

Shopify offers an e-commerce platform primarily to small and midsize businesses. The firm has two segments: subscription solutions (43% of fiscal 2018 revenue) and merchant solutions (57% of fiscal 2018 revenue). The subscription solutions segment allows Shopify merchants to conduct e-commerce on a variety of platforms, including the company's website, physical stores, pop-up stores, kiosks, social networks (Facebook), and Amazon. Merchant solutions are add-on products for the platform that facilitate e-commerce and include Shopify Payments, Shopify Shipping, and Shopify Capital.

### Option Strategy Summary

The SHOP May 7, 2021 covered call with a \$1310.00 strike price could potentially yield a 3.75% return if SHOP stays above \$1310.00 a share at expiration 9 days from now. Adiaagonal spread that involves selling the May 7, 2021 \$1310.00 call and buying the Sep 17, 2021 \$900.00 call should cost \$876.40 less per share than the covered call and potentially yield a 6.16% return if the stock stays above \$1310.00 through expiration. The lower return covered call has a 5 Key (Lowest Relative Risk) ranking while the diagonal spread has a riskier 2 Key (Considerable Relative Risk) ranking. On 02/18/21, Argus Research set a \$1,650.00 12-Month price target for SHOP, which is currently trading at \$361.20 below that target. By using this covered call strategy potential returns may be higher than simply holding the stock if SHOP stays below \$1337.18 through May 7, 2021. With the diagonal spread strategy, the trade cost could be reduced and returns potentially improved if the stock stays above \$1286.20 but lower than \$1368.22 through May 7, 2021. The covered call strategy offers limited protection if the stock drops in price, but if the stock goes below \$1262.60 expect losses.

<b>Argus Rating:</b> Rating since: 02/18/21	<b>BUY</b>
<b>Current Price:</b>	<b>\$1288.80</b>
<b>Target Price</b>	<b>\$1,650.00</b>
<b>Market Cap</b>	<b>\$130.5 billion</b>
<b>Dividend</b>	<b>\$0.00</b>
<b>Yield</b>	<b>0.0%</b>

Covered Call Strategy		Diagonal Spread Strategy	
<b>Buy Side</b>			
Stock Symbol	<b>SHOP</b>	Bought Call Ask Price	<b>\$412.40</b>
Stock Price	<b>\$1288.80</b>	Bought Call Month	<b>09/17/21</b>
		Bought Call Strike Price	<b>\$900.00</b>
<b>Sell Side</b>			
Sold Call Expiration	<b>05/07/21</b>	Sold Call Expiration	<b>05/07/21</b>
Sold Call Strike Price	<b>\$1310.00</b>	Sold Call Strike Price	<b>\$1310.00</b>
Current Sold Call Bid Price	<b>\$26.20</b>	Current Sold Call Bid Price	<b>\$26.20</b>

### Option Strategies Risk Assessment

#### Covered Call Risk Ranking **Lowest**

Our 5 Key (Lowest) Relative Risk assessment for this covered call reflects the volatility of SHOP. As with any stock or option strategy there is always a risk of losing money. If SHOP heads downward for any reason, only \$26.20 of that drop will be protected using this strategy. If SHOP is selling for over \$1337.18 at expiration, holding the stock without selling the call would have yielded a higher return.

See elsewhere in this report for a further discussion of potential risks related to the Covered Call Strategy.

#### Diagonal Spread Risk Ranking **Considerable**

The Diagonal Spread Strategy will normally carry more risk than a Covered Call Strategy, but the rate of return is generally higher, since there is a lower capital outlay.

At a 2 Key risk ranking this strategy is considered to have Considerable relative risk. If the stock price at expiration is below \$1310.00 this strategy will not generate the potential returns shown. Another risk for this strategy is related to the bought call option price. If the stock drops in price between now and expiration date, there is a possibility that the 09/17/21 \$900.00 call could drop quickly.

See elsewhere in this report for a further discussion of possible risks related to the Diagonal Spread Strategy.

