

A Few Things We Learned

2021 Q2

⊗ OCTAHEDRON CAPITAL

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for the world's internet-scale businesses.

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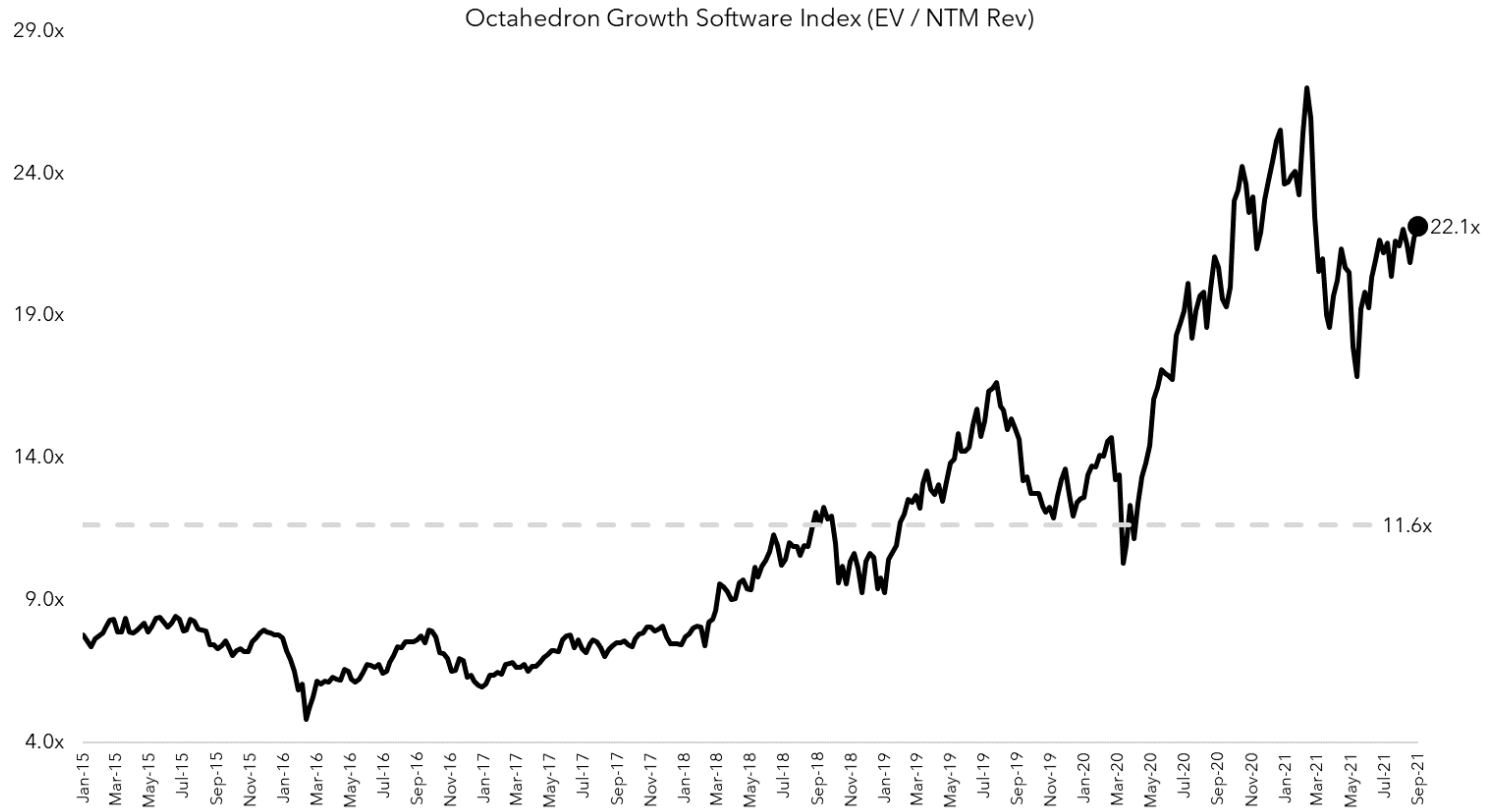
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Contents

1. Digital Advertising
2. Gaming & Content
3. Payments & Fintech
4. On-Demand & E-Commerce
5. Software

Valuations - Software

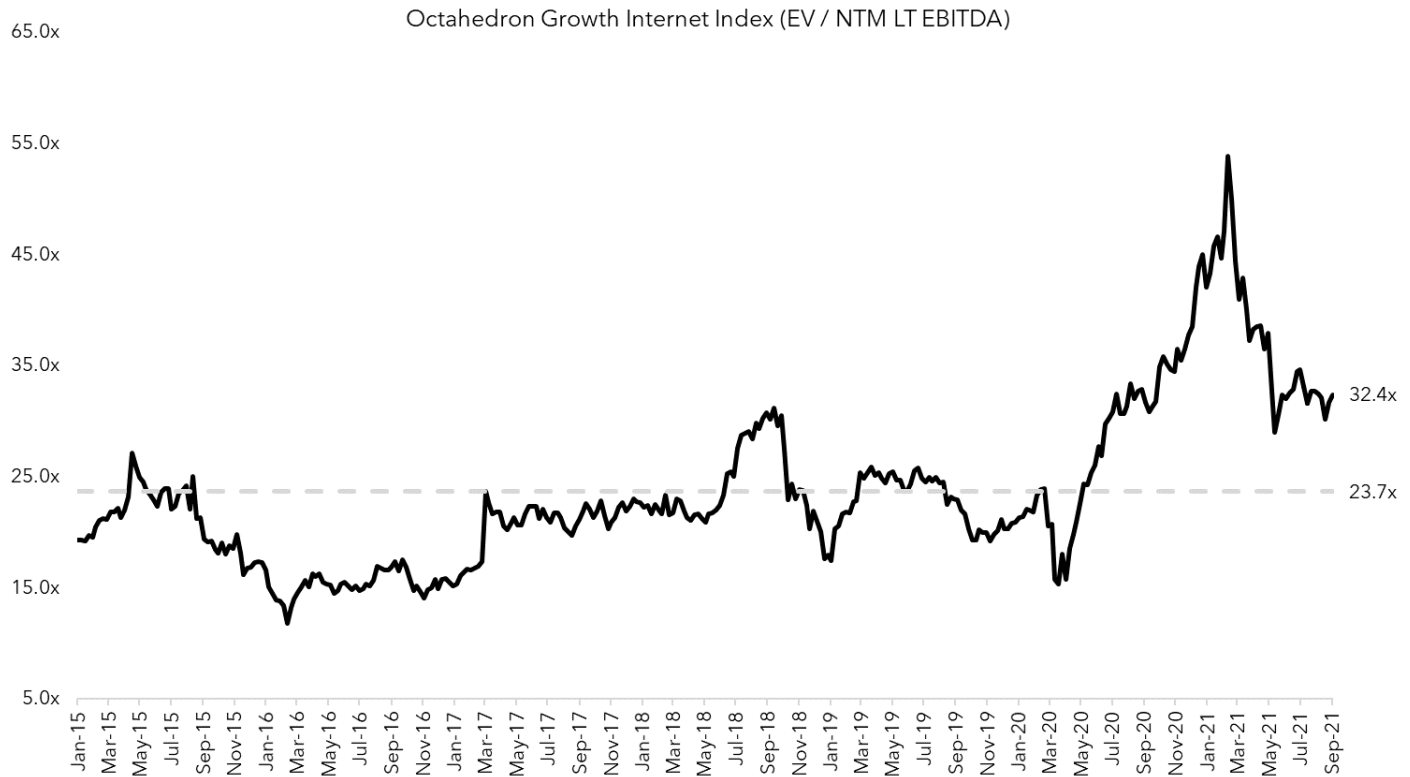
Growth Software valuations have bounced back up in the last quarter...



Source: Bloomberg as of 2-Sep-21, Octahedron estimates

Valuations - Internet

...while Growth Internet valuations remain elevated vs. 5 year average



Source: Bloomberg as of 2-Sep-21, Octahedron estimates

Re-opening and Recovery

2Q'21's main theme was tough comps lapping the COVID-19 outbreak from 2020



"We need to acknowledge **that this is probably the murkiest moment in 2021**. Frankly, it's the **most complex macro environment to read that I've seen in my entire career**. Every public company is having **base its comments on only a few weeks of data**, all while the macro and public health picture is rapidly changing. We believe we'll get to a better view of consumer behavior, as people settle **into their normal routines post summer**. We will, of course, remain prudent as we navigate any near-term normalization."

Source: C2Q'21 earnings

Re-opening and Recovery

2-yr CAGRs seem more representative of underlying growth



“Since May 15, excluding Prime Day, our year-over-year **growth rate has dropped into the mid-teens**. Our Q3 revenue guidance range of 10% to 16% growth reflects an expected continuation of this trend. **Given all this volatility, it's useful to consider the 2-year compounded annual growth rate, which remains strong in the 25-30% range**. Recall this compares to our pre-pandemic growth rate of 21%.

...We do expect this pattern of difficult year-on-year revenue comps to continue for the next few quarters. As we move forward and start to comp COVID's impact on our revenue growth, we encourage you to also look at the multiyear compounded annual growth rate since the onset of the pandemic to better put this growth in perspective.”

Source: C2Q'21 press release

Re-opening and Recovery

IAC was sober about the outlook for certain business lines...



"In the pursuit of creating valuable options, IAC accelerated revenue growth in most of our businesses and in aggregate for the fourth consecutive quarter, even now excluding the high-flying Vimeo. Dotdash led the way with revenue accelerating again to 64% year-over-year growth and healthy Adjusted EBITDA, and our proprietary and growing library of intent driven content connected with nearly 100 million Americans last month. It's of course nice to be growing, and continuing to accelerate, **but given the state of the world in the second quarter last year, growth won't continue at these rates.**"

Source: C2Q'21 earnings

Re-opening and Recovery

...while MercadoLibre believes that COVID-19 put them on the steep part of the S-curve



“On the S curve, look, I think **the last five quarters have seen tremendous acceleration** in the rate of adoption of digital services, **obviously pandemic driven**. But that I think **has gotten us closer to the more inclined portion of the S curve** and where we're seeing that so far, and I want to remain somewhat cautious until we get through H2, is that like we said in the prepared remarks, **the 2-year stacks actually look better coming out of the pandemic** than they did going into the pandemic. Which means that a lot of this demand that has moved online probably stays online, which is one way to define the steeper portion of the S curve.”

Source: C2Q'21 earnings

Re-opening and Recovery

Tougher comps may yet not slow the freight train of secular trends



"Looking ahead to the rest of the year, let me offer three key observations.

First, **we will face tough year-over-year comps across our business in the second half of 2021, due to pandemic related outperformance in the second half of 2020.**

Second, **we will also face tough comps within the year-on-year growth rate of our active accounts and streaming hours given last year's demand spike.**

And third, **the secular trend toward streaming remains intact** and we will benefit from our strong position as the shift to TV streaming continues."

Source: C2Q'21 earnings

Re-opening and Recovery

Travel recovery in Q2 continued with continuing ramp in vaccination rates...



"Compared with 2019, **Q2 room nights were down 26%, which was significantly better than the 43% decline we previously reported for the month of April and the 54% decline in Q1.** The acceleration in the second quarter was primarily driven by domestic and international booking trends in Europe, **following a ramp up in vaccination rates and the relaxation of many travel restrictions in the region.**

Good growth of international bookings in Europe was mainly from bookings within the European region. The very strong room night growth in the United States that we saw in April and highlighted our last earnings call, continued in May and June resulting in very strong US room night growth for the full quarter versus Q2 2019."



"**During Q2, vaccination rates increased and reopenings took hold, both undeniably positive steps towards travel's full recovery.** These developments, combined with strong pent-up consumer travel demand and record personal savings levels, drove improved results across our key products and regions."

Source: C2Q'21 earnings

Re-opening and Recovery

...though rising Delta variant cases have impacted the beginning of Q3



"We are of course closely monitoring the impact of the Delta variant on the rising COVID case counts around the world, as well as some newly imposed travel restrictions, **which have led to a modest pullback in our booking trends in the month of July relative to June.**"



"**July has been impacted somewhat by Delta -- the Delta variant, and we've seen some backwards movement in July,** but in general, still relatively stronger performance compared to earlier parts of COVID."



"**In Q3, we are starting to see the global spread of COVID variants, a patchwork of local travel restrictions and slowing vaccinations adversely impact cancellations and growth of Nights and Experiences Booked.**"



"We note that **revenue improvement as a percentage of 2019 levels in July versus June moderated** versus the improvement we saw in May to June. We acknowledge the **increased case counts and other challenges posed by the pandemic, which adds near-term uncertainty for the pace of the ongoing travel recovery.**"

Source: C2Q'21 earnings

Re-opening and Recovery

Travel continues to skew domestic and towards outdoor-based destinations...



"As I've said before, the market has been driven by a lot of COVID-related changes in patterns. **Domestic travel has been stronger; VR, stronger, whereas international travel, corporate travel, even big city travel has been relatively muted comparatively.**"



"In terms of travel planning by trip type, recovery has been limited to certain pockets. Specifically:

- Worldwide, **searches for domestic travel represented nearly 80% of searches during the quarter, compared to approximately 50% in pre-pandemic times.**
- **Searches for trips outside of urban centers, particularly in outdoor adventure-based destinations, have remained popular.** Searches for B&Bs, hotels on lakes, hotels with nearby hiking, and 'pets allowed' have been popular throughout the 2021 summer travel planning season."

Source: C2Q'21 earnings

Re-opening and Recovery

...but AirBnB saw a pickup in cross border travel



“Travelers are once again crossing borders and visiting cities. We’re beginning to see a rebound in the types of travel that were most impacted by the pandemic. For example, **gross nights booked for cross-border travel within Europe were higher in June 2021 than in June 2019.** And travel is returning to some major cities, with gross nights booked to cities such as Istanbul, Las Vegas and Sao Paulo recovering to pre-pandemic levels by the end of June.”

Source: C2Q'21 earnings

China Regulations

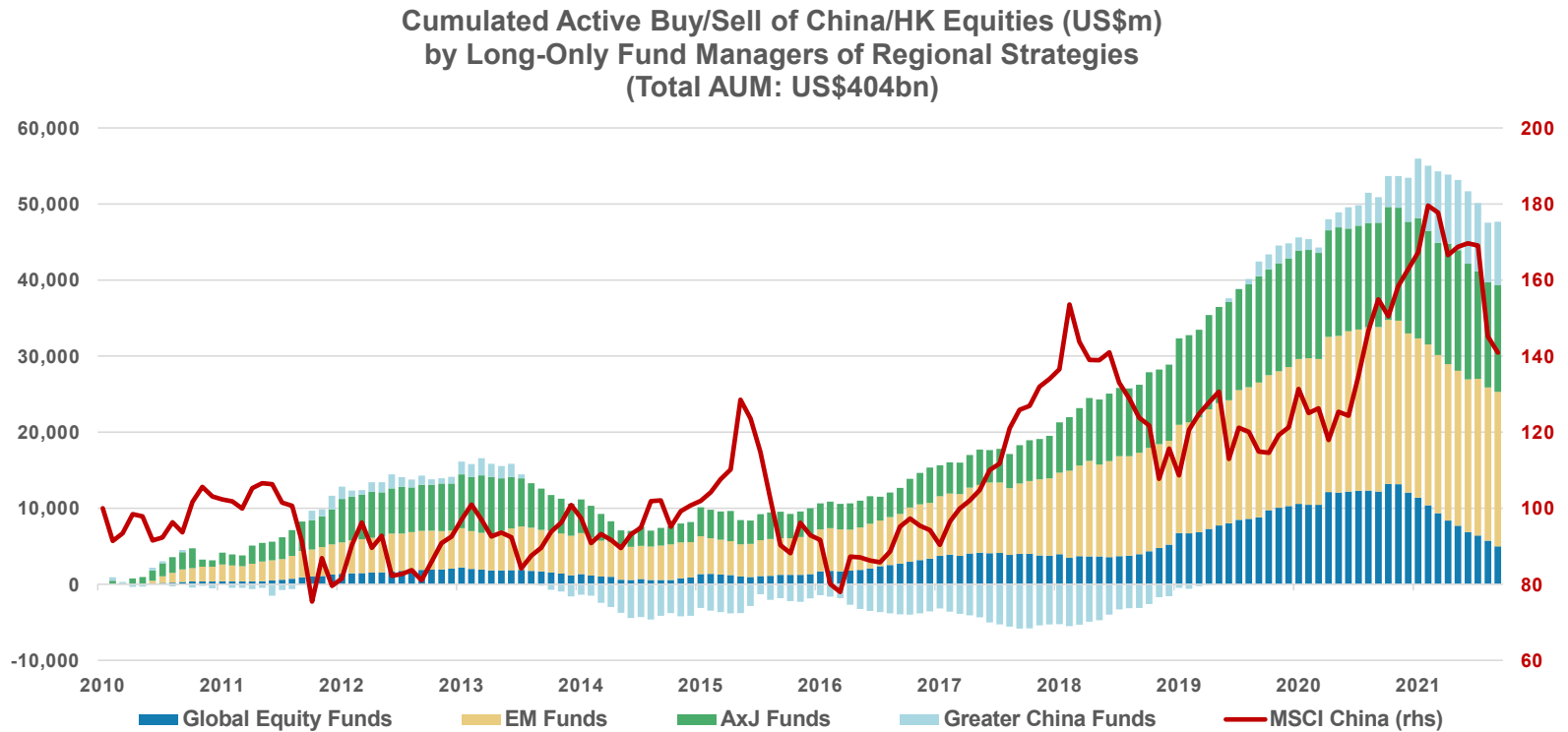
“Regulators never sleep”: China regulators have redefined every major tech sector

Regulation(s)	What	Companies Impacted
Data Privacy and Data Security	<ul style="list-style-type: none"> Data Security Law: Comprehensive laws on data security went into effect on Sept. 1 Personal Information Protection Law (GDPR-like): Passed into law 	All
Anti-monopoly	<ul style="list-style-type: none"> No exclusivity for platforms Tencent Music forced to give up exclusive deals 	Nearly all major platforms (Tencent, Alibaba, Meituan..)
Education: After-school tutoring	<ul style="list-style-type: none"> Must become not-for-profit No tutoring on weekends or holidays 	\$TAL, \$EDU, \$GOTU, \$ZME, etc.
On-demand	<ul style="list-style-type: none"> Guidelines on upcoming social insurance & benefits for on-demand workers Safety: Food safety; delivery routing algos 	Meituan (3690.HK), ele.me (\$BABA)
Media / Content / Gaming	<ul style="list-style-type: none"> Widespread crackdown on “problem” content Algorithms: No addiction-driving rec. algos Strict gaming time limits for minors Minimize “celebrity” influencers’ impact 	Bytedance, Kuaishou (1024.HK), Weibo (\$WB), Tencent (0700.HK)
Finance: Securities	<ul style="list-style-type: none"> New securities rules; strict on overseas listings; outbound capital restricted; VIEs revisited 	All

Source: Octahedron Internal Research

China Regulations

Global funds moved much of their capital out of China equities, into other markets



Source: FactSet, Morningstar, Refinitiv data as of August 17, 2021. Chart: Morgan Stanley Research.

