



Amazon's Potential Acquisition of Shopify

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Abstract

The thesis explores Amazon.com Inc.'s possible acquisition of Shopify Inc., focusing on valuation methodologies and the strategic basis of the transaction. The paper is motivated by increasing consolidation within the e-commerce and technology sectors, where scale, data integration, and platform synergies are at the forefront of competitive advantage.

The valuation starts by valuing Shopify on a stand-alone basis using intrinsic and market-based methodologies. Discounted Cash Flow (DCF) valuations make use of a perpetual Blume-adjusted Weighted Average Cost of Capital (WACC) of 12.53%, substantiated by exit multiple and perpetuity growth models. Market-based valuation includes trading comparables and precedent transactions. Results demonstrate wide dispersion: conservative valuations under perpetual growth models are contrasted with more optimistic valuations implied by transaction premiums and market sentiment.

A synergy-adjusted case is then constructed, forecasting potential revenue enhancements and cost savings achievable under Amazon ownership. These cash flows are discounted at the same 12.53% WACC to ensure the incremental uplift captures higher free cash flow generation and not double-counted risk reductions. A Football Field analysis integrates all methods, illustrating valuation corridors with and without synergies, benchmarked against Shopify's market capitalization.

Findings are that, while Shopify's independent valuation is stretched relative to fundamentals, Amazon's strategic rationale would be in unlocking synergies to warrant a disciplined premium. A transaction, then, might be value-accretive for Amazon if executed within a narrow price band and under integration discipline, though governance arrangements and founder control at Shopify remain material hurdles.

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Abstrato

Esta dissertação analisa a potencial aquisição da Shopify Inc. pela Amazon.com Inc., com foco nas metodologias de avaliação e na fundamentação estratégica da transação. A análise é motivada pelas tendências de consolidação nos setores de comércio eletrônico e tecnologia, em que escala, integração de dados e sinergias de plataforma constituem vantagens competitivas determinantes.

A Shopify é inicialmente avaliada de forma autónoma através de abordagens intrínsecas e de mercado: o modelo de Fluxos de Caixa Descontados (DCF), utilizando um Custo Médio Ponderado de Capital ajustado de Blume de cerca de 12,5%, em conjunto com múltiplos de mercado e transações precedentes. Os resultados evidenciam uma ampla dispersão, com estimativas conservadoras baseadas em modelos de crescimento perpétuo em contraste com valores mais otimistas implícitos no sentimento de mercado e nos prémios de transação.

De seguida, é construído um cenário ajustado por sinergias, projetando aumentos de receitas e poupanças de custos ao abrigo da integração na Amazon, descontados ao mesmo WACC para isolar os efeitos incrementais de geração de caixa. Uma análise em “Football Field” integra todos os métodos, comparando cenários autónomos e com sinergias face à capitalização bolsista da Shopify.

As conclusões sugerem que, embora a valorização independente da Shopify pareça exigente face aos fundamentos, a Amazon poderia justificar um prémio disciplinado através da concretização de sinergias. A operação poderia ser criadora de valor se realizada dentro de uma faixa de preço estreita e com rigor na integração, ainda que a governação e o controlo dos fundadores permaneçam como obstáculos relevantes.

Título: “Potential Acquisition of Shopify pela Amazon”

Autor: Marco Augusto Gadaleta

Palavras-chave: Fusões, Aquisições, Modelo DCF, Avaliação, Sinergias, Estruturação de Negócios, Transação, SaaS, Comércio Eletrónico

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To new challenges ahead.

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INTRODUCTION

Mergers and acquisitions (M&A) have long been a primary means of corporate growth, strategic redirection, and competitive consolidation. In a global economy characterized by intensifying technological change, digitalization, and changing consumer habits, M&A activity has become particularly salient in those industries where innovation cycles are short, and size is a determinant. In them, e-commerce and software-as-a-service (SaaS) are industries in which competitive advantage is both strongly scalable and readily erodible, and thus strategic combinations are a good, though risky, path to value creation of a lasting nature.

This thesis examines a hypothetical acquisition of Shopify Inc. by Amazon.com Inc., placing the deal in the context of overall market dynamics, strategic imperatives, and financial feasibility. Amazon, having a 2024 revenue base of USD 575 billion, EBITDA margins of about 15 percent, and a ten-year CAGR in stock performance of about 20 percent, has become one of the most powerful global technology and retail conglomerates. Its businesses range from e-commerce to cloud computing (AWS), digital advertising, and a growing array of consumer electronics and subscription services. Shopify, by contrast, is a high-growth SaaS platform that enables millions of independent merchants to establish and operate their own online shops, generating revenue primarily through subscription fees and merchant services. Shopify experienced a spectacular growth trajectory from 2016 to 2021 with a CAGR of more than 50 percent, whereas its stock price correction in 2022 (–70 percent) reflected the volatility characteristic of its business model and investor appetite for high-growth tech stocks.

The rationale behind contemplating this deal is the complementary yet different positions these businesses occupy in the digital commerce value chain. Amazon's marketplace model provides unmatched scale in logistics, fulfilment, and consumer reach, and Shopify's platform model allows for merchant independence and brand control. An acquisition would give Amazon a greater position as an infrastructure provider for independent merchants, diversify its e-commerce revenue streams into the DTC SaaS segment, and allow for significant operational and data-driven synergies. Yet the deal would also come with formidable regulatory, cultural, and integration challenges, particularly because of the heightened antitrust scrutiny that Big Tech is under and the importance of merchant independence to Shopify's value proposition.

This thesis views the deal through strategic and financial lenses. It integrates a study of prevailing market conditions in e-commerce and SaaS, a critical assessment of the academic and practitioner literature on M&A and synergies, detailed company profiles, and valuation techniques including Discounted Cash Flow (DCF) modeling with and without synergies, and

comparable company transactions and precedent transaction analysis. The inclusion of a football field valuation provides a graphical overview of these methods, highlighting the range of potential enterprise values under different assumptions. The exercise aims to determine whether such an acquisition might be viewed as justified not only in the light of market strategy and synergy potential but also from the shareholder value creation point of view.

Lastly, this research contributes to the ongoing debate of the strategic use of M&A in high-growth technology sectors by providing a structured case study examining how scale, diversification, and operational integration can be leveraged, while also addressing the structural, regulatory, and competitive constraints that affect deal feasibility in today's digital economy.

LITERATURE REVIEW

1.1 Mergers & Acquisitions

Mergers and Acquisitions (M&A) represent one of the most potent instruments through which companies reshape their competitive position, redraw strategic boundaries, and redeploy resources on a global scale. In corporate finance scholarship, M&A is broadly framed as the union of companies or assets, pursued with a view to developing value through changes in ownership, scale, or scope (Gaughan, 2017; Weston & Weaver, 2001). It encompasses a range of deal types, from horizontal and vertical integrations to conglomerate mergers, each targeting specific strategic objectives and market conditions.

The value of M&A as a strategic tool is underlined by the fact that it can accelerate growth at a pace greater than would be achievable through organic growth. In dynamic, highly competitive markets, firms are often faced with the necessity of rapidly acquiring new capabilities, new markets, or responding to revolutionary technological change. Historical deal activity trends illustrate that those sectors consolidating or experiencing technological disruption will most probably see more M&A activity, with companies manoeuvring to gain market position and build defensible competitive advantage.

At the macroeconomic level, M&A activity constitutes a valuable mechanism for resource allocation to more productive uses, sectoral adjustment, and market dynamism. Transactions are often a catalyst for operating restructuring, industry modernization, and capital market efficiency. Policymakers and governments, while remaining vigilant to the risk of antitrust violations, view M&A as a font of innovation and international competitiveness, particularly when domestic firms conduct cross-border acquisitions to establish global footprint (Andrade, Mitchell, & Stafford, 2001).

Academic research further accentuates the cyclical nature of M&A waves, which are closely linked to economic booms, favourable capital market conditions, and low financing costs. Boom periods of high liquidity and investors' confidence are expected to fuel strategic transactions, while downturns are likely to shift focus towards defensive mergers or distressed takeovers (Martynova & Renneboog, 2008). This cyclical pattern underscores the dual character of M&A as a strategic as well as opportunistic instrument, sensitive to shifts in macroeconomic and capital market environments.

M&A stands at the intersection of strategic management and corporate finance, a high-leverage determinant of corporate fortunes. Its significance is not only in the deal itself but in its ability to transform industries, influence patterns of competition, and alter the long-term prospects for

growth of the firms concerned. The ongoing attention M&A receives in academic literature and in practice alike reflects its ongoing role as a prime mover of corporate transformation in today's economy.

Synergies, in the M&A literature, are most typically described as the main reason for deals, the added value that the combined firm is meant to generate over and above the performance of the constituent companies on a stand-alone basis (Sirower, 1997). Synergies can be of diverse types: operational, financial, managerial, and their realization is most typically used as an indicator of the success of the merger *ex post facto*. It is generally assumed that union of complementary resources, capabilities, or market positions can create incremental cash flows, cost savings, or strategic advantages not attainable to each party separately.

A widely applied typology in studies divides the synergies into cost synergies and revenue synergies (Trautwein, 1990). Cost synergies usually stem from economies of scale, increased purchasing power, standardization of processes, or duplications elimination of corporate activities. These are generally more tangible and easier to quantify because they relate directly to cost savings that can be easily observed through accounts. Revenue synergies, however, arise from expanded market coverage, cross-selling opportunities, improved pricing power, and enhanced product or service quality. While these have high potential upside, they are less clear-cut and a function of execution quality, marketplace conditions, and competitor response.

Empirical research identifies that while synergy projections are the core driving influence of M&A appraisals, their realization rates are very differentiated. Research studies by King et al. (2004) and Laamanen (2007) highlight that integration risk, cultural incompatibility, and strategic fit overestimation tend to destroy expected gains. The difficulty lies in translating theoretical complementarities into measurable post-merger performance enhancements. This issue explains why market reactions to M&A news usually price in advance some of anticipated synergies, reflecting investor skepticism.

In terms of valuation, synergies are reflected by adjusting anticipated cash flows of the merged firm, commonly by additional revenue growth rates, reduced cost ratios, or improved working capital efficiency. Adjustments are then discounted at a rate reflecting an approximation of the merged risk profile, producing a synergy-adjusted enterprise value. Importantly, Damodaran (2005) points out that synergy valuations should have realistic operating assumptions and should not be inclined to justify high acquisition premiums with aggressive estimates.

Despite the in-built uncertainty, synergies lie at the centre of M&A strategy since they capture the potential of real value creation rather than wealth transfer. Synergistic success that delivers synergy objectives not only increases shareholder value but also vindicates the transaction's

strategic rationale. Consequently, academic literature and business practice emphasize strict pre-merger due diligence, realistic modeling, and disciplined post-merger integration as prerequisites for synergy attainment.

1.1.1 Transaction Terminology

Mergers and acquisitions (M&A) are business practices in which companies consolidate their business operations to achieve strategic, financial or competitive objectives. When we talk about M&A deals, knowing glossary around M&A make benefit to realize how corporate takeover works and its potential effect on business climate.

Acquirer and Target: Buying a large stake or entire target company. The target is the company being acquired and the acquirer is the one doing the acquiring.

Merger vs. Acquisition: A merger creates a new legal entity, usually involving two firms of roughly equal size, while an acquisition lets two companies continue under the control of the acquirer, with the target generally giving up its independence.

Horizontal vs. Vertical Integration: In horizontal integration, a company acquires another company in a similar industry with the aim of expanding the market share and furthering economies of scale. Vertical integration, in contrast, means purchasing a company that is further up or down the supply chain, enabling the purchaser to centralize production, reduce costs, and exercise more control over suppliers or distribution channels.

Asset vs. stock deal: Amazon could buy Shopify via an “asset deal” (buying specific business assets) or a “stock deal” (buying the company’s equity). An asset deal allows an acquirer to cherry-pick profitable parts of a business to purchase while a stock deal conveys ownership of the entire company.

1.1.2 Strategic Reasons for Amazon Buying Shopify

Assuming details of the situation suggesting Amazon buy Shopify are accurate, we can look for several strategic indicators of its viability given the current e-commerce-digital retail platform competitive landscape:

Market Reach: Acquiring Shopify would give Amazon access to a larger seller base and businesses that prefer to establish their brand as independent stores. The purchase would give Amazon the opportunity to expand its reach beyond the typical marketplace model, targeting new customers and business sectors.

Competitive Positioning: Shopify is Amazon's number one competitor in the e-commerce infrastructure business. By acquiring Shopify, Amazon would be able to consolidate Dominance in the market and eliminate a major competitor in the growing direct-to-consumer (DTC) retail ecosystem.

Synergies: it is the incremental value that is generated when two companies merge, resulting mostly from cost savings (e.g., economies of scale, procurement, logistics consolidation) and revenue increases (e.g., cross-selling, market growth, pricing power). Although intuitively appealing, empirical research demonstrates that synergies tend to be overestimated and difficult to realize in practice, so their correct estimation is of paramount importance to any M&A valuation (Damodaran, 2005; Sirower, 1997)

Business diversification: Shopify's revenue model, which works on subscription-based services, could become yet another stream of revenue for Amazon with its existing business model. Although Amazon generally serves as a marketplace, merchants can build their own online shops through Shopify, thus providing a different value proposition. Integrating Shopify's model, Amazon might widen its revenue streams beyond just third-party marketplace fees.

Reducing Platform Reliance: Sellers on Shopify depend on Amazon for logistics (FBA). Shopify would be the perfect merger for Amazon, allowing for even more contactless in-person sales and deeper integrations of fulfillment services, which could improve shipping efficiency and delivery times.

1.1.3 Factors Associated with M&A Success

The assessment of a transaction is a multifaceted process that requires both financial and strategic consideration. M&A performance can be measured according to Bruner (2004) using:

Value Creation: The deal generates investors a return higher than required, hence creating positive shareholder value.

Value Protection: When returns align with investor expectations, maintaining momentum in the acquirer's financial stability.