Key Metrics		Key Metrics	
Net Debit	<b>\$1262.60</b>	Net Debit	<b>\$386.20</b>
Downside Protection (\$)	<b>\$26.20</b>	Downside Protection (\$)	<b>\$2.60</b>
Downside Protection (%)	<b>2.03</b>	Downside Protection (%)	<b>0.20</b>
In-the-Money (%)	<b>-1.64</b>	In-the-Money (%)	<b>-1.64</b>
Break Even	<b>1262.60</b>	Break Even	<b>1286.20</b>
Assigned Return (\$)	<b>47.40</b>	Assigned Return (\$)	<b>23.80</b>
Assigned Return (%)	<b>3.75</b>	Assigned Return (%)	<b>6.16</b>
Ann. Assigned Return (%)	<b>152.25</b>	Ann. Assigned Return (%)	<b>281.17</b>
Expiration Date	<b>05/07/21</b>	Expiration Date	<b>05/07/21</b>
Trade Duration (Days)	<b>9</b>	Trade Duration (Days)	<b>9</b>
Strategy Risk Ranking	<b>5</b>	Strategy Risk Ranking	<b>2</b>
Equivalent Stock Only Appreciation	<b>1337.18</b>	Equivalent Stock Only Appreciation	<b>1368.22</b>

### Option Strategy Comparison

Expected Stock Price At Expiration	Best Strategy
More Than \$1391.82	Buy Stock
Less Than \$1368.22	Diagonal Spread (Minimum Return)
More Than \$1286.20	
Less Than \$1337.18	Covered Call
More Than \$1262.60	
Less Than \$1262.60	Do Not Buy Stock Do Not Do Covered Call May Sell Stock If Owned
Less Than \$1391.82	Diagonal Spread (Maximum Return) Assumes Long Call Retains Time Value
More Than \$1262.60	

### Argus Opinion

Over the past year Shopify Inc. shares are up 32.0% versus a gain of 30.1% for the broader market. The 52 week trading range is \$595.03 to \$1,499.75. Argus has a BUY rating on the stock. The Argus target price is \$1,650.00 representing a 28.03% gain from the current level.

## Glossary

### 100-Day Moving Average

A 100 day simple moving average is the average closing price of the stock over the last 100 trading days. Moving averages can be used to gauge the direction of price movement in a stock.

### 12-Month Target Price

The Argus equity analyst's projection of the market price a given security will command 12 months hence.

### 200-Day Moving Average

A 200 day simple moving average is the average closing price of the stock over the last 200 trading days. Moving averages can be used to gauge the direction of price movement in a stock.

### 50-Day Moving Average

A 50 day simple moving average is the average closing price of the stock over the last 50 trading days. Moving averages can be used to gauge the direction of price movement in a stock.

### 52-Week High

This is the highest price that a stock has traded at during the last 52 weeks.

### 52-Week Low

This is the lowest price that a stock has traded at during the last 52 weeks.

### Annualized Assigned Return (%)

The process of taking a return and multiplying it by a factor to simulate the return on an yearly basis. The return is multiplied by 365 then divided by the number of days to expiration. This return is always given for comparison purposes only.

### Annual Dividend Yield

A company's yearly dividend amount shown as a percentage of its stock price

### Assigned Return (%)

The potential return from selling an option if the stock price is in the exercisable range. In the case of a covered call, this return would include the premium from the sold option and any profit/loss on the covering stock position and assumes the stock price is higher than the strike price. This calculation does not include margin and is not annualized.

### Assignment

Notification by that an owner of an option has exercised his or her rights to buy or sell the underlying stock. The buyer of an option exercises his right and the seller of the option is assigned on the option. This calculation does not include margin and is not annualized.

### Bid/Ask Spread

This is the difference in price between on options bid and ask price. Options have wider bid-ask spreads than stocks do.

### Break Even

The stock price at which any option strategy or combination stock and option strategy has a zero loss and zero gain.

### Buy-Side

Many trades have multiple parts to a transaction; in a covered call you buy may buy the stock and then sell the option. The buy side indicates what stock or options you are buying in the transaction.

