,566	3,975
Total operating expenses		128,827	83,410	41,008
Loss from operations		(17,756)	(21,615)	(4,269)
<b>Other income (expense)</b>				
Interest income, net		200	57	42
Loss on asset disposal		—	(100)	(73)
Foreign exchange loss		(1,234)	(653)	(537)
		(1,034)	(696)	(568)
<b>Net loss and comprehensive loss</b>				
		(18,790)	(22,311)	(4,837)
Basic and diluted net loss per share attributable to common shareholders	15	\$ (0.30)	\$ (0.57)	\$ (0.13)
Weighted average shares used to compute basic and diluted net loss per share attributable to shareholders	15	61,716,065	38,940,252	37,248,710

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

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

	Note	Series A Convertible Preferred Shares		Series B Convertible Preferred Shares		Series C Convertible Preferred Shares		Common Stock		Additional Paid-In Capital \$	Accumulated Deficit \$	Total \$
		Shares	Amount \$	Shares	Amount \$	Shares	Amount \$	Shares	Amount \$			
<b>As at December 31, 2012</b>		13,025,765	5,346	7,247,070	11,952	—	—	36,453,715	1,840	747	(1,916)	17,969
Exercise of stock options		—	—	—	—	—	—	1,658,197	445	(150)	—	295
Stock-based compensation		—	—	—	—	—	—	—	—	1,472	—	1,472
Issuance of common stock - business combination		—	—	—	—	—	—	96,479	404	—	—	404
Vesting of restricted shares		—	—	—	—	—	—	354,730	320	—	—	320
Issuance of Series C preferred shares		—	—	—	—	6,886,442	69,758	—	—	—	—	69,758
Net loss and comprehensive loss for the year		—	—	—	—	—	—	—	—	—	(4,837)	(4,837)
<b>As at December 31, 2013</b>		13,025,765	5,346	7,247,070	11,952	6,886,442	69,758	38,563,121	3,009	2,069	(6,753)	85,381
Exercise of stock options		—	—	—	—	—	—	305,649	395	(255)	—	140
Stock-based compensation		—	—	—	—	—	—	—	—	3,871	—	3,871
Vesting of restricted shares		—	—	—	—	—	—	441,676	651	—	—	651
Net loss and comprehensive loss for the year		—	—	—	—	—	—	—	—	—	(22,311)	(22,311)
<b>As at December 31, 2014</b>		13,025,765	5,346	7,247,070	11,952	6,886,442	69,758	39,310,446	4,055	5,685	(29,064)	67,732
Exercise of stock options		—	—	—	—	—	—	4,665,059	3,737	(2,133)	—	1,604
Stock-based compensation		—	—	—	—	—	—	—	—	8,167	—	8,167
Vesting of restricted shares		—	—	—	—	—	—	100,076	353	—	—	353
Issuance of Class A subordinate voting shares upon initial public offering, net of offering costs of \$14,259	1	—	—	—	—	—	—	8,855,000	136,251	—	—	136,251
Conversion of preferred shares to Class B multiple voting shares		(13,025,765)	(5,346)	(7,247,070)	(11,952)	(6,886,442)	(69,758)	27,159,277	87,056	—	—	—
Net loss and comprehensive loss for the year		—	—	—	—	—	—	—	—	—	(18,790)	(18,790)
<b>As at December 31, 2015</b>		—	—	—	—	—	—	80,089,858	231,452	11,719	(47,854)	195,317

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

**Shopify Inc.**  
**Consolidated Statements of Cash Flows**  
Expressed in US \$000's

	Note	Years ended		
		December 31, 2015	December 31, 2014	December 31, 2013
		\$	\$	\$
<b>Cash flows from operating activities</b>				
Net loss for the year		(18,790)	(22,311)	(4,837)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Amortization and depreciation		7,236	4,672	1,758
Stock-based compensation		7,805	3,792	1,446
Vesting of restricted shares		353	651	320
Loss on asset disposal		—	100	73
Unrealized foreign exchange loss		1,828	524	62
Changes in lease incentives		3,541	7,292	236
Change in deferred revenue		6,218	2,813	1,945
Changes in non-cash working capital items	17	7,565	1,666	393
Net cash provided by (used in) operating activities		15,756	(801)	1,396
<b>Cash flows from investing activities</b>				
Purchase of marketable securities		(111,154)	(20,131)	—
Maturity of marketable securities		48,350	2,375	—
Acquisitions of property and equipment		(16,525)	(20,573)	(3,462)
Proceeds from disposal of property and equipment		—	90	—
Acquisitions of intangible assets		(4,511)	(2,127)	(1,042)
Acquisition of business, net of cash acquired		—	—	(828)
Net cash used in investing activities		(83,840)	(40,366)	(5,332)
<b>Cash flows from financing activities</b>				
Proceeds from initial public offering, net of issuance costs	1	136,251	—	—
Issuance of Series C convertible preferred shares, net of issuance costs		—	—	69,758
Proceeds from the exercise of stock options		1,604	140	295
Net cash provided by financing activities		137,855	140	70,053
Effect of foreign exchange on cash and cash equivalents		(1,654)	(549)	(243)
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>68,117</b>	<b>(41,576)</b>	<b>65,874</b>
<b>Cash and cash equivalents – Beginning of Year</b>		<b>41,953</b>	<b>83,529</b>	<b>17,655</b>
<b>Cash and cash equivalents – End of Year</b>		<b>110,070</b>	<b>41,953</b>	<b>83,529</b>
Supplemental non-cash items	17			

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

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

**1. Nature of Business**

Shopify Inc. (“Shopify” or “the Company”) was incorporated as a Canadian corporation on September 28, 2004. The Company’s mission is to make commerce better for everyone. The Company provides the leading cloud-based, multi-channel commerce platform designed for small and medium-sized businesses. Using a single interface, the Company’s merchants can design, set up and manage their business across multiple sales channels, including web and mobile storefronts, social media storefronts and physical retail locations. The Company’s 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, ship orders, build customer relationships and leverage analytics and reporting. The Company’s platform is engineered to enterprise-level standards and functionality while designed for simplicity and ease-of-use.

The Company’s headquarters and principal place of business are in Ottawa, Canada.

**Initial Public Offering**

In May 2015, the Company completed its initial public offering, or IPO, in which it issued and sold 8,855,000 Class A subordinate voting shares at a public offering price of \$17.00 per share (including the 1,155,000 Class A subordinate voting shares purchased by the underwriters pursuant to the exercise of the over-allotment option). The Company received net proceeds of \$136,251 after deducting underwriting discounts and commissions of \$10,537 and other offering expenses of \$3,747. Immediately prior to consummation of the IPO, all of the then-outstanding common shares were redesignated as an aggregate of 39,780,952 Class B multiple voting shares, and upon consummation of the IPO, all of the then-outstanding convertible preferred stock automatically converted into an aggregate of 27,159,277 Class B multiple voting shares.