Value Destruction: Financial performance that undergoes a surge and decline in returns over investor expectations leading to financial loss and shareholder discontent.

Beyond financial metrics, qualitative elements like brand equity, customer loyalty, and operational synergies are equally important in assessing the long-term value of a merger or acquisition.

1.1.4 Investment Risks of the Acquisition

Acquiring Shopify, however, would present real hurdles for Amazon, including:

Regulatory Scrutiny: Amazon's influence over e-commerce might make it a target of antitrust investigations by regulators. Governments around the world have been stepping up scrutiny of large technology companies, and a deal of this size could pose significant legal challenges.

Cultural Integration: Shopify's open ecosystem model is at odds with Amazon's centralized platform model. The integration of Shopify into Amazon's operational framework could cause friction and resentment among existing Shopify merchants who do not want to be guided, let alone owned, by a larger industry player.

Merchant Backlash Shopify's key value proposition is that it's not Amazon, and if merchants feel like that's changing in their favour with this acquisition, it could prompt them to look for alternative platforms.

Executional Complexity: Successfully integrating Shopify would require a comprehensive plan and considerable spend on technology, branding, and operational integration.

1.1.5 Core Theoretical Frameworks in M&A

To academicize this thesis, the analysis needs to be contextualised in appropriate financial and strategic theories that describe M&A activity:

It is the semi-strong form of the Efficient Market Hypothesis (EMH) that the market price of a company embodies all public information. Hence, an acquisition can add value only if the buyer has access to private information or can achieve synergies after the deal that are not yet reflected in the price.

Behavioural Finance: CEOs demonstrating overconfidence and hubris are frequently mentioned as the source of value-destroying acquisitions (Roll, 1986). If Amazon were to acquire Shopify, the decision will require analysis through not only economic synergies, but manager motives.

Agency theory: Management and shareholders have access to information that they do not share, a classic agency problem. The question of whether Amazon management would go after this deal for strategic exigence or managerial ambition needs to be debated.

Post-Merger Integration: Many deals do not fail in execution but in integration. Platform ideological differences: Shopify vs. Amazon & how risk in PMI might be evaluated.

Real Options Theory: Buying Shopify might be seen as the purchasing of a real option to expand onto a more decentralized, DTC-based ecosystem, this brings optionality to Amazon in an uncertain and evolving market.

Concepts of motivation, risk, and return are data that one would expect to use to critically assess whether the strategic rationale of this deal is any good in the reality of what is known in the academic literature.

1.2 Methods of Valuation in M&A

1.2.1 Pricing Metrics

In establishing the fair value of Shopify in this hypothetical acquisition context, there are a few key valuation metrics we need to keep in mind:

Intrinsic Value: Derived from the net present value (NPV) of Shopify's future cash flows, considering its growth trajectory, profitability, and strategic position in the market.

Market Value: Based on Shopify's stock price and outstanding shares, offers a continuous valuation of the company.

Synergy Value: The added value that Amazon would create by adding Shopify's ecosystem and the resulting reductions in costs, revenue synergies, and operating efficiencies.

Purchase Price and Premium: To entice Shopify shareholders to sign off on the acquisition, Amazon will likely need to offer a significant premium above Shopify's market value. historical acquisition premiums in comparable transactions are typically analyzed to determine the premium.

1.2.2 Analyse Discounted Cash Flow (DCF)

A DCF valuation would require making projections of Shopify's future cash flows and then discounting them right back (using an appropriate discount rate, eg Amazon's WACC). This approach gives an intrinsic value based on the company's ability to generate cash in the long run.

1.2.3 Comparables & Precedent Transactions

Comparing other E-commerce platforms listed publicly, such as Wix and BigCommerce and those of similar nature and determine the appropriate multiplier.

Precedent Transactions Analysis (PTA): Looking at previous M&A deals in the e-commerce sector to determine a fair purchase price. This involves assessing transaction multiples, premium paid, and strategic rationale for similar acquisitions.

1.2.4 Synergy Valuation

Operational Synergies: Integration of Shopify's operations with existing Amazon infrastructure could lead to cost savings with the potential for improved efficiency in logistics, customer service, and marketing.

Financial Efficiency: Enhanced cash flows and tax optimization by consolidated operations, along with pooled negotiating strength with vendors and payment processors.

1.2.5 Strategic Long-Term Considerations

More than its financial and operational implications, Amazon's acquisition of Shopify is potentially a game-changer for the e-commerce landscape in the long run:

Market Consolidation: A deal would concentrate even more power in Amazon's hands and could change the dynamics of competition in the online retail sector.

E-commerce Evolution: United together, Amazon and Shopify could revolutionize the industry by introducing innovative solutions, integrating advanced AI marketing tools, and developing modernized fulfillment solutions.

Regulatory Backlash: Rutgers University: The antitrust authorities (up to a new level of regulatory scrutiny) namely could denigrate regulatory resistance and maybe make Amazon take divestitures or operational changes to get bought.

1.2.6 DCF Valuation: Clarified Discount Rate Framework

When one does a DCF valuation, the discount rate should reflect the risk of the cash flows being projected:

For this, use Shopify's WACC because this reflects its capital structure, business risk, and beta, not the beta of taking the company private.

If valuing the post-acquisition integrated Shopify given within Amazon, a blended WACC or even Amazon's WACC with deal-specific risks applied should be used, but it should be clear why.

One would assume that using Amazon's WACC without a justification distorts risk. An academic best practice requires matching the discount rate with the nature and source of the

cash flows. In a formal approach, the forecaster would model each case and then conduct a sensitivity analysis of valuation under different risk-adjusted discount rates.

2 COMPANY AND INDUSTRY BACKGROUND

We will then introduce the e-commerce industry and then provide an extensive overview of key market trends, the competitive landscape, and how Amazon and Shopify position themselves within this environment. It offers insights into the competitive pressures impacting the market, regulatory factors, tech developments, and the case for a possible acquisition of Shopify by Amazon.

2.1 The E-Commerce Industry

2.1.1 Market Conditions

The macroeconomic and sectoral situation for e-commerce and SaaS in today's times is characterized by a combination of post-pandemic normalization, consistent inflationary forces, and shifting consumer and enterprise behaviour. For e-commerce, growth rates remain positive but decelerated from the record growth seen in 2020–2021 to reflect a rebalancing of the online-offline mix. Nevertheless, global internet penetration continues to be structurally higher than pre-pandemic levels supported by high demand in Western Europe and North America and accelerated uptake in emerging markets such as Southeast Asia and Latin America. Inflationary pressures combined with high logistics and fulfilment expenses have led to margin compression across several operators; nevertheless, the normalization of global supply chains and a freight rate decline throughout 2024–2025 provided some relief. Exchange rates, especially in export markets, continue to be one of the factors driving cross-border sales performance and pricing models.

For the SaaS market, the macroeconomic landscape has steered investor interest away from pure top-line growth towards cash generation, profitability, and unit economics. Enterprise software budgets remain, but procurement horizons have expanded as customers conduct more rigorous ROI analysis before they purchase new subscriptions. The more elevated rates have pushed the cost of capital up, and SaaS vendors have reacted by making pricing strategy more acute and reining in cash burn. Competitive forces are intense too, though, with large incumbents using ecosystem integration to ensure market share, and specialists going after vertical specialisation. Costs of operation in cloud infrastructure are still very critical parameter, particularly for AI-driven applications, causing providers to optimize the workload and secure better deals from large-scale.

2.1.2 Important Industry Trends and Advancements

The global e-commerce market is amid a structural transformation, with retail e-commerce spending poised to hit over USD 6.8 trillion by 2025, making up approximately 20 percent of all retail transactions worldwide. This is premised on some macro-level developments. Consumer desire for convenience has intensified, including easy checkout, various payments, and quick, transparent post-purchase fulfilment. Second, artificial intelligence (AI) is increasingly becoming a part of the shopping process, enabling advanced personalization in product discovery, recommendation engines, and customer engagement strategy. Third, online marketplace platforms are establishing themselves as dominant commercial ecosystems, not only mediating transactions, but also generating ancillary revenue streams through retail media and targeted advertising. Fourth, immersive technologies like augmented reality (AR) and voice-based interfaces and social commerce are revolutionizing the digital retailing ecosystem through the creation of experiential and engaging customer experiences. And finally, the implementation of composable and headless commerce architectures is enabling businesses to deliver flexible, omnichannel experiences without necessitating backend transformation, thereby enhancing responsiveness and scalability to fluctuating market conditions.

At the same time, the SaaS industry is forecast to reach a market worth of USD 300–400 billion by 2025, and it is predicted that 85 percent of all business software will be installed through SaaS models. Several structural trends are shaping this trajectory. AI as a function is no longer an optional feature but a necessary capability that is driving predictive analytics, business automation, and improved decision-making. Price models are moving towards usage-based, particularly to accommodate the computational requirements of AI workloads. Vertical SaaS expansion—platforms dedicated to the needs of specialized industries, shows increased demand for domain-expertized propositions. Meanwhile, API-first approaches, low-code/no-code dev platforms, and the micro-SaaS proposition explosion are cutting down on entry points and compressing deployment cycles. However, with this growth comes its own set of challenges, including more complexity in handling SaaS stacks, with the typical enterprise now operating over 100 applications, as well as more vulnerability to shadow IT and regulatory compliance risks. Efficiency optimization and governance models thus emerge as key drivers of competitive success in the SaaS market.

2.2 Acquiring Company: Amazon

Amazon.com, Inc., a 1994-incorporated and Seattle, Washington-based multinational technology firm and one of the world's largest and most diversified, operates across e-commerce, cloud computing, digital streaming, and artificial intelligence businesses. Its core e-commerce platform serves as an online international marketplace, connecting millions of buyers and sellers globally across categories of products ranging from consumer electronics to grocery. Underlying this retail focus is Amazon Web Services (AWS), which is a dominant player in the infrastructure cloud market with approximately one-third of the global market and offering a complete suite of cloud scalability, computing, storage, and analytics solutions to businesses worldwide. Outside these columns, Amazon has built a quickly growing ad business, employing its enormous consumer data to deliver addressable retail media solutions and a series of subscription offerings, such as especially Amazon Prime, which unites retail rewards with digital content propositions in video, music, and reading.

The company's operational span is underpinned by a highly integrated logistics and fulfillment network, ranging to automated storage and fulfillment, last-mile delivery infrastructure, and supply chain optimisation proprietary tech solutions. The network enables Amazon to deliver unmatched speed, reliability, and geographic reach of delivery. At the same time, its tech platform, ranging to AI-based recommendation engines, voice interfaces (Alexa), and virtual shopping experiences, facilitates continuous innovation in customer interaction. These strengths provide a solid foundation for the potential consolidation of Shopify's merchant platform, potentially through the combination of operating scale and specialisation by niche market.

From a finance perspective, Amazon demonstrates phenomenal capability to make huge acquisitions. In FY2024, the company registered USD 575 billion in revenue due to its diversified business model comprising e-commerce, AWS, and advertising. Gross margin is around 44%, encompassing the ad and AWS high-margin contribution in the total mix. The EBITDA margin of around 15% converts to robust operating profitability, while net income was at USD 35 billion. Important to note, Amazon spends around 12% of revenue on research and development, reflecting ongoing emphasis on innovation and long-run competitiveness. Free cash flow remains solidly positive, with plenty of in-house financing capacity available for strategic investment.

Amazon's capital structure is characterized by low leverage, high liquidity, and investment-grade credit rating, which together impart considerable balance sheet flexibility. As of 2024,

the company's market capitalisation stood at approximately USD 1.55 trillion, supported by a decade-long compound annual growth rate (CAGR) in share price of approximately 20%, demonstrating strong and stable shareholder returns. This harmony of size, accounting, and steady market outperformance accentuates Amazon's ability not only to finance an acquisition of Shopify but also to take it in and integrate it successfully without undermining its greater strategic agenda.

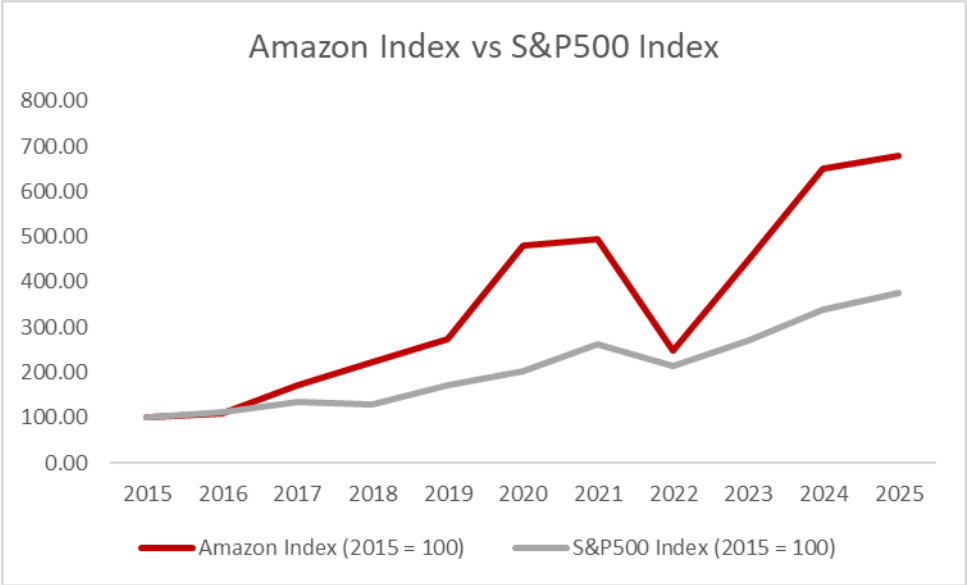


Figure 1 - Amazon performance normalized to 2015 compared with the S&P500 Total Return Index (2015–2025). Source: Refinitiv Eikon, own elaboration



Figure 2 - Year-on-year growth rates of Amazon and the S&P500 (2016–2025). Source: Refinitiv Eikon, own elaboration

Figure 1 and Figure 2 compare the performance of Amazon stock versus the overall market (S&P 500) over the last decade. The initial graph, base-2015 indexed, illustrates the stunning beat-down of Amazon, with cumulative returns significantly above the benchmark. The second

plot, showing year-over-year growth rates, shows that this higher long-term performance has been accompanied by much greater volatility, with unexpected reversals such as the 2022 drawdown. In general, the evidence suggests that although Amazon has been a consistent value creator, its returns have been achieved through greater exposure to risk, something that must be accounted for when considering its ability to execute on large-scale acquisitions.

