

# Stripe - The \$9 Billion Payments Startup

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\* Views expressed are strictly the author's.



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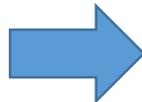
- Stripe is a distinctive merchant acquirer –a) providing payments acceptance principally online, and other business-enabling services, founded in 2009 by Irish brothers Patrick and John Collison
- In 2010 received capital from Y Combinator and then Peter Thiel, Sequoia Capital and Andreessen Horowitz
- Launched September, 2011
- Additional investors include Kleiner Perkins, Visa, American Express, PlayFair Capital, Pava Ventures, General Catalyst Partners, and CapitalG
- November, 2016 raised \$150 million at a \$9.2 billion valuation
- ~ \$460 million raised inception to date. –b)

(a- In the US “Payfac”

(b- - Ingrid Lunden, “Payments provider Stripe has raised another \$150m at a \$9B valuation,” TechCrunch, November, 25, 2016

# The business model is basic

- Headline prices in the US are 2.9% plus 30 cents per transaction. Greater than ~ \$10,000 payment volume per month, fees can be lower. Amazon and other giants pay razor-thin net merchant discounts.
- .8% for ACH debit capped at \$5
- 2.9% plus 30 cents per transaction for Alipay and WeChat Pay
- 2% cross-border fee
- 1.5% for instant payouts
- \$500 for small-business enablement
- Transparent pricing
- No-penalty option to terminate at anytime



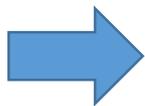
Rich fees

# What makes Stripe different

- It's a Horatio Alger story with an Irish flavor, which has captured Silicon Valley's, the fintech world's and media's imaginations.
- Distinctive culture and market focus
- Touts developer-to-developer approach and easy integration
- Targets developers and early-stage online businesses
- Built value proposition to help startups and early-stage companies
- Many merchants self-originate
- San Francisco political sensibilities

# Product suite

- A set of unified APIs and tools enabling payment acceptance
- 2012 introduced Stripe Connect facilitating third-party integration
- In 2016 launched Atlas, a platform providing tools for startups to incorporate in the US, issue shares, add directors, set up banking accounts and accept payments
- Instant payments in marketplaces
- In 2016 introduced Radar, machine-learning-based fraud management
- 2017 rolled out Sigma customer reporting and analytics
- 2017 introduced Elements to improve the checkout process
- Recurring bill payment, subscriptions and invoicing



Business-launch enablement is a differentiator, particularly with foreign startups establishing themselves in US

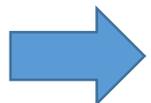
# Seven acquisitions and 2 investments

- Acquisitions:

- Payable (July, 2017) – Tax reporting
- Index (March, 2018)– Will facilitate serving payments across all channels
- Indie Hackers (April, 2017) – Website and community focusing on helping entrepreneurs become profitable while remaining independent.
- Teapot (October, 2016) - Teapot builds simple, powerful APIs for identity verification using social profiles and connections for new-user signups, KYC and anti-fraud applications. Teapot has built deep technology to aggregate social profiles of users including via real-time graph databases and face recognition technology.
- Tonic (rebranded RunKit) (September, 2016) – java tools sandbox
- Totems (February, 2015) - Totems offers a marketing suite for brands on Instagram.
- Kickoff (March, 2013) – App enabling users to chat and share tasks with teams real-time

- Investments:

- Monzo (November, 2017) – Digital banking startup
- Stellar (August, 2017) - A digital currency



Has taken a broader view acquiring and investing than its competitors

# Growth trajectory

- 2015 ~ \$20 billion in payment volume <sup>-a)</sup>
- 2017 ~ \$50 billion in payment volume <sup>-b)</sup>
- August, 2017 ~ 750 employees <sup>-b)</sup>
- February, 2018 ~ 1000 employees <sup>-c)</sup>
- Client base includes Amazon, <sup>- d)</sup> Bookings.com, Facebook, Slack, Kickstarter, Allianz, Lyft, Pinterest, Target, SAP, Warby Parker, the NFL, and Zillow.
- But lion's share of merchants are small
- ~ 100,000 plus mostly small e-commerce businesses. <sup>-e)</sup>