China Regulations

Consistent, long-held Party (CPC) goals are driving these regulations

1. CPC & national security: Stability, stable LT growth, core CPC LT goals
2. Consumer protection: Data governance, pricing, advertising, minors
3. Anti-monopoly, pro-competition: No exclusivity, no blocking other apps

Source: Octahedron Internal Research

China Regulations

These regulations are (arguably) good for the long term health of China

1. Help the CPC's goals

- 5 Year Plan -level goals
 - Children/population
 - Education reform, housing reform
 - Consumption: dual circulation
 - Industrial, "hard tech," semis
- Stability & stable growth
 - Prevent excessive income disparity
 - Regulating capital markets
 - Regulating finance, lending
 - Preventing capital-driven excesses
- Data security internally and externally
 - Data Security Law; PIPL (GDPR-like)
 - Regulation of US listings
- Other strategic issues
 - HK, Tibet, etc.

2. Don't hurt consumers

- No scamming consumers
- Pricing transparency
- No false advertising
- No misleading promotions
- Personal data security
- Minors & internet addiction
- Content
 - No vulgar content
 - Nothing critical of gov., etc.

3. Don't be monopolistic

- No forcing exclusivity in any industry
 - E-Commerce
 - On-demand
 - Music and content rights
- No excessive predatory pricing
- Data concentration: High concentration of market or user data
 - fully regulated

Source: Octahedron Internal Research

China Regulations

China's internet companies are showing their support via words...

 Meituan

"The government supervision and the public concern and the voices of our partners, including merchants and delivery riders, are both warning and motivating for us as they present higher expectations for us from the directions. **We believe that this regulatory change are good for the sustainable development and orderly growth of the internet platform economy.** It promotes a fair competition and healthy industry development."



"**Pinduoduo takes our responsibility to our users and society very seriously.** Without them and their support, we will not be where we are today. ...After heavy rains struck Hunan province last month, we immediately mobilized our networks, our partners to provide relief. Close to 20,000 Duo Duo Grocery pickup points in those city helped to distribute emergency supplies to residents living in their vicinity. ...When COVID-19 disrupted traditional agricultural supply chains last year, we launched our Help the Farmers initiative, connecting farmers directly with consumers across the country. Through our various efforts, we helped over 1.13 million farmers sell over 2.06 million tons of agricultural produce by end of 2020."

Tencent 腾讯

"Fourthly, I would say our attitude during this wave of regulation is that **we want to embrace this new environment fully, and we want to establish ourselves as fully compliant.** And we felt that this is actually going to be good for us and for the entire industry over the long run."

Source: C2Q'21 earnings

China Regulations

...and by volunteering cash to help further CPC goals



Alibaba committed RMB 100 bn (US\$15 bn) to “promote common prosperity” through 2025:

“Alibaba is a beneficiary of the strong social and economic progress in China over the past 22 years. We firmly believe that if society is doing well and the economy is doing well, then Alibaba will do well.”



Tencent committed RMB 50 bn (US\$8 bn) on April 19 and another RMB 50 bn on August 18, to promote “sustainable innovations for social value, alongside nurturing the consumer Internet and embracing the industrial Internet”; aid with the revitalization of rural China; and help lower income areas.



“Commercial values of properties are not a goal, but rather we strive to facilitate advancement of agri-tech. Our profits from Q2 and any potential profits in the future quarters will first be allocated towards this initiative until a total of CNY 10 billion commitment is fulfilled.”



“Actually, short-term profits has never been Meituan's philosophy. We focus more on generating long-term value, creating social output and striving, always fulfilling our mission to help people eat better and live better. Therefore, compliance, social responsibility and business development are all vital to Meituan's development plan. And our goal to run our business with a long-term development remains unchanged.”

Source: C2Q'21 earnings

Digital Advertising

Digital Advertising

Digital advertising showed broad strength in 2Q'21, driven by retail and travel...



"Year-on-year performance reflects elevated consumer online activity, broad-based strength in advertiser spend and the lapping of the first ever revenue decline in our Ads business last year due to COVID. **In the second quarter, retail, again, was by far the largest contributor to the year-on-year growth of our Ads business. Travel, financial services and media and entertainment were also strong contributors.**"



"As Sheryl noted, the **growth in the advertising revenue** was largely driven by verticals that have performed well during the pandemic, such as **online commerce and consumer packaged goods**. In addition, we saw **improved growth trends** in verticals that were particularly challenged during the pandemic, such as **travel, entertainment and media.**"

Source: C2Q'21 earnings

Digital Advertising

...but gaming and DTC advertisers have struggled due to Apple's privacy changes



"That said, it remains very early in the adoption of the iOS platform changes, and we will continue to learn how these changes may impact our advertising partners, business, and the industry as a whole. **We are seeing some initial signals as advertisers test and learn in this new environment and this is causing some interruptions to demand that we had anticipated would be part of the adoption process, particularly in the direct response e-commerce and gaming sectors.** It is too early to determine how long it will take until these changes are fully adopted, the scale of the potential interruptions to demand, or the ultimate impact on the longer term growth of our business."

Source: C2Q'21 earnings

Digital Advertising

Snap continued to see minimal impact to user engagement with their ads post ATT...



"As Apple rolled-out its App Tracking Transparency-related changes near the end of Q2, **we observed higher opt-in rates than we are seeing reported generally across the industry, which we believe is due in part to the trust our community has in our products and our business.** Apple's rollout of the most recent iOS update came later in Q2 than initially anticipated, and the pace of updates by iPhone users has also been slower than we anticipated. This has given us more time with advertisers to navigate the transition but also means the effects of these changes will come later than we initially expected."

Source: C2Q'21 earnings

Digital Advertising

...and they continue to build seller tools that are on parity with larger platforms



“And I think if you look at what's happened with the business, as you said, maybe three years ago versus where we are today, we've got a much more sophisticated advertising platform. **We've reached future parity with the largest advertising platform from a sophistication of targeting abilities** in terms of the goal-based bidding optimizations and the ad products that are available in terms of driving towards ROI.”

Source: C2Q'21 earnings

Digital Advertising

Twitter is still hard to use for long tail advertisers



“It's been less about new advertisers and more about growing our share of wallet and those advertiser spending more than they had in previous periods broadly and hopefully as well on Twitter. Over time, we do think we can grow the number of advertisers on our service both because we can show incredible value proposition **to lots of medium sized advertisers who haven't historically advertise with us**, where our sales team can continue do a great job growing the dollars spent by some small businesses. There are **millions of small businesses on Twitter today, but most of them don't yet advertise**, because we haven't made a good case to them but the value proposition is or made it easy for them to do it.”

Source: C2Q'21 earnings

Digital Advertising

YouTube has now become mainstream for advertisers...



“YouTube is uniquely positioned to drive both massive reach and action.
We're seeing more advertisers adopt a full funnel approach to scale their businesses with increased efficiency. ”

“Compara, a financial services market leader in Chile, combined a reach and direct response campaign to capitalize on leads. Over 10 weeks, they reached 5 million users with incremental conversions up 70%. This trend is widely embraced by the largest advertisers with business are breaking down silos between online and offline.”

Source: C2Q'21 earnings

Digital Advertising

...and helps advertisers reach audiences previously unreachable by linear TV



“First, brand. YouTube is helping advertisers reach audiences they can't find anywhere else. According to Nielsen's total ad ratings reach reporting, from Q4 2018 to Q4 2020, on average, **70% of YouTube's reach was delivered to an audience, not reached by the advertiser's TV media.**”

“**In other words, YouTube's reach is becoming increasingly incremental to TV**, and this audience dynamic is a huge win for brands. In fact, Nielsen found that US advertisers who shifted just 20% of spend from TV to YouTube generated a 25% increase to the total campaign reach within their target audience, while lowering the cost per reach point by almost 20%. These combined effects of approved reach and efficiency are helping advertisers get the most out of their brand investments.”

Source: C2Q'21 earnings

Digital Advertising

Video is becoming the primary way for people use Facebook products...



“Video now accounts for almost half of all-time spent on Facebook and Reels is already the largest contributor to engagement growth on Instagram.”

“I want to **call out live video** for a moment. This is a smaller percent of our overall video on our services, but it's some of the most unique content and gives creators a way to build community and engage with their followers. And we're also focused on developing monetization tools like live breaks, mid row ads and live shopping, so creators can make a living and engage their communities more deeply in commerce with their content.”

Source: C2Q'21 earnings

Digital Advertising

...and advertisers are now taking advantage of it



“Walmart, engaged Ree Drummond...**to host their first live shopping event.** And the event was to launch for Walmart exclusive line of home and fashion products, and **they used a mix of our personal ads to drive awareness to a live shopping event and then reengage its viewers after a purchase,** and they had really great results across the board. They ran part of that live as video ads and resulted in thousands of engagements -- a lot of engagement with people and sales. And so I think that's a good example of our products like live, combined with the use of video on our platform, combined with people taking an opportunity for video ads and putting it all together in ways. **I think, will compete very favorably with other formats like TV.**”

Source: C2Q'21 earnings

Digital Advertising

Short video format is getting popular on all video platforms



“Turning next to YouTube. **YouTube Shorts continues to gain momentum.** We've been rolling it out everywhere YouTube **is available in more than 100 countries** worldwide. I'm proud to announce that YouTube Shorts has just surpassed **15 billion daily views.**”

Source: C2Q'21 earnings

Digital Advertising

Connected TV is Google's fastest growing consumer surface...



"Connected TV...It is really the fastest growing consumer surface that we have. And that growth started before the pandemic and has frankly solidified since and in the US, we have over 120 million people watch YouTube on TVs every month and that's up from like 100 million last year.
We're number one in reach and watch time along ad supported streaming services. "

Source: C2Q'21 earnings

Digital Advertising

...and advertisers, large and small, are starting to adopt CTV advertising

 theTradeDesk

“So, first, CTV. Just to provide some context on our growth in CTV through just the first half of this year, **the number of brands spending more than \$1 million in CTV on our platform has already more than doubled year-over-year**, and it's not just larger advertisers that are taking advantage of CTV anymore. **The number of advertisers spending over \$100,000 has also doubled. In total, we have nearly 10,000 CTV advertisers on our platform, up over 50% compared to last year.** Large and medium-sized advertisers alike are turning to us as the objective DSP for all digital media, but especially CTV and premium video.”

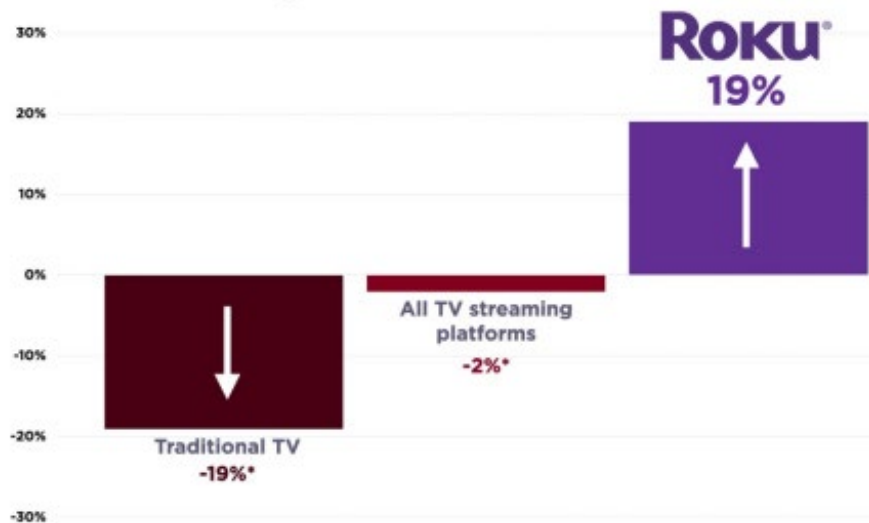
Source: C2Q'21 earnings

Digital Advertising

Roku continues to capture share of TV watching hours

TV Viewing Hours

2Q21 YOY % change



(* according to Nielsen for persons 2+ years of age in the U.S.)

ROKU

“On a year-over-year basis, Roku significantly outperformed the industry, with Roku’s streaming hours increasing nearly 19% globally, compared to a nearly 19% decline in traditional TV consumption and a nearly 2% decline in TV streaming across all platforms, for persons 2+ years of age in the U.S., according to Nielsen.”

Source: C2Q'21 earnings

Digital Advertising

Roku is likely to have an ace up its sleeve with The Roku Channel...



"I'll just tag on the comments about TRC, about **the Roku Channel, and say that it had an amazing quarter; it's been growing leaps and bounds; it more than doubled in terms of streaming hours year-over-year. It's growing much faster than the overall platform and even the AVOD ad-supported segment overall.** And so, as a result, it is taking on increased prominence -- increased importance over time just as a supply source for our video advertising. And, as Anthony alluded to, it's also a place where we can innovate, where we can create new ad units, new add experiences in a way that are not feasible when we're placing ads into third-party channels on our platform."

Source: C2Q'21 earnings

Digital Advertising

...and Vizio is seeing incredible growth within their growing platform business

VIZIO

“For the quarter, total company revenue was up 2% to \$401 million. **Platform Plus revenue grew 146% to \$66 million, representing acceleration from the already strong growth rate we saw during the first quarter.**

Advertising revenue grew fivefold to \$47 million, driven by an increased demand of our home screen inventory and growth in the number of monetizable ad-supported apps and fast channels on the platform, including our own service WatchFree.”

Source: C2Q'21 earnings

Digital Advertising

Pinterest observed weakness in customer behavior...



"As we all know, **the pandemic was an unprecedented and unique global event.** In past earnings calls, we talked about how stay at home orders significantly increased usage of Pinterest, and for the past year, we've highlighted how people came to Pinterest for inspiration to reinvent their lives during such a difficult time. **Now, as the world opens up, we're seeing the similar effect in the opposite direction.** That impacted our growth, particularly because some of the core use cases we see on our platform are less common in 2021 than they were a year ago.

That shift in behavior in Q2 impacted engagements....what users did this impact the most : People who came to Pinterest **from the web versus from mobile apps.** These users tended to be on average less engaged and generated less revenue than people who came directly to Pinterest."

Source: C2Q'21 earnings

Digital Advertising

...as consumers start spending more time outside of the home



“Fewer MAUs came to Pinterest during Q2 than we expected. The primary driver of slower year over year MAU growth globally and year over year MAU declines in the US was the widespread easing of pandemic restrictions. **As lockdowns lifted, people spent less time at home in Q2 2021 vs. Q2 2020. Given that many of Pinterest’s core use cases (e.g., decor, garden, cooking, DIY) are especially relevant at home, we believe we disproportionately benefited from increased time spent at home during pandemic lockdowns.** Since mid-March, however, we believe engagement on Pinterest was disproportionately lower as people began spending more time socializing with friends outside their homes, eating in restaurants, and generally participating in activities that are not our core use cases.”

Source: C2Q'21 earnings

Digital Advertising

Even so, the potential for e-commerce on ad platforms continues to be promising



"Shopping engagement continued to be more resilient. Search engagement rates (which surged during the pandemic) remained elevated vs. pre-pandemic levels.

In Q2, we saw continued momentum in our ongoing effort to make Pinterest more shoppable. Our product inventory took a big leap forward, **with catalog uploads growing nearly 50% quarter over quarter in Q2.** This momentum was driven by the expansion of our Shopify integration to international merchants as well as the launch of our multi-feed catalog tool.

We also launched **Shopping List** (which saves products Pins in one place for easy shopping) as well as notifications when the price drops on a saved product Pin. Our early tests suggest that **Pinnerers are more than 7x more likely to purchase products they've saved."**

Source: C2Q'21 earnings

Digital Advertising

Facebook is ahead of the curve as they build out tools to support e-commerce



“We started here by building world-class ads tools to help businesses reach potential customers and help people discover new products and services that they might like, but what we found is that when these ads link off site, you often land on a webpage that's not personalized or not optimized or where you have to re-enter your payments information and that's not a good experience for people and it doesn't lead to the best results for businesses either. **So our next phase here is focused on building out shops, marketplace, business messaging and WhatsApp and Messenger to create more native commerce experiences across our apps.**”

Source: C2Q'21 earnings

Gaming & Content

Content

2H content slate at Netflix poised to reaccelerate subscriber growth...