2.3 Target Company: Shopify

Shopify Inc. was founded in 2006 by Tobias Lütke, Daniel Weinand, and Scott Lake in Ottawa, Ontario, Canada. Shopify started as a niche online snowboard store and developed over time into one of the world's most well-known cloud-based commerce infrastructure providers. Their platform helps businesses of any size create, launch, and expand online stores with inventory management tools, order tracking, payments, analytics, marketing, and omnichannel selling on social networks and third-party marketplaces. Shopify has grown over time to become the main alternative to worldwide e-commerce behemoths, enabling merchants to maintain control over brand identity, own customer relationships, and scale independently of a single sales channel. Shopify's business model mixes subscription services that bring in recurring revenue with merchant solutions such as Shopify Payments, shipping, advertising products, and other commercial services. The diversification enables the company to profit both from the growth of its merchant base and the increasing transaction volume of current customers.

Financially, Shopify has shown robust growth, with consolidated revenues increasing from USD 1.07 billion in FY2018 to USD 8.88 billion in FY2024, a CAGR of over 40 percent. Gross margins tightened from 56 to 50 percent due to the expansion into lower-margin businesses like logistics, but operating leverage has been enhanced: EBITDA swung from an USD 81 million loss in 2018 to USD 1.10 billion in 2024 (12 percent margin). Net income became positive, reaching USD 2.02 billion in FY2024 after years of intensive reinvestment. With no long-term debt and USD 4.56 billion of net cash, Shopify retains an asset-light profile and invests intensively in innovation, with R&D expenditures equivalent to 15 percent of revenues. A comparison of share performance between 2015 and 2025 illuminates very different investor expectations for Amazon and Shopify. Amazon returned a ~20 percent CAGR during the decade, accelerating post-COVID as retail and AWS boomed, then normalizing to more stable growth. Shopify's path, depicted in Figure 3, was much more volatile: exponential appreciation from 2016 to 2021, then a spectacular 75 percent meltdown in 2022 amidst macro tightening, decelerating online retail, and technology de-rating. As depicted in Figure 4, Shopify returned

nearly +180 percent in 2019–2020, only to reverse sharply in 2022, compared with the single- to mid-teen returns of the S&P500.

This volatility profile is mirrored in its equity beta of 2.70, highlighting high sensitivity to market shocks and sector-specific trends. In contrast, Amazon's 1.32 beta is indicative of its diversified and resilient revenue base.



Figure 3 - Shopify performance normalized to 2015 compared with the S&P500 Total Return Index (2015–2025). Source: Refinitiv Eikon, own elaboration



Figure 4 - Year-on-year growth rates of Shopify and the S&P500 (2016–2025). Source: Refinitiv Eikon, own elaboration

2.3.1 Ownership Structure

Ownership structure also divides the strategic and governance universes of the two firms. Amazon is a highly reputable institution, with an estimated 9 to 10 percent of shares controlled by founder Jeff Bezos and the rest widely held by large institutional investors like Vanguard

and BlackRock. Its corporate governance structure prioritizes transparency and accountability to shareholders, reflecting the demands and needs of its diversified investor base.

Shopify, in contrast, maintains a dual class share structure that grants its founder and CEO, Tobias Lütke, and other insiders more than 40 percent of the company's voting control while they hold a lower percentage of the economic interest (approximately 7 percent). Such concentrated control enables long-term strategic direction but also centralizes decision-making authority, which can become an obstacle to unwanted or non-strategic acquisition bids.

Institutional investors hold the lion's share of Shopify's equity, with significant portions being held by the likes of Capital Research, Vanguard, Fidelity, Baillie Gifford, and T. Rowe Price, among others; however, their influence is tempered by the voting power held by the founder. Shopify's market capitalization, as of the 2025 fiscal year, is estimated at some USD 190.8 billion, a sum that comfortably surpasses some conservative discounted cash flow valuations (e.g., the perpetuity growth model) but compares more favourably with the upper bound derived via exit multiples. From an M&A perspective, these shareholder base and governance differences have important strategic implications. Deal-making is easier for Amazon with its dispersed ownership and institutional governance, if the deal is value-enhancing and has board approval. In contrast, Shopify's founder-led governance may pose a material impediment to takeover, especially if management believes the transaction conflicts with its strategic priorities. Any potential deal structure would have to explicitly accommodate this governance asymmetry, potentially through premium valuation, strategic concessions, or post-deal autonomy assurances in exchange for founder support and shareholder approval.

2.4 Deal Rationale

Globally, Amazon's acquisition of Shopify presents a sequence of solid opportunities to redefine the competitive e-commerce landscape. Firstly, the transaction would provide Amazon with exposure to a much bigger marketplace. Shopify has millions of individual online merchants selling in a wide range of verticals with many avoiding Amazon's marketplace precisely to maintain direct customer relationships. By acquiring Shopify, Amazon would be gaining an unparalleled reach among this merchant community, extending well beyond its own store to being part of the direct-to-consumer (DTC) category. It would basically turn Amazon into an infrastructure and service provider for an enormously larger group of digital commerce participants, from mom-and-pop entrepreneurs to blue-chip companies.

Operational synergies can be gigantic as well. Amazon's scale-optimized, best-in-class logistics network built up over decades could be integrated with Shopify's merchant operations to create an integrated fulfilment spine. That could have the impact of reducing cost, improving speed and reliability of delivery, and offering merchants an end-to-end, hassle-free solution blending Shopify's front-end store management with Amazon's fulfilment. The potential for AI-based data synergies is equally deep. Amazon could merge its vast consumer behaviour databases with Shopify's rich merchant and transaction data to enhance recommendation algorithms, predictive inventory control, and ad targeting features on both platforms.

Further, the acquisition would diversify Amazon's e-commerce business model. While Amazon's current model is quite marketplace-transaction- and first-party-retailing-oriented, Shopify would introduce higher penetration into the DTC space, the latter introducing Amazon to SaaS-based subscription revenue and the ability to accommodate a broader set of business models. Such diversification would shield Amazon's e-commerce business unit from marketplace cyclicality in behaviour, as well as further cement it as the commerce infrastructure provider of choice.

But such strategic benefits must be weighed against significant dangers and challenges. Most prominently, there are regulatory ones. With Amazon already dominant in e-commerce, an acquisition of Shopify would essentially assure aggressive antitrust investigations in multiple jurisdictions, threatening to delay or derail the transaction. Brand and cultural problems are also in play. Shopify's appeal to the merchants is also based in great part on its autonomy and reputation as a broker of merchant autonomy. Any diminution of autonomy, particularly if Amazon imposed its own operating practices, would drive some of Shopify's base of merchants to other platforms. Finally, there are the technical and operational integration complications. Merging Amazon's own fulfilment networks and platform infrastructure with Shopify's established infrastructure would require gentle planning and execution to avoid service interruption and ensure merchants and consumers have a unified, value-added experience.

2.5 Implications for the Industry in the Long Term

An Amazon-Shopping combination would have lasting effects on the international e-commerce industry, conceivably altering market composition and competitive strategies for many years to come. The most immediate implication would be an unprecedented level of market consolidation. Combining the largest online marketplace with one of the largest DTC enablement platforms would enable Amazon to have control over a significant amount of global

e-commerce infrastructure, from merchant acquisition all the way to final-mile delivery. Consolidation would only serve to further enhance Amazon's network effects, pushing it to become increasingly more difficult for small platforms to compete on cost, scale, or technological sophistication.

The transaction could also trigger behaviour changes among merchants. While some stores may experience the operating benefits of greater integration with Amazon's world, others, particularly those anxious about Amazon's competitive shenanigans, may seek an alternative platform that can provide them with more independence. That could open the door for competitors such as Wix, BigCommerce, or newer headless commerce entrants to poach a share of Shopify's merchant base, if only they can frame themselves as the "independent alternative" in the post-deal world.

Most significantly, the deal would set an important precedent in the regulatory environment of the huge tech mergers. In an era where Big Tech is being scrutinized more than ever before, a merger of this magnitude would practically undoubtedly be a case in point for future digital antitrust analysis. If it succeeds, it would prompt other large tech firms to pursue similarly game-changing mergers; if it fails, it would signal the start of more assertive, more intrusive policy towards tech-industry M&A. Either way, the deal's destiny would be felt across the industry, influencing competitive manoeuvres, regulatory strategy, and the balance of power between large platforms and small commerce facilitators.

3 VALUATION

3.1 Relative Valuation

Relative valuation techniques were used to position Shopify within the competitive landscape and to support the football field analysis. For studying the position, there are two types of Comparables (*See Appendix 3*):

- Trading Comparables

A retrieve valuation was conducted based on a set of public companies that operating in e-commerce, digital payment and SaaS sectors. The peer includes firms as Amazon, Paypal, Intuit, Alibaba and Etsy. Those companies have been selected based on their operational similarity, market presence and business like Shopify

- Comparable Transaction

A second valuation was based on precedent M&A transaction involving high growth tech companies. For this section the main deals were about Flipkart (Walmart), Deliverr (Shopify), Mulesoft (Salesforce) and Splunk (Cisco).

3.2 DCF Valuation

In addition to the Relative Valuation, a valuation based on Discount Cash Flow (DCF) has been done to obtain the the Intrinsic Value of Shopify. For doing the DCF, it has been done a forecast on the income statement and balance sheet from 2025 to 2031.

3.2.1 Forecast Assumptions

In the Forecast, the base case focuses on Shopify's two business lines: Subscription and Circulation, which are repeat SaaS revenues, and Merchant Solutions, which gather transaction-based revenues such as payments, logistics, and value-added services. The forecast relies on a bottom-up approach, grounded in historical performance and normalized to reflect the company's progress toward maturity.

For Subscription and Circulation, assumptions of growth derive from the global B2B SaaS CAGR of 26.91% (2025–2030, Mordor Intelligence). Despite maturing growth for Shopify, the model follows a more temperate approach, with shrinking growth rates from 28% in FY2025 to 26% by FY2031. The cautioning is due to rising market saturation, rising costs of acquiring customers, and shrinking incremental value from overseas expansion. Pricing power

is also assumed to stay limited given challenges from new SaaS players in sub-tier segments of the market.

Merchant Solutions generate the biggest share of revenues for Shopify. Projections depend on the company's past compound historical growth with consideration for anticipated GMV evolution. After the historic boom surrounding COVID-fuelled uptake of e-commerce, the segment stands to see a moderating but sustainable trend, with annual growth slowing from 24% in FY2025 to 17% in FY2031. The rationale for the slowdown is due to structural factors such as normalisation of online retail growth, healthy base of merchants, potential headwinds for take rates, and rising logistical costs.

The model does not provide for a steady CAGR for either stream but instead makes year-by-year corrections for expansion to more accurately reflect a maturation process. The technique minimizes the likelihood of overvaluation by virtue of causing a declining curve of expansion rather than automatically extrapolating past trends. Based on these assumptions, Shopify revenues will grow from USD 8.88 billion in FY2024 to USD 35.85 billion in FY2031, representing a 7-year CAGR of ca. 20%. Year-over-year expansion decreases from 25% in FY2025 to 20% in FY2031, consistent with the model of a hypergrowth company joining sustainable long-term expansion. *(See Appendix 8)*

3.2.2 Operating Expenses Forecast

The forecast operating expenses trail the revenue projections and reflect Shopify's expected evolution from a high growth to a more established and profitable business. Each cost line is based on historical trends and benchmark assumptions that have been calibrated to show the company's consistent gains in efficiency and scale dynamics.

Cost of Goods Sold (COGS) should remain approximately flat but increasingly better as a percentage of revenues, declining from -49.6% in FY2024 to -43.3% by FY2031. The trend shows step economies of scale in Shopify's payment and fulfilment infrastructure but not any unit economic disruption.

SG&A expenses are projected to fall gradually relative to revenues, from -14.2% in FY2025 to -9.4% in FY2031. The reason lies in sublinear growth of business functions such as HR,

finance, and legal. However, the decline is not constant: SG&A remains higher in the first few years due to continuous investments in global expansion, customer service, and regional offices. Advertising and Promotion cost shows a consistent decrease from -5.4% in FY2025 to -1.2% in FY2031. This is due to Shopify's brand enhancing, even as the model still has persistent competitive pressures from Amazon, Wix, and BigCommerce.

R&D expenditure is expected to decline from -14.5% of revenues in FY2025 to -9.7% in FY2031, which indicates the shift from disruptive innovation to incremental product development, maintenance, and security releases. The trend fits the changing SaaS platform of Shopify, where innovation turns evolutionary instead of revolutionary in nature.

Depreciation and Amortization are small, between -0.2% and -0.6% of revenues, consistent with Shopify's asset-light model and negligible utilization of physical infrastructure. Impairment expenses are not projected, given the company's intangible-biased portfolio and consistently positive operating outcomes.

As a result of these assumptions, EBITDA grows from USD 1.7bn in FY2025 to USD 12.8bn in FY2031, with margins rising from 15.7% to 35.8%. Growth is driven by modest operating leverage across all cost categories, rather than aggressive cost reduction in growth expenses.