**2. Basis of Presentation and Consolidation**

These consolidated financial statements include the accounts of the Company and its directly and indirectly wholly owned subsidiaries: Shopify Payments (Canada) Inc., incorporated in Canada; Shopify (Ireland) Limited., incorporated in Ireland; Shopify (Australia) Pty Ltd., incorporated in Australia; and the following United States subsidiaries each incorporated in Delaware: Shopify Payments (USA) Inc., Shopify Data Processing (USA) Inc., Shopify LLC and Shopify Holdings (USA) Inc. On February 19, 2015 the Company dissolved and wound up two inactive shell subsidiaries, Jet Cooper Ltd., incorporated in Canada; and Atatomic Inc., incorporated in Canada. The wind-up had no accounting impact on the consolidated financial statements. All intercompany accounts and transactions have been eliminated upon consolidation.

These consolidated financial statements of the Company have been presented in United States dollars (USD) and have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”), including the applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding financial reporting.

**3. Significant Accounting Policies**

*Use of Estimates*

The preparation of consolidated financial statements, in accordance with U.S. GAAP, requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items that are subject to estimation and assumptions include: estimates related to contingencies and refundable tax credits; chargebacks on Shopify Payments transactions that are unrecoverable from merchants; recoverability of deferred tax assets; fair values of assets and liabilities acquired in business combinations; capitalization of software development costs; estimated useful lives of property and equipment and intangible assets; estimates relating to the recoverability of lease inducements; and assumptions

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used when employing the Black-Scholes valuation model to estimate the fair value of common shares and stock-based awards. Actual results may differ from the estimates made by management.

***Segment Information***

The Company's "chief operating decision maker" is the Chief Executive Officer. The Chief Executive Officer reviews the financial information presented on a consolidated basis for purposes of allocating resources and evaluation of financial performance. Accordingly, the Company has determined that it operates as a single operating and reportable segment.

***Revenue Recognition***

The Company's sources of revenue consist of subscription solutions and merchant solutions. Arrangements with merchants do not provide the merchants with the right to take possession of the software supporting the Company's hosting platform at any time and are therefore accounted for as service contracts. The Company's subscription service contracts do not provide for refunds or any other rights of return to merchants in the event of cancellations.

The Company recognizes revenue when all of the following criteria are met:

- There is persuasive evidence of an arrangement;
- The services have been or are being provided to the merchant;
- The amount of fees to be paid by the merchant is fixed or determinable; and
- The collection is reasonably assured.

The Company follows the guidance provided in ASC 605-45, Principal Agent Considerations for determining whether the Company should recognize revenue based on the gross amount billed to a merchant or the net amount retained. This determination is a matter of judgment that depends on the facts and circumstances of each arrangement. The Company recognizes revenue from Shopify Shipping and the sales of Apps on a net basis as it has been determined that the Company is the agent in the arrangement with merchants. All other revenue is reported on a gross basis, as the Company has determined it is the principal in the arrangement, in that it is the primary obligor for providing services and assumes the risk of any loss or changes in costs.

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

Our arrangements can include multiple elements, which may consist of some or all of our subscription solutions. When multiple-element arrangements exist, we evaluate whether these individual deliverables should be accounted for as separate units of accounting or one single unit of accounting. In order to treat deliverables in a multiple-element arrangement as separate units of accounting, the delivered item or items must have standalone value upon delivery. A delivered item has standalone value to the customer when either (1) any vendor sells that item separately or (2) the customer could resell that item on a standalone basis. Each of our subscription solutions have standalone value, as the solutions are sold separately. Accordingly, we consider the separate units of accounting in our multiple deliverable arrangements to be the subscription fees, themes, apps and domain names. When multiple deliverables included in an arrangement are separable into different units of accounting, the arrangement consideration is allocated to the identified separate units of accounting based on their relative selling price. Multiple-element arrangement accounting guidance provides a hierarchy to use when determining the relative selling price for each unit of accounting. Vendor-specific objective evidence (VSOE) of selling price, based on the price at which the item is regularly sold by the vendor on a standalone basis, should be used if it exists. If VSOE of selling price is not available, third-party evidence (TPE) of selling price is used to establish the selling price if it exists. We have not established VSOE for our subscription solutions due to lack of pricing consistency, the introduction of new services and other factors. We have also concluded that third-party evidence of selling price is not a practical alternative due to differences in our service offerings compared to other parties and the availability of relevant third-party pricing information.

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Accordingly, we use our best estimate of selling price (BESP) to determine the relative selling price for our subscription solutions.

We determined BESP by considering our overall pricing objectives and market conditions. Significant pricing practices taken into consideration for our subscription solutions include discounting practices, the size and volume of our transactions, the customer demographic, the geographic area where services are sold, price lists, our go-to-market strategy, historical standalone sales and contract prices. The determination of BESP is made through consultation with and approval by our management, taking into consideration our go-to-market strategy. As our go-to-market strategies evolve, we may modify our pricing practices in the future, which could result in changes in relative selling prices.

***Subscription Solutions***

Subscription revenue is recognized on a rateable basis over the contractual term. The terms range from monthly, annual or multi-year subscription terms. Revenue recognition begins on the date that the Company's service is made available to the merchant. Payments received in advance of services being rendered are recorded as deferred revenue and recognized on a rateable basis over the requisite service period. The Company earns revenue based on the services it delivers either directly to its merchants or indirectly through resellers.

The Company also sells separately priced Themes and Apps to merchants for which revenue is recognized at the time of the sale. The right to use domain names is also sold separately and is recognized on a rateable basis over the contractual term, which is generally an annual term. Revenue from Themes, as well as Apps and Domains have been classified within Subscription solutions on the basis that they are typically sold at the time the merchant enters into the subscription services arrangement or because they are charged on a recurring basis.

***Merchant Solutions***

The Company generates the majority of its merchant solutions revenue from fees that it charges merchants on their customer orders processed through Shopify Payments. The Company also derives merchants solutions revenue relating to Shopify Shipping, other transaction services and referral fees, as well as from the sale of Point-of-Sale (POS) hardware. For the sale of POS hardware, revenue is recognized when title passes to the merchant, in accordance with the shipping terms. Revenues earned from Shopify Payments, Shopify Shipping, other transaction services, and referral fees are recognized at the time of the transaction.

***Cost of Revenues***

The Company's cost of revenues consists of payments for Themes and Domain registration, credit card fees, hosting infrastructure costs, an allocation of costs incurred by both the operations and support functions, and amortization of capitalized software development costs. In addition, included in the cost of merchant solutions are costs associated with credit card processing and chargebacks related to Shopify Payments and the cost of POS hardware.