NETFLIX

"So similar business fundamentals, hopefully kind of starting to move a little bit further away from those market re-openings, which is why you do see some incremental growth, so better seasonal period as well as moving a bit away from those market re-openings, but not a big fundamental change and then hopefully **into even more re-acceleration as we get to the end of the year, as we really get into the kind of heart of our kind of strong release schedule as well as peak seasonality.**"

Source: C2Q'21 earnings

Content

...just as Netflix is making a long-awaited push into games...

NETFLIX

“We’re also in the early stages of further expanding into games, building on our earlier efforts around interactivity (e.g., Black Mirror Bandersnatch) and our Stranger Things games. **We view gaming as another new content category for us, similar to our expansion into original films, animation and unscripted TV.** Games will be included in members’ Netflix subscription at no additional cost similar to films and series. Initially, we’ll be primarily focused on games for mobile devices. We’re excited as ever about our movies and TV series offering and we expect a long runway of increasing investment and growth across all of our existing content categories, but **since we are nearly a decade into our push into original programming, we think the time is right to learn more about how our members value games.”**

Source: C2Q'21 earnings

Content

...while also building adjacencies to increase consumer mind-share

NETFLIX

“And then there's a number of supporting elements, consumer products, various shopping. **We're really trying to grow those to support the title brands to get our conversations up around each of the titles so that the Netflix service becomes must-have.** So they're not a profit pool of any material size on their own, but they are helping. The reason we're doing them is to help the subscription service grow and be more important in people's lives. So I would say, really **we're a one product company with a bunch of supporting elements** that help that product, meaning incredible satisfaction for consumers and a monetizing engine for investors.”

Source: C2Q'21 earnings

Content

Spotify exhibited strong pricing power...



“Yeah, so **churn was down year-over-year and quarter-over-quarter, which is great.** We don't get into specifics about -- regions or geographies or products. I will say that in the markets where we increase prices in terms of thinking about things from a gross intake perspective or from a churn perspective better. So nothing there to call out at all in terms of an impact from price increases.”

“And that's why we feel so good about. **When we have raised prices both the engagement staying very, very strong** and the fact that as we've said many, many times, we have more than two or even three times in sometimes the amount of engagement per user than some of our competitors do and obviously that means that there is a very, very loyal customer base there. And I think that's what you've seen play out in the business and why subscriber growth that's been so strong as well.”

Source: C2Q'21 earnings

Content

...while Peloton reduced the price of their original Bike by \$400...



“Since our founding, Peloton’s mission has been to help people be the best version of themselves by making it easier to access world-class fitness and wellness content. **Today, we announced our latest step in making Peloton more attainable by lowering the price of our original, award-winning Peloton Bike across all of our markets to \$1,495 USD, or \$39 per month with our 39-month financing plan.** We know price remains a barrier and are pleased to offer our most popular product at an attractive everyday price point. We are also introducing a longer 43-month 0% financing term option for Bike+ and Tread across all regions, which equates to approximately \$59 per month.”

Source: C2Q'21 earnings

Content

...triggering a debate around whether the price cuts implied offense or defense



“Just on the pricing, **just underscoring the point about it being offensive and strategic as Jill said, we’ve, as you might imagine, done extensive testing on elasticity for pricing on bike**, both in terms of in market testing as well as its qualitative and quantitative, and **that testing gave us a lot of conviction that this price point will drive the kind of growth that's in the guidance**, but also makes this price drop very strategic as we look at unit economics going forward.”

Source: C2Q'21 earnings

Content

Peloton guided to more bike sales in the NTM, implying that price cuts were offensive



"The Q1 and fiscal 2022 outlook we are sharing today reflects our best current estimate and includes the following assumptions...

...Two, **strong demand for Bike and Bike plus, with higher unit sales expected than in fiscal 2021.**"

Source: C2Q'21 earnings

Content

Peloton also re-launched the Tread, which is a new wedge to acquire consumers...



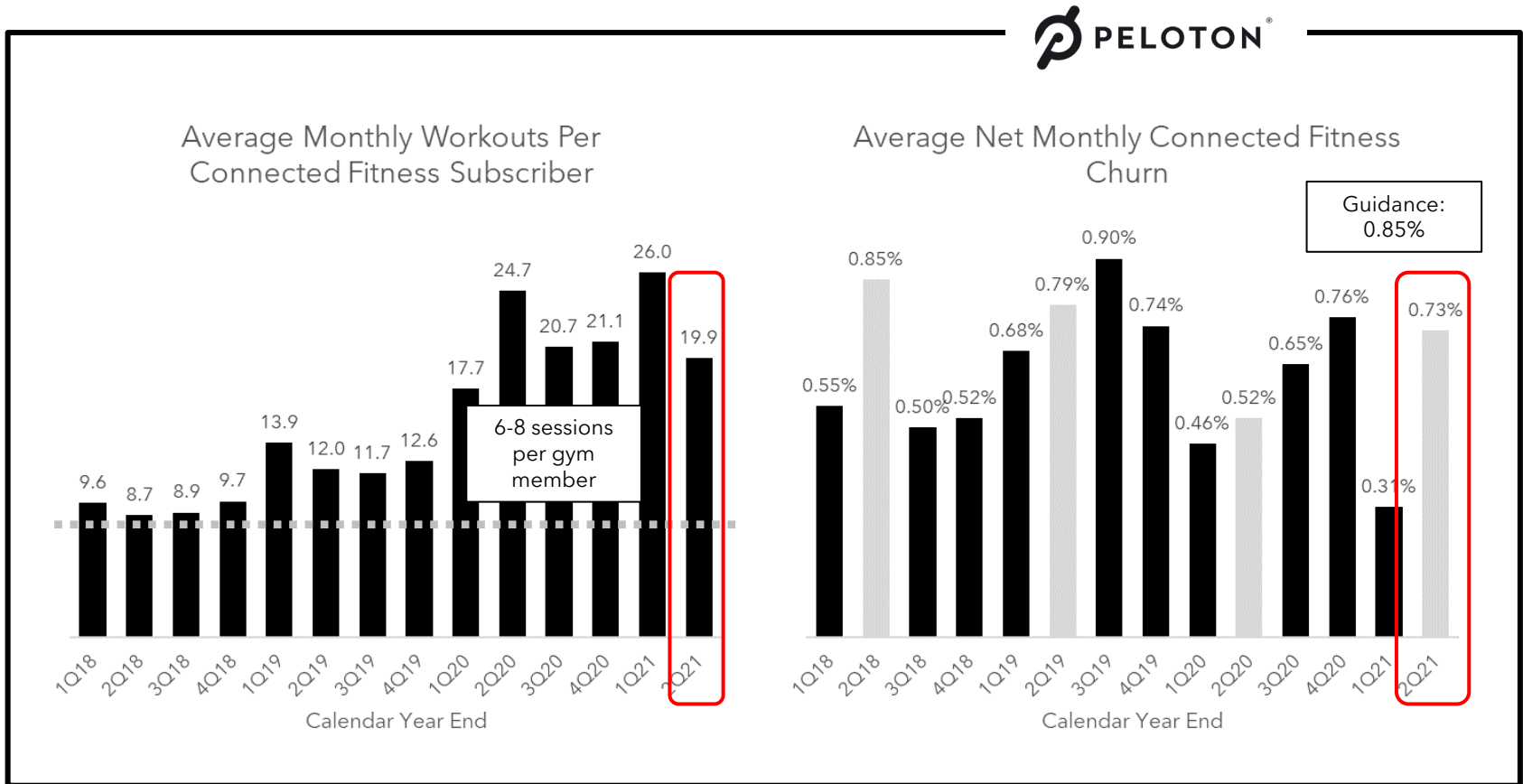
"The Q1 and fiscal 2022 outlook we are sharing today reflects our best current estimate and includes the following assumptions...

...Three, **strong exceptions of our lower-priced Tread with our expectation, that approximately 50% of Treads globally will go to existing connected fitness households. And therefore, those sales will not result in an incremental connected fitness subscription."**

Source: C2Q'21 earnings

Content

...as consumer engagement remains above and churn remains below pre-COVID levels



Source: C2Q'21 earnings, Octahedron estimate

Content

Dating apps likely to experience tailwinds even as the Delta variant surges

 match

“Turns out, **daters are open to and are getting vaccinated at higher rates than the average population**, which is certainly a very good thing and vaccine badges have become a very attractive feature on many of our platforms”

“With respect to what's going on in the U.S. with the Delta surges in recent weeks, so far they don't appear to have any impact on mobility and they may not unless real restrictions up put in place. **And generally we don't see mask mandates as causing mobility restrictions, mostly partial and full lockdown seem to.**”

 bumble

“**Despite the challenges that the world is facing with the Delta variant, we are continuing to see positive trends across our platforms even in some of the most affected markets.** For example, in Q2, we saw increasing engagement and activity even with the spread of the Delta variant in India, and Bumble app monthly active users grew it over 60% year-over year in that market.”

Source: C2Q'21 earnings

Content

Apple's paid subscriptions base crossed 700 million



"We now have more than 700 million paid subscriptions across the services on our platform, which is up more than 150 million from last year and nearly four times the number of paid subscriptions we had only four years ago."

Source: C2Q'21 earnings

Gaming

Facebook continues to put considerable R&D effort behind building the metaverse...



“The third area I want to talk about is **building the next computing platform**. We're continuing to invest very heavily in building technology and product **to deliver a full sense of presence**. This is going to be critical for unlocking the next generation of social internet services.

Quest 2 in particular continues doing well and it keeps getting better monthly as we released regular software updates, including most recently our pass-through APIs so developers can start building mixed reality experiences on Quest. The range and content and experiences that we're seeing keeps broadening as well to the point where there are a lot of popular virtual reality experiences beyond games at this point.

So in addition to being the next generation of the Internet, the metaverse is also going to be the next chapter for us as a company. And in the coming years, I expect people will transition from seeing us primarily as a social media company to seeing us as a metaverse company.”

Source: C2Q'21 earnings

Gaming

...While Unity believe that the metaverse will consist of “thousands of destinations”



“We don't think that one company will represent the metaverse as, say, for example, it was imagined in Ready Player One. We believe there's going to be hundreds of thousands of destinations in the metaverse. Games like Roblox; creation destinations from companies like NVIDIA, Unity and Adobe; social communication destinations from companies like Snap, Facebook and some new companies.”

Source: C2Q'21 earnings

Gaming

AR/VR is now likely mainstream...



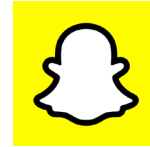
“Several years ago, I gave a presentation on the gap of disappointment, which basically said that analysts were projecting staggering growth in the world of AR and VR, particularly on the consumer side. I don't think that was going to happen that because we didn't really have the right combination of hardware, ease-of-use, content library, killer apps.

I see that starting to change. And the confidence that companies like Facebook and others, you mentioned Walmart, all sorts of companies across many of our verticals, are getting really excited about AR/VR because they're starting to see traction on the selling of hardware. Facebook has announced some great numbers around Quest 2. **Over the course of the next 3 to 4 years, we're going to see a sizable market in AR/VR. This time it's real. ”**

Source: C2Q'21 earnings

Digital Advertising

...as Snap continues to invest into their AR/VR efforts



"We made significant progress with our augmented reality platform this quarter. More than **200 million Snapchatters engage with AR every day on average**, and over **200,000 creators use Lens Studio to build AR Lenses** for our community. We are focused on learning from our large and engaged community of Snapchatters and creators, which allows us to continually improve our AR Lenses and the tools we provide to create them in Lens Studio.

We announced our **next generation of Spectacles** at our Partner Summit, which are available exclusively for creators. They are our first device with a built-in 3D augmented reality display, and represent another step forward toward our goal of overlaying computing on the world. **We are investing heavily in augmented reality across Snapchat, Camera Kit, and Spectacles."**

Source: C2Q'21 earnings

Gaming

The growth of game creators should drive sustainable revenue growth at Unity...



"We sometimes get the question that **if more than 50% of all games are built using Unity, isn't our growth prospect limited?** Well, no. **We believe we can 5x our penetration in games.** Growing our penetration with artists is key to this effort. Let me pause and explain. **When I worked in gaming, the ratio of artists to technical personnel and game teams was about 1:1. Today, artists outnumber technologists at least 2:1, and it's quickly heading to 5:1 or more.** As gaming devices become more powerful, more powerful GPUs, more memory, 5G networks, developers compete by making bigger, richer, more art-filled games. The war among developers and publisher to win with consumers is over the best content. **And in this war, the ammunition is art."**

Source: C2Q'21 earnings

Gaming

...as Roblox tries to corner the developer market by increasing developer payouts

The Roblox logo, consisting of the word "ROBLOX" in a bold, red, sans-serif font. The letter "O" is stylized with a small square cutout in the middle.

“On the take rates, **in Q2, we have upped our engagement-based payouts**. As you can see this, I think we announced \$29 million to devs in Q2, so that's on a great track. In general, **we much prefer money going to creators systemically as part of the self-service UGC architecture**, as opposed to any hand-given grant-type program. **And that number is going to keep going up**. You can also see with how much cash we're generating when we look at bookings, cash flow-type accounting, there's a lot of room there. We're not making any announcements on the increases to our developer rate. But generally, we want to maximize the amount we're using for our employees and for our creativity, as well as what's flowing to our developers.”

Source: C2Q'21 earnings

Gaming

Roblox put to rest a key bear case as > 50% of users are above the age of 13

ROBLOX

"We have passed having the majority of people on our platform beat 13 and over as opposed to 13 and under, which is a huge benchmark for us."

Source: C2Q'21 earnings

Gaming

Free Fire from Sea has scaled to one of the largest games in the world...



“Free Fire delivered excellent results during the quarter, setting multiple new records. Building on its strong performance across global markets, **the game recently exceeded 1 billion cumulative downloads on Google Play.** We believe Free Fire is the first ever mobile battle royale game to achieve this milestone. It was ranked third globally by average monthly active users on Google Play in the second quarter, according to App Annie. Furthermore, **Free Fire's peak daily active users hit more than 150 million during the quarter. This is a new record for us, and we believe that few online games globally have ever reached this scale.**”

Source: C2Q'21 earnings

E-commerce

...with sustained leadership in Latin America, South East Asia and India



“Free Fire continued to be the highest grossing mobile game in Southeast Asia, Latin America and India in the second quarter, according to App Annie. **The game has now retained its leadership in Southeast Asia and Latin America for eight straight quarters, and in India for three straight quarters.** We have also gained traction in certain developed markets like the U.S. where the game was ranked the highest grossing mobile battle royale game for the past two quarters based on App Annie. **Free Fire was the second highest grossing mobile game in the U.S. on Google Play across all game categories** in the second quarter as well. The exceptional global scale of its user base and ecosystem has solidified Free Fire as one of the largest and most popular online game platforms worldwide.”

Source: C2Q'21 earnings

E-commerce

A relentless focus on “community” seems to drive Sea’s success in gaming



“An increasing number of gamers join and stay on our platform to enjoy not just the core battle royale gameplay, but also the new experiences we frequently introduce. For example, during the second quarter, we launched Pet Rumble. This is a social deduction game mode where players can use their in-game virtual pets to take part in a game of cooperation and infiltration. Many of our new game modes are designed to be highly social and to provide more ways for our gamers to interact with their friends and other members of the Free Fire community.

In May, the finals of the Free Fire World Series 2021 Singapore hit a peak of 5.4 million concurrent online viewers. **Esports are a great way to connect and engage with our community, as fans view and root for teams together** while learning the best plays from professional players. **With esports’ growing similarities to traditional sports, we expect large esports games to exhibit the same level of community engagement and appeal as physical sports,** and become more and more deeply ingrained in general communities and mass culture.”

Source: C2Q'21 earnings

Gaming

Tencent continues to pre-emptively self-regulate, including on youth gaming

Tencent 腾讯

"We have sought to pioneer a healthy game playing environment in the game industry. In August 2021, **we further tightened our game time and spending limits for Minors in China, beyond regulatory requirements.** For Honor of Kings and Peacekeeper Elite, we reduced Minors' daily game **time limit to 1 hour** on non-statutory holidays and to **2 hours** on statutory holidays, versus regulatory requirement of 1.5 hours and 3 hours respectively. We also **prevented in-game spending by players aged under 12.** These measures will be rolled out in all of our games gradually.

We are also cracking down on Minors misusing adult accounts, and transactions of adult accounts on third-party platforms. During the second quarter of 2021, **players aged under 16 accounted for 2.6% of our China game grossing receipts.** Among which, players aged under 12 accounted for 0.3%."



Feb 2017
Pioneered a system for parents to manage minors' game activity



Sep 2018
Upgraded Healthy Gameplay System with mandatory real-name verification, game time and spending limit



Sep 2019
Took down games incompatible with Healthy Gameplay System



Aug 2021
Further tightened game time and spending limits

Source: C2Q'21 earnings

Gaming

As China further regulates gaming, industry leaders are focusing more on international



“Overseas markets present us with another growth opportunity. In May, we successfully launched Final Gear (重装战姬) in South Korea. Praised for its delicate art design and innovative gameplay, Final Gear quickly won the hearts of like-minded ACG lovers. For 3 weeks after its release, Final Gear continued to hover on Google Play's top 10 grossing chart in SK. This success story demonstrates our established capabilities in game selection and execution in overseas markets. **We believe we can build on this success with the other titles in other regions.”**



“The fact that our international game revenue growth grew 37% year-on-year, the fact that we're, for the first time, successfully penetrating the Nintendo Switch opportunity, the first time moving into the Japanese market, give us a degree of confidence we're moving in the right directions for games.”