P&L	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
Total revenues	8,880	11,102	13,747	16,845	20,028	22,949	25,619	28,079
Cost of Good Sold	(4,408)	(5,483)	(6,755)	(8,235)	(9,742)	(11,105)	(12,333)	(13,447)
Gross Profit	4,472	5,619	6,992	8,609	10,287	11,844	13,286	14,632
SG&A expenses	(1,333)	(1,611)	(1,926)	(2,276)	(2,606)	(2,871)	(3,077)	(3,232)
Personnel	(139)	(173)	(212)	(259)	(305)	(348)	(386)	(420)
Advertising	(546)	(649)	(763)	(884)	(991)	(1,067)	(1,114)	(1,137)
R&D	(1,355)	(1,661)	(2,015)	(2,419)	(2,816)	(3,158)	(3,448)	(3,695)
Fixed costs	(3,373)	(4,094)	(4,917)	(5,837)	(6,718)	(7,443)	(8,025)	(8,484)
EBITDA	1,099	1,525	2,075	2,772	3,568	4,401	5,261	6,148
Depreciation	(22)	(30)	(41)	(54)	(70)	(86)	(102)	(119)
Amortization	(2)	(3)	(3)	(4)	(5)	(5)	(6)	(6)
Impairment	-	-	-	-	-	-	-	-
EBIT	1,075	1,492	2,031	2,714	3,494	4,310	5,153	6,023
Interest income / (expense)	1,153	1,153	1,153	1,153	1,153	1,153	1,153	1,153
Earnings before tax	2,228	2,645	3,184	3,867	4,647	5,463	6,306	7,176
Taxes	(209)	(255)	(315)	(392)	(482)	(581)	(686)	(799)
Net Income	2,019	2,390	2,870	3,475	4,165	4,882	5,620	6,377

Figure 5 - P&L Forecast

3.2.3 Balance Sheet and Working Capital Assumptions

The projected balance sheet is most concerned with working capital relationships since they have a direct impact on Free Cash Flow through management of operational liquidity. The model provides assumptions for Days Sales Outstanding (DSO), Days Payable Outstanding

(DPO), and other operating liabilities and assets, as based on realistic expectation of Shopify's efficiency trend.

DSO is projected to decrease from 61 days in FY2024 to 46 days from FY2026, where it stabilizes over the forecast period. The reduction reflects incremental improvement in receivables management as Shopify expands its merchant base, countered by continued expansion into offshore markets.

DPO is taken at 34 days in FY2024, increasing to 39 days from FY2025 and beyond, and is kept flat thereafter. This conservative assumption makes neutral terms assumptions, in line with Shopify's historical payment behaviour, without assuming major changes in purchasing or supplier negotiating strategy.

Inventory is not forecast, as in Shopify's asset-light business and non-management of physical assets.

Other operating assets are projected as a percentage of revenues, decreasing step by step from 3.8% for FY2024 to 3.0% for FY2031, reflecting gains from automation, economies of scale, and streamlining. Other operating liabilities, by contrast, remain fairly flat, moving from -11.7% in FY2024 to -12.2% in FY2031, consistent with Shopify's subscription-based model and deferred revenue model.

As a result of these assumptions, Net Working Capital remains in negative positions throughout the period, showing Shopify's structural strength of cash conversion. This setup implies that the company has always received cash from customers in advance versus paying its suppliers, owing to prepaid subscriptions and deferred revenues. However, the net requirement becomes increasingly negative, falling from -USD 2 million in FY2025 to -USD 489 million in FY2031, as principally receivables and other operating assets grow with revenues scale.

This trend is an incremental liquidity requirement consistent with a more settled operating pattern. Overall, Shopify's working capital structure continues to facilitate operating cash flow generation, and its increasingly larger rise on an absolute basis just mirrors the unavoidable effect of scale in a mature company.

NWC	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
(+) Accounts Receivables	1,495	1,481	1,721	2,109	2,553	3,095	3,736	4,488
(+) Inventory	-	-	-	-	-	-	-	-
(-) Payables	(408)	(583)	(708)	(852)	(1,011)	(1,202)	(1,422)	(1,673)
Trade working capital	1,087	898	1,013	1,257	1,542	1,893	2,314	2,815
(+) Other operating assets	338	408	488	575	670	780	903	1,085
(-) Other operating liabilities	(1,040)	(1,309)	(1,631)	(2,011)	(2,450)	(2,989)	(3,631)	(4,389)
Net Working Capital	385	(2)	(131)	(178)	(238)	(316)	(414)	(489)

Figure 6 - Net Working Capital Forecast

3.2.4 Capital Expenditures

The Capital Expenditures (CapEx) estimate distinguishes between intangible and tangible assets to recognize the dual character of Shopify's investment as a digital, asset-light organization. Scalability requirements are supposed to be captured while not overstating capital intensity within the projections.

Physical CapEx includes physical capital such as servers, hardware, and office facilities. After FY2024–2025, tangible CapEx begins low but gradually increases to 1.3% of revenues from FY2028 onwards. This reflects incremental spending on infrastructure to cover Shopify's expanding base of merchants and global reach without being excessive in line with its cloud-based service model.

Intangible CapEx represents capitalized technology enhancement, platform growth, and software growth. It is maintained at 0.23% of revenues consistently over the forecast period, reflecting Shopify's consistent investment in innovation, product security, and ecosystem growth.

This tangible and intangible asset allocation creates a better match for Depreciation and Amortization so that capital expenditure is balanced with its economic value over time.

In total, cumulative CapEx grows from FY2024's USD 35m to FY2031's USD 426m while the CapEx-to-revenue ratio grows from -0.4% to 1.2%. The trajectory plots a growth path of disciplined capital intensity expansion by Shopify without distorting estimates of Free Cash Flow. The approach is consistent with an asset-light platform business and is consistent with sustainable long-term growth.

CapEx	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
Δ Tangible assets	(15)	(20)	43	137	268	325	393	472
Δ Tangible assets Margin	-0.17%	-0.18%	0.32%	0.82%	1.32%	1.32%	1.32%	1.32%
Δ Intangible assets	(20)	(25)	(31)	(38)	(46)	(46)	(46)	(46)
Δ Intangible assets Margin	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%
Capex (all fixed assets)	(35)	(45)	12	100	222	279	347	426
Capex Margin	-0.39%	-0.41%	0.09%	0.59%	1.09%	1.13%	1.16%	1.19%

Figure 7- CapEx Forecast

3.2.5 Other DCF Drivers and Free Cash Flow to the Firm (FCFF)

The tax rate used in the forecast differs from the statutory 25%, averaging roughly 15–20% of the forecast period. This reflects assuming Shopify derives short-term advantage from partial tax shields, not modelled directly, that further reduce as the company returns to normalized tax-paying profitability. The effective tax rate rises from 9.4% in FY2024 to 22.7% in FY2031,

consistent with the progression to full statutory tax at a later stage. This is to maintain conservatism and intra-consistency with long-term profitability assumptions in the model.

Changes in Operating Working Capital (OWC) have a significant effect on free cash flow. In FY2024, there is a favourable contribution of USD 391 million, which is mainly due to reversals of short-term working capital effects. Post-FY2025, however, the liquidity absorption becomes structural as working assets and receivables grow in line with revenues. Δ OWC is always negative over the horizon, ranging from USD -48 million to USD -98 million annually, and stabilizing at USD -76 million in FY2031. This is a sign of Shopify's operating maturity, where scale growth necessitates proportionate reinvestment of working capital.

Free Cash Flow to the Company (FCFF) is calculated as Net Self Financing, EBIT, less non-cash charges (D&A), taxes, and Δ OWC, reduced by CapEx. FCFF on these assumptions rises from USD 904 million in FY2024 to USD 14.9 billion in FY2031. It is driven by robust top-line growth, stronger operating leverage, rising normalization of tax rates, and modest CapEx needs relative to revenues. FCFF margin rises from 10.2% in FY2024 to 41.5% in FY2031 as Shopify matures from a reinvestment-intensive growth business to an extremely cash-steady mature business. This trajectory improves the valuation model by showing the sustainability of long-term free cash flow generation.

FCFF	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
EBIT	1,075	1,705	2,558	3,682	5,120	7,009	9,432	12,494
D&A	(24)	(41)	(65)	(96)	(137)	(190)	(260)	(348)
Taxes	(209)	(322)	(489)	(729)	(1,065)	(1,541)	(2,200)	(3,095)
Δ OWC	391	(387)	(128)	(48)	(60)	(77)	(98)	(76)
Net Self Financing	869	2,373	3,111	4,362	6,108	8,437	11,470	15,317
CapEx	(35)	(45)	12	100	222	279	347	426
FCFF	904	2,419	3,098	4,263	5,885	8,158	11,123	14,891
FCFF Margin	10.18%	21.79%	22.54%	25.31%	28.86%	33.00%	37.27%	41.54%

Figure 8 - FCFF Forecast

3.2.6 WACC

The Weighted Average Cost of Capital (WACC) is the weighted average cost of return demanded by both debt and equity investors, based on their respective contribution to the capital structure of the firm. It is used to discount future Free Cash Flows to the Firm (FCFF) and end up computing the enterprise value in a Discounted Cash Flow (DCF) model. The WACC captures the risk profile of the firm through the utilization of market-based estimates for both the cost of equity and the after-tax cost of debt.

For the methodology the WACC is calculated through the standard formula:

$$WAAC = \left(\frac{E}{D + E} \times R_e \right) + \left(\frac{D}{D + E} \times R_d \times (1 - T) \right)$$

Where:

- E and D are the market values of equity and debt, respectively,
- R_e is the cost of equity, estimated through the Capital Asset Pricing Model (CAPM)
- R_d is the cost of debt
- T is the marginal tax rate

Cost of equity (R_e) was estimated according to CAPM, applying the U.S. 10Y Treasury yield as of the valuation date (4.20%) as the risk-free rate and an equity risk premium (ERP) of 3.94%, in accordance with Damodaran's implied ERP estimates. To estimate systematic risk, a Blume-adjusted beta of 2.13 was employed, founded on Refinitiv's 5-year levered beta of 2.70 and adjusted to moderate the short-run volatility implicit in Shopify's stock returns. This approach is a truer reflection of the underlying business risk than using the unadjusted market beta, which would yield a cost of equity above 18% that would be unmoored from fundamentals. The thus-derived cost of equity is 12.59%.

Cost of debt was synthetically approximated at 5.15% (pre-tax), in line with peers of the same credit rating (A- by Refinitiv). After accounting for the 25% tax shield, the after-tax cost of debt is 3.86%.

Putting these inputs together, Shopify's Weighted Average Cost of Capital (WACC) was set at 12.53%, which reflects its equity-heavy capital structure and the volatility-adjusted cost of equity. This single estimate was used across both the standalone and the synergies valuations. While an alternative peer-based WACC was also considered, it was discarded as less representative since the Blume-adjusted beta better captures Shopify's risk profile and ensures methodological consistency within the valuation exercise.

3.2.7 Discount Cash Flows

Shopify's enterprise value was estimated via a Discounted Cash Flow (DCF) model, a method well suited for fast-growing companies with recurring revenues and understanding of long-term cash generation. The model calculates unlevered Free Cash Flows to the Firm (FCFF) over a six-year forecasting horizon (FY2026E–FY2031E), then calculates a Terminal Value to reflect continuation of cash flows beyond the specific forecast. All the discount future cash flows at Shopify's Weighted Average Cost of Capital (WACC) of 12.53%, based on a Blume-

adjusted beta (2.13), as a better estimate of the firm's underlying business risk than peer-based estimates.

In this framework, two terminal value approaches were utilized. The Exit Multiple approach (28x EV/EBITDA) equates to an enterprise value of approximately USD 206 billion, with more than 85% of the entire value comprising the terminal component. This is the structural make-up of high-growth SaaS firms, in which most of the intrinsic value resides in long-term scalability and cash flow potential rather than near-term profitability.

Perpetual Growth under a benchmark Gordon growth hypothesis provides a much lower number. A 5.8% long-term growth assumption, conservatively so relative to Shopify's previous trajectory, returns an enterprise value of USD 144 billion. Again, this number is disproportionately punitive in the sense that the Gordon model stipulates an instantaneous change from rapid growth to stable maturity at some specific point in time. Such an assumption does not accurately reflect the gradual process of real corporate lifecycles, particularly for SaaS businesses with extensive runway for global adoption and ecosystem monetization.

To avoid this limitation, an H-model was introduced as a better model based on fade. The H-model hypothesis is that Shopify's growth does not fall off precipitously but slows gradually over a ten-year period from the present near-term rate of 7%, consistent with the growth path, which is still visible in FY2032, to a ten-year sustainable rate of 3%. This assumption is based on macroeconomic fundamentals: the 3% anchor remains constant in line with long-run nominal GDP ($\approx 1.5\%$ real growth + $\approx 1.5\%$ inflation) such that Shopify's mature-state growth doesn't exceed aggregate economic growth. Theoretically, the H-model is a better reflection of the top-line trajectory of a company that still grows but progressively fills out its addressable markets. Quantitatively, it works out to a company worth of roughly USD 198 billion, which not only comfortably falls within the broader DCF estimate but also provides a better-backed midpoint between extremely optimistic multiple-based estimates and extremely conservative perpetuity assumptions.

Sensitivity analyses also determine the robustness of this range. Modest shifts in WACC between 11.53% and 13.53% and terminal multiples between 26.0x and 30.0x produce enterprise values of USD 174 billion to USD 222 billion. For a second time, small modifications to the fade path of the H-model (e.g., shortening or lengthening the convergence horizon) have valuations roughly within this band, validating its credibility as a methodological mean.

Cumulatively, these results indicate Shopify's intrinsic value to be in the range of USD 186 billion to USD 198 billion on terminal value specification with the H-model estimate being the most academically reasonable central case. By avoiding the traps of premature convergence and capturing both the persistence of growth and the inevitability of eventual economic normalization, the H-model strengthens the valuation model and provides a balanced conclusion that aligns with both finance theory and with empirical facts of high-growth SaaS businesses.

3.3 Football Field

Football Field chart is the condensed pictorial summary of different valuation methods applied on Shopify in isolation, comparing numerical outputs with the rationale of each method.

Peer-group quoted levels are at the low end of the range, with EV/Revenue around USD 29.1 billion and EV/EBITDA around USD 22.8 billion. These subdued levels also represent near-term market conservatism: investors reward Shopify's robust topline growth but are wary of its poor profitability, high reinvestment needs, and competitiveness in the e-commerce infrastructure space.