***Software Development Costs***

Research and development costs are generally expensed as incurred. These costs primarily consist of personnel and related expenses, contractor and consultant fees, stock-based compensation, and corporate overhead allocations, including depreciation.

The Company capitalizes certain development costs incurred in connection with its internal use software. These capitalized costs are related to the development of its software platform that is hosted by the Company and accessed by its merchants on a subscription basis as well as material internal infrastructure software. Costs incurred in the preliminary stages of development are expensed as incurred. The Company capitalizes all direct

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and incremental costs incurred during the application phase, until such time when the software is substantially complete and ready for its intended use. Capitalization ceases upon completion of all substantial testing.

The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional features and functionality. Capitalized costs are recorded as part of Intangible assets in the consolidated balance sheets and are amortized on a straight-line basis over their estimated useful lives of three years. Maintenance costs are expensed as incurred.

***Advertising Costs***

Advertising costs are expensed as incurred. Advertising costs included in sales and marketing expenses during the years ended December 31, 2015, 2014, and 2013 were \$45,445, \$31,093, and \$14,447 respectively.

***Operating Leases***

The total payments and costs associated with operating leases, including leases that contain lease inducements and uneven payments, are aggregated and amortized on a straight-line basis over the initial lease term of each respective agreement.

***Foreign Currency Transactions***

The functional and reporting currency of the Company and its subsidiaries is the United States dollar. Monetary assets and liabilities denominated in foreign currencies are re-measured to United States dollars using the exchange rates at the consolidated balance sheet dates. Non-monetary assets and liabilities denominated in foreign currencies are measured in United States dollars using historical exchange rates. Revenues and expenses are measured using the actual exchange rates prevailing on the dates of the transactions. Gains and losses resulting from re-measurement are recorded in the Company's Consolidated Statements of Operations and Comprehensive Loss as Foreign exchange gain (loss).

***Cash and Cash Equivalents***

The Company considers all short term highly liquid investments purchased with original maturities at their acquisition date of three months or less to be cash equivalents.

***Marketable Securities***

The Company's marketable securities consist of U.S federal agency bonds, corporate bonds and commercial paper, and mature within 12 months from the date of purchase. Marketable securities are classified as held-to-maturity at the time of purchase and this classification is re-evaluated as of each consolidated balance sheet date. Held-to-maturity securities represent those securities that the Company has both the intent and ability to hold to maturity and are carried at amortized cost, which approximates their fair market value. Interest on these securities, as well as amortization/accretion of premiums/discounts, are included in interest income. All investments are assessed as to whether any unrealized loss positions are other than temporarily impaired. Impairments are considered other than temporary if they are related to deterioration in credit risk or if it is likely the Company will sell the securities before the recovery of their cost basis. Realized gains and losses and declines in value determined to be other than temporary are determined based on the specific identification method and are reported in Other income (expenses) in the Consolidated Statements of Operations and Comprehensive Loss.

***Derivatives***

The Company may hold foreign exchange forward contracts to mitigate the risk of future foreign exchange rate volatility related to future Canadian dollar denominated costs and current and future obligations. The

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Company recognizes these derivative financial instruments as either assets or liabilities and measures them at fair value. The Company has elected not to apply hedge accounting, therefore changes in the fair value of these derivative instruments will affect their consolidated balance sheet amounts and the resulting gain or loss will be reflected as Foreign exchange gains (losses) in the Consolidated Statements of Operations and Comprehensive Loss.

***Concentration of Credit Risk***

The Company's cash and cash equivalents, marketable securities, trade and other receivables, and foreign exchange forward contracts subject the Company to concentrations of credit risk. Management mitigates this risk associated with cash and cash equivalents by making deposits and entering into foreign exchange forward contracts only with large Canadian, Irish, Australian and United States banks and financial institutions that are considered to be highly credit worthy. Management mitigates the risks associated with marketable securities by adhering to its investment policy, which stipulates minimum rating requirements, maximum investment exposures and maximum maturities. Due to the Company's diversified merchant base, there is no particular concentration of credit risk related to the Company's trade receivables. Trade and other receivables are monitored on an ongoing basis to ensure timely collection of amounts. There are no receivables from individual merchants accounting for 10% or more of revenues or receivables.

***Interest Rate Risk***

Certain of the Company's cash equivalents and marketable securities earn interest. The Company's trade and other receivables, accounts payable and accrued liabilities and lease liabilities do not bear interest. The Company is not exposed to material interest rate risk.

***Foreign Exchange Risk***

The Company's exposure to foreign exchange risk is primarily related to fluctuations between the Canadian dollar and the United States dollar. The Company is exposed to foreign exchange fluctuations on the revaluation of foreign currency assets and liabilities. The Company may use foreign exchange derivative products to manage the impact of foreign exchange fluctuations. By their nature, derivative financial instruments involve risk, including the credit risk of non-performance by counter parties.

***Fair Value Measurements***

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

The Company measures the fair value of its financial assets and liabilities using a fair value hierarchy. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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***Property and Equipment***

Property and equipment is stated at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. Computer equipment is depreciated over three years while office furniture and equipment are depreciated over four years. Leasehold improvements are amortized on a straight-line basis over the shorter of their estimated useful lives or the term of their associated leases, which range from three to thirteen years.

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

***Intangible Assets***

Intangible assets are stated at cost, less accumulated amortization. Amortization is calculated using the straight-line method over the estimated useful lives of the related assets. Purchased software, other intangible assets, and capitalized software development costs are amortized into cost of revenues over a three year period.

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

***Goodwill***

Goodwill represents the excess of the purchase price over the estimated fair value of net assets of a business acquired in a business combination. Goodwill is not amortized, but instead tested for impairment at least annually in the fourth quarter of each year. Should certain events or indicators of impairment occur between annual impairment tests, the Company will perform the impairment test as those events or indicators occur. Examples of such events or circumstances include the following: a significant decline in the Company's expected future cash flows; a sustained, significant decline in the Company's fair value; a significant adverse change in the business climate; and slower growth rates.

Goodwill is tested for impairment at the reporting unit level by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. The qualitative assessment considers the following factors: macroeconomic conditions, industry and market considerations, cost factors, overall company financial performance, events affecting the reporting units, and changes in the Company's fair value. If the reporting unit does not pass the qualitative assessment, the Company carries out a two-step test for impairment of goodwill. The first step of the test compares the fair value of the reporting unit with the carrying value of its net assets. If the fair value of the reporting unit is greater than its carrying value, no impairment results. If the fair value of the reporting unit is less than its carrying value, the Company performs the second step of the test for impairment of goodwill. During the second step of the test, the Company compares the implied fair value of the reporting unit's goodwill with the carrying value of that goodwill. If the implied fair value of goodwill is less than the carrying value, an impairment charge would be recorded in the Consolidated Statements of Operations and Comprehensive Loss. The Company has one reporting unit and evaluates goodwill for impairment at the entity level.