### Call Ask Price

The price a seller offers to sell a call option. This is the most an investor should pay for the bought option.

### Call Month

The month during which the call option expires.

### Call Strike Price

The price at which the owner of an option can purchase (call) or sell (put) the underlying stock. Used interchangeably with striking price, strike, or exercise price.

### Call Symbol

An option symbol is comprised of three parts. The first one to three letters are the root symbol for the option. The second to last letter stands for the expiration month of the contract. The last letter in the symbol represents the strike price of the contract. Corresponding Put and Call symbols for the same strike price will have the same last letter in their symbols. While option symbols are standardized; computer web sites are not. Some sites require the entry of a period "." in front of an option symbol, while others - like Yahoo - require a period and the letter "x" at the end of it. If going to a new site pull up an option chain to see their method of entering options.

### Covered Call Risk Ranking

A proprietary risk ranking for covered call strategies that ranks covered call trades from 1 Key (High Relative Risk) to 5 Keys (Lowest Relative Risk.)

### Covered Call

An option strategy in which a call options is written against an equivalent amount of long stock. Example: writing 10 ABC May 70 calls while owning 1,000 shares or more of ABC stock.

### Current Sold Call Bid Price

The price at which a buyer is willing to buy an option or a stock. This is the most you may receive for a sold call option.

### Diagonal Spread Assigned Returned

This is the percent return for the position if the short term option is ITM at expiration and the longer term option is exercised to cover the trade.

### Diagonal Spread Minimum Return

If the stock expires above the short call; this is the percent return for the position assuming both options are exercised at expiration.

### Diagonal Spread Max Return

This is the potential percent return for the position if the short term option is ITM at expiration and the longer term option retains its time value. One may buy to close the call before expiration, buy back the option and sell one in a farther out month (called rolling the option), or buy stock to cover and then sell another call against the farther out option.

### Diagonal Spread Risk Assessment

The diagonal spread risk assessment and Key ranking is a proprietary indicator to help assess the risk of a potential trade. All option trades generate a Key ranking from 1 Key (high relative risk) to 5 Keys (lowest relative risk).

### Diagonal Spread Risk Ranking

This proprietary risk ranking is similar to the covered call risk ranking and rates Diagonal spread trades from 1 (high risk) to 5 Keys (Lowest relative risk.)

### Diagonal Spread

An option strategy involving the purchase of a longer-term call or put option and selling an equal number of shorter-term options of the same type and strike price. A diagonal spread may also be called vertical, horizontal, or diagonal spread when the strike prices vary.

### Downside Protection

Downside protection refers to the dollar amount a stock can drop before the total position becomes a loss.

### Downside Protection (%)

This percent considers the premium a seller would receive from the sale of an option to be profit, but does not consider profit or loss on the stock. This percent assumes the stock is not assigned. It represents the downside protection based on the sold option premium alone. This calculation does not include margin and is not annualized.

### Expiration Date

The date on which an option and the right to exercise it or have it assigned, cease to exist.

### Expiration Month

The month during which the expiration date occurs.

### Horizontal Spread

An option strategy which generally involves the purchase of a farther-term option (call or put) and the writing of an equal number of nearer-term options of the same type and strike price. Example: buying 1 XYZ May 60 call (far-term portion of the spread) and writing 1 XYZ March 60 call. See also diagonal spread.

### Intrinsic Value

Option premium is made up of either time value, intrinsic value or both. The intrinsic value is based on how deep in the money the stock is priced. For a call it is how far above the strike price the stock price is located.

### In-The-Money Percent (%)

This phrase describes where the underlying stock price falls relative to the option strike price. For covered and naked call options, it is when the stock price is above the strike price of the option. For covered and naked put options, it is when the price of the stock is lower than the strike price of the option.

### Key Metrics

The key Metrics area of the report shows important option metrics about the transaction including thing like the net debit, downside protection and risk rating.