“One big piece is games that we create in China, such as PUBG Mobile, such as Arena of Valor, and we export to the rest of the world. A second big piece, relatively similar in size is games created by outside China, by some of our very successful investee studios outside China such as Riot with League of Legends and Valorant, such as Supercell with Clash of Clans and Clash Royale and Brawl Stars. And then a smaller component is other studios outside China that are at more of an incubation stage.”

65

Source: C2Q'21 earnings

Gaming

Roblox continues to take the long view on China despite negative headlines



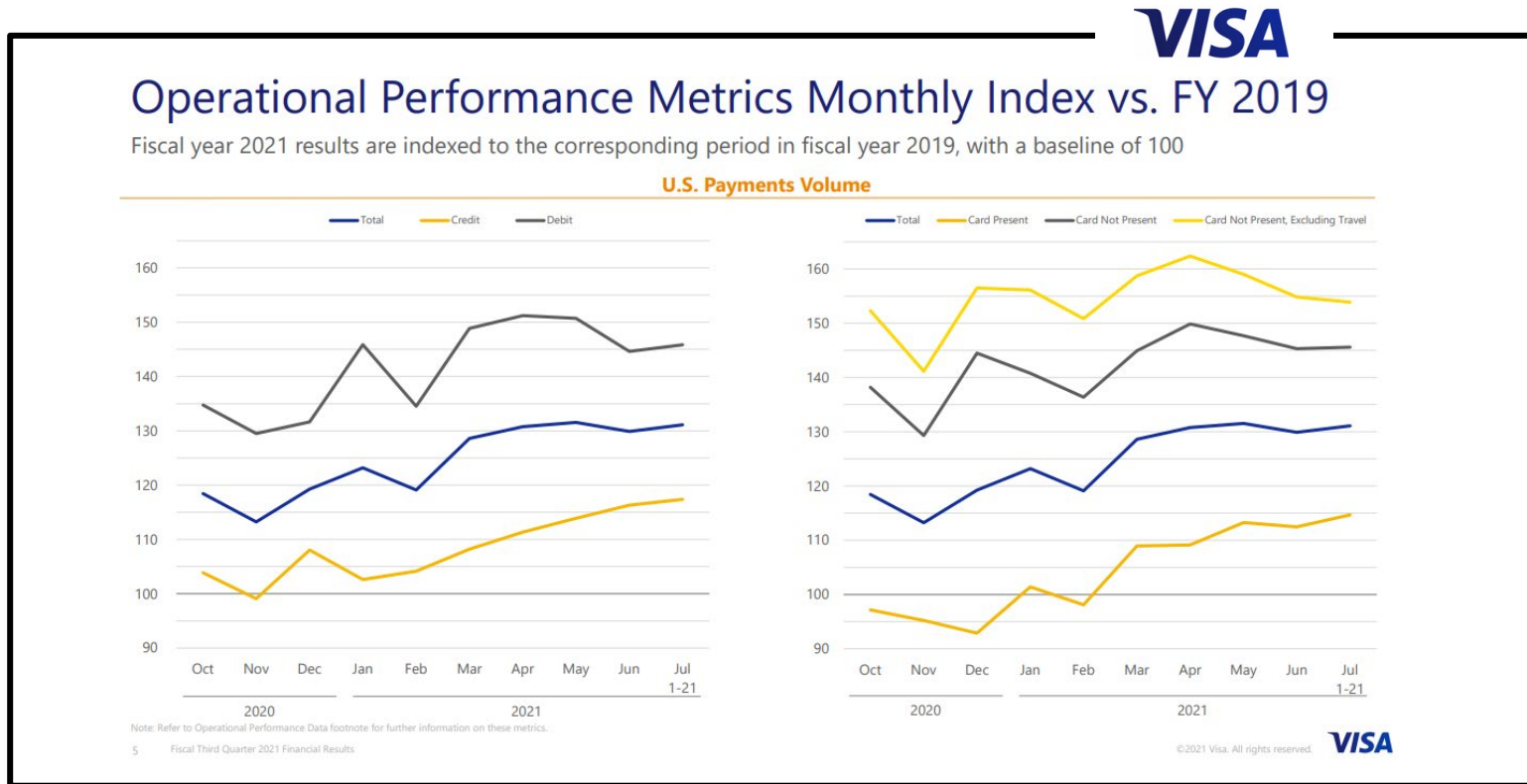
“And if a country has a certain set of laws, we will all abide by them. And our developers are also very understanding that the content they create will, country by country, either be applicable or not. **We have a very long-term view in China.** A lot of the play on Roblox is both educational as well as social, it goes way beyond gaming. We have a 10-year vision there. We know it's going to be big and interesting. And we're in this unique position with our Tencent partnership, a government license, live on iOS, live on Android, and bilateral network effects, a great global content going into China as well as great China content starting to hit the world market. **So our response is to keep doing what we've been doing.”**

Source: C2Q'21 earnings

Payments & Fintech

Payments

Visa reported continued strength in e-commerce, and an uptick in brick and mortar...



Source: C2Q'21 earnings

Payments

...while Mastercard reported cross-border volumes nearly back to pre-COVID levels



Business Update Through July 21st

	2021 vs. 2020 year-over-year growth % ¹						2021 as a percentage of 2019 ^{1,3}					
	Q1	April	May	June	Q2	July 21 MTD	Q1	April	May	June	Q2	July 21 MTD
Switched volume²	12%	61%	42%	32%	44%	28%	121%	125%	129%	128%	127%	130%
United States	17%	58%	36%	25%	38%	23%	122%	130%	133%	128%	130%	130%
Worldwide less U.S.	9%	64%	49%	38%	49%	33%	120%	120%	127%	129%	125%	130%
Switched transactions	9%	55%	39%	31%	41%	26%	123%	123%	129%	128%	127%	130%
Cross-border volume²	(17)%	64%	60%	51%	58%	47%	82%	83%	90%	89%	87%	91%
Intra-Europe	(11)%	49%	50%	46%	48%	39%	91%	90%	99%	100%	97%	103%
Other Cross-Border	(23)%	83%	73%	58%	71%	58%	74%	76%	82%	78%	79%	79%
XB CNP ex travel	39%	39%	33%	26%	33%	23%	163%	174%	174%	159%	169%	148%
XB Travel (CP + CNP travel)	(57)%	164%	149%	105%	131%	80%	38%	39%	48%	57%	48%	66%

1. Normalized to eliminate the effects of differing switching and carryover days between periods

2. Mastercard-branded programs only; on a local currency basis

3. Represents 2021 volume or transactions expressed as a percentage of the comparable 2019 amounts, adjusted for currency impacts

Source: C2Q'21 earnings

Payments

(Cross-border) travel is normalizing

adyen

"...and now for the first time **airlines at the end of this half were at the pre-pandemic level**, so no growth but at least back at the level where it was before"

VISA

"**And we expect much more recovery to come, especially in the areas of credit and cross-border travel.**"

Source: C2Q'21 earnings

Payments

Global payments businesses continue to exhibit exceptional scale and economics...

adyen

"Our sales pipeline remained robust and has not been markedly impacted by the pandemic."

"...**the marginal cost of transaction is basically zero** and therefore we think that we have a lot of operating leverage in the business"

"We have set the following financial objectives, wherein EBITDA margin guidance has been updated in February this year. **Other objectives remain unchanged since IPO.**"

d·local

"We are clearly still **a drop in the ocean of the opportunity we have ahead.**"

"One dLocal presents a single API, single integration, and single contract solution to our merchants. We are entirely B2B focused, and **we are proud to count some of the largest global merchants** as our customers such as Microsoft, Rappi, Kuaishou, Mailchimp, Wikimedia, inDriver, and Wix."

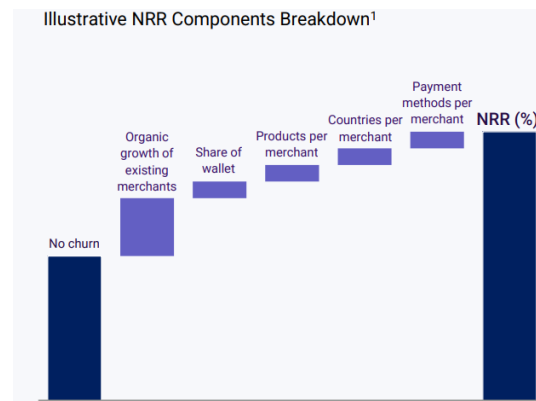
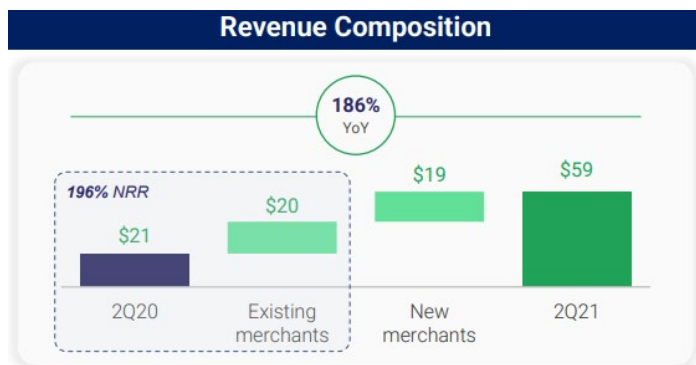
Source: C2Q'21 earnings

Payments

...and high quality, highly sticky revenue



"I'm very pleased to see that more than 80% of our growth is again from existing merchants. And at the same time, we have a very low churn in sub 1%...**This is an engine that has been running now for years that we signed with new merchants, they start small with us, we gain their trust and they give us more and more volume.**"



1: Breakdown of NRR shown above is illustrative and does not represent actual components of 2Q21 NRR increase. "NRR" means Net Revenue Retention rate, which is the U.S. dollar-based measure of retention and growth of our merchants. We calculate the NRR of a period by dividing the Current Period Revenue by the Prior Period Revenue. The Prior Period Revenue is the revenue billed by us to all our customers in the prior period. The Current Period Revenue is the revenue billed by us in the current period to the same customers included in the Prior Period Revenue. Current Period Revenue includes any upsells and cross sells of products, geographies, and payment methods to such merchant customers, and is net of any contractions or attrition, but excludes revenue from new customers onboarded in the last 12 months.

Source: C2Q'21 earnings

Payments

Adyen and dLocal are key to the global expansion of their merchant customers...

d·local

"Global merchants are meeting their own growth forecasts they have promised their investors by going outside their domestic markets to pursue growth. **As a result, traditional borders of commerce continue to blur.**"

"We see that there is **tremendous pent-up demand from merchants looking to go outside their home countries**, including from China."

adyen

"...The key learning from this pandemic [is] I think a lot of **businesses have seen how strategic payments [are] to basically enable business** and that's what where we like to help out."

Source: C2Q'21 earnings

Payments

...in both developed and developing markets...

adyen

"We added Japan to the acquiring mix, which basically is a next step in **our ambition to become a full global player and basically follow our merchants** through the countries where they think it's relevant"

"we can optimize routing in US and that's why you also see **more and more US players route domestic traffic to us**"

d·local

"We are of the idea that those volumes in emerging markets are going to be driven by the type of merchants we serve, **which are the largest companies in the world.**"

"...**we also are of the idea that this opportunity in the emerging markets, it's huge.** And we also believe we are very well positioned to capture hopefully a lot of that opportunity. Some of the competitive advantage that we're building and the idea of having the direct connections, the technology, and the deep cultural understanding of the markets where we operate, we believe are sustainable advantages"

"we see a pipeline that is **extremely healthy, that is full of opportunities** across all different stages."

Source: C2Q'21 earnings

Payments

...and across the entire consumer buying experience

adyen

"I think what you see in the US, is that **unified commerce** leads to additional complexity which we can solve. And all those different type of customer journeys is a key topic for US retailers and **we're one of the few potential companies that could actually offer this.**"

"We have seen many examples where the merchant said point of sale is so complex for us to run in multiple countries that **first we will migrate point of sale to you, and then online volumes will follow**"

d·local

"We are seeing more digitalization, less cash, and **wider adoption of alternative payment methods.** We believe these new consumer behavior changes are here to stay and will continue to have a positive effect on our business."

afterpay

"we know that **omnichannel consumer will spend more frequently across both online and in-store without cannibalizing either.**

Source: C2Q'21 earnings

Payments

MercadoLibre is “quietly” building a fintech powerhouse reminiscent of Alipay...



“Over this wide and growing base of users, we are confident that we can continue to overlay **financial services through the digital wallet such as insurance, debit cards, and, more immediately, access to credit loans.**”

“Our Credit business grew significantly in Q2. We originated another record - over \$700 Mn in credit this quarter (vs) \$133 Mn in the same period last year. ...Credits to consumers, in particular, are driving the most accelerated growth rates and now represents over 50% of our current total portfolio. The **‘Buy Now, Pay Later’ feature for payments within our Wallet has already reached double digit penetration rates in Brazil and Mexico.**

We believe that the Credit business is foundational in our efforts to democratize access to money in Latin America. In a region with high indexes of unbanked and underbanked populations, demand for loans of all sizes and circumstances is rampant. Our extended marketplace **from the commerce and the payments** verticals gives us the infrastructure, expertise, and data to properly score, distribute and manage loans to a variety of profiles.”

Source: C2Q'21 earnings

E-commerce

...and so is Sea Limited



“Sea Money continued to perform well in the second quarter **as digital payment adoption deepened in our markets. Our mobile wallet services** recorded total payment volume of over 4.1 billion dollars, up close to **150% year-on-year.**”

We are **quickly expanding off-platform digital payment use cases.** For example, besides increasing our payment touchpoints at convenience stores, F&B chains and on the Google Play store, our mobile wallet service recently expanded its partnership with Mastercard in Thailand. This will allow our users to pay at any of the 200,000 plus offline outlets that accept Mastercard Contactless.”

“Even though Sea Money is still at an early stage of development, the long-term addressable opportunity is highly significant. **Consumers and small businesses in our markets are moving more of their consumption and commercial activities online, creating a greater need for the digital financial services that Sea Money can offer.**”

Source: C2Q'21 earnings

Crypto

Crypto is no longer a speculative asset...



"Tokenized transactions across in-store, online and in-apps surpassed **1 billion per month** throughout the second quarter"

"The ECB has just recently announced that they will actually move forward with the digital euro after a period of industry consultation."



"So we're seeing people do more things with crypto, whether that's **earning money with crypto, borrowing and lending, staking, using Coinbase based card** and then of course trading.

So for example, we shared in the letter that we now have **1.7 million users** staking crypto, which is the way to earn yield on your assets. **And this is up from basically that number was probably zero year ago"**

"we do offer **staking-as-a-service** where we enable other companies to offer staking to their end customers and we provide the back end node infrastructure, and that's the largest piece of technology that we're today offering."

Source: C2Q'21 earnings

Crypto

...and Coinbase intends to become the primary crypto wallet for consumers

coinbase

“There's going to be more and more third-party apps that are being created where people want to connect their wallets to it. **And Coinbase is their primary financial account, so we need to make it easy for people to connect to and integrate with all these third-party apps out there**”

“We really want to be the Amazon of assets... **I think there's eventually going to be millions of crypto assets out there.** You can imagine if there's going to be a crypto asset for every crypto startup that wants to get created and who wants to raise money, or if every kind of individual might create a coin or NFT.”

Source: C2Q'21 earnings

Crypto

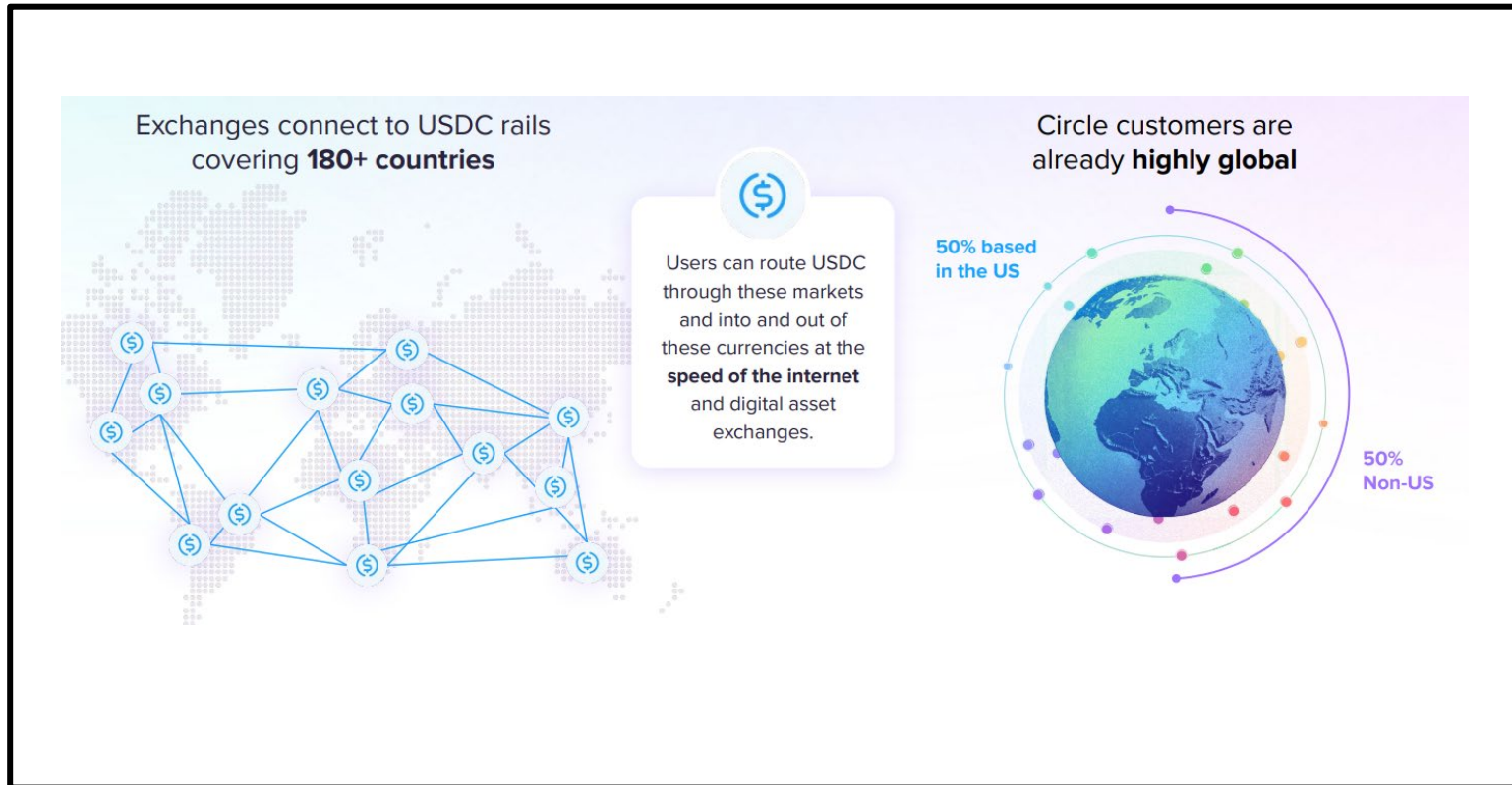
Blockchain-based stablecoins such as USDC are building momentum...