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***Income Taxes***

Deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and the tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts that are more likely than not to be realized.

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

***Refundable Tax Credits***

Tax credits related to Scientific Research and Experimental Development (SR&ED) expenditures are accounted for using the flow-through method. Refundable tax credits are accounted for, in the period in which the related expenditures are incurred, as a direct reduction of research and development or capitalized costs. Non-refundable tax credits, which may only be used to reduce future taxes otherwise payable, are recorded as an income tax recovery in the period in which their realization is considered more likely than not.

***Stock-Based Compensation***

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

The fair value of stock options is determined using the Black-Scholes option-pricing model, single option approach. An estimate of forfeitures is applied when determining compensation expense. The Company determines the fair value of stock option awards on the date of grant using assumptions regarding expected term, share price volatility over the expected term of the awards, risk-free interest rate, and dividend rate. All shares issued under the Legacy Option Plan and Stock Option Plan are from treasury.

The fair value of restricted share units ("RSU's") is measured using the fair value of the Company's shares as if the RSU's were vested and issued on the grant date. An estimate of forfeitures is applied when determining compensation expense. All shares issued under the Long Term Incentive Plan are from treasury.

In connection with prior period business acquisitions, the Company has also issued restricted shares. The restricted shares vest evenly, on a month-by-month basis and are contingent on future services being provided. As a result, the restricted shares are considered post business combination services and are accounted for as compensation expense and not as part of purchase accounting. The fair value of the restricted shares is derived from the fair value of the Company's common shares, which was determined by an independent valuation firm, based on input, feedback and review by the Company's management, at or around the same time as the related transactions and in combination with other available market data.

***Earnings Per Share***

Basic earnings per share are calculated by dividing net earnings attributable to common equity holders of the Company by the weighted average number of common stock outstanding during the year.

Diluted earnings per share are calculated by dividing net earnings attributable to common equity holders of the Company by the weighted average number of common stock outstanding during the year, plus the effect of dilutive potential common stock outstanding during the year. This method requires that diluted earnings per share be calculated (using the treasury stock method) as if all dilutive potential common stock had been

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exercised at the latest of the beginning of the year or on the date of issuance, as the case may be, and that the funds obtained thereby (plus an amount equivalent to the unamortized portion of related stock-based compensation costs) be used to purchase common stock of the Company at the average fair value of the common stock during the year.

***Recent Accounting Pronouncements Not Yet Adopted***

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) No. 2014-9 “Revenue from Contracts with Customers.” The new accounting standards update requires an entity to apply a five step model to recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, as well as a cohesive set of disclosure requirements that would result in an entity providing comprehensive information about the nature, timing, and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. In August 2015 the Financial Accounting Standards Board issued ASU No. 2015-14, which deferred the effective date for all entities by one year. The standard becomes effective for reporting periods beginning after December 15, 2017. Early adoption is permitted starting January 1, 2017. The Company is currently assessing the impact of these standards.

In February 2015, the Financial Accounting Standards Board issued ASU No. 2015-02 “Consolidations (Topic 810)—Amendments to the Consolidation Analysis”. The new standard makes amendments to the current consolidation guidance, including introducing a separate consolidation analysis specific to limited partnerships and other similar entities. Under this analysis, limited partnerships and other similar entities will be considered a variable-interest entity (“VIE”) unless the limited partners hold substantive kick-out rights or participating rights. The standard is effective for annual periods beginning after December 15, 2015. The Company is currently assessing the impact of these amendments.

In April 2015, the Financial Accounting Standards Board issued ASU No. 2015-05, “Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Fees Paid in a Cloud Computing Arrangement.” The amendments in this update provide guidance to customers about whether a cloud computing arrangement includes a software license. The amendment is effective for interim and annual periods beginning after December 15, 2015 with early adoption permitted. The Company is currently assessing the impact of this new standard.

In May 2015, the Financial Accounting Standards Board issued ASU 2015-07, “Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)”, which amends ASC 820, Fair Value Measurement. The standard removes the requirement to categorize within the fair value hierarchy investments for which fair value is measured using the net asset value per share practical expedient and removes certain related disclosure requirements. The standard will be effective for the Company’s fiscal year beginning January 1, 2016. The Company is currently assessing the impact of this new standard.

In November 2015, the Financial Accounting Standards Board issued ASU 2015-17, "Income Taxes (Topic 740)", which simplifies the presentation of deferred income taxes by requiring deferred tax assets and liabilities be classified as noncurrent on the balance sheet. The standard will be effective for the Company’s fiscal year beginning January 1, 2016. The Company is currently assessing the impact of this new standard.

**4. Cash and Cash Equivalents**

As of December 31, 2015 and 2014, the Company’s cash and cash equivalents balance of \$110,070 and \$41,953, respectively, included \$80,914 and \$36,065, respectively, of money market funds and term deposits that bear interest at rates ranging from 0.01% to 1%. As of December 31, 2015, the Company had \$1,000 CAD of restricted cash which was pledged as collateral against the Company's leases (December 31, 2014 - \$1,050 CAD).

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**5. Financial Instruments**

As of December 31, 2015, the Company's financial instruments, measured at fair value on a recurring and non-recurring basis, were as follows:

	Amount at Fair Value \$	Fair Value Measurements Using		
		Level 1 \$	Level 2 \$	Level 3 \$
<b>Assets:</b>				
Cash equivalents:				
Money market funds	59,655	59,655	—	—
U.S. term deposits	21,259	21,259	—	—
Marketable securities:				
U.S. federal bonds	35,970	35,970	—	—
Corporate bonds	44,028	—	44,028	—

All cash equivalents and marketable securities mature within one year of the consolidated balance sheet date. As at December 31, 2015 the Company did not have any outstanding foreign exchange forward contracts.

As of December 31, 2014, the Company's financial instruments, measured at fair value on a recurring and non-recurring basis, were as follows:

	Amount at Fair Value \$	Fair Value Measurements Using		
		Level 1 \$	Level 2 \$	Level 3 \$
<b>Assets:</b>				
Cash equivalents:				
Money market funds	31,271	31,271	—	—
Canadian guaranteed investment certificates	1,294	1,294	—	—
U.S. term deposits	3,500	3,500	—	—
Marketable securities:				
U.S. federal bonds	5,502	5,502	—	—
Corporate bonds	12,207	—	12,207	—
Derivatives:				
Foreign exchange forward contracts	7	—	7	—

As at December 31, 2014 the Company held foreign exchange forward contracts to convert USD into CAD to fund a portion of its operations. The fair value of foreign exchange forward contracts and corporate bonds was based upon Level 2 inputs, which included period-end mid-market quotations for each underlying contract as calculated by the financial institution with which the Company has transacted. The quotations are based on bid/ask quotations and represent the discounted future settlement amounts based on current market rates.