Transaction comparables produce, however, a much wider range with EV/Revenue values agreeing at USD 84–171 billion and EV/EBITDA medians from USD 23.6 to USD 134 billion. This is because significant control premiums strategic acquirers are likely to pay for high-growth SaaS companies reflect internalizing expectations of synergies and future scalability which do not exist in trading multiples. However, through this very dispersion, transaction comparables must be approached with caution: while they provide useful context regarding how strategic buyers price assets, they are not so much a solid benchmark for "intrinsic" value and are therefore secondary to the conclusion of this analysis.

Intrinsic methods using Discounted Cash Flow provide a much narrower and intellectually justified corridor. Beginning with the 12.53% Blume-adjusted WACC, the Exit Multiple method (28 EV/EBITDA) provides an estimate of enterprise value at about USD 205.7 billion, whereas the H-Model provides an estimate of the central value of about USD 197.6 billion

In tandem, the Football Field proposes an applicable standalone value range for Shopify, with the DCF calculations (Exit Multiple and H-Model) being the most reliable source of reference. Interestingly, Shopify's market cap of September 2025 (USD 190.8 billion) falls within this DCF range, in support of the finding that equity markets already price Shopify near the intrinsic

upper limit. This overlap reflects investors' confidence in Shopify's scalability but, on the contrary, indicates little room for a synergies-free disciplined acquirer.

Here, the apparently contradictory gap between intrinsic models and comparables is not counterfactual but complementary. The multiples of trading reflect short-term conservatism in markets, transaction comparables detect strategic premiums and hidden synergies, whereas the DCF provides the most academically logical anchor. The DCF corridor is therefore employed as the principal standard of valuation, while the comparables are utilized as contextual controls and not determinative inputs.

While trading comparables reflect lower valuations, the outcome primarily reflects short-term market scepticism about Shopify's profitability and industry volatility. These multiples mirror near-term investor caution and not long-term fundamentals. DCF modelling, on the other hand, directly simulates Shopify's future cash-flow capability and growth trajectory, which are the drivers of its value as a high-growth SaaS champion. Transaction multiples thus highlight that strategic purchaser's price in synergies and scalability that has not yet been priced into market levels of trading. Harmonizing the methods, the comparables are useful as a sense check on current sentiment, but the DCF corridor is the rigorously academic and economic estimate of intrinsic value, with transaction precedents imbuing meaning into potential acquisition premiums.

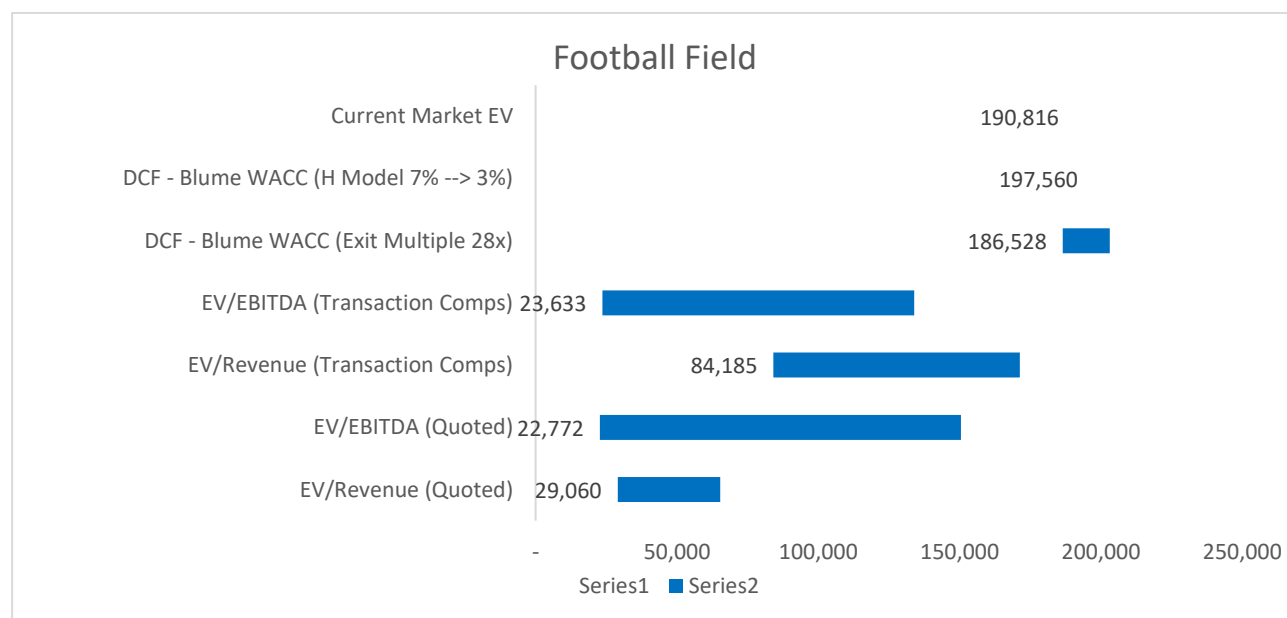


Figure 9 - Football Field

4 SYNERGIES

Post-acquisition projections have been developed to reflect the full spectrum of operating synergies that are expected from the combination of Shopify and Amazon. The model has been established to reflect an upward trend of benefits over the planning horizon (FY2025–FY2031), recognizing that realization of synergies will not be immediate and not proportionate across the revenue streams, cost structure, and deployment of capital. The approach balances the possible potential of strategic integration with sound financial modeling habits, avoiding unrealistic extension of hypergrowth trends.

4.1 Revenue Synergies

Synergies in revenues are projected from combining Amazon and Shopify's networks, constructed on cross-platform complementarities and scaled merchant reach. Drivers are the projected merchant acquisition acceleration and increasing transaction volumes, as Shopify merchants enjoy instant access to Amazon's logistics, fulfilment, and Prime customer base. Synergies are assumed to reduce onboarding frictions, enhance conversion rates, and facilitate premium pricing in Shopify merchant service plans.

No near-term impact is built into FY2024 and FY2025, following adjustments for the operational lag in integration and adoption. From FY2026, additional revenue from synergies is assumed to accrue, starting with 6–7% increase on revenues and reaching 5% per annum by FY2028–FY2029. As the integration effect takes hold, incremental addition tapers to 2–3% annually by FY2030, before reaccelerating modestly to around 10% in FY2031, reflecting the scalability of a mature fully integrated ecosystem.

This stylized trajectory embodies both empirical evidence from the previous transactions of the e-commerce and SaaS sectors and economic intuition that synergy realization is front-loaded, with increased marginal gains being reaped in the first post-integration years. The smoothing afterward avoids overstating long-term gains, while the terminal-year surge captures the strategic optionality and market growth opportunity established by an Amazon-Shopify platform fully embedded.

By depicting synergies as time-varying and subject to the law of diminishing returns before terminal maturity uplift, analysis is conservative but opportunity-driven. This implies incremental revenues are value accretive in aggregate rather than subject to unconstructive assumptions of infinite uplift, thereby making synergy forecast consistent with academic best practice and market expectations alike.

4.2 Operating Expenses and Margin Building

The cost structure reflects Shopify's transition to an older, integrated business model in which integration efficiencies and economies of scale with Amazon are leading the way. Cost of Goods Sold (COGS) remains the largest expense category, which is set to continue to improve incrementally from –49.6% of revenues in FY2024 to –43.3% by FY2031. This trajectory reflects incremental advances in payment and fulfillment infrastructure efficiency but does not anticipate unit economics disruptive innovation. The upgrade therefore is modest, consistent with a business model in which the primary synergy value accrues through top-line expansion rather than radical cost reduction.

Selling, General and Administrative (SG&A) expenses reflect consistent improvement as a percentage of revenues, from –14.2% in FY2025 to –9.4% in FY2031. These advances are fueled by two complementing forces: sublinear expansion in business overhead activities such as HR, finance, and legal initially, and integration synergies with Amazon fueling reduced customer acquisition costs through leveraging Amazon's analytics and channels of distribution second. Advertising follows the same trajectory, declining from –5.4% in FY2025 to –3.7% by FY2031, because of improved targeting efficiency and diminishing marginal spending requirements as the merchant base grows in Amazon's ecosystem.

R&D expenditure remains structurally high but declines moderately in relative terms, from –13.8% of revenues in FY2025 to –9.7% by FY2031. This reflects a move to incremental innovation, integration across platforms, and ongoing expenditure on security and scalability. That double-digit R&D margins continue through the initial years is a sign of the continued need for tech differentiation, but the decline towards maturity is evidence of a stabilization in Shopify's tech stack.

Fixed costs rise nominally, which reflects continued expansion in infrastructure and support activities, but fall as a percentage of revenues by virtue of operating leverage. The combined effect of these influences creates a vast upgrade in profitability, with the EBITDA margin rising from 16% in FY2025 to 36% in FY2031. This trajectory shows the aggregate effect of efficiency improvement, revenue synergies, and the diminishing relative importance of customer acquisition and R&D as the business model expands.

Overall, the margin profile demonstrates a shift from a cost-hungry scale-up phase to an mature, cash-generative SaaS model. The turnaround is achieved not by draconian cost reduction, but

by gains in efficiency, benefits of structural integration, and the inherent leverage of a platform-based business model on a global scale.

P&L	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
Total revenues	8,880	11,102	14,414	19,296	25,509	33,263	42,229	52,938
Cost of Good Sold	(4,408)	(5,411)	(6,895)	(9,058)	(11,744)	(15,015)	(18,682)	(22,943)
Gross Profit	4,472	5,691	7,518	10,239	13,765	18,248	23,547	29,995
SG&A expenses	(1,333)	(1,578)	(1,933)	(2,434)	(3,013)	(3,663)	(4,312)	(4,982)
Personnel	(139)	(157)	(182)	(215)	(246)	(271)	(281)	(273)
Advertising	(546)	(605)	(684)	(781)	(854)	(881)	(823)	(661)
R&D	(1,355)	(1,605)	(1,969)	(2,481)	(3,076)	(3,745)	(4,417)	(5,113)
Fixed costs	(3,373)	(3,945)	(4,769)	(5,911)	(7,189)	(8,560)	(9,833)	(11,029)
EBITDA	1,099	1,746	2,750	4,327	6,575	9,688	13,714	18,966
Depreciation	(22)	(39)	(65)	(106)	(165)	(249)	(358)	(502)
Amortization	(2)	(3)	(3)	(4)	(6)	(7)	(10)	(12)
Impairment	-	-	-	-	-	-	-	-
EBIT	1,075	1,705	2,682	4,217	6,404	9,432	13,347	18,452
Interest income / (expense)	1,153	1,153	1,153	1,153	1,153	1,153	1,153	1,153
Earnings before tax	2,228	2,858	3,835	5,370	7,557	10,585	14,500	19,605
Taxes	(209)	(322)	(505)	(810)	(1,283)	(1,999)	(3,013)	(4,447)
Net Income	2,019	2,535	3,329	4,560	6,274	8,587	11,487	15,159

Figure 10 - P&L with Synergies

4.3 Working Capital Management

Shopify's working capital projections indicate how its asset-light business model and the consistency of its operational cash conversion cycle remain intact even for an Amazon integration. Both Days Sales Outstanding (DSO) and Days Payable Outstanding (DPO) are anticipated to remain consistent during the forecast period, at 46 and 39 days respectively from FY2025 and onwards. This assumption is drawn from the 2018–2024 historical trend, where both figures exhibited phenomenal stability despite global expansion at breakneck rates and changing growth. The conservative projection comes from the assumption that while integration with Amazon on paper may enhance receivable collection efficiency or enhance supplier bargaining power, these advantages will be mostly offset by challenges scaling with a multicultural and global merchant base.

Inventory is maintained immaterial in line with Shopify business model. The main drivers of working capital trends are therefore receivables growth and expansion of other operating assets, increasing in absolute terms as revenues rise. Other operating liabilities increase steadily in turn, levelling off at –11.7% of revenues in line with long-term norms. Net effect is a gradual but modest rise in absolute net working capital requirements, from essentially balance in FY2025 (+USD 6 million) to negative –USD 441 million by FY2031.

This negative working capital condition demonstrates structurally healthy cash conversion cycle, with customer payments well in advance of supplier payments. The consistency of

deferral revenues, prepaid subscriptions, and absence of inventory proof demonstrates structure. Of particular interest, percentage net working capital to revenues is not highly volatile and does not place disproportionate pressure upon cash flows. Rather, it reflects Shopify's capability to enable high growth without incremental liquidity strain.

NWC	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
(+) Accounts Receivables	1,495	1,481	1,805	2,416	3,194	4,165	5,287	6,628
(+) Inventory	-	-	-	-	-	-	-	-
(-) Payables	(408)	(583)	(743)	(976)	(1,265)	(1,617)	(2,012)	(2,471)
Trade working capital	1,087	898	1,062	1,440	1,929	2,547	3,275	4,157
(+) Other operating assets	338	408	511	659	838	1,050	1,278	1,602
(-) Other operating liabilities	(1,040)	(1,300)	(1,688)	(2,260)	(2,988)	(3,896)	(4,946)	(6,200)
Net Working Capital	385	6	(115)	(160)	(220)	(298)	(393)	(441)

Figure 11 - NWC with Synergies

4.4 Capital Expenditure

The capital expenditure (CapEx) trend is split between physical and intangible expenditures, reflecting the two-sided nature of Shopify's business model as a digital platform with little need for physical infrastructure investment. Physical CapEx increases gradually by absolute values, increasing from USD 46 million in FY2026 to USD 697 million in FY2031. Relative to revenues, this represents a margin that rises from 0.32% in FY2026 to 1.32% from FY2028 before levelling out. This development represents incremental investment in physical infrastructure and interface refinement to be more integrated into Amazon's logistic environment without being disproportionate to revenues considering the reliance on Amazon's fulfilment network.

Intangible CapEx, which primarily represents capitalized software development, integration engineering, and technology enhancements, remains solidly fixed at -0.23% of revenues across the forecast period. The steady deployment is in line with Shopify's ongoing investments in platform resilience, data protection, and ecosystem expansion, sustaining technological differentiation without excessive resource concentration.