Source: Circle investor presentation, June 2021

Crypto

...potentially setting the stage for the next generation of payments rails



Source: Circle investor presentation, June 2021

Payments

Buy-now-pay-later (BNPL) is still in the early innings...

afterpay 

"I just want to touch on the fact that **Buy Now Pay Later is still really in the early stages**. If we look at the global opportunity, what we're seeing in every aspect is a shift from what is known as the credit economy to the debit economy and how that is really being stimulated by the next generation of millennials and Gen Z..."

"...**Buy Now Pay Later only represents about 2% of online payments globally**. The opportunity is quite immense and we're seeing that also in the way that the global brands, which have the connection points with customers, are still rapidly adopting and becoming aware of the opportunity in all parts of the globe."

Source: C2Q'21 earnings

Payments

...and is winning consumer wallet share, globally...



"Since launch, we have processed over \$3.5 billion in [BNPL] TPV, **with more than \$1.5 billion of that TPV in Q2 alone.** Approximately 650,000 merchants have customers who use our Buy Now, Pay Later capabilities and 40,000 have positioned Buy Now, Pay Later upstream on their product pages. **Over 7 million consumers have transacted more than 20 million times** with our Buy Now, Pay Later product."

"That's up 50% from Q1 sequentially. More and more [merchants] are presenting it upstream on their product pages. That, obviously, gives us a disproportionate share of checkout when that occurs."

"...our repeat rates are extremely high. There's a lot of satisfaction with the product. It's still something like **70% are repeating within six months.** And our halo effect is the same as it was last quarter, still a 15% halo effect in TPV, **still a substantial reduction in our TE costs, about a 16% reduction.**"

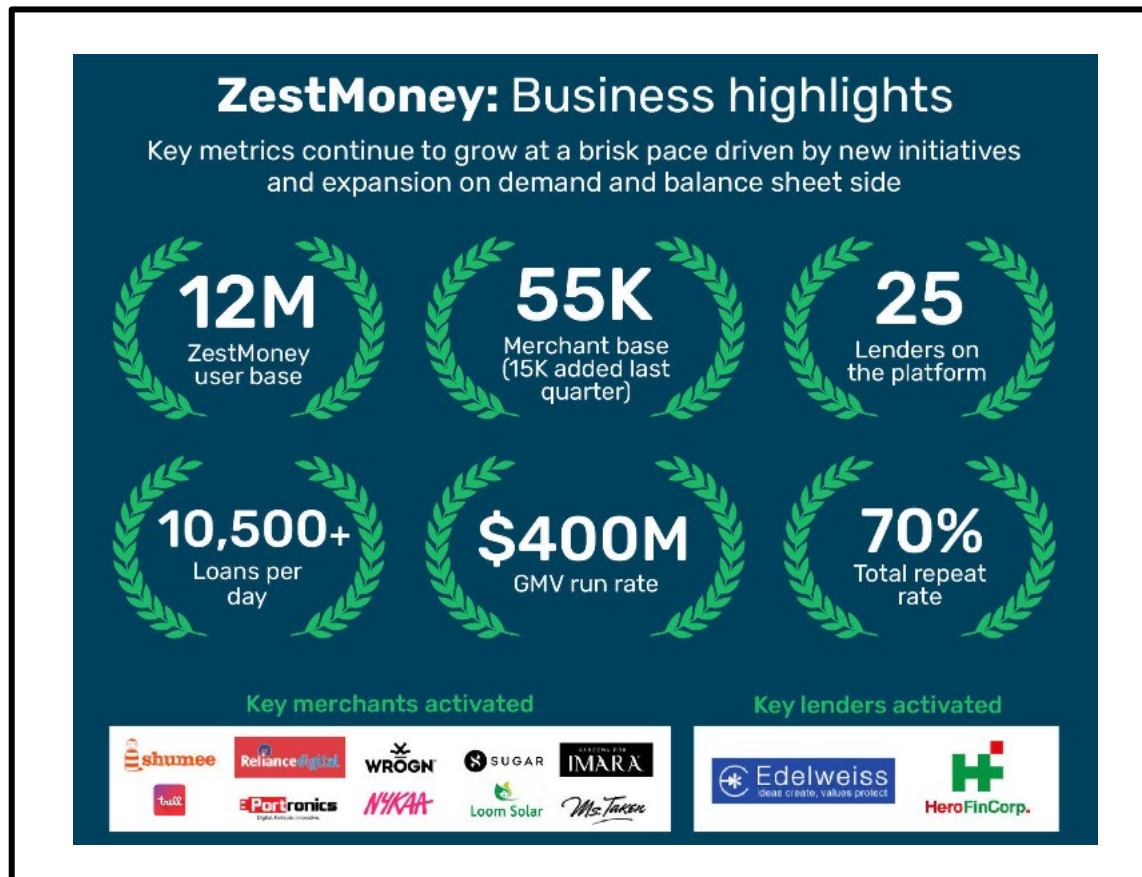


"our BNPL customers experienced 350% growth in net revenue compared to the same quarter of 2020, demonstrating both the growth enabled via product market fit on our platform and the adoption of this method of payment worldwide."

Source: C2Q'21 earnings

Payments

...particularly in emerging economies, such as India



Source: Zestmoney internal data made available to Octahedron Capital

Payments



Square's acquisition of AfterPay joins millions of merchants...



"We think from a seller perspective, the most obvious point is this is yet another tool to help drive more sales to a seller and also help us reach sellers that we have not been able to serve in the past. And that includes larger, more enterprise global retail sellers. **And for us to be able to scale from the smallest of shops in your neighborhood up to the largest retailers in the world with one solution that brings people to the rest of our ecosystem is exactly in our ecosystem strategy.**"



"From a merchant perspective, **Square's SMB base is incredibly complementary to Afterpay's enterprise retail partnerships.** And from a geographic perspective, Australia is Square's biggest international region outside the US, whereas for Afterpay, the US is our largest regional opportunity outside of Australia."

	 <small>Last twelve months (LTM) basis as of 6/30/21</small> ~100K Merchants	 Millions of Merchants
Products	BNPL	30+ products including Point of Sale, Managed Payments, CRM, Business Banking, Online, Hardware, Developer Platform, more
Channels	\$16B of GMV (\$21B AUD) >85% Online	\$140B of GPV ~45% In-Person
Seller Size	Enterprise merchants generated majority of GMV	Moving upmarket: Mid-Market merchant segment drove strongest GPV growth
Verticals	Primarily retail	Diverse mix of verticals
Geographies	>50% GMV from outside U.S.	>85% GPV from U.S.

Source: C2Q'21 earnings

Payments



...With 85m+ consumers...



“On the consumer side, the addition of Afterpay embeds commerce more directly into Cash App. **Consumers will be able to browse merchants, purchase goods or services within Cash App and use Buy Now Pay Later at the checkout**, allowing the consumer to pay for installments directly from Cash App, again, driving that recurring engagement.”



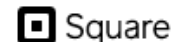
“So in terms of the opportunity and the compatibility of our two businesses, we really focus on this demographic alignment growing into **70 million incremental annual active cash-out consumers**, the channel compatibility, expanding Afterpay outreach across both online, but also importantly the in-person channel.”

	 16M Consumers	 >70M Consumers
Products	BNPL	P2P, Banking, Stocks, Bitcoin, Taxes
Consumer Base	Global Millennial/Gen Z, higher-income Coastal U.S.	Primarily U.S. Millennial/Gen Z South and southeast U.S.
Commerce	In-app shopping discovery \$975 in average GMV per consumer as of FY21 (AUD \$1.3K)	>10M monthly Cash Card actives Growing Boost rewards platform
Engagement	Multiple purchases per month on avg, with repeat buying	18 transactions per month on avg for monthly actives, up 40% YoY





Source: C2Q'21 earnings

Payments

...creating a powerful ecosystem



“So we see a lot of competitors with a seller ecosystem or a consumer ecosystem, but there are very, very few with both together. **And as you look at the market, having the ability for a seller to come in for Buy Now and Pay Later but also have the entire suite of tools they need to run the rest of the business is pretty magical...** And while it seems that's important for the smaller companies, it's even more critical for the larger companies, even the enterprise global retailers as well.”

	  Consumers	  Merchants
Expand customer base	<ul style="list-style-type: none"> Strengthen Afterpay's consumer base of 16 million with 70 million annual active Cash App customers Bring Afterpay's merchant base more consumers through Cash App Reach new Cash App audiences in global geographies 	<ul style="list-style-type: none"> Strengthen Afterpay's merchant base with millions of Square sellers Attract new sellers to Square with BNPL as an acquisition tool Grow in upmarket and in new geographies together
Strengthen products and build connections	<ul style="list-style-type: none"> Add Afterpay BNPL to Cash App's ecosystem Integrate commerce discovery from Afterpay App into Cash App to drive engagement Afterpay consumers can receive the benefits of Cash App's ecosystem, including P2P, stock brokerage, bitcoin, Cash Card, Boost, taxes and more 	<ul style="list-style-type: none"> Enable Afterpay BNPL for Square Sellers, supporting their growth through higher transaction sizes and conversion rates Introduce Seller ecosystem to Afterpay's merchants Grow Afterpay's presence with SMBs, in-person commerce, and new verticals

Source: C2Q'21 earnings

Fintech

Consumer and commercial banking continues to transition to digital-first...



"Digital banking or neo banking is massively disruptive."

"We believe this TAM is a vast ocean of opportunity ahead of us as everything moves to digital, electronic transaction, changing the entire landscape of how the world is moving money in the future".



"We see a future of proactive finance where consumers receive personalized, data-based suggestions from their financial services firms, focused on driving their financial wellness, the consumer's financial wellness. We predict that consumers will be able to open their mobile phone, and in just an instant, see everything that their financial services firm can do for them tailored to their specific financial situation."



"In July, we launched Square Banking for sellers...**Square Banking now includes three core products: two deposit accounts, Square Savings and Square Checking,** joining Square's existing lending products, now called Square Loans. **By offering banking tools to integrate seamlessly with Seller's solutions,** our payments and square payroll, **Sellers now have a unified view of their financing options."**

Source: C2Q'21 earnings

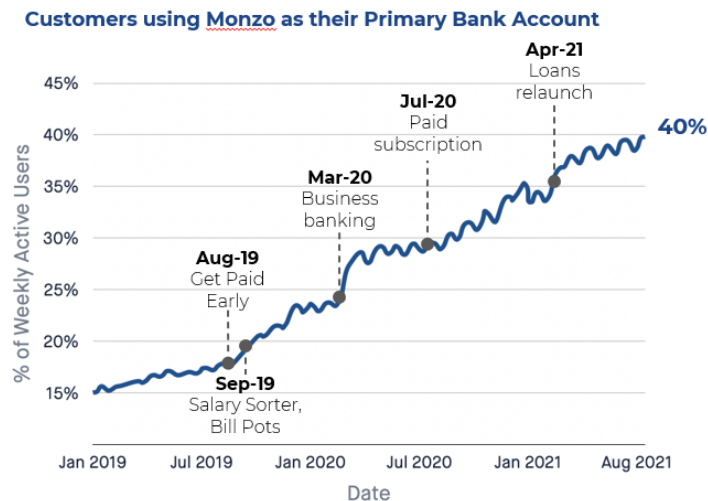
Fintech

...as neobanks with native back-end stacks build more than simple banking products

Deepening user engagement as we meet more of our customers' financial needs



40% of our active customers are now using Monzo as their Primary Bank Account, as we expand our product offering across our customers' financial journeys



1.1m

customers use Monzo as their primary bank account

325%

higher ARPU than non-primary bank users

55%

weekly active user engagement

3x

higher engagement than neobank peers

Source: Monzo Bank internal data made available to Octahedron Capital

Fintech

Paypal continues to innovate at the point-of-sale...



“And so we obviously are up to now 1.3 million merchants - every 20 seconds, a merchant's signing up for more **QR codes** with us. We have a lot of momentum with large enterprises right now... And we're seeing with customers like CVS, once you start to integrate that together...**we saw CVS transactions go up 151% month-over-month.**”

“we were thinking **QR codes and other forms of contactless payments were great** because it was both fast and maybe more healthy in a pandemic environment, but all of our conversations go beyond checkout. **People are looking to drive loyalty.** They're looking to drive rewards and coupons, more flexibility, how consumers like order, track, pay for their services, customized incentives....”

Source: C2Q'21 earnings

Fintech

...as its transforms from a payment provider to a financial super-app



In the next several months, we plan to be fully ramped in the US with a host of products and services across payments, basic consumer financial services and commerce and shopping tools launching every quarter.

New features will include high yield savings, early access to direct deposit funds, new and improved Bill Pay functionality, messaging capabilities outside of P2P to enable family and friend communications, as well as additional crypto capabilities and customized deals and offers."

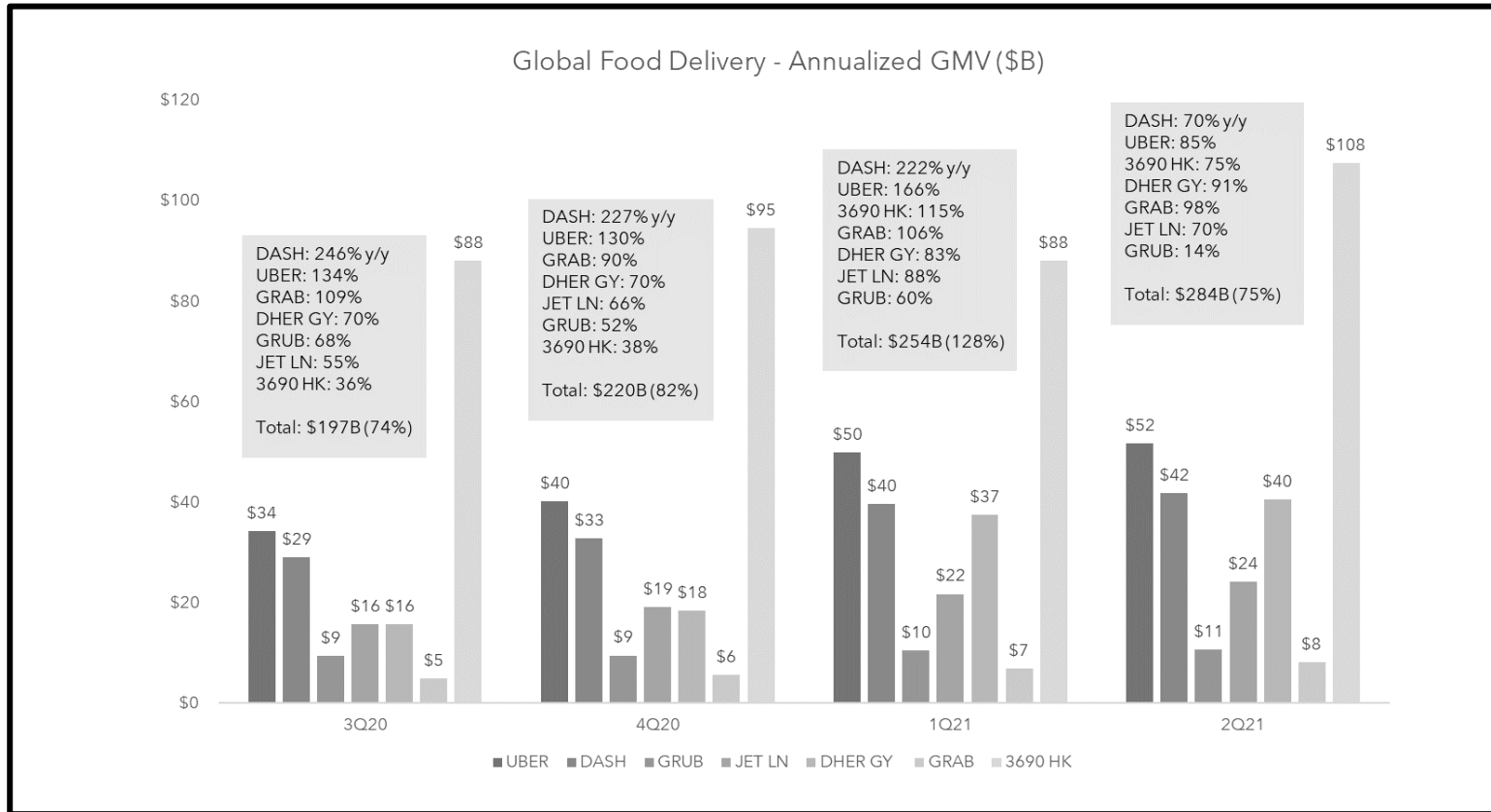
"Each wallet will be unique, driven by our advanced AI and machine learning capabilities in order to enhance each customer's experiences and opportunities."