There were no transfers between Levels 1, 2 and 3 during the years ended December 31, 2015 and 2014.

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**6. Trade and Other Receivables**

	2015 \$	2014 \$
Trade receivables	1,701	838
Leasehold incentives receivable	1,554	3,158
Unbilled revenues	1,075	704
Refundable tax credits	754	1,959
Sales tax receivable	572	499
Other receivables	433	69
	<u>6,089</u>	<u>7,227</u>

Unbilled revenues represent amounts not yet billed to merchants related to transaction fee charges, up to the consolidated balance sheet date.

**7. Other Current Assets**

	2015 \$	2014 \$
Prepaid expenses	3,264	1,023
POS hardware	1,550	290
Deposits	1,389	175
Foreign exchange forward contracts	—	7
	<u>6,203</u>	<u>1,495</u>

As of December 31, 2015, the Company did not hold any foreign exchange forward contracts to convert USD into CAD. As of December 31, 2014, the Company held foreign exchange forward contracts to convert \$6,000 USD into \$6,974 CAD at exchange rates ranging from 1.1618 to 1.1630. These contracts expired between January 12, 2015 and March 11, 2015 and the fair value of these contracts as of December 31, 2014 was an asset of \$7. During the years ended December 31, 2015, 2014, and 2013, the use of foreign exchange forward contracts resulted in net foreign exchange losses of nil, \$368 and \$489, respectively.

**8. Property and Equipment**

	2015		
	Cost \$	Accumulated depreciation \$	Net book value \$
Leasehold improvements	23,225	2,057	21,168
Computer equipment	14,508	5,630	8,878
Office furniture and equipment	4,100	1,098	3,002
	<u>41,833</u>	<u>8,785</u>	<u>33,048</u>

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	<b>2014</b>		
	<b>Cost \$</b>	<b>Accumulated depreciation \$</b>	<b>Net book value \$</b>
Leasehold improvements	15,014	352	14,662
Computer equipment	7,346	2,415	4,931
Office furniture and equipment	2,506	371	2,135
	<u>24,866</u>	<u>3,138</u>	<u>21,728</u>

The following table illustrates the classification of depreciation in the Consolidated Statements of Operations and Comprehensive Loss.

	<b>2015 \$</b>	<b>2014 \$</b>	<b>2013 \$</b>
Cost of revenues	3,086	1,599	572
Sales and marketing	1,040	795	344
Research and development	1,191	1,253	466
General and administrative	408	351	98
	<u>5,725</u>	<u>3,998</u>	<u>1,480</u>

**9. Intangible Assets**

	<b>2015</b>		
	<b>Cost \$</b>	<b>Accumulated amortization \$</b>	<b>Net book value \$</b>
Software development costs	4,238	1,143	3,095
Purchased software	3,668	1,242	2,426
Domain names	540	235	305
	<u>8,446</u>	<u>2,620</u>	<u>5,826</u>

  

	<b>2014</b>		
	<b>Cost \$</b>	<b>Accumulated amortization \$</b>	<b>Net book value \$</b>
Software development costs	1,925	445	1,480
Purchased software	1,806	588	1,218
Domain names	90	80	10
	<u>3,821</u>	<u>1,113</u>	<u>2,708</u>

Internal software development costs of \$2,313, \$1,269 and \$656 were capitalized during the years ended December 31, 2015, 2014 and 2013, respectively, and are included in Intangible assets in the accompanying Consolidated Balance Sheets. Amortization expense related to the capitalized internally developed software was \$698, for the year ended December 31, 2015 and is included in Cost of revenues and General and administrative expense. Amortization expense related to the capitalized internally developed software was \$330 and \$115 for the years ended 2014 and 2013, respectively, and is included in Cost of revenues in the accompanying Consolidated Statements of Operations and Comprehensive Loss.

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The following table illustrates the classification of amortization expense related to Intangible assets in the Consolidated Statements of Operations and Comprehensive Loss.

	2015 \$	2014 \$	2013 \$
Cost of revenues	750	608	240
Sales and marketing	186	33	32
Research and development	465	20	5
General and administrative	110	13	1
	<u>1,511</u>	<u>674</u>	<u>278</u>

Estimated future amortization expense related to intangible assets, as at December 31, 2015 is as follows.

Fiscal Year	Amount \$
2016	2,288
2017	2,215
2018	1,192
2019	131
Total	<u>5,826</u>

**10. Accounts Payable and Accrued Liabilities**

	2015 \$	2014 \$
Trade accounts payable and trade accruals	18,453	8,186
Other payables and accrued liabilities	1,697	1,607
Accrued payroll taxes related to exercised stock options	1,584	—
Employee related accruals	1,150	539
Accrued sales tax	805	2,182
	<u>23,689</u>	<u>12,514</u>

**11. Lease Incentives**

The Company leases space for its offices. The Company's principal lease is for its head office, which is located at 150 Elgin Street in Ottawa, Canada. This lease covers a period of twelve years, ten months that began on March 1, 2014. The lease includes an option to renew for a further five years. The Company received leasehold incentives in the form of rent-free periods and fit-up allowances. The lease agreement also includes scheduled rent increases that are not dependent on future events and therefore the lease payments are being accounted for on a straight-line basis over the entire term of the lease.

The Company also maintains offices in Toronto, Montreal and Kitchener-Waterloo. In all locations, the Company received leasehold incentives in the form of rent-free periods and fit-up allowances. The lease agreements also include scheduled rent increases that are not dependent on future events and therefore the lease payments are being accounted for on a straight-line basis over the entire term of the lease.

The following table represents the details of the Company's lease incentives balance as of December 31, 2015 and 2014.

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	2015 \$	2014 \$
Lease incentives	11,177	7,536
Other lease liabilities	142	242
	<u>11,319</u>	<u>7,778</u>
Less: current portion	822	485
Long-term portion	<u>10,497</u>	<u>7,293</u>

**12. Credit Facilities**

In 2011, the Company established a revolving line of credit with the Royal Bank of Canada. The credit facility is renewable annually for borrowing of up to \$1,500 CAD. The line is collateralized by cash and cash equivalents and its interest rate is tied to the Bank of Canada prime lending rate plus 0.3% (3.0% as of December 31, 2015 and 3.3% as of December 31, 2014). As of December 31, 2015 the Company had drawn nil under the facility. As of December 31, 2015, \$1,000 CAD under the facility was pledged as collateral for a letter of credit.