The aggregate CapEx margin therefore rises from -0.09% in FY2026 to approximately -1.09% from FY2028 and onwards, reflecting Shopify's evolution toward a more mature reinvestment profile as revenues scale. Importantly, the construction avoids double-counting long-term capital intensity: most of the fulfilment and logistics-driven capital spending is backed by Amazon's infrastructure, enabling Shopify to have a light and nimble investment strategy. This

asserts that CapEx won't distort free cash flow generation and be consistent with an asset-light SaaS profile.

CapEx	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
Δ Tangible assets	(15)	(20)	46	157	336	438	556	697
Δ Tangible assets Margin	-0.17%	-0.18%	0.32%	0.82%	1.32%	1.32%	1.32%	1.32%
Δ Intangible assets	(20)	(25)	(32)	(43)	(57)	(75)	(95)	(119)
Δ Intangible assets Margin	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%
Capex (all fixed assets)	(35)	(45)	13	114	278	363	461	577
Capex Margin	-0.39%	-0.41%	0.09%	0.59%	1.09%	1.09%	1.09%	1.09%

Figure 12 - CapEx with Synergies

4.5 Profitability and Free Cash Flow Generation

EBIT grows strongly from FY2025 USD 1,705 million to FY2031 USD 18,452 million, with EBIT margins growing from 15.36% to 34.86% over the same period. This ongoing growth results from the joint effect of revenue acceleration and operating leverage. Shopify's SaaS model allows fixed costs to rise absolutely to sustain scaling but fall as a percentage of revenues. The Amazon integration amplifies this operating leverage by improving fulfilment efficiency, building data marketing, and facilitating merchant acquisition to release further profitability incrementally without constraining long-term strategic investment.

Depreciation and Amortisation (D&A) grow from USD 41 million in FY2025 to USD 514 million in FY2031, with the D&A margin moving from -0.37% to -0.97%. This trend aligns with the growing CapEx expenditures witnessed in the forecast, but the absolute values are tiny as a proportion of overall revenues, which underscores Shopify's asset-light nature. The consistent increase in D&A is therefore consistent with the reinvestment profile required to enable platform durability and synchronization with Amazon's infrastructure.

Free Cash Flow to the Firm (FCFF) surges considerably, from USD 2,419 million in FY2025 to USD 20,532 million in FY2031, while FCFF margins go up from 21.79% to 38.78%. This growth trajectory demonstrates the compounding strength of double-digit top-line growth, improved cost containment, and controlled reinvestment intensity. Working capital requirements rise in absolute terms as receivables and operating assets grow but remain under management relative to revenues and do not generate liquidity drag. The result is a more cash-

generative portfolio, consistent with Shopify's development into a mature, high-margin SaaS with solid free cash flow fundamentals.

FCFF	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
EBIT	1,075	1,705	2,682	4,217	6,404	9,432	13,347	18,452
D&A	(24)	(41)	(68)	(110)	(171)	(256)	(368)	(514)
Taxes	(209)	(322)	(489)	(729)	(1,065)	(1,541)	(2,200)	(3,095)
Δ OWC	391	(387)	(128)	(48)	(60)	(77)	(98)	(76)
Net Self Financing	869	2,373	3,232	4,884	7,358	10,794	15,277	21,109
CapEx	(35)	(45)	13	114	278	363	461	577
FCFF	904	2,419	3,218	4,770	7,080	10,432	14,816	20,532
FCFF Margin	10.18%	21.79%	22.33%	24.72%	27.75%	31.36%	35.09%	38.78%

Figure 13 - FCFF with Synergies

4.6 Overall Financial Projections

The combined Shopify–Amazon post-acquisition financial model demonstrates a compelling trade-off between upside growth potential and conservative modelling assumptions. Over FY2025–FY2031, the integration model highlights near- to medium-term capture of synergies, while closely accounting for working capital flows and capital expenditures to deliver a defensible and credible cash flow profile.

On the top line, integration with Amazon's logistics and customer base creates a potent acceleration in the early years, with revenue growth peaking at over 30% in FY2026–FY2027 before easing gradually to 25% by FY2031. This profile is indicative of the classic front-loaded growth characteristic of high-growth SaaS–commerce integrations, where synergies from merchant acquisition and transaction volume growth are highest in the early years of integration, with natural deceleration thereafter as market penetration matures.

On the cost side, operating leverage is the main driver of profitability, rather than radical structural changes. COGS margins are relatively flat, and SG&A and advertising spending gradually decline as a percentage of revenues, in line with decreasing merchant acquisition costs and improved targeting facilitated by Amazon's data infrastructure. Fixed costs increase in absolute terms to support platform scale but are increasingly diluted across revenues, which results in a very material EBIT margin expansion from 15.36% in FY2025 to 34.86% in FY2031. This incremental lift demonstrates the scalability of the combined platform and validates the long-term profitability embedded in the SaaS model.

Depreciation and amortization rise from USD 41 million in FY2025 to USD 514 million in FY2031 but are below 1% of revenues across the forecast period. This is a function of Shopify's asset-light model and minimal requirement for physical infrastructure, with CapEx needs an increasing from USD 45 million to USD 577 million directed toward selective tangible

enhancements and intangible investments in integration and platform development. Notably, capital intensity is modest, which allows incremental growth not to be held back by onerous reinvestment requirements.

Assumptions for working capital are conservatively made. Despite Amazon's capacity for speeding up receivables and optimizing payables, Days Sales Outstanding and Days Payable Outstanding are maintained at stable levels in accordance with Shopify's historical performance. ΔOWC is negative in most forecast years, consistent with incremental liquidity requirements proportional to revenue growth. This conservatism avoids overestimating the cash flow benefits of potential operational efficiencies and remains consistent with historical stability.

Cumulatively, these assumptions drive a steep ramp in free cash generation potential. Free Cash Flow to the Firm has the concurrent advantage of strong top-line growth, EBIT margin expansion, disciplined capital deployment, and conservative working capital management. By FY2031, the model gets to Shopify being a very cash generative business with sustainable scalability, while retaining a conservative baseline that minimizes the risk of over-optimistic projections.

4.7 WACC for the Synergy-Adjusted Case

For the synergy-adjusted valuation, the same discount rate parameters used for the standalone DCF were applied, i.e., a WACC of 12.53% applying Shopify's structure and Blume-adjusted beta. This is methodological consistency: the objective of the synergy case is not to value two separate companies but to assess the incremental impact of synergies on Shopify's value of business applying the same risk-return framework.

While in best practice M&A it is occasionally appropriate to apply the acquirer's WACC to post-merger projections, in this analysis a like adjustment was deliberately eschewed. The imposition of a different WACC (e.g., Amazon's lower capital cost) without discounting synergies as an independent stream would double-count their stabilizing impact and therefore overestimate. By keeping WACC and PG constant in both scenarios, the examination ensures that enterprise value varies only through incremental cash flows generated through synergies and not through variations in discount assumptions.

This approach preserves analysis, never exaggerates the impact of integration, and offers a better perspective: the value uplift in the synergy-adjusted case comes solely from higher

projected operating free cash flows and revenue synergies, with cost of capital firmly established to Shopify's stand-alone risk profile.

4.8 Discount Cash Flow with Synergies

Shopify's post-merger value within the Amazon network is a high-fidelity balance among its future financials, synergy capture, and discounting of long-term cash flows. In this analysis, a deliberate methodological choice was to employ the identical discount rate (Blume-adjusted WACC of 12.53%) as used in the standalone valuation. This balances and precludes the risk of overstating benefits by increasing cash flows simultaneously through synergies and lowering the discount rate. While in certain M&A applications it is understandable to use the cost of capital of the acquirer, it would indeed double-count benefits from integration unless synergies were adjusted as a separate stream of cash flows. By holding WACC and PG constant, the whole value uplift can be exclusively ascribed openly to incremental operating and revenue synergies.

The synergy-adjusted estimates (FY2026E–FY2031E) comprise several drivers. On the revenue side, combining Shopify merchants with Amazon's fulfilment and logistics assets reduces frictions related to onboarding and expanding reach, particularly exposure to the Amazon Prime customer base. This boosts volumes of transactions, improves conversion, and enables price segmentation through bundling services and data analytics. Synergies in data also contribute by lowering customer acquisition costs as well as improving flexibility in targeting. On the cost side, the most significant driver is operating leverage. Shopify's model naturally gets more efficient at scale under Amazon, with SG&A and advertising expense declining as a percent of revenues while absolute fixed costs increase to support expansion. COGS margins are level, highlighting steady unit economics, but multi-channel customer acquisition drives big ad spend savings. These drivers support a steady growth in EBIT margins, from 15.4% in FY2025 to 34.9% in FY2031. Working capital assumptions are modest, avoiding favorable assumptions in terms of receivable compression or extension of payables. Similarly, CapEx is low-key, with physical investment linked to Amazon logistics integration and intangible CapEx still fueling Shopify's platform build. Even at peak levels, CapEx is less than 1% of revenues, consistent with the capital-light profile of the merged group.

DCF estimates based on the Blume WACC confirm the value uplift from synergies. Using an Exit Multiple approach (27.98x FY2031E EBITDA), enterprise value is estimated at USD 267.4 billion. With Perpetual Growth methodology, founded on 5.8% long-term growth rate

that reflects SaaS industry fundamentals, enterprise value is USD 195.2 billion. To minimize the convergence of high growth with economic maturity, an H-Model was also utilized, decreasing growth from 7% in FY2032 to 3% over a decade, and coming up with an enterprise value of USD272.4 billion. This fade-based approach is particularly well-suited to high-growth SaaS business models since it avoids the unrealistic "cliff" associated with a sudden Gordon perpetuity while remaining conservative relative to market multiples.

Sensitivity analyses also highlight the dependency on terminal assumptions. Changing the multiple from 26.0x to 30.0x and the WACC by ± 50 bps with the Exit Multiple method generates valuations from USD 258–310 billion. Changing the long-run growth rate from 3.2% to 4.8% and the WACC by ± 100 bps with the Perpetual Growth model generates a range of USD 157–234 billion. H-Model estimates are again nicely in this corridor, lending credibility to its usage as an average between conservative and market-based estimations.

Rolling them all together, the synergy-adjusted valuation places a range of USD 195–272 billion, with the Exit Multiple at market convention, the Perpetual Growth model providing a conservative base, and the H-Model as the most academic central estimate. The use of a single WACC for both standalone and synergy cases ensure analysis consistency and demonstrates that the incremental boost arises only from operating and revenue synergies. This warrants the conclusion that, at current market prices, Shopify is overvalued on a standalone basis but can be rationalized within Amazon's ecosystem if synergies are considered.

Note: A WACC lower reflective of Amazon's capital structure was contemplated but not utilized conceptually. Consistent with supervisory guidance, so to do this would have double-counted synergies' stabilization effects. The analysis therefore isolates the impact of synergies by holding discount rate assumptions steady.

4.9 Deal Structure and Execution Considerations

The enterprise value under synergy-adjusted value lies in a corridor of USD 195–272 billion, based on constant Blume-adjusted WACC of 12.53%. This ensures that the incremental improvement is solely on account of higher post-integration free cash flows and not on account of discretionary changes in discounting assumptions, to avoid double-counting of risk removal. The Exit Multiple method is corroborative of a value of this corridor of USD 267 billion. Perpetual Growth model provides a conservative basis of ~USD 195 billion, while the fade-based H-Model stretches to USD 272 billion as a point estimate.

These valuations should be contrasted with Shopify's market capitalization of ~USD 190 billion (September 2025). For Amazon, the challenge is bidding well above intrinsic value but

sufficient premium to gain control. A bargaining range of USD 210–230 billion, or a 10–20% premium, is consistent with SaaS and e-commerce precedent and does not near upper-bound valuations that would be disproportionately dilutive to Amazon shareholders.

In terms of context, at Amazon's enterprise value of USD 1.8–1.9 trillion, this would already represent ~12% of EV. Paying for this in cash or debt would reverse net debt from ~USD 3 billion (net cash) to ~USD 217 billion, bringing debt-to-equity from 3.3% to ~9.4% and decreasing interest coverage from 21.9x to ~12.3x. Net Debt/EBITDA would go from zero to ~3.1x, levels not compatible with Amazon's AA credit quality and more in line with single-A standards. Such weakening of credit strength would also diminish flexibility for M&A and large investments going forward. Any consideration significantly above this range would therefore entail value transfer to Shopify shareholders not supported by fundamentals.

An all-cash deal would therefore stretch Amazon's balance sheet and risk damaging its financial profile, making it a less appealing strategic option. A cash-equity combination (i.e., 60/40 or 50/50) would be more balance-sheet-neutral while giving Shopify shareholders valuable exposure to the merged entity's long-term appreciation. This incentive alignment is strategically compelling, tying Shopify's shareholder base to Amazon's long-term success.

Amazon's equity, which multiples are strong (P/E 36.6x; EV/EBITDA 15.4x; EV/Sales 3.6x), makes for good acquisition currency. Stock issuance at these levels preserves the efficient cost of acquisition, maintains liquidity, and expresses confidence in the ability of the combined group to generate cash in the future. Salesforce's purchase of Slack is a prime example of how equity-rich transactions can be both financially sound and strategically compelling. Relative valuation would suggest that Amazon itself is trading at a premium to peers (P/E 36.6x vs global retail median of ~25x), its stock is relatively expensive and therefore an attractive acquisition currency. Shopify's equity, on the other hand, is already valued at demanding growth assumptions, offering Amazon shareholders limited upside in a cash-only structure. Relative mispricing therefore makes a stock-rich deal more appealing, as Amazon can utilize overvalued equity to purchase an equally stretched but smaller rival.