### LEAPS

An acronym that stands for Long-term Equity Anticipation Securities. About 10% of the optionable stocks have LEAPs available, they are traded under different root symbols than the normal option series and only expire in January of the next two years. Once the March series options are the current month, the next January LEAPs change symbols to the normal root symbols and LEAPs are generated for three Januaries ahead in time.

### Long Call

Buying a call on a stock results in a "long call" position. An investor buys a long call on a stock they think is going to be rising.

### Net Debit

The amount of premium that you pay when doing a spread transaction. It is a negative difference between the option(s) sold price(s) and option(s) bought price(s), such that you still pay money for the transactions.

### Option Strategies Discussion

The option strategies discussion section translates the option strategies section into common English. It guides you through several critical factors that our analysts like to consider and then shows the returns on the different trades.

### Option Strategy Summary

This is the executive summary of the report it shows the precise returns and cost of both the covered call and diagonal spread trades.

### Sell-Side

Many trades have multiple parts to a transaction in a covered call you buy may buy the stock and then sell the option. The Sell side indicates the option and symbol that you are selling.

### Sold Call Month

This is the expiration month of the sold call option.

### Sold Call Strike Price

This is the strike price of the sold call. When you sell an option you are selling the right (or option) for the purchaser to buy the stock from you at the strike price.

### Sold Call Symbol

This is the option symbol of the call that you are selling.

### Stock Resistance

A term used in technical analysis to describe a price area at which rising prices are expected to stop or meet increased selling activity. This analysis is based on historic price behavior of the stock.

### Stock Support

A term used in technical analysis to describe a price area at which falling prices are expected to stop or meet increased buying activity. This analysis is based on previous price behavior of the stock.

### Strategy

The strategy refers to the choice of options methods deployed to profit on a stock and may be selling a covered call; selling a diagonal spread or holding the stock.

### Time Value

Option premium is made up of either time value, intrinsic value or both. From its creation date to its expiration date an options time value decays away and any value left is intrinsic value which rises or falls with the price of the stock. If XYZ stock is at \$51.00 and the April 50 call is trading at 2.50. The option has 1.00 (51.00-50.00) of intrinsic value and 1.50 (2.50-1.00) of time value.

### Trade Duration (Days)

This is the number of days a trade is active. It is the total number of days from the initial opening transaction until expiration day.

### Volatility

This is a rating of the stock's price volatility over the past year. Volatility is the propensity of a security to swing up and down in price.

## Disclosures

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Argus Research, founded by Economist Harold Dorsey in 1934, has built a top-down, fundamental system that is used by Argus analysts. This six-point system includes Industry Analysis, Growth Analysis, Financial Strength Analysis, Management Assessment, Risk Analysis and Valuation Analysis.

Utilizing Argus economic forecasts, the Industry Analysis identifies industries expected to perform well over the next one-to-two years.

The Growth Analysis generates proprietary estimates for companies under coverage.

In the Financial Strength Analysis, analysts study ratios to understand profitability, liquidity and capital structure.

During the Management Assessment, analysts meet with and familiarize themselves with the processes of corporate management teams.

Quantitative trends and qualitative threats are assessed under the Risk Analysis.

And finally, the Valuation Analysis integrates a historical ratio matrix, discounted cash flow modeling, and peer comparisons.

### THE ARGUS RESEARCH RATING SYSTEM

Argus uses three ratings for stocks: BUY, HOLD, and SELL. Stocks are rated relative to a benchmark, the S&P 500.

- ABUY-rated stock is expected to outperform the S&P 500 on a risk-adjusted basis over a 12-month period. To make this determination, Argus Analysts set target prices, use beta as the measure of risk, and compare expected risk-adjusted stock returns to the S&P 500 forecasts set by the Argus Market Strategist.
- AHOLD-rated stock is expected to perform in line with the S&P 500.
- ASELL-rated stock is expected to underperform the S&P 500.

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- 1 Key - Highest Relative Risk
- 2 Key - Considerable Relative Risk
- 3 Key - Moderate Relative Risk
- 4 Key - Low Relative Risk
- 5 Key - Lowest Relative Risk

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