In March 2015, the Company entered into a credit facility with Silicon Valley Bank, which provides for a \$25,000 revolving line of credit bearing interest at the U.S. prime rate, as published by the Wall Street Journal plus or minus 25 basis points per annum. As at December 31, 2015 the effective rate was 3.25%. The credit facility has a maturity date of March 11, 2016, and is collateralized by substantially all of the Company's assets, including the stock of its subsidiaries named in the agreement as guarantors, but excluding the Company's intellectual property, which is subject to a negative pledge. As of December 31, 2015, no amounts have been drawn under this credit facility and the Company is in compliance with all of the covenants contained therein.

**13. Commitments and Contingencies**

***Operating Leases***

The Company leases space for its offices in Ottawa, Toronto and Kitchener-Waterloo, Ontario, Canada and Montreal, Quebec, Canada. In the years ended December 31, 2015, 2014, and 2013 rent expense totalled \$6,446, \$4,547 and \$1,178, respectively.

Amounts of minimum future annual rental payments under non-cancellable operating leases in each of the next five years and thereafter are as follows:

Fiscal Year	Amount \$
2016	5,804
2017	7,809
2018	7,907
2019	7,958
2020	8,070
Thereafter	42,594
<b>Total future minimum lease payments</b>	<u>80,142</u>

***Litigation and Loss Contingencies***

The Company accrues estimates for loss contingencies when losses are probable and reasonably estimable. From time to time, the Company may become a party to litigation and subject to claims incident to the ordinary course of business, including intellectual property claims, labour and employment claims and threatened

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claims, breach of contract claims, tax and other matters. The Company currently has no material pending litigation or claims. The Company is not aware of any litigation matters or loss contingencies that would be expected to have a material adverse effect on the business, consolidated financial position, results of operation, or cash flows.

**14. Shareholders' Equity**

***Convertible Preferred Shares***

Upon the completion of the Company's IPO, all of the then outstanding convertible preferred shares were converted into 27,159,277 Class B multiple voting shares.

***Common Stock Authorized***

Immediately prior to the completion of the Company's IPO, all of the then outstanding 39,780,952 common shares were redesignated as Class B multiple voting shares. The Company is authorized to issue an unlimited number of Class A subordinate voting shares and an unlimited number of Class B multiple voting shares. The Class A subordinate voting shares have one vote per share and the Class B multiple voting shares have 10 votes per share. 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, Class B multiple voting shares will automatically convert into Class A subordinate voting shares in certain other circumstances. In connection with historical acquisitions, the Company has also issued restricted shares. The restricted shares vest evenly, on a month-by-month basis, and are contingent on future services being provided.

***Preferred Shares***

The Company is authorized to issue an unlimited number of preferred shares issuable in series. Each series of preferred shares shall consist of such number of shares and having such rights, privileges, restrictions and conditions as may be determined by the Company's Board of Directors prior to the issuance thereof. Holders of preferred shares, except as otherwise provided in the terms specific to a series of preferred shares or as required by law, will not be entitled to vote at meetings of holders of shares.

***Stock-Based Compensation***

In 2008, the Board of Directors adopted and the Company's shareholders approved the Legacy Stock Option Plan ("the Legacy Option Plan"). Under the Legacy Option Plan, the Board of Directors was authorized to grant options to purchase common shares to both employees and non-employees. The Compensation Committee, or in their absence, the Board of Directors, was given the authority to set the exercise prices of all options granted based upon not less than the fair market value of the common shares of the Company on the date of grant. In October 2010, an amendment was made to the Legacy Option Plan to set all future option grants, unless otherwise specified by the Board of Directors at the time of grant, on a vesting schedule over four years with 25% vesting after one year and the remainder vesting 1/48 each month thereafter. In April 2013, an amendment was made to the Legacy Option Plan to provide that the term of the options shall be exercisable until the tenth anniversary of their grant date. In December 2013 the Board of Directors approved a modification to the Legacy Option Plan which allowed for uniform vesting at 1/48 each month starting immediately in the first month after an option grant for any grant issued to employees subsequent to their initial grant. At that time, the Board of Directors also approved a modification that changed the initial vesting commencement date from three months following the employment or engagement start date to the actual employment or engagement start date. Immediately prior to the completion of the Company's IPO, a total of 14,982,341 options were outstanding under the Legacy Option Plan, and, in connection with the closing of the offering, each such option became exercisable for one Class B multiple voting share. Following the closing of the Company's IPO, no further awards were made under the Legacy Option Plan.

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The Company's Board of Directors and shareholders approved a new stock option plan ("Stock Option Plan") as well as a long-term incentive plan ("LTIP"), each of which became effective on May 27, 2015. The Stock Option Plan allows for the grant of options to the Company's officers, directors, employees and consultants. All options granted under the Stock Option Plan will have an exercise price determined and approved by the Company's Board of Directors at the time of grant, which shall not be less than the market price of the Class A subordinate voting shares at such time. For purposes of the Stock Option Plan, the market price of the Class A subordinate voting shares shall be the volume weighted average trading price of the Class A subordinate voting shares on the NYSE for the five trading days ending on the last trading day before the day on which the option is granted. Options granted under the Stock Option Plan are exercisable for Class A subordinate voting shares. Both the vesting period and term of the options in the Stock Option Plan are determined by the Board of Directors at the time of grant.

The LTIP provides for the grant of share units, or LTIP Units, consisting of restricted share units ("RSU"), performance share units ("PSU"), and deferred share units ("DSU"). Each LTIP Unit represents the right to receive one Class A subordinate voting share in accordance with the terms of the LTIP. Unless otherwise approved by the Board of Directors, RSUs will vest as to 1/3 each on the first, second and third anniversary dates of the date of grant. A PSU participant's grant agreement will describe the performance criteria established by the Company's Board of Directors that must be achieved for PSUs to vest to the PSU participant, provided the participant is continuously employed by or in the Company's service or the service or employment of any of the Company's affiliates from the date of grant until such PSU vesting date. DSUs will be granted solely to directors of the Company, at their option, in lieu of their Board retainer fees. DSUs will vest upon a director ceasing to act as a director. As at the consolidated balance sheet date there have been nil PSUs or DSUs granted.

The maximum number of Class A subordinate voting shares reserved for issuance, in the aggregate, under the Company's Stock Option Plan and the LTIP was initially equal to 3,743,692 Class A subordinate voting shares. The number of Class A subordinate voting shares available for issuance, in the aggregate, under the Stock Option Plan and the LTIP will be automatically increased on January 1st of each year, beginning on January 1, 2016 and ending on January 1, 2026, in an amount equal to 5% of the aggregate number of outstanding Class A subordinate voting shares and Class B multiple voting shares on December 31st of the preceding calendar year. As at January 1, 2016 there were 6,786,124 shares reserved for issuance under the Company's Stock Option Plan and LTIP.

