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# BigCommerce Holdings, Inc. (BIGC)

CIBC Technology and Innovation Conference

## CORPORATE PARTICIPANTS

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

## MANAGEMENT DISCUSSION SECTION

[Abrupt Start]

## QUESTION AND ANSWER SECTION

Q

So let's start at the top, Robert, who is BigCommerce and provide us an overview of the business.

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Yeah. BigCommerce is very different from where BigCommerce was when I first started. We started out as an SMB platform. Today, we're very much an enterprise e-commerce platform. We consider ourselves the most modern, open, enterprise e-commerce platform and I'll peel the onion back on modern and open. Modern, in that, if you think about e-commerce and where e-commerce has been, especially in the enterprise, the first wave for enterprise e-commerce was licensed on premise software. And then there was a first wave of SaaS companies that served enterprise merchants, but they did it in a way that what we considered closed with a proprietary stack where merchants were subject to whatever they built. We think of ourselves in the third wave, which is open. So we focus 100% of our mind share on the platform, and we partner with, who we feel, are the very best across all the services around e-commerce, payments, shipping fulfillment, MarTech, omni-channel. We believe we cannot build products as good as those experts, but we want our merchants to benefit from those technologies that they're the best at building.

I think that approach, that strategy, this open mindset has allowed us to grow the business in a way where now 72% of our revenue is tied to enterprise accounts. Our sweet spot is very much we consider mid-market and large enterprise. Mid-market for us is a merchant doing \$1 million to \$50 million of annualized GMV. Large enterprise for us is north of \$50 million. Couple of things that are unique about BigCommerce is whether you're B2C or B2B or hybrid B2C, B2B, you can run all of that on one platform. If you're a large brand, and you've got sub-brands, in the past you'd have to manage every sub-brand with a separate site. We launched a pretty big feature last year called native multi-store, which allows that brand to manage all of those brands on one single control panel. That's enterprise functionality that we didn't have before. It's also functionality that was kind of the last piece that we needed to deliver to consider ourselves full-featured enterprise, which is a reason why we decided to go all-in, in terms of our sales and marketing investments towards the end of last year.

But talking to Todd before this meeting, it's like this didn't happen overnight. You know, our upmarket strategy started back in 2015, opening up the platform, building out the integrations, finding out who the best of breed partners are, making sure our go-to-market is aligned around that; and then delivering that kind of big last piece last year with multi warehouse, multi-store, multi-location inventory. Now we feel like there are merchants who are on those first wave of platforms that we want them to look at BigCommerce as kind of the next wave.

Q

[indiscernible] (00:03:37) segue into maybe unpacking the potential of that enterprise ARR; the 72% of the business. What is that potential with all these pieces in place?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

You know, when we went public almost three years ago; I said, well, I could get to 70% of our ARR and we're past that now. I think given where we are as a company, where the product is and where our partner ecosystem is at, in our world partners play a very big role. 35% to 40% of our leads for enterprise accounts come from our agency partners. These are folks that work [indiscernible] (00:04:20). They know the strengths and weaknesses of all the different platforms. And given the level of engagement and level of relationships that we've built, now we're building those relationships with the very largest partners. I can see it getting to 90% of our ARR at some point.

Q

Let's talk about competition just to frame who you typically compete with. So, who would that be and speak to the dynamics.

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Sure. So, in terms of enterprise e-commerce, Salesforce bought Demandware. Demandware – I think Salesforce has sold Demandware into their base pretty well. Large enterprise, especially in fashion, will compete with Salesforce. Salesforce or Demandware, I should say, it's written on a custom code language. Merchants leave them for BigCommerce, for reasons like launching into new geographies, being able to speed time to market. It's not as flexible. It's harder. It's harder, it's more complicated.

Magento who we see it quite a bit, was bought by Adobe. Reasons why folks were on Magento was that first because of on-prem license software. Now they want the benefits of multi-tenant SaaS, right? It's pretty similar in terms of the value prop, openness, flexibility, best of breed, but Magento is not multi-tenant SaaS, right. So merchants who are looking for that SaaS platform, that's who we're competing with. In Europe, we compete with companies like commercetools. commercetools has taken a different approach. They give merchants a package of APIs where merchants can build everything from scratch, which is great in terms of customization. The challenge is you have to build everything from scratch. The frontend, the backend, takes a long time. You have to have a lot of developers. Where we went against them is a lot of Americans say, we don't want to build the backend. We just want to build different components of the frontend. Out of the gate, they get 80% of what they need, but those are kind of the three big competitors.

VTEX down in Latin America is who we compete with. They've got a pretty big base in Latin America. But if you think about the e-commerce landscape as a pyramid, the larger the merchant, the smaller number of folks that can serve the needs of those merchants. The SMB market, it's pretty – there's a lot of different ways that you can support e-commerce and support those types of businesses, but where we're focused is really kind of the more complicated, more established, larger merchants.

Q

Do you see Shopify very often?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Yeah. All the time. I mean, Shopify's obviously done an amazing job building a brand around ease of use. Tremendous amount of respect for what Shopify built. But it's – the value prop around SMB entrepreneurial [indiscernible] (00:07:45) in terms of a stack works for this segments of the market that they're fantastic at, where we see our value difference between us and them is integrations, flexibility, customization. If this was a white board and you had an architecture where this was your e-commerce business, you'd have an e-commerce platform in the middle as the hub, and you have a lot of different touch points in terms of all the different services. Whenever it gets to that level of complexity or architecture, that's where BigCommerce does really well because we can go very deep in the integrations, very deep in the customization and we have best of breed options that larger merchants tend to really value.