Source: C2Q'21 earnings

On-Demand & E-Commerce

On-Demand

On-demand continued to grow volumes sequentially despite the re-opening in 2Q...



Source: C2Q'21 earnings; Octahedron estimates for Grab in 3Q'20 and 2Q'21; DHER 2Q'21 growth rates normalized for Woowa acquisition

On-Demand

...as Doordash continues it's pristine execution



“Stay-at-home orders, dining restrictions, and stimulus associated with the COVID-19 pandemic accelerated demand for convenience in the categories we participate in. We outperformed our peers in the period when pandemic-related restrictions were most severe, gaining over 9 percentage points of U.S. category share from March 2020 through March 2021. **In Q2, many U.S. markets reopened, in-store dining rates increased, and U.S. restaurant industry sales reached an all-time high. We believe consistent execution enabled us to outperform in this environment as well, gaining 3 percentage points of U.S. category share from March 2021 through June 2021.**”

Source: C2Q'21 earnings

On-Demand

Meituan continues to expand by increasing choices and delivery distances



“As we continued to provide wider selections on our [food delivery] platform and offer longer distance deliveries, we were able to satisfy the increasingly diverse needs from consumers. We maintained solid growth in both transacting users and purchase frequency. Thanks to our enhancement in marketing efficiency, the effective membership program, and the stratified operations among various consumption scenarios. Moreover, we penetrated more deeply in lower-tier markets, with most of our new users coming from lower-tier cities. Order contribution from breakfast, afternoon tea, and late-night snack further increased, and long-distance orders became a more meaningful part of the total food delivery orders.”

Source: C2Q'21 earnings

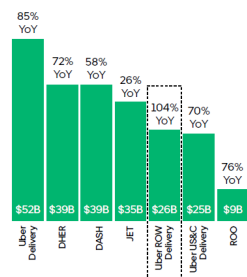
On-Demand

Uber's Delivery business is on the precipice of profitability...

"Delivery Gross Bookings were at a \$51B run-rate in July, with Gross Bookings up 4% MoM, up 56% YoY and up over 260% vs. July 2019. **Delivery has remained relatively steady since March, even as cities reopened.** We are witnessing very healthy trendlines in major markets like Sydney, New York, and London, with Paris as an outlier where we have seen some modest pullback."

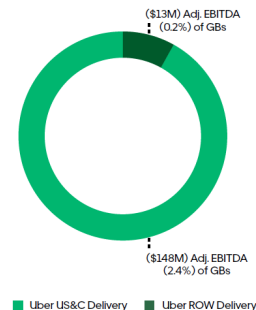
Uber Delivery ex-US & Canada is growing much faster than peers

Q2'21 GB/GMV/
GOV/GTV annualized
scale & growth



Delivery ex-US & Canada near breakeven in Q2

Q2'21 Adjusted EBITDA
loss and margin (% of
Gross Bookings)



Source: C2Q'21 earnings

On-Demand

... and enjoys powerful cross-sell momentum from the mobility business

The Uber logo, consisting of the word "Uber" in white text on a black square background.

“You are well aware by now that the Rides app is acting like a free marketing engine for our Delivery business. What may be less obvious is that **Delivery is now increasingly driving consumer acquisition for Mobility.**”

That’s because in many markets, especially suburbs and smaller towns, Eats is sometimes the first way consumers engage with Uber. We’ve launched proactive efforts to convert these Eats-first consumers into Uber riders. **In Q2, over 20% of Mobility’s first-time riders in the US and more than 40% of first-time riders in the UK were existing Delivery consumers**—with this contribution rapidly growing over the last year.”

Source: C2Q'21 earnings

On-Demand

Non-restaurant verticals are complementing existing restaurant marketplaces...



Uber

“Over time, we expect our growing New Verticals business to increasingly benefit from, and contribute to, our platform. Already, **over 3 million consumers are ordering groceries, convenience items, alcohol and more on Uber’s apps each month** -- and this is before we have even fully addressed the US opportunity. Notably, consumers acquired through one of our New Verticals offerings spend more than twice as much as consumers acquired through our restaurant delivery offering. **We are beginning to broadly roll out grocery powered by CornerShop in the US, having doubled our footprint to more than 400 cities in the last few weeks, and expect this to be the next pillar of growth for Uber.**”



DOORDASH

“**Marketplace orders from non-restaurant categories grew substantially faster than restaurant orders** on both a Y/Y and Q/Q basis in Q2. We saw growth in the number of existing consumers who ordered from a new category in Q2 and in the number of new consumers who placed their first order on DoorDash in a new category.”

Source: C2Q'21 earnings

On-Demand

...just as previously Instacart-exclusive relationships are available to Uber and Doordash



Uber

“San Francisco-based Uber said Wednesday that grocery deliveries via the Uber and Uber Eats mobile apps and websites are being **piloted at 25 Costco warehouse clubs in the Dallas, Austin and Houston markets**. Plans call for another seven Costco clubs to launch the Uber delivery service in the coming weeks.”



DOORDASH

“DoorDash (NYSE: DASH), the nation's leading last-mile logistics platform, and Albertsons Companies (NYSE: ACI), one of the nation's top grocers, are announcing a **new partnership to offer on-demand grocery delivery from nearly 2,000 well-known Albertsons banner stores** across the country including Safeway, Vons, Jewel-Osco, and more from the DoorDash marketplace app.”

Source: <https://www.supermarketnews.com/online-retail/costco-pilots-grocery-delivery-uber>; <https://ir.doordash.com/news/news-details/2021/DoorDash-and-Albertsons-Companies-Partner-to-Launch-Unprecedented-Access-to-On-Demand-Grocery-Delivery/default.aspx>

On-Demand

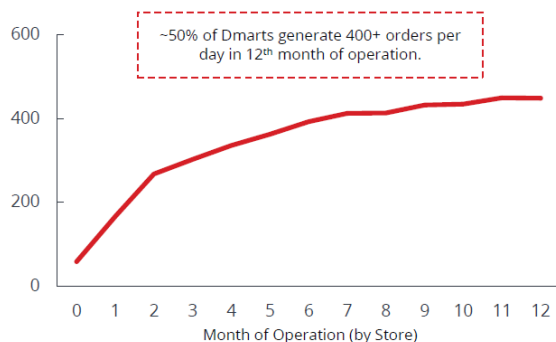
Delivery Hero is building a significant 1P business...



“What you can see on the left hand on the chart is now that orders are developing on our Dmart, that have been active since June 2020 or before. **As you can see, they're scaling up their orders quite rapidly and after 12 months around half of these stores have 400 or more orders per day.** It shows that we are in a very good in determining where to open the Dmart and to make use of the existing customer base to choose the right location. And just for reference, **any comparative going without this traffic would have to spend billions to achieve what we achieved with very limited marketing cost there.**”

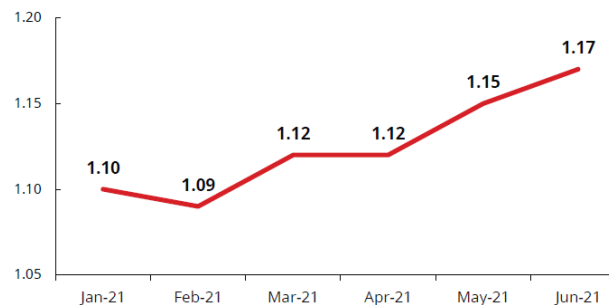
Average Daily Orders per Store by Store Operating Month

Values for cohort of stores active since June 2020 or before



Comparison of Average Basket Value (ABV) Dmarts vs. Food Delivery

Values for all Dmarts active in Jan 2021 vs Jun 2021
(weighted average ratio of ABV Dmarts relative to ABV Food)



Source: C2Q'21 earnings

On-Demand

...which is logical as 1P grocery delivery has better unit economics than 3P

Illustrative Unit Economics	1P Delivery (Small Basket)	1P Delivery (Large Basket)	3P Delivery
AOV	\$30.00	\$100.00	\$100.00
Product Gross Profit / Take Rate ¹	\$13.50	\$45.00	\$20.00 ¹
Spoilage ²	\$0.60	\$2.00	\$0.00
Delivery Labor ³	\$6.67	\$5.00	\$7.50
Pick & Pack Labor ⁴	\$2.00	\$5.00	\$3.75
Packaging	\$0.50	\$1.50	\$0.00
Payments Processing (3% of AOV)	\$0.90	\$3.00	\$3.00
Rent / Facilities / Other (2% of AOV)	\$0.60	\$2.00	\$0.00
Contribution Margin	\$2.23	\$26.50	\$5.75

Source: Octahedron estimates

¹ Assumes \$10 from grocer and \$10 from CPG advertising. Assumes 1P Delivery achieves 5% ads revenue as % of AOV, and 40% gross margin on physical product.

² Assumes 2% AOV spoilage for 1P delivery, none for 3P delivery

³ Assumes \$20 / hour labor cost (fully loaded employee w/ benefits) and 4 deliveries per hour for \$100 basket - can batch more given longer delivery SLAs. Assumes 3 deliveries per hour for \$30 basket given faster pick/pack and smaller delivery radius. Assumes \$15 / hour labor cost (independent contractor) and 2 deliveries per hour - least efficient b/c different start and end points for each delivery

⁴ Assumes \$20 / hour labor cost (fully loaded employee w/ benefits) and 10 pick and packs per hour for \$30 basket - smaller number of items, smaller SKU count warehouses lead to faster and more efficient pick/packing. 4 orders per hour for \$100 basket - larger number of items, larger warehouses. \$15 / hour labor cost (independent contractors) for 3P delivery.

On-Demand

3P grocery delivery does not have the selection advantage of 3P restaurant delivery...



Restaurant #1

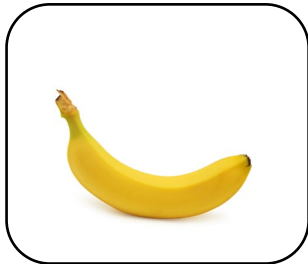


Restaurant #2

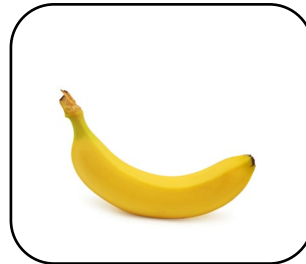


Restaurant #3

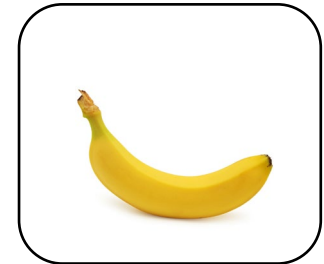
Three different restaurants - three different types/flavors/preparations of the "same" burrito



Grocery Store #1



Grocery Store #2



Grocery Store #3

Three different grocery stores - three of the same banana

On Demand

...but, for subscale grocers, 3P is still highly incremental as grocery moves online



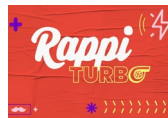
"For the quarter, **eCommerce was 10.1% of sales**, settling in the 9.5% range towards the end of the quarter. Compared to the second quarter of 2019, eCommerce sales have increased more than 350%. **Importantly for orders placed through the Instacart website, we're seeing about 50% of the transactions are for customers who have opted in to share their data with us.** When combined with our own shop.sprouts.com, we are collecting meaningful customer data on around two-third of those who shop online.

We're also working more closely with Instacart on analytics to support both our eCommerce and brick and mortar businesses. **We believe the higher use of eCommerce for grocery isn't the only customer habit for this changed during the pandemic**, to make sure we're driving business decisions on recent trends, we're currently performing new state survey work to evaluate customers' habits in this post-COVID environment."

Source: C2Q'21 earnings

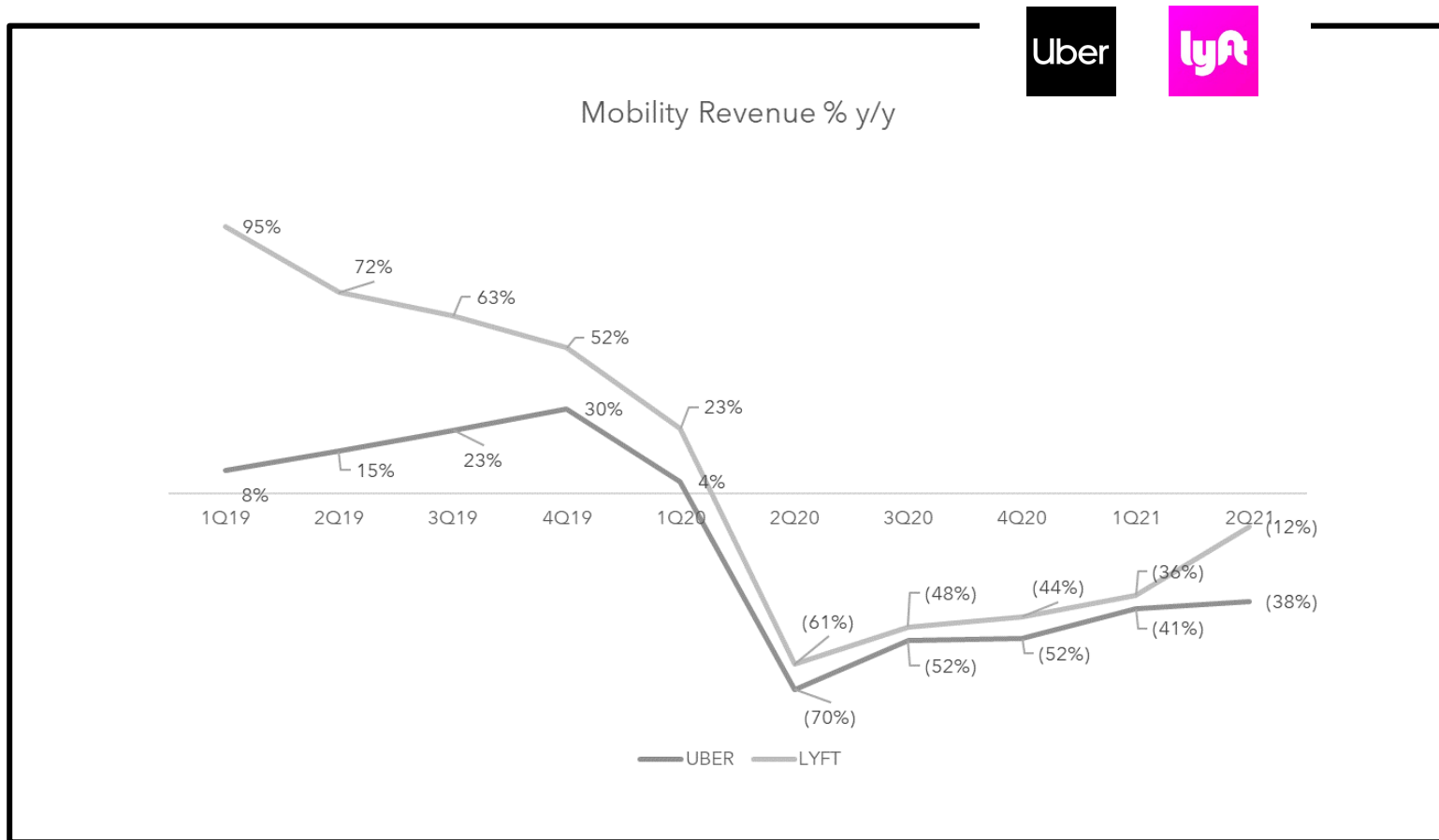
On-Demand

The race is on to build dark stores and acquire customers for 1P grocery delivery



On-Demand

Rideshare continues along the path towards a full recovery...



Source: C2Q'21 earnings

Note: Comparing vs. 2 year stack (2019 comparison) starting with 2Q21

On-Demand

...as Lyft reached EBITDA profitability two quarters ahead of schedule



"In the fall of 2019, we announced our plan to reach adjusted EBITDA profitability in Q4 of 2021. This was an ambitious target and we had our work cut out...

...We assessed every aspect of our business and rebuilt stronger. Innovating and pushing back against the odds as core to our DNA. John and I have been fighting for our mission, business, and this industry for more than a decade. And now we've built a much stronger company.

The fact that **we achieved adjusted EBITDA profitability two full quarters earlier than we initially expected** is clear evidence of this fact. We achieved this milestone relatively early in the recovery, all while continuing to invest in growth."

Source: C2Q'21 earnings

On-Demand

Driver supply challenges should ease in 3Q as federal unemployment benefits sunset



Uber

“The good news is that drivers increasingly want to get back on the road. In June, 60% of inactive drivers told us they intend to start driving again within a month; that’s up from 40% in April. And **90% of drivers told us they expect to come back by September.**”

“We have been leaning into driver incentives broadly in Q2, we have been able to pull back from driver incentives broadly in Q3. And we have been able to continue to acquire and/or resurrect new drivers broadly in July, even as we pull back incentives just because the machinery and the targeting is working so much better. **In states that have ended UI, our marketplace balance in general is in a much healthier condition than states that have not ended the UI.**”

Source: C2Q'21 earnings

On-Demand

Uber laid out their vision for the future of freight...