Other structures may be considered. A 3-way blend (40% cash, 40% stock, 20% debt) would balance dilution, liquidity, and credit protection. Incentive vehicles such as contingent value rights (CVRs), such as has been employed at Sanofi–Genzyme (Sanofi–Genzyme press release, 16 Feb 2011), can defer portion of the consideration tied to concrete milestones. Here, CVRs are attributable to the attainment of at least USD 10 billion in incremental revenues over three years, improvement in combined EBITDA margin to 30% by 2029, or sustained Shopify gross merchandise value (GMV) growth of over 15% annually. A back-ended payment of USD 20–

30 billion against such conditions would shield Amazon from prepaid overpayment while motivating Shopify shareholders in the event of delivery milestones being achieved efficiently. This structure finally balances the double requirements of the transaction: it protects Amazon shareholders against value dilution through over-leverage as well as value erosion and treats Shopify shareholders to an up-front premium with upside participation. If Amazon were being counselled, the form would be: 55% equity, 30% cash, and 15% CVR upon some revenue and profitability milestones. This form shields Amazon's credit profile capitalizes on its high valuation of its stock and aligns incentives by providing Shopify shareholders immediate value and contingent future returns. The transaction would therefore be less a mere change of ownership and more an arrangement for partnership, in line with best practice for mega-scale, integration-focused M&A.

Conclusion

The valuation calculation demonstrates a staggering contrast between Shopify's stand-alone and synergy-adjusted profiles. Shopify's intrinsic value, discounted by the Blume-adjusted WACC of 12.53%, on a standalone basis is below or at best equal to its market cap of approximately USD 190 billion. This implies that the company, alone, is overpriced relative to underlying fundamentals and that much of its worth is already reflected in the market on the strength of investor interest in long-term scalability and industry growth. For a conservative buyer, offers at these prices would not be warranted because it would expose the buyer to destruction of value for Amazon stakeholders the moment they submit their offer.

When synergies from operating and revenue synergies that arise from integration with Amazon are considered, however, the picture is quite different. The DCF, applying similar discount rate assumptions to avoid double counting, comes up with an enterprise value of USD 195–272 billion. This uplift is driven by higher estimated free cash flows from cross-platform linking, customer acquisition efficiencies, data monetization, and better operating leverage due to the scale of Amazon. Notably, in maintaining WACC and PG constant in both situations, the analysis isolates the benefits and attributes value improvement solely to the added value of synergies.

Setting this valuation against Shopify's market capitalization now suggests that the deal can only be rationalized on a self-disciplined band of USD 210–230 billion, or a 10–20% premium. This is consistent with precedent SaaS and e-commerce transactions and strikes a balance between the two imperatives of M&A execution: firstly, delivering Shopify's shareholders a premium that is sufficiently high to justify historic growth and value from integration in the future; and secondly, protecting Amazon's shareholders from overpayment and dilution.

Above this level, the deal becomes unsustainable. Any consideration meaningfully more than USD 230 billion would represent a value transfer that is unfair to Amazon shareholders at the low cost of Shopify shareholders, with synergies not being able to subsidize such a premium. The analysis thus underscores the need for discipline in execution: possession of synergies does not confer unbounded pricing power, and exceeding the range achieved using intrinsic models would destroy, not generate, long-term value.

Together, the standalone worth of Shopify does not justify an acquisition, but the chance for integration indicates that a well-healthy and strategically warranted deal remains available. Its justification is subject to strict discipline, however: Amazon must limit the bid within a narrow premium band of USD 210–230 billion and assume a financing structure that maintains its

balance sheet integrity. The suggested mix would be about 55% equity, 30% cash, and 15% CVRs. CVRs need to be tied to specific milestones such as achievement of a minimum of USD 10 billion of additional revenues within three years or an increase in the combined EBITDA margin to 30% by 2029, so that part of the consideration is received only if integration synergies are achieved.

It is only on such disciplined structuring and pricing terms that the deal can be defended as a genuine long-term value-enhancing proposition for Amazon's shareholders, rather than a value-eroding overreach.

Appendix

Appendix 1 – Shopify Dropship Model



Image by ThimPress

Appendix 2 – Comparable Transaction

Date Announcement	Target	Website	Target Dominant Country	Bidder	Bidder Dominant Country	Consideration (\$million)	Earnings (\$million)	Stake	Implied Equity Value (\$million)	Net Debt (\$million)	EV (\$million)	Revenue	EBITDA (\$million)	EV/Revenues	EV/EBITDA
18/03/2024	Splunk	www.splunk.com	USA	Cloudera	USA	29,600	n.a	100%	29,600	(1,430)	28,170	2,674	304	10.5x	92.7x
09/06/2018	Flipkart	www.flipkart.com	India	Walmart	USA	16,000	n.a	77%	20,779	2,430	20,779	2,430	715	8.6x	29.1x
05/05/2022	Deliver Inc	www.deliver.com	USA	Shopify	USA	2,100	n.a	100%	2,100	123	2,100	123	110	17.1x	19.1x
18/12/2017	Aconex LTD	www.aconex.com	Australia	Oracle	USA	1,190	n.a	100%	1,190	1,170	1,170	161	100	7.26x	11.7x
Maximum														17.1x	92.7x
Q3														15.4x	76.8x
Average														10.9x	38.1x
Median														9.5x	24.1x
Harmonic Mean														9.8x	21.8x
Q1														7.5x	13.5x
Minimum														7.3x	11.7x

Source: Refinitiv Eikon

Appendix 3 – Quoted Comparables

Company Name	Website Address	Market Cap	EV(€million)	Revenue(€million)	EBITDA(€million)	Net Income (€million)	EBITDA Margin (%)	EV/Revenues	EV/EBITDA	Last available year	Country
Amazon	www.amazon.com	2,323,998	2,298,601	637,959	101,456	59,349	15.90%	3.6x	22.7x	31/12/2024	USA
Toast Inc	www.pos.toasttab.com	20,849	19,437	4,960	115	(246)	2.32%	3.9x	169.0x	31/12/2024	USA
Intuit Inc	www.intuit.com	180,965	182,929	16,285	4,642	2,384	28.50%	11.2x	39.4x	21/09/2024	USA
Paypal Holdings Inc	www.paypal.com	84,753	85,024	31,797	6,795	4,147	21.37%	2.7x	12.5x	31/12/2024	USA
Alibaba Group Holding LTD	www.alibaba.com	173,230	135,254	131,350	24,726	11,035	14.45%	1.0x	5.5x	31/03/2024	China, Hong Kong
Etsy Inc	www.etsy.com	5,950	7,298	2,808	499	303	17.76%	2.6x	14.6x	31/12/2024	USA
Wix.com LTD	www.wix.com	12,038	11,504	1,761	131	138	7.45%	6.5x	87.6x	31/12/2024	USA, Israel
Twilio Inc	www.twilio.com	16,578	15,184	4,458	185	(109)	4.16%	3.4x	81.9x	31/12/2024	USA
Maximum								11.2x	169.0x		
Q3								5.9x	86.2x		
Average								4.4x	54.2x		
Median								3.5x	31.0x		
Harmonic Mean								2.9x	18.6x		
Q1								2.6x	13.0x		
Minimum								1.0x	5.5x		

Source: Refinitiv Eikon

Appendix 4 – Balance Sheet Reclassified Shopify

BS [€million]	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
(+) Accounts Receivables	121	197	316	611	798	1,025	1,495
(+) Inventory	-	-	-	-	-	-	-
(-) Payables	(97)	(91)	(169)	(284)	(364)	(364)	(408)
Trade working capital	24	106	147	327	434	661	1,087
(+) Other operating assets	38	111	227	208	241	286	338
(-) Other operating liabilities	(67)	(383)	(436)	(1,013)	(1,242)	(953)	(1,040)
Net Working Capital	(5)	(166)	(62)	(478)	(567)	(6)	385
Tangible Assets	62	246	211	302	486	147	140
Intangible assets	64	479	448	495	2,226	456	474
Financial assets	-	-	173	3,956	1,953	4,377	5,998
Fixed assets	126	725	832	4,753	4,665	4,980	6,612
Total uses	121	559	770	4,275	4,098	4,974	6,997
Common stock	2,216	3,256	6,115	8,040	8,747	9,201	9,634
Additional paid in	75	63	261	161	30	251	305
Retained earnings	(188)	(304)	15	2,938	(522)	(390)	1,629
Other comprehensive income	(12)	1	9	(6)	(16)	4	(10)
Equity (book value)	2,091	3,016	6,400	11,133	8,239	9,066	11,558
Financial short-term debt	-	-	-	-	-	-	918
Financial long-term debt	-	-	758	911	913	916	-
(-) Cash & short term investments	(1,970)	(2,455)	(6,388)	(7,768)	(5,053)	(5,008)	(5,479)
Net financial position	(1,970)	(2,455)	(5,630)	(6,857)	(4,140)	(4,092)	(4,561)
Total sources	121	561	770	4,276	4,099	4,974	6,997

Appendix 5 – Profit & Loss

PL [€million]	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Revenue from sales and services	1,073	1,578	2,930	4,612	5,600	7,060	8,880
Other revenues	-	-	-	-	-	-	-
Total revenues	1,073	1,578	2,930	4,612	5,600	7,060	8,880
<i>YoY growth</i>		47%	86%	57%	21%	26%	26%
Cost of Good Sold	(477)	(713)	(1,388)	(2,131)	(2,846)	(3,545)	(4,408)
Gross Profit	596	866	1,542	2,481	2,754	3,515	4,472
<i>Gross Margin</i>	56%	55%	53%	54%	49%	50%	50%
SG&A expenses	(409)	(404)	(496)	(777)	(1,213)	(1,183)	(1,333)
Personnel	(42)	(61)	(86)	(109)	(154)	(130)	(139)
Advertising	-	(178)	(241)	(420)	(505)	(497)	(546)
R&D	(226)	(347)	(532)	(834)	(1,486)	(1,717)	(1,355)
Fixed costs	(677)	(990)	(1,355)	(2,140)	(3,357)	(3,527)	(3,373)
EBITDA	(81)	(124)	186	341	(603)	(12)	1,099
<i>EBITDA margin</i>	-8%	-8%	6%	7%	-11%	0%	12%
Depreciation	(11)	(16)	(35)	(39)	(33)	(25)	(22)
Amortization	(0)	(1)	(3)	(3)	(6)	(3)	(2)
Impairment	-	-	(32)	(30)	(84)	(1,378)	-
EBIT	(92)	(141)	117	269	(725)	(1,418)	1,075
<i>EBIT margin</i>							
Interest income / (expense)	27	45	150	2,872	(2,801)	1,603	1,153
Earnings before tax	(65)	(96)	267	3,141	(3,526)	185	2,228
Taxes	-	(29)	79	(226)	162	(53)	(209)
Net Income	(65)	(125)	346	2,915	(3,364)	132	2,019

Appendix 6 – Margin Analysis P&L

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
SG&A expenses	-38%	-26%	-17%	-17%	-22%	-17%	-15%
Personnel	-4%	-4%	-3%	-2%	-3%	-2%	-2%
Advertising	0%	-11%	-8%	-9%	-9%	-7%	-6%
R&D	-21%	-22%	-18%	-18%	-27%	-24%	-15%

Appendix 7 – Cash Flow Statement

CFS [€million]	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
EBITDA		(124)	186	341	(603)	(12)	1,099
Taxes		(29)	79	(226)	162	(53)	(209)
Δ Inventory		-	-	-	-	-	-
Δ Trade receivables		(76)	(119)	(295)	(187)	(227)	(470)
Δ Trade payables		(6)	78	115	80	-	44
Δ TWC		(82)	(41)	(180)	(107)	(227)	(426)
Δ Other operating assets		(73)	(116)	19	(33)	(45)	(52)
Δ Other operating liabilities		316	53	577	229	(289)	87
Δ NWC		161	(104)	416	89	(561)	(391)
Operating FCF, gross of Capex		8	162	531	(352)	(626)	499
Δ Financial assets		-	(173)	(3,783)	2,003	(2,424)	(1,621)
Δ Tangible assets		(200)	-	(130)	(217)	314	(15)
Δ Intangible assets		(416)	(4)	(80)	(1,821)	389	(20)
Capex (all fixed assets)		(616)	(177)	(3,993)	(35)	(1,721)	(1,656)
FCF, net of Capex		(608)	(15)	(3,462)	(386)	(2,347)	(1,157)
Interest income / (expense)		45	150	2,872	(2,801)	1,603	1,153
Δ Debt		-	758	153	2	3	2
Δ Equity		1,050	3,038	1,818	470	695	473
Cash flow from financing activities		1,095	3,946	4,843	(2,329)	2,301	1,628
Δ Cash and equivalents		487	3,931	1,381	(2,715)	(46)	471

This Cash Flow is reclassified for M&A modelling purpose, to clearly show cash generation and uses. It is not intended to replicate the IFRS/GAAP Cash Flow Statement, but to provide a simplified overview of operating, investing and financing flows for valuation analysis.