(a- Maria Aspan, "Inside the \$5 Billion Company That Will Launch Your Business," Inc., April, 2016

(b- Ashlee Vance, "How Two Brothers Turned Seven Lines of Code Into a \$9.2 Billion Startup," Bloomberg, August 1, 2017

(c- "U.S. fintech Stripe picks Dublin for new engineering hub," Reuters, February 4, 2018

(d- Ashlee Vance, "How Two Brothers Turned Seven Lines of Code Into a \$9.2 Billion Startup," Bloomberg, August 1, 2017

(e- "Stripe launches beta to gauge online payments market in India," The Payers, December 17, 2017

# Gradually expanding geographic delivery footprint

- First beta users in UK in March, 2013
- Then rolled out in France, Germany, the Benelux, Spain, Ireland and Finland
- In 2014 Italy, Switzerland, Denmark, Sweden, Norway and Austria
- Launched in Singapore September, 2016 after a year of beta. –a)
- Currently,

|           |             |                |                       |     |
|-----------|-------------|----------------|-----------------------|-----|
| Australia | Germany     | Norway         | Italy (beta)          |     |
| Austria   | Hong Kong   | Singapore      | Portugal (beta)       |     |
| Belgium   | Ireland     | Spain          | Brazil (private beta) | -b) |
| Canada    | Japan       | Sweden         | Mexico (private       |     |
| Denmark   | Luxembourg  | Switzerland    | beta)                 |     |
| Finland   | Netherlands | United Kingdom |                       |     |
| France    | New Zealand | United States  |                       |     |

- December, 2017 established presence in the mother of all emerging payments markets, India. –c)

(a- Jon Russel, "Stripe enters Asia with its official launch in Singapore, TechCrunch, September 19, 2016

(b- As of April 15, 2018

(c- "Stripe launches beta to gauge online payments market in India," The Payers, December 17, 2017

# Acquiring is competitive and competition is intensifying

- Adyen has larger, high-profile, multi-national clients and offers acceptance to 250 plus payment schemes worldwide off a single integrated platform
- Braintree (PayPal) – Generally serves larger businesses and is more multinational than Stripe. Notoriously high-handed with small merchants.
- Chase Paymentech is the largest e-commerce acquirer in North America and Europe
  - Acquired WePay for more flexible platform and to strengthen proposition for would-be Ubers.
- Payments behemoth First Data offers 40 payment schemes online. Slowly building toward > 100. BluePay acquisition boosts online integrated payments offer. Massive distribution and largest merchant base at physical pos.
- Ingenico – Current e-commerce proposition serves principally multinational corporates – a weaker Worldpay. Potential to tie into global physical pos presence and Tellium platform

# Acquiring is competitive and competition is intensifying

- Intuit serves primarily small merchants. Leverages Quickbooks client base, a compelling proprietary distribution channel
- High-growth much-ballyhooed Square similarly serves small businesses, but primarily at the physical pos. Offers credit and suite of software
- Wirecard greater appetite for risky e-commerce. Broadening its served market(s) organically and through acquisitions
- Worldpay has a strong e-commerce proposition for multinational corporations. Offers > 300 payment methods. Full-suite processing Gargantua in the US and UK

# Cons (Choices)/What's not to like?

- There's little truly proprietary.
- Other than online-small-business enablement, arguably, relative to the field doesn't excel at anything.
- It has minimal presence at the physical pos and would face a tough slog against well-entrenched incumbents
- Many competitors are considerably larger
- Unlike payment networks, Stripe doesn't enjoy pricing power
- No exposure to domestic Chinese market, the world's second-largest electronic transaction market.

# Where does/can Stripe go

- CFO Will Gaybrick said Stripe has no plans (near term) to pursue an IPO. <sup>-a)</sup>
- IPOable story
- Trade sale rationales

Q&A