Uber

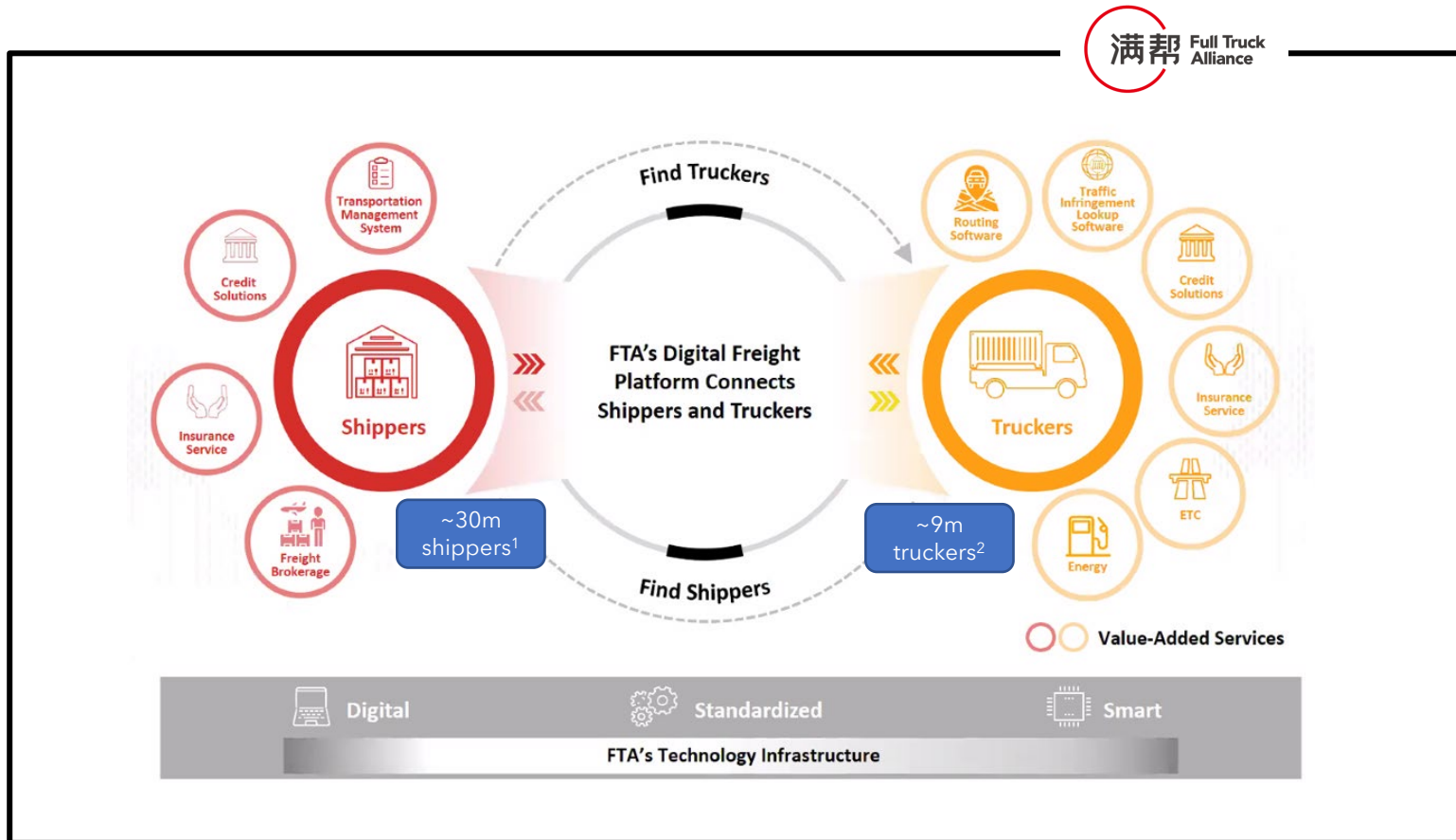
“Beyond last-mile delivery, Uber is increasingly powering first- and middle-mile logistics with Uber Freight. Notably, roughly 50% of our freight volumes come from grocery and consumer staples shippers. Freight has successfully disrupted the freight brokerage market with our innovative technology, and is now one of the largest digital freight brokers globally excluding China.

We believe there is a large opportunity to be the preferred end-to-end logistics partner for shippers. 80% of shipper decision-makers manage both full truck loads as well as last-mile shipping, and almost 60% of surveyed customers have last-mile needs. With the pending acquisition of Transplace, **we have the potential to create the first end-to-end digital logistics platform that could one day power the movement of goods all the way from the point of production to the consumer.”**

Source: C2Q'21 earnings

On-Demand

..while Full Truck Alliance is disrupting a RMB 6Tn+ trucking industry in China



Source: F-1

¹ Small and medium enterprises in China as of 2019

² Heavy-duty truckers and medium-duty freight truckers only as of 2020 (no including engineering truckers)

E-Commerce

E-commerce companies are expanding their footprints, signaling continued strength...



“For customer segments, **e-commerce continues to lead the way, representing 30% of new lease signings in the second quarter.** While Amazon remains steady at 6% of total new leasing, we have seen many more e-commerce players come to the table. For example, we signed 168 new e-commerce leases in the first half of 2021 versus 53 in the first half of last year. Supply chains are racing, beginning to restart. And as they do, it will create more demand going forward.”

Source: C2Q'21 earnings

E-Commerce

...though the tight labor market is creating wage pressure



“Wage pressure has become evident. We've talked about this a bit. The wage increase that we normally would do in October, we pulled forward into May. **We're spending a lot of money on signing and incentives.** And while we have very good staffing levels, it's not without a cost. It's a very competitive labor market out there. And certainly, the biggest contributor to inflationary pressures that we're seeing in the business.

I would say it's a bit of a complicated mix of economic growth and industries opening up, government payments in some areas that may impact people's working and then whether or not children are back at school fully in the fall. So there's a lot of dynamics. We do count on having more employees in Q3 and Q4, as you know, from our ramp-up to the holidays. So I would probably **count on wage pressure remaining for the immediate future.”**

Source: C2Q'21 earnings call

E-Commerce

Offline retail continues to see strong adoption of same-day services



"Comparable digital sales grew 10% in the second quarter building on the record growth of 195% last year. **The digital channel continues to be led by our same-day services, instore pickup, drive-up, and ship, which together grew 55% this year on top of more than 270% last year.** Given their rapid expansion, same-day services now account for well over half of our digital sales. Among those same-day options, drive up has quickly grown to be the largest accounting for more sales than pick up and ship combined."



"In addition, we leveraged our stores to drive fast and convenient fulfillment of online orders. **In Q2, we continue to see about 60% of our online revenue fulfilled by stores,** including in-store or curbside pickup, shipped from store or Best Buy employees, who are delivering product to customers out of more than 450 of our stores. **The percent of online sales picked up by customers at our stores was 42% similar to last year's second quarter.**"

Source: C2Q'21 earnings

E-Commerce

Apparel performed strongly in 2Q, whereas hardlines and home – not so much...



"Strong sales trends were led by grocery, health and wellness and apparel, as well as reopening categories such as automotive, travel and party supplies. Grocery sales were up 6% including the benefit from modest ticket inflation and increased low-double digits on a two-year stack basis."



"As expected, **apparel continue to lead the way**, as our guests continue to respond to newness and style across both our owned and national brands throughout the assortment. Also as expected, **we saw more moderate growth in our hard lines and home categories this year** as they expanded on top of really strong comparisons from a year ago. And notably, we continue to benefit from impressive performance across our less discretionary food and beverage and essential categories. These categories have consistently delivered strong growth and market share gains both in 2020 and again this year."

Source: C2Q'21 earnings

E-commerce

...but even within home, *vertical* platforms benefited from the structural shift online...



“This quarter represented the toughest year-ago comp as we lapped the surge of pandemic-driven demand in the spring of last year. Wayfair should grow even faster as category demand shifts structurally online. **At roughly 20% penetrated in our most developed geography and set of classes, there's a long runway ahead for online share of the home category to grow. History tells us that e-commerce gains tend to speed up when categories cross the 20% threshold, and the pandemic helped bring us to this point.** Wayfair is furthering that e-commerce shift and our own wallet share capture by building out an unparalleled offering in more than 1,000 classes of home across four key verticals: furniture and decor, housewares, home improvement, and professional.”

Source: C2Q'21 earnings

E-commerce

B2B could be the next growth driver for e-commerce



“We started the early work in 2015 and officially launched the Wayfair Professional brand in the U.S. in 2017. Since then, **we've grown meaningfully with the number of active customers growing at a more than 30% CAGR.** In addition to our vast B2C catalog, the number of commercial grade products on site has grown by **approximately 25 times** from when we started. And nearly all inquiries are now handled by dedicated B2B service reps. As we speak, we are beginning to formally expand our B2B reach into Europe. There, we have already informally achieved some nice early scale by serving professional customers through the B2C platform, much like our initial trajectory in the **U.S. Wayfair Professional is experiencing great momentum in the market, now with north of \$1.5 billion in annual net revenue.**”

Source: C2Q'21 earnings

E-Commerce

Angi's rebranding and pivot is a (slow) work in progress



"And our biggest business, Angi, is in the **midst of a significant reinvestment** to redefine its category which we believe, while more costly than we expected, is headed in the right direction. They say home improvement projects usually take twice as long and cost twice as much relative to expectations going in, and one of our goals at Angi is to prove that axiom false. **Ironically, delivering that proof appears to be, well, taking us longer and costing us more.**"

Source: C2Q'21 earnings

E-Commerce

Angi is making a significant pivot from an ads > transactions business...



"We've got two businesses that are performing very differently because of the macro environment, and because of the brand. So **the services business** in the current environment **has fantastic product market fit and is growing like crazy**, it obviously a smaller part of the business, but growing like crazy. And you've got **the lead business that is challenged** from two perspectives.

One is the brand and two is the pandemic. And we believe the brand is temporary and we will be in a stronger place in the other side of it. And the pandemic hopefully is also I think we all hope it's very temporary..... **we're making the right long-term decisions**, we want to make sure that **we're set up for success**, we have absolute confidence that if we build the right product for the homeowner that helps them get the job done, we build the right product for the Pro that actually helps them grow their business, we'll be in a strong spot."

Source: C2Q'21 earnings

E-Commerce

...which seems to be showing early signs of promise



“Meanwhile, our fastest growing line of business, **Angi Services** grew **revenue 127% year-over year and 33% sequentially from Q1**. The “Book Now” feature lets consumers consummate the entire transaction digitally for work that’s completed physically, and the **service professionals using this product get paid by Angi instead of paying Angi**. As we’ve grown this line of business by adding new job categories, we generally contracted margins as each new category begins at a low or negative margin. In this latest quarter, however, we grew substantially and already have **parts of Angi Services with double-digit contribution margins and higher contribution than an equivalent service request** fulfilled through our traditional marketplace.”

Source: C2Q'21 earnings

E-Commerce

In the long term, everyone turns on subscriptions : Best Buy is getting in on the game...



“The goal is to create a membership experience that customers will love, which in turn results in a higher customer lifetime value and drive the larger share of CE spend to Best Buy. We are very excited about this membership offer, and we are encouraged by the pilot results. Membership acquisition has exceeded our initial forecast. In addition, **data is showing that Beta members interact more frequently and have a higher incremental spend than non-members.** Given the breadth of the offer, it is resonating well across all customer demographics and our members are skewing younger than our total tech support membership program. In addition, our employees love telling customers about the program.”

Source: C2Q'21 earnings

E-Commerce

... and continues to lead the way on innovative new store formats



"Another pilot that we are excited to launch pre-holiday is our virtual store, for this, we are building out a physical store in one of our distribution centers that will have merchandising and products, and will be staffed by dedicated associates, including vendor-provided expert labor, but it will have no physical customers.

Instead, customers can interact with our experts via chat, audio, video and screen sharing, depending on their preference and be able to see live demos, displays and physical products. We are excited about the customer use cases this provides.

For example, you could be on our dotcom experience, click on a product you like, and be connected via video to a Blue Shirts, in the Best Buy virtual store and never leave your living room, or you could be standing in a store, scan a barcode and be taken through your phone directly to this virtual store where associate could answer your question."

Source: C2Q'21 earnings

On-Demand

In the long term, everyone also turns on ads



"We continue to build a very sizable eCommerce business around the world. In fact, we're on track to deliver \$75 billion in global eCommerce sales this year and on our way to \$100 billion in the near term.

In international, eCommerce penetration is now at nearly 19% of sales and we're rapidly expanding omni services in key markets such as Mexico. **We're also rapidly expanding higher margin businesses like advertising, data monetization and eCommerce marketplace which gives us flexibility to invest aggressively for the future while growing profit near term.** These businesses are in different places along the maturity curve, but we're scaling them. **For example, Walmart Connect US advertising sales nearly doubled in Q2 and we expect the rapid growth to continue."**

Source: C2Q'21 earnings

E-Commerce

Social commerce continues to be the fastest category of growth for Shopify



“Social commerce is another way that merchants are expanding their presence and succeeding. In fact, **in Q2, year-over-year GMV growth from Facebook and Google channels were several times that of the online store, with consumer spending more time than ever on apps.**”

We continue to expand key partnerships. **We deepened our partnership with Google in Q2, making it easier for our merchants to sell on Google to a Buyers love using Shopify to checkout.** The speed and ease of making a purchase strengthens the relationship between merchants and their buyers, which is why we are bringing Shop Pay to more services.

Shop Pay is available now to US merchants on Facebook and will be available to Shopify and non-Shopify merchants selling on Facebook and Google in the US later this year. **We're seeing early traction for Shop Pay on Facebook and Instagram with more buyers opting in and a larger share of GMV through these services since we announced the integration in February.”**

Source: C2Q'21 earnings

E-Commerce

Carvana is finally seeing the other side of capacity constraints...



“In Q2, we demonstrated significant progress scaling our vehicle production and believe that this quarter marked a key turning point in our efforts as we began growing our inventory again.”

“Despite our gains in production capacity and in growing selection for our customers, our inventory levels remain much lower than we would like them to be. Available inventory at the end of Q2 was still just half its previous peak level. As a result, **we believe additional inventory would have led to more retail units sold in Q2, and thus scaling vehicle production as quickly as possible remains a top priority for us.**”

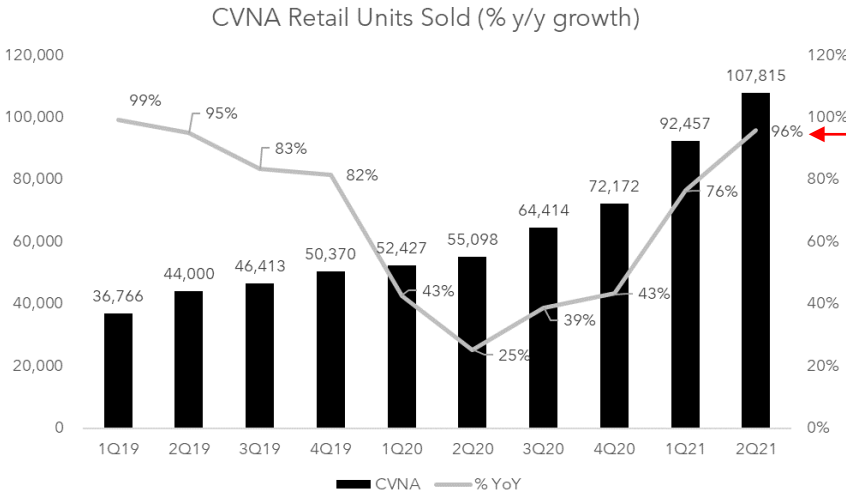
Source: C2Q'21 earnings

E-Commerce

... and continues to execute well, reaching their first quarter of EBITDA profitability



“Continued progress on our three key financial objectives led to our first positive net income quarter and a record EBITDA margin. We levered net income margin and EBITDA margin in Q2 by 10.9% and 9.5% YoY and 5.0% and 4.7% sequentially, respectively, despite making significant investments to alleviate operational constraints and to support our continued growth.”



Continued re-acceleration of unit sales despite continued capacity constraints

Source: C2Q'21 earnings, Octahedron Analysis

E-Commerce

AirBnB believes they are becoming more than just a travel company



“In terms of TAM for alternative versus hotels. **If you really think about Airbnb, it's not just a travel company. It is all about travel and living.** And really any kind of stay, any kind of accommodation really short of kind of a full-year lease can be accommodated with Airbnb. And that's what we're seeing with the fact that **we're seeing such strong growth in stays of 28 days or longer. And that that was 19% of nights in Q2.** And we highlighted in the letter the fact that even the nights of seven days or longer were 50% of our nights. And so that is not hotels. **Hotel average much lower, maybe one to two nights on average. We're going to be four-plus.** And 50% of our nights were of seven days or longer.”

Source: C2Q'21 earnings

E-commerce

Shopee continues to improve profitability in core markets...



"Shopee's adjusted EBITDA loss per order declined 20% year-on-year to \$0.41. We are happy to share that **Shopee Malaysia has become our second market after Taiwan to record a positive adjusted EBITDA before allocation of headquarters common expenses."**

Source: C2Q'21 earnings

E-commerce

...and continues to expand into Latin America...



"I'm also encouraged to note that Shopee continued to see growing traction in Brazil. According to F&E, **Shopee ranked the first in Brazil by downloads and the total time spending app** and ranked the second most popular mobile app by average monthly active users in the shopping category for the second quarter."

Source: C2Q'21 earnings

E-commerce

....while Mercado Libre continues to grows in Latin America, unconstrained



"In its latest 2021 report eMarketer has pointed to **Latin America as the leading region in the world for e-commerce sales growth**, with almost 10 percentage points higher projections than the worldwide average. Additionally, three of our top markets, Brazil, Argentina and Mexico were listed among the top five growth markets globally. To deliver on that opportunity, we maintain our focus on executing our strategic plan as we have until now. **Our Flex service**, where we leverage the logistics capabilities of our existing merchants **for same-day deliveries**, is currently available in five major cities throughout Latin America and **has a penetration of over 9% on our managed network**. With all these adaptive logistics solutions, we saw sequential improvements in delivery times in Brazil, Argentina and Mexico this quarter, and on an aggregate level, considering all shipping modalities and geographies, **our average delivery time is less than a day and a half. All these Envios initiatives led to the first quarter ever where over half of all purchases on MELI were delivered the same or next day.** We believe this to be a remarkable achievement."