Appendix 8 – Revenue Assumption

Revenue Assumptions [€million]	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
Subscription and Circulation	465	642	909	1,342	1,488	1,837	2,350	3,020	3,840	4,811	5,906	7,428	9,371	11,796
YoY Growth%		38%	41%	48%	11%	23%	28%	29%	27%	25%	23%	26%	26%	26%
Merchant Solutions	608.23	936	2,021	3,270	4,112	5,223	6,530	8,082	9,908	12,033	14,486	17,291	20,472	24,049
YoY Growth%		54%	116%	62%	26%	27%	25%	24%	23%	21%	20%	19%	18%	17%
Total revenues	1,073	1,578	2,930	4,612	5,600	7,060	8,880	11,102	13,747	16,845	20,392	24,719	29,842	35,845
YoY Growth%		47%	86%	57%	21%	26%	26%	25%	24%	23%	21%	21%	21%	20%

Appendix 9 – P&L Growth Rate and Margins

Growth Rate & Margins	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
Revenue Growth %	26%	25%	24%	23%	21%	21%	21%	20%
COGS margin	-49.64%	-48.74%	-47.84%	-46.94%	-46.04%	-45.14%	-44.24%	-43.34%
SG&A Margin	-15%	-14.2%	-13.4%	-12.6%	-11.8%	-11.0%	-10.2%	-9.4%
Personnel Margin	-1.6%	-1.4%	-1.3%	-1.1%	-1.0%	-0.8%	-0.7%	-0.5%
Advertising Margin	-6.1%	-5.4%	-4.7%	-4.0%	-3.3%	-2.6%	-1.9%	-1.2%
R&D Margin	-15%	-14.5%	-13.7%	-12.9%	-12.1%	-11.3%	-10.5%	-9.7%
EBITDA Margin	12%	16%	19%	22%	26%	29%	32%	36%
Depreciation Margin	-0.25%	-0.35%	-0.45%	-0.55%	-0.65%	-0.75%	-0.85%	-0.95%
Amortization Margin	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%
Tax Rate	-9.38%	-11.28%	-13.18%	-15.08%	-16.98%	-18.88%	-20.78%	-22.68%

Appendix 10 – NWC Growth Rate and Margins

Growth Rate & Margins	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
DSO	61	49	46	46	46	46	46	46
DPO	34	39	39	39	39	39	39	39
Other operating asset Margin	3.8%	3.7%	3.5%	3.4%	3.3%	3.2%	3.0%	3.0%
Other operating liabilities Margin	-11.7%	-11.8%	-11.9%	-11.9%	-12.0%	-12.1%	-12.2%	-12.2%

Appendix 11 – Financial Plan Model

Financial Plan Model	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
Revenus	8,880	11,102	13,747	16,845	20,392	24,719	29,842	35,845
Revenues Growth %	25.78%	25.02%	23.83%	22.53%	21.06%	21.22%	20.73%	20.11%
EBIT	1,075	1,705	2,558	3,682	5,120	7,009	9,432	12,494
EBIT Margin	12.11%	15.36%	18.61%	21.86%	25.11%	28.36%	31.61%	34.86%
D&A	(24)	(41)	(65)	(96)	(137)	(190)	(260)	(348)
D&A Margin	-0.27%	-0.37%	-0.47%	-0.57%	-0.67%	-0.77%	-0.87%	-0.97%
Tax Rate	-9.38%	-11.28%	-13.18%	-15.08%	-16.98%	-18.88%	-20.78%	-22.68%
Δ Tangible assets	(15)	(20)	43	137	268	325	393	472
Tangible Asset Margin	-0.17%	-0.18%	0.32%	0.82%	1.32%	1.32%	1.32%	1.32%
Δ Intangible assets	(20)	(25)	(31)	(38)	(46)	(46)	(46)	(46)
Intangible Asset Margin	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%
CapEx	(35)	(45)	12	100	222	279	347	426
CapEx Margin	-0.39%	-0.41%	0.09%	0.59%	1.09%	1.13%	1.16%	1.19%
OWC	385	(2)	(131)	(178)	(238)	(316)	(414)	(489)
OWC Margin	4.34%	-0.02%	-0.95%	-1.06%	-1.17%	-1.28%	-1.39%	-1.37%
Δ OWC	391	(387)	(128)	(48)	(60)	(77)	(98)	(76)

Appendix 12 – WACC Calculated by Beta Blume

Metric	Value
Marginal Tax Rate	25%
Market Cap	137,389
Debt	918
Beta Levered	2.7
Beta Unlevered	2.69
Beta Blume	2.13
Cost of Equity	12.59%
Cost of Debt (pre-tax)	5.15%
Cost of Debt (after-tax)	3.86%
WACC Blume	12.53%

Risk-free rate (4,20% U.S. 10Y Treasury), ERP (3,94%, Damodaran), spread 0,95% (A-, Refinitiv). WACC = 12,53% (Blume adjusted beta 2,13)

Appendix 13 – FCFF Forecast

FCFF	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E
FCFF	3,098	4,263	5,885	8,158	11,123	14,891	15,934
Discount Period	1	2	3	4	5	6	
PV of FCFF	2,753	3,366	4,130	5,087	6,163	7,332	

Appendix 14 – Terminal Value (Exit Multiple) by WACC

Terminal Value (Exit Multiple)			
PV of FCFF	28,831	14.01%	
Terminal EBITDA	12,842		
Exit Multiple	28.0x		
Terminal Value	359,314		
PV of Terminal Value	176,916	85.99%	
Enterprise Value	205,747		

Appendix 15 – Sensitivity Analysis Exit Multiple and WACC

Sensitivity Analysis with Exit Multiple and WACC									
205,747	26.0x	26.5x	27.0x	27.5x	28.0x	28.5x	29.0x	29.5x	30.0x
11.53%	203,205	193,199	186,528	183,193	183,193	186,528	193,199	203,205	216,547
12.03%	208,495	198,216	191,363	187,936	187,936	191,363	198,216	208,495	222,202
12.53%	208,495	198,216	191,363	187,936	187,936	191,363	198,216	208,495	222,202
13.03%	203,205	193,199	186,528	183,193	183,193	186,528	193,199	203,205	216,547
13.53%	193,101	183,617	177,294	174,132	174,132	177,294	183,617	193,101	205,747

Appendix 16 – Terminal Value (Perpetual Growth Rate) by WACC

Terminal Value (Perpetual Growth Rate)		
PV of FCFF/FCFO	28,831	20.02%
Terminal FCFF/FCFO	14,891	
Perpetual Growth	5.80%	
Terminal Value	233,956	
PV of Terminal Value	115,193	79.98%
Enterprise Value	144,024	
Enterprise Value (H-Model, g_start=7%, g_L=3%)	197,560	

Appendix 17 – Sensitivity Analysis with Exit Multiple and Perpetual Growth Rate

Sensitivity Analysis with Exit Multiple and Perpetual Growth Rate									
144,024	5.00%	5.20%	5.40%	5.60%	5.80%	6.00%	6.20%	6.40%	6.60%
11.53%	154,202	143,097	136,676	133,715	133,715	136,676	143,097	154,202	172,623
12.03%	168,734	155,509	147,946	144,478	144,478	147,946	155,509	168,734	191,084
12.53%	168,734	155,509	147,946	144,478	144,478	147,946	155,509	168,734	191,084
13.03%	154,202	143,097	136,676	133,715	133,715	136,676	143,097	154,202	172,623
13.53%	131,014	122,936	118,182	115,968	115,968	118,182	122,936	131,014	144,024

Appendix 18 – Revenue with synergies

Revenue Assumptions (€million)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
Subscription and Circulation	465	642	909	1,342	1,488	1,837	2,350	3,020	4,021	5,354	6,822	8,237	9,484	11,611
YoY Growth%		38%	41%	48%	11%	23%	28%	29%	33%	33%	27%	21%	15%	22%
Merchant Solutions	608.23	936	2,021	3,270	4,112	5,223	6,530	8,082	10,393	13,942	18,687	25,027	32,745	41,328
YoY Growth%		54%	116%	62%	26%	27%	25%	24%	29%	34%	34%	34%	31%	26%
Total revenues	1,073	1,578	2,930	4,612	5,600	7,060	8,880	11,102	14,414	19,296	25,509	33,263	42,229	52,938
YoY Growth%		47%	86%	57%	21%	26%	26%	25%	30%	34%	32%	30%	27%	25%
Revenue Synergies (€million)	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	6%	7%	5%	5%	2%	10%

Appendix 19 – P&L Growth Rate & Margins with synergies

Growth Rate & Margins	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
Revenue Growth %	26%	25%	30%	34%	32%	30%	27%	25%
COGS margin	-49.64%	-48.74%	-47.84%	-46.94%	-46.04%	-45.14%	-44.24%	-43.34%
SG&A Margin	-15%	-14.2%	-13.4%	-12.6%	-11.8%	-11.0%	-10.2%	-9.4%
Personnel Margin	-1.6%	-1.4%	-1.3%	-1.1%	-1.0%	-0.8%	-0.7%	-0.5%
Advertising Margin	-6.1%	-5.4%	-4.7%	-4.0%	-3.3%	-2.6%	-1.9%	-1.2%
R&D Margin	-15%	-14.5%	-13.7%	-12.9%	-12.1%	-11.3%	-10.5%	-9.7%
EBITDA Margin	12%	16%	19%	22%	26%	29%	32%	36%
Depreciation Margin	-0.25%	-0.35%	-0.45%	-0.55%	-0.65%	-0.75%	-0.85%	-0.95%
Amortization Margin	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%	-0.02%
Tax Rate	-9.38%	-11.28%	-13.18%	-15.08%	-16.98%	-18.88%	-20.78%	-22.68%

Appendix 20 – NWC Growth Rate & Margins with synergies

Growth Rate & Margins	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
DSO	61	49	46	46	46	46	46	46
DPO	34	39	39	39	39	39	39	39
Other operating asset Margin	3.8%	3.7%	3.5%	3.4%	3.3%	3.2%	3.0%	3.0%
Other operating liabilities Margin	-11.7%	-11.7%	-11.7%	-11.7%	-11.7%	-11.7%	-11.7%	-11.7%

Appendix 21 – Financial Plan Model with Synergies

Financial Plan Model	FY2024	FY2025E	FY2026E	FY2027	FY2028E	FY2029E	FY2030E	FY2031E
Revenus	8,880	11,102	14,414	19,296	25,509	33,263	42,229	52,938
Revenues Growth %	25.78%	25.02%	29.83%	33.88%	32.20%	30.40%	26.95%	25.36%
EBIT	1,075	1,705	2,682	4,217	6,404	9,432	13,347	18,452
EBIT Margin	12.11%	15.36%	18.61%	21.86%	25.11%	28.36%	31.61%	34.86%
D&A	(24)	(41)	(68)	(110)	(171)	(256)	(368)	(514)
D&A Margin	-0.27%	-0.37%	-0.47%	-0.57%	-0.67%	-0.77%	-0.87%	-0.97%
Tax Rate	-9.38%	-11.28%	-13.18%	-15.08%	-16.98%	-18.88%	-20.78%	-22.68%
Δ Tangible assets	(15)	(20)	46	157	336	438	556	697
Tangible Asset Margin	-0.17%	-0.18%	0.32%	0.82%	1.32%	1.32%	1.32%	1.32%
Δ Intangible assets	(20)	(25)	(32)	(43)	(57)	(75)	(95)	(119)
Intangible Asset Margin	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%	-0.23%
CapEx	(35)	(45)	13	114	278	363	461	577
CapEx Margin	-0.39%	-0.41%	0.09%	0.59%	1.09%	1.09%	1.09%	1.09%
OWC	385	(2)	(131)	(178)	(238)	(316)	(414)	(489)
OWC Margin	4.34%	-0.02%	-0.91%	-0.92%	-0.93%	-0.95%	-0.98%	-0.92%
Δ OWC	391	(387)	(128)	(48)	(60)	(77)	(98)	(76)

Appendix 22 – FCFF Forecast with Synergies

FCFF	FY2026E	FY2027E	FY2028E	FY2029E	FY2030E	FY2031E	FY2032E
FCFF	3,218	4,770	7,080	10,432	14,816	20,532	21,969
Discount Period	1	2	3	4	5	6	
PV of FCFF	2,860	3,767	4,968	6,505	8,209	10,109	

Appendix 23 – Terminal Value (Exit Multiple) with Synergies with WACC

Shopify Blume

Terminal Value (Exit Multiple)		
PV of FCFF	6,070	2.27%
Terminal EBITDA	18,966	
Exit Multiple	28.0x	
Terminal Value	530,661	
PV of Terminal Value	261,283	97.73%
Enterprise Value	267,352	

Appendix 24 – Sensitivity Analysis with Exit Multiple and WACC with Synergies

Sensitivity Analysis with Exit Multiple and WACC									
267,352	26.0x	26.5x	27.0x	27.5x	28.0x	28.5x	29.0x	29.5x	30.0x
11.53%	262,256	267,182	272,108	277,034	281,960	286,886	291,812	296,738	301,664
12.03%	269,371	274,431	279,492	284,552	289,613	294,673	299,734	304,795	309,855
12.53%	269,371	274,431	279,492	284,552	289,613	294,673	299,734	304,795	309,855
13.03%	262,256	267,182	272,108	277,034	281,960	286,886	291,812	296,738	301,664
13.53%	248,676	253,345	258,014	262,683	267,352	272,022	276,691	281,360	286,029

Appendix 25 – Terminal Value (Perpetual Growth Rate) with Synergies

Terminal Value (Perpetual Growth Rate)		
PV of FCFF/FCFO	36,418	18.65%
Terminal FCFF/FCFO	20,532	
Perpetual Growth	5.80%	
Terminal Value	322,575	
PV of Terminal Value	158,827	81.35%
Enterprise Value	195,245	
Enterprise Value (H-Model, g_start=7%, g_L=3%)	272,392	

Appendix 26 – Sensitivity Analysis with Exit Multiple and Perpetual Growth Rate with Synergies

Sensitivity Analysis with Exit Multiple and Perpetual Growth Rate									
195,245	5.00%	5.20%	5.40%	5.60%	5.80%	6.00%	6.20%	6.40%	6.60%
11.53%	209,201	193,890	185,038	180,955	180,955	185,038	193,890	209,201	234,600
12.03%	229,199	210,965	200,537	195,755	195,755	200,537	210,965	229,199	260,015
12.53%	229,199	210,965	200,537	195,755	195,755	200,537	210,965	229,199	260,015
13.03%	209,201	193,890	185,038	180,955	180,955	185,038	193,890	209,201	234,600
13.53%	177,307	166,169	159,613	156,561	156,561	159,613	166,169	177,307	195,245

Appendix 27 - Amazon Key Credit Metrics Before and After USD 220bn

All-Cash/Debt Deal

Metric	Amazon (Before Deal)	Amazon After (\$220bn Cash/ Debt Deal)
Enterprise Value (EV)	2,298,601	2,298,601
Market Cap	2,323,998	2,323,998
Cash & Cash Equivalents	78,779	-
Total Debt	75,805	217,026
Net Debt	(2,974)	217,026
Debt-to-Equity	3.26%	9.44%
Interest Coverage	21.9x	12.3x
EBIT	69,593	69,593
Interest Expenses	3,182	5,649
Interest Post Deal		8,831

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