The following table summarizes the stock option and RSU award activities under the Company's share-based compensation plans for the years ended December 31, 2015, 2014, and 2013:

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	Shares Subject to Options Outstanding				Outstanding RSUs		
	Number of Options <sup>(1)</sup>	Weighted Average Exercise Price \$	Remaining Contractual Term (in years)	Aggregate Intrinsic Value <sup>(2)</sup> \$	Weighted Average Grant Date Fair Value \$	Outstanding RSUs	Weighted Average Grant Date Fair Value \$
Balance as at December 31, 2013	12,737,893	0.38	—	—	—	—	—
Stock options granted	2,985,495	5.28	—	—	5.63	—	—
Stock options exercised	(305,649)	0.46	—	—	—	—	—
Stock options forfeited	(386,351)	1.40	—	—	—	—	—
Balance as at December 31, 2014	15,031,388	1.31	7.16	73,642	—	—	—
Stock options granted	1,259,025	22.16	—	—	12.16	—	—
Stock options exercised	(4,665,059)	0.34	—	—	—	—	—
Stock options forfeited	(421,328)	12.04	—	—	—	—	—
RSUs granted	—	—	—	—	—	503,701	32.01
RSUs settled	—	—	—	—	—	—	—
RSUs forfeited	—	—	—	—	—	(75,135)	30.95
Balance as at December 31, 2015	11,204,026	3.65	6.99	248,119	—	428,566	32.19
Stock options exercisable as of December 31, 2015	6,902,359	0.82	6.03	172,415			

(1) As at December 31, 2015 10,519,901 of the outstanding stock options were granted under the Company's Legacy Option Plan and are exercisable for Class B multiple voting shares, and 684,125 of the outstanding stock options were granted under the Company's Stock Option Plan and are exercisable for Class A subordinate voting shares.

(2) The aggregate intrinsic value is calculated as the difference between the exercise price of the underlying stock option awards and the assessed fair value of the common stock as of December 31, 2014 and the closing market price of our common stock as of December 31, 2015.

As of December 31, 2015, and 2014, there was \$34,572 and \$16,574, respectively, of remaining unamortized compensation cost related to unvested stock options and RSUs granted to the Company's employees. This cost will be recognized over an estimated weighted-average remaining period of 3.22 years. Total unamortized compensation cost will be adjusted for future changes in estimated forfeitures.

***Share-Based Compensation Expense***

All share-based awards are measured based on the grant date fair value of the awards and recognized in the Consolidated Statements of Operations and Comprehensive Loss over the period during which the employee is required to perform services in exchange for the award (generally the vesting period of the award).

The Company estimates the fair value of stock options granted using the Black-Scholes option valuation model, which requires assumptions, including the fair value of our underlying common stock, expected term, expected volatility, risk-free interest rate and dividend yield of the Company's common stock. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, share-based compensation expense could be materially different in the future.

These assumptions are estimated as follows:

- *Fair Value of Common Stock.* Prior to the Company's IPO in May 2015, the Board of Directors, with input from management, exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of the Company's common stock as of the date of each option grant. Valuations of the Company's stock were determined in accordance with the guidelines outlined in the American Institute of

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Certified Public Accountant Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation. Since the Company's IPO, the Company has used the Volume Weighted Average Price for its common stock as reported on the New York Stock Exchange.

- *Expected Term.* The Company determines the expected term based on the average period the stock options are expected to remain outstanding. The Company bases the expected term assumptions on its historical behavior combined with estimates of post-vesting holding period.
- *Expected Volatility.* The Company determines the price volatility factor based on the historical volatility of publicly traded industry peers. To determine its peer group of companies, the Company considers public companies in the technology industry and selects those that are similar to us in size, stage of life cycle, and financial leverage. The Company intends to continue to consistently apply this methodology using the same or similar public companies until a sufficient amount of historical information regarding the volatility of its own common stock price becomes available, or unless circumstances change such that the identified companies are no longer similar, in which case, more suitable companies whose share prices are publicly available would be utilized in the calculation.
- *Risk-Free Interest Rate.* The Company bases the risk-free interest rate used in the Black-Scholes valuation model on the yield available on U.S. Treasury zero-coupon issues with an equivalent remaining term of the stock options for each stock option group.
- *Expected Dividend.* The Company has not paid and does not anticipate paying any cash dividends in the foreseeable future and, therefore, uses an expected dividend yield of zero in the option pricing model.

The assumptions used to estimate the fair value of stock options granted to employees are as follows:

	2015	2014	2013
Expected volatility	64.3%	62.4%	73.9%
Risk free interest rate	1.62%	1.82%	1.67%
Dividend yield	Nil	Nil	Nil
Average expected life	5.26	5.73	6.06

In addition to the assumptions used in the Black-Scholes option valuation model, the Company must also estimate a forfeiture rate to calculate the share-based compensation expense for our awards. The Company's forfeiture rate is based on an analysis of its actual forfeitures. The Company will continue to evaluate the appropriateness of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover, and other factors. Changes in the estimated forfeiture rate can have a significant impact on share-based compensation expense as the cumulative effect of adjusting the rate is recognized in the period the forfeiture estimate is changed. If a revised forfeiture rate is higher/lower than the previously estimated forfeiture rate, an adjustment is made that will result in an increase/decrease to the share-based compensation expense recognized in the consolidated financial statements.

The following table illustrates the classification of stock-based compensation in the Consolidated Statements of Operations and Comprehensive Loss, which includes both stock-based compensation and restricted share-based compensation expense.

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	Years ended		
	December 31, 2015	December 31, 2014	December 31, 2013
	\$	\$	\$
Cost of revenues	282	259	113
Sales and marketing	1,099	696	354
Research and development	4,509	2,776	1,152
General and administrative	2,268	712	147
	<b>8,158</b>	<b>4,443</b>	<b>1,766</b>

**15. Earnings per Share**

The Company applies the two-class method to calculate its basic and diluted net loss per share as both classes of its voting shares are participating securities with equal participation rights and are entitled to receive dividends on a share for share basis.

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

	Years ended		
	December 31, 2015	December 31, 2014	December 31, 2013
Basic and diluted weighted average number of shares outstanding	61,716,065	38,940,252	37,248,710
The following items have been excluded from the diluted weighted average number of shares outstanding because they are anti-dilutive:			
Stock options	11,204,026	15,031,388	12,737,893
Restricted share units	428,566	—	—
Restricted shares	48,238	148,314	589,990
Convertible preferred shares	—	27,159,277	27,159,277
	<b>11,680,830</b>	<b>42,338,979</b>	<b>40,487,160</b>

In the years ended December 31, 2015, 2014, and 2013 the Company was in a loss position and therefore diluted loss per share is equal to basic loss per share.