Source: C2Q'21 earnings

E-Commerce

Driven by WeChat Mini Programs, the WeChat ecosystem now runs the internet in China

Tencent 腾讯

“For Weixin, the active user base and engagement further increased, underscoring the vibrancy of our service and commerce ecosystem. **Transaction volume generated from Mini Programs more than doubled year-on-year** as we helped businesses thrive by facilitating management of their own channels and user relationships, while also enabling them to achieve higher profit margins than on marketplaces.

Brands and merchants can:

1. acquire customers for their Mini Programs offline via QR Codes and Weixin Pay;
2. create and distribute content via their own Official Accounts and Weixin Groups, engaging users and driving repeat visits to their Mini Programs;
- 3. convert visits into sales with Mini Programs’ powerful shopping functionalities;**
4. deepen user connections via Video Accounts and live streaming as additional touchpoints.”

Source: C2Q'21 earnings

E-Commerce

Alibaba is investing aggressively to build multiple “super app” ecosystems...



“When we used to talk about marketplace-based core, it was Taobao and Tmall. But today we’re building several new marketplaces, each with its own unique and compelling value proposition, and collectively forming a matrix of marketplaces, not just a single marketplace... A key strategic area for our incremental investments is to evolve from one “super app” of Mobile Taobao into a multi-app product matrix.”

For	Platform/Ecosystem
Shopping	Taobao (including Tmall) <ul style="list-style-type: none"> • Value-minded: Taobao Deals • C2C marketplace: Idle Fish (Xianyu)
Payments & High Frequency Services	Alipay
Local lifestyle services	<ul style="list-style-type: none"> • “To home” (delivery): ele.me • “To destination” (location-based services): Amap
Southeast Asia	Lazada



GMV +200% QoQ ⁽¹⁾
GFA +260% QoQ ⁽¹⁾



Idle Fish

>100mn MAU



Taobao Deals

>190mn AAC



+50% Orders YoY

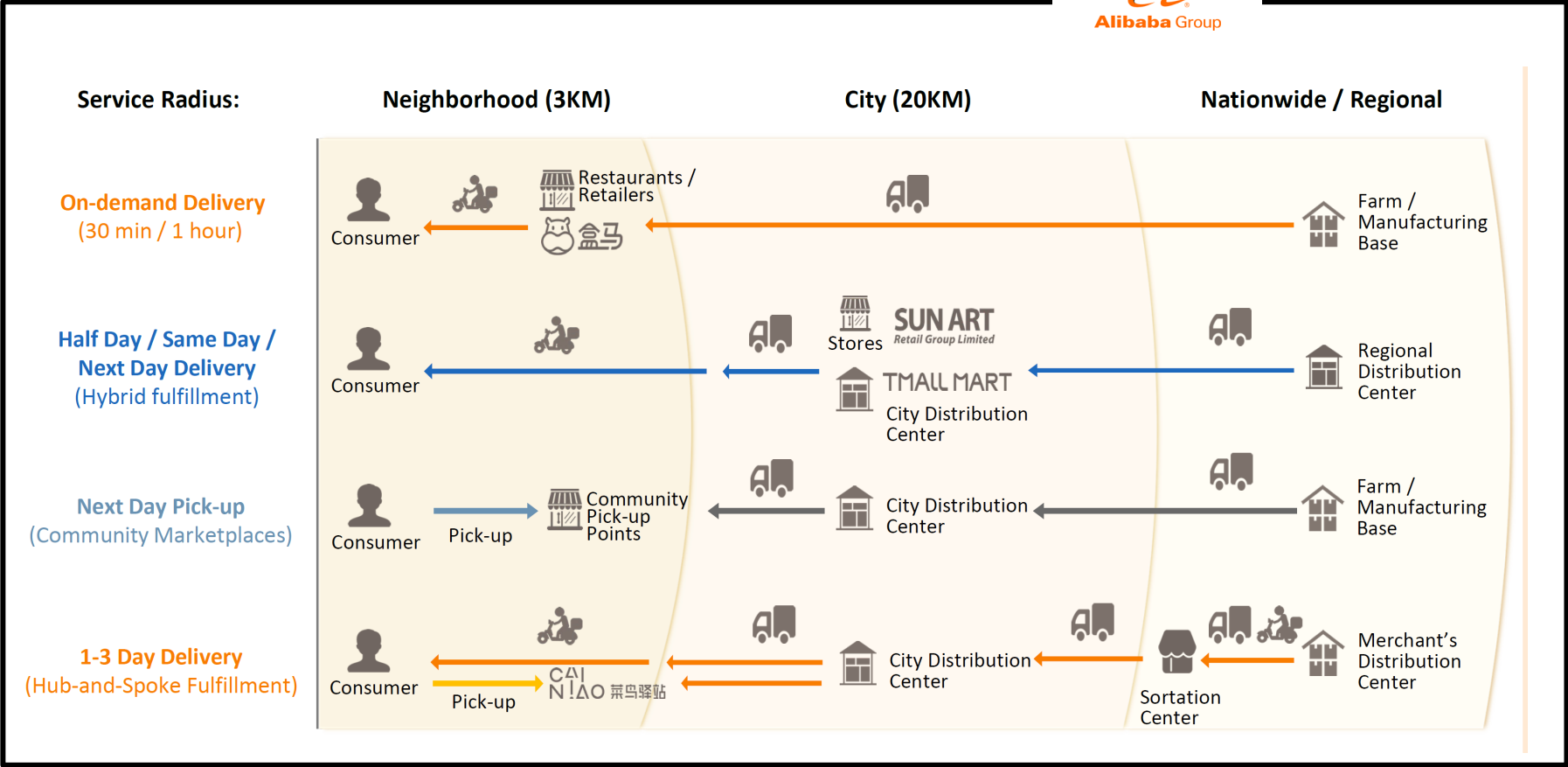


+90% Orders YoY

Source: Q1 ended June 2021

E-Commerce

...while also aggressively further expanding its omni-channel reach



Source: C2Q'21 earnings

E-Commerce

Meituan continues to make progress on their CGB offering



“Meituan Select, our community e-commerce business, remained our largest investment area in this quarter. **We further expanded our geographical footprints**, and deepened our penetration into lower-tier markets. **We helped hundreds of thousands of villagers to become group leaders**, which effectively increased their personal income. **We achieved solid user growth** and further cultivated consumer behavior, and focused on providing consistently better products and experience to consumers. We also continued to make substantial investments to improve our product offerings, supply chain, and fulfillment capabilities. **We built a nationwide cold chain logistics to ensure quality products and delivery of fresh produce. As our business scaled up, the operating efficiency and unit economics also improved.** Going forward, we will continue to channel resources to develop long-term capabilities, comply with regulations, create value for all participants in the ecosystem, and fulfill our social responsibility.”

Source: C2Q'21 earnings

E-Commerce

Pinduoduo #1 priority is agriculture, focused on demand aggregation and C2M*



“Improving agriculture has been at the front and center of our business from the very beginning. Agriculture touches the daily lives of everyone and has a relatively low digitization rate. ...We hope to apply technology to agriculture to make a large positive impact on society and contribute to ***the national effort*** to modernize agriculture and revitalize rural communities.”

“We will be applying C2M* to agriculture. **We're working with farmers to understand their customers better and to tailor their produce and packaging accordingly, thereby increasing demand while reducing waste,** environmental footprint and advertising spend. This will also help users access more fresh produce that are better, fresher and cheaper.”

“We see great potential for Pinduoduo to be the go-to place to discover unique produce and learn and experience China's rich agricultural diversity. We will continue to invest heavily to make this a reality...with our users learning about and trying more special products, including vegetables from Shaoguan, mitten crabs from Hongze Lake and matsutake mushroom from Shangri-La.”

Source: C2Q'21 earnings *C2M: “Consumer-to-manufacturer (PDD’s main direct-from-source made-to-order model)

Software

Software

Microsoft continues to be bullish on enterprise digital transformation...



Microsoft

“The global economy is recovering at the fastest pace in 80 years. **The enterprise digital transformation market is expected to grow nearly three times faster than GDP in 2021.** Business leaders worldwide are facing do-or-die moments. Business models have changed forever.”

Source: C2Q'21 earnings

Software

...a view also shared at Twilio



“First, I'd say the market is still in the early stages of moving to the cloud. It's only around 15% or so of the market that's in the cloud. And so 85% of the market, give or take, is still on-prem, on legacy solutions. And so that's what I think we're looking at as the big opportunity.

But I also think the combination of like UCaaS and contact centers is an interesting one because I see the market changing a little bit. I think that **UCaaS is typically thought of as a call center**, it's like the desk center. And what **we're seeing the contact center become as much more of a customer experience, customer engagement point.”**

Source: C2Q'21 earnings

Software

Hybrid work environments seem to be the default for larger enterprises...

RingCentral®

“As we all learned over the past 18 months, **video conferencing provides a viable alternative to in-person meetings**. Users require an easy and reliable way to connect with high-quality video, audio and screen share along with core features, like waiting rooms, breakout rooms, virtual background et-cetera. Additionally, as the world returns back to the office, **video conference room solutions that support hybrid meetings are a must have.**”

Source: C2Q'21 earnings

Software

...a view espoused by Salesforce's large clients...



"CEOs would call me and say **Marc, you don't understand, everybody is coming back, everything's going back, the way it is, pandemic's over. And I think now those calls have stopped. And people realize things have really changed.** This pandemic has changed things and work has changed and when we talk about digital HQ we might have been talking about digital HQ before the pandemic, but after the pandemic it mean something very different."

...And **we're running this call now on a cell phone and on Zoom. And it's a very much an example of success from anywhere. But every company has to make this transformation, and that is what is driving our success going forward. This is not a small transformation.** This is not a small change. **This is why we would pay \$27 billion for Slack.** We believe so strongly that the world has changed. That the past is gone, that we are in a new world. And yes, we may, I don't think the Delta variant will be material to our business if anything it only accelerates it. And Delta is not the last, the last one of these things that we're going to see. "

Source: C2Q'21 earnings

Software

...though SMBs seem to disagree, at least in the short term



“That challenge in the implied metric, it's really coming from the online segment of our business. **The online business is primarily, not exclusively, but primarily small businesses and individuals.** And I think what we've seen is while the future of Delta is still unknown, we do see individuals especially moving around the world and feeling comfortable. Like, I think we were talking about -- most of us are probably socializing in person now, doing fewer things like happy hours, and that's where we're starting to see some of the challenges. **So, the net dollar expansion in the online segment is what's driving, pulling that number down a little bit.**”

Source: C2Q'21 earnings

Software

Zoom continues its transformation to a platform, led by Zoom phone



"In Q2, we saw several large customer upsells. We were very happy to expand with a leading tech firm, who increased their meetings licenses over six fold to 95,000, and with a global financial services customer, who added over 63,000 Zoom Phone licenses, making them our new largest customer. Both wins were displacements of legacy solutions that Zoom beat in terms of reliability, simplicity, and integration."

Source: C2Q'21 earnings

Software

CrowdStrike had a great selling season, with demand across the board...



"Our continued strong performance was driven by the groundswell of customers turning to CrowdStrike as their trusted security platform of record. **We saw strong demand across the market, which for us spans large enterprise, mid-market and SMB customers.** Our success in gaining share in each of these market segments is reflected **in our net new customer growth rate which on an organic base has accelerated in the quarter.** In total 1,660 net new customers chose CrowdStrike as their security partner bringing our customer count to 13,080."

Source: C2Q'21 earnings

Software

...while also highlighting their value vs. the competition, despite higher prices



"So on the pricing standpoint, **we sell on value and we routinely win with a higher price point because the product works.** It doesn't blow up machines. It's scalable and people are talking to other customers saying what are you using and how is it working? And again we're focused on stopping breaches, not just dealing with malware and I think that serves as well. So low cost options. I think you get what you pay for. **There's a difference between a Fiero and a Ferrari and, we happen to be the Ferrari model** and that's a lot of customers want."

Source: C2Q'21 earnings

Software

Palo Alto Networks had insightful comments on the future of the security industry...



“One, that the network will transform with the introduction of the cloud. This is accelerated with the pandemic, the SASE and virtual firewalls leading the transformation. Not only that, we supplemented our firewall platform strategy with software capabilities, like DLP, IoT, SaaS visibility, DNS security and SD-WAN.

Our second insight was the cloud is going to be big and it's here to stay. We have now seven modules in our cloud security platform, which is being used by over 75 Fortune 100 companies.

And our third insight was more AI and machine learning will be needed to support the automation of our security platforms and our security operating centers. Also, on the high end of our hardware strategy, we're beginning to start seeing refreshes.

Source: C2Q'21 earnings

Software

...while ransomware recovery is driving Rubrik's rapid growth



"Rubrik's mission is to **power the multi-cloud digital enterprise by securing and managing application data**. Residing at the confluence of data management and cyber resilience, **Rubrik experienced its best ever quarter in Q2**, fueled by the rapid adoption of its Zero Trust Data Management platform."

"With over 1 in 3 companies suffering ransomware attacks, **organizations are re-thinking traditional backup and security infrastructure. Rubrik is addressing this critical customer need with its disruptive Zero Data Management platform**, delivering security at the point of data to **over 3,600 customers across all verticals** with use cases in data protection, security & ransomware recovery and business continuity."

"As Ransomware attacks proliferate, **Zero Trust Data Management is fast becoming a foundational pillar** of the new secure digital enterprise. Rubrik is leading innovation in the **early innings of this massive trend in a \$40B+ market.**"

Source: Rubrik internal data made available to Octahedron Capital

Software

Snowflake continues to impress with its GTM strategy focused on verticals...



"Snowflake's focus on the largest organizations or Fortune 500 count totaled 212, increasing by 18 in the quarter. **We are growing the largest enterprises globally with a vertical industry approach.** We see these investments yield strong results. In Q2, financial services customer product revenue grew more than 100% year-on-year, representing the largest contribution, while healthcare customer product revenue grew nearly 200%."

Source: C2Q'21 earnings

Software

...while articulating the multi-year opportunity to displace older competition



“There's tons of discussion going on in terms of legacy replacements and you mentioned Teradata. And the reality of the Teradata world is, it's not that easy to pick up that workload and move it as it costs a lot of money. **I think Teradata has done a good job making it bloody hard to move off their platform, kudos to them. But we're still up 30% year-on-year in terms of Teradata replacements.** So, that will play itself out over time. It's going to happen. It's just -- it's going to grow faster. It is going to happen. It's not going to stay.”

“It's not just Teradata, there's piles of Hadoop on-prem Cloudera that we are doing. And we're in discussions with many customers who still have multiple years left on those contracts, but they're all in discussions to move to Snowflake.”

Source: C2Q'21 earnings

Software

Slack likely to accelerate on the Salesforce platform...



"In Q2, the Slack's revenue grew 39% year-over-year on the standalone basis which excludes any impact of purchase accounting. **Slack also saw strong performance in customer acquisition, especially in the enterprise.** The number of paid customers spending greater than \$100,000 annually accelerated during the quarter, up 41%."

"I think first and foremost we're excited about this vision for the Slack first Customer 360. And that's really building not only an integrated vision between Slack and our Customer 360 platform, but also integrating our products. **And actually I think we've made a faster start integrating our technology than any acquisition in our history.** "

"**Slack for service which are things like case swarming for digital customer service teams, Slack first marketing, Slack first analytics.** So those capabilities are good at be in the hands of our customers soon, and we have a lot more innovation coming at Dreamforce as well."

Source: C2Q'21 earnings

Software

...while Segment is becoming core to Twilio's long term value proposition



"One of the interesting tailwinds is **privacy and the moves going out in the world to increase the amount of privacy that consumers have**...which is a very positive thing makes it so that **every company can't rely on shady cookies and third-party data**. And that is forcing every company to have to get better at looking at their first-party data and to understand their customer. **And Segment, for a long time, have taken a hard stance to say, we will only deal in first-party data. We are not going to dive into that sketchy realm of weird data brokers, all those kind of stuff....and then build a better customer journey.**"

Source: C2Q'21 earnings

Software

MongoDB's Atlas cloud service continues to scale strongly...



"...what I would say is that **customer additions remain robust across all three channels**. So, we're seeing **strength in all geographies**, including places like India and Latin America. And we, frankly, **also see strong enterprise adoption of Atlas**. Atlas is increasingly seen as the destination for mission-critical applications. "

"...self-serve remains a critical channel and a customer acquisition vehicle. So, over **50% of our Atlas ARR was from customers originally sourced in the self-serve channel**. I'd also say that **multi-cloud is a huge selling point for Atlas**. Multi-cloud improves resilience."

Source: C2Q'21 earnings

Software

...capping 7 years of 50%+ revenue growth, underscoring the power of a well-managed, developer friendly, open-source software business



“Before diving in, I want to share that today marks my seventh anniversary at MongoDB. **I'm incredibly proud of how much progress we've made over the past seven years.** We went from being a small private company with an interesting technology to disrupting one of the largest markets in all of software. Along the way, **we changed how open source software is licensed,** we introduced **the new cloud service that required us to both partner and compete with the largest cloud providers, and we grew revenues 20-fold with a compound annual growth rate of over 50%.** I'm incredibly grateful to all the amazing people at MongoDB and to our customers and partners around the world, who made this happen. As proud as I am of the amazing journey we've had, **I'm even more optimistic today about our opportunities ahead.**”

Source: C2Q'21 earnings

Questions?

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