But yeah, obviously, Shopify is the 800-pound gorilla in our space but we do feel like we're really focused in segments of the market, that we feel like our approach, our product, our platform is more well-suited for those types of companies. And the good news is it's a really big market. E-commerce is still only 20% of total retail. I don't think there's any question that it's going to get to 25% or 30% or 40% or whatever. I think the winners are going to be SaaS platforms. I think Shopify obviously will continue to win. I believe we will continue to win, but those platforms that aren't flexible, that aren't open, that aren't SaaS and that are not modern in terms of how people built on top of them, those are the ones that I think we'll continue to take share from.

Q

For enterprise motion, what drove you to focus upmarket? Is it economics? Is it competition? Just talk a little bit about why you're focusing upmarket?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Sure. Yeah. I mean, so 2015 is when we really decided to go – basically set a strategy around this and it's when we hired our CEO, Brent Bellm. We were founder-led in the beginning. He recognized Shopify had already gone public. Their approach and what they did was perfect for SMBs and he saw an opportunity, say, you know what, there's a segment of the market that we can disrupt and it was that mid-market in enterprise segment. And so from, I think, his second day, we started this kind of upmarket strategy. And over time, we found out, well, the merchants that we are winning, the economics were just far superior. In our Analyst Day, we disclosed that LTV to CAC on an enterprise account is 8 to 1. LTV to CAC on a non-enterprise account is 2 to 1. It's a lot about retention, right? Gross retention on enterprise account for us are in the mid-90s. And as those accounts start to

scale up, drive volume, we monetize through rev share agreements. That's how we build our net revenue retention higher and higher over time, where we have retention issues was on the non-enterprise accounts.

And so, I think it started with the strategy which hasn't changed. Then it's moved on to product differentiation and our value prop. And then from a financial standpoint, yeah, far superior unit economics; that if we think about how do we build this company, as we continue to take share, how do we do it in a way that's the most profitable. And for a person in my seat, when I look at that, I see a business that we want to get to 10% share of the market, 20% share of the market. Magento got the 20% share of the market, but they're on premise license software. If we get to 20% share of the market, we're a multi, multibillion dollar company, but also with high gross margins because we only recognize subscription revenue and our partner and services revenue on a net revenue basis. Our gross margins are approaching 80% and as we continue to scale the business, I mean, those accounts are the ones that are going to drive that type of profile.

Q

I mean, you said this to me when we were doing a little preparation for this discussion. You called out the number of point of sale players focusing on SMBs, which I thought was like a shockingly large number.

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Oh, more like e-commerce, website builders or not just point of sale companies, but companies that can offer kind of basic e-commerce functionality.

Q

Yeah. What's that number in your mind?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

You know, I think sort of 300, 350 different platforms.

Q

So, I mean, you're talking about like three or four in the upmarket push versus like 300 or 400, which is...

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Pretty much a handful.

Q

...significant part of...

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

Yeah, it's a handful.

A

Q

...significant number. Yeah.

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

And I think, Shopify recently talked about components and I think it's – I think they also recognize if you want to serve enterprise merchants, you have to be open. You've got to be flexible, you've got to be composable. We've been composable for a long time now. And I think that, yeah, there really is only a handful, in our opinion, that can really serve the needs of these larger, more complex brands.

A

Q

This is always an interesting question for a public company. I think it's a good one for you. What is the most misunderstood aspect of BigCommerce now?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

Yeah. I think for us, we do have the SMB roots. We still have 28% of ARR that's non-enterprise, that's not growing as much as enterprise has grown. I think also it's misunderstood that BigCommerce today is an enterprise e-commerce platform. In the segment of the market that we serve, we have very strong kind of differentiation in terms of our approach in the product. If you kind of separate our enterprise business from our non-enterprise business as an investor, you'd probably put a different valuation on just the enterprise business. But fine, like the mix is going to continue to shift up. I think it's over time we're going to show that the vast majority; 80%, 90% of our revenue is going to come from enterprise accounts. And like any company, that's not profitable yet, there's question marks on can you get to profitability? And so we made it a point to say we're going to breakeven by the end of Q3 this year. We're going to deliver a full quarter of positive adjusted EBITDA this Q4 and from there, continue to grow in a profitable way.

A

Q

Questions from the audience? Anyone want to jump in? So let's talk about...

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

Oh, there is one more question.

A

Q

Yeah, yeah, go ahead. Yeah.

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

We get a lot of questions around why don't you offer your own payments? I'm [indiscernible] (00:15:14) open approach in our best of breed approach and we are probably the most partner friendly e-commerce platform in the market because we don't compete with our partners. Payments, if you look at our PSR line item – we have two revenue line items; subscription and PSR. The vast majority of that PSR line is rev share that we get from our payments partners. On a net basis, our net economics are very strong. We get a good rev share from those payments partners.

We don't recognize revenue on that on a gross basis; but on a net basis, it's pretty strong. To a point where we do share in strong economics on payments. And we still get to maintain the fact that we're open, and we don't compete with our partners. So we get that question a lot. Obviously, Shopify has done a great job in monetizing payments. Margin differences are apples-and-oranges. If you look at the net [indiscernible] (00:16:21) it's not that different.

Q

Comparable, on a net basis.

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

On a net basis, yeah.

Q

At the gross margin level?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

At the EBIT level. At