**16. Income Taxes**

The reconciliation of the expected provision for income tax recovery/expense to the actual provision for income tax recovery/expense reported in the Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2015, 2014, and 2013 is as follows.

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	2015 \$	2014 \$	2013 \$
Earnings (loss) before income taxes	(18,790)	(22,311)	(4,837)
Expected income tax expense (recovery) at Canadian statutory income tax rate of 26.51% (2014-26.51%)	(4,980)	(5,915)	(1,282)
Permanent differences	1,333	1,203	435
Share issuance costs	(3,734)	—	—
Effect of change in tax rates	—	—	(163)
Utilization of tax credits	—	—	(93)
Other	(8)	(43)	—
Foreign rate differential	(44)	(3)	(2)
Increase (decrease) in valuation allowance	7,433	4,758	1,105
Provision for income tax (recovery) expense	—	—	—

During the years ended December 31, 2015, 2014, and 2013, the loss before income taxes includes foreign income (loss) of \$234, \$14, and (\$14), respectively.

The significant components of the Company's deferred income tax assets and liabilities as of December 31, 2015 and 2014 are as follows.

	2015 \$	2014 \$
<b>Deferred tax assets</b>		
Temporary differences on capital and intangible assets	415	606
Tax loss carryforwards	3,799	3,415
SR&ED expenditure carryforwards	1,687	974
Share issue costs	3,345	39
Investment tax credits	1,253	497
Lease accruals and other provisions	4,316	1,664
Total deferred tax assets	14,815	7,195
Valuation allowance	(14,011)	(6,578)
	804	617
<b>Deferred tax liabilities</b>		
Capitalized software development costs	(804)	(380)
Investment tax credits used or refunded	—	(237)
Total deferred tax liabilities	(804)	(617)
Net deferred tax asset	—	—

The Company has determined that it is not more likely than not that it will realize any of its deferred tax assets, and therefore a full valuation allowance has been established against the total deferred tax assets.

The Company does not have any unrecognized tax benefits.

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The Company's accounting policy is to recognize interest and penalties related to uncertain tax positions as a component of income tax expense. In the years ended December 31, 2015, 2014, and 2013, there was no interest or penalties related to uncertain tax positions.

The Company and its Canadian subsidiaries file federal and provincial income tax returns in Canada. The Company and its U.S. subsidiaries file federal and state income tax returns in the U.S. and its other foreign subsidiaries file income tax returns in their respective foreign jurisdictions. The Company remains subject to audit by the relevant tax authorities for the years ended 2010 through 2015.

The Company estimates SR&ED expenditures and claims investment tax credits for income tax purposes based on management's interpretation of the applicable legislation in the *Income Tax Act* ("the Act") and related provincial legislation. These claims are subject to audit by the tax authorities. In the opinion of management, the treatment of research and development expenditures for income tax purposes is appropriate. Any difference between recorded refundable tax credits and amounts ultimately received is recorded when the amount becomes known. As of December 31, 2015 and 2014, the Company had unused non-capital tax losses of approximately \$14,264 and \$13,475 respectively, a SR&ED expenditure pool totaling \$6,364 and \$3,673 respectively, and investment tax credits of \$1,486 and \$532 respectively, that are due to expire as follows.

	SR&ED Expenditures \$	Investment Tax Credits \$	Non-Capital Losses \$
2031	—	45	—
2032	—	117	13
2033	—	232	11,235
2034	—	197	825
2035	—	895	2,191
Indefinite	6,364	—	—
	<u>6,364</u>	<u>1,486</u>	<u>14,264</u>

**17. Supplemental Cash Flow Information Items**

The following table presents the changes in non-cash working capital items.

	2015 \$	2014 \$	2013 \$
Trade and other receivables	1,176	(3,930)	(1,196)
Other current assets	(4,708)	(414)	(725)
Accounts payable and accrued liabilities	11,097	6,010	2,314
	<u>7,565</u>	<u>1,666</u>	<u>393</u>

The following table provides supplemental disclosure of non-cash investing and financing activities.

	2015 \$	2014 \$	2013 \$
Acquired property and equipment remaining unpaid	1,295	853	—
Acquired intangibles assets remaining unpaid	—	250	—
Capitalized stock-based compensation	362	79	26
Non-cash acquisitions of businesses	—	—	404

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**18. Geographical Information**

The following table presents total external revenues by geographic location, based on the location of the Company's merchants.

	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
	\$		\$		\$	
Canada	14,691	7.2%	7,729	7.4%	4,101	8.2%
United States	144,748	70.5%	72,149	68.7%	31,743	63.2%
United Kingdom	15,436	7.5%	7,912	7.5%	4,517	9.0%
Australia	10,531	5.1%	6,420	6.1%	3,807	7.6%
Rest of World	19,827	9.7%	10,808	10.3%	6,084	12.0%
	<u>205,233</u>	<u>100.0%</u>	<u>105,018</u>	<u>100.0%</u>	<u>50,252</u>	<u>100.0%</u>

The following table presents the total net book value the Company's long-lived assets by geographic location.

	2015		2014	
	Amount	%	Amount	%
	\$		\$	
Canada	25,886	78.3%	17,758	81.7%
United States	7,162	21.7%	3,970	18.3%
	<u>33,048</u>	<u>100.0%</u>	<u>21,728</u>	<u>100.0%</u>

**19. Acquisitions**

***2013 Acquisition***

On July 31, 2013 the Company acquired 100% of the shares of two companies which were commonly owned, Jet Cooper Ltd., a design studio focused on user experience and website design, and Atatomic Inc., a firm of mobile application developers, in a combined purchase transaction for total consideration on closing of \$1,232, consisting of cash in the amount of \$828 and 96,479 common shares with a fair value of \$404 determined at the date of acquisition.

The acquisition also established an escrow agreement upon which additional cash payments of C\$468 were restricted and 289,435 of additional common shares were transferred to an escrow agent. The restrictions on the cash were lifted on July 31, 2014. The restricted common shares vest evenly, on a month-by-month basis over a period of three years ending on July 31, 2016. Both the cash payment and restricted common shares are contingent on the sellers' continued employment and were therefore considered post business combination services and are accounted for as compensation expense and not part of purchase accounting.

During the years ended December 31, 2015, 2014, and 2013, nil, C\$280 and C\$188, respectively, of the restricted cash was released from escrow and 82,697 shares with a fair value of \$345, 118,301 shares with a fair value of \$493, and 40,200 restricted shares with a fair value of \$168, respectively, were earned and have been recognized as compensation expense in the Consolidated Statements of Operations.

The Company did not complete any acquisitions during the years ended December 31, 2015 and December 31, 2014.

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**20. Comparative Figures**

Certain comparative figures have been reclassified in order to conform to the current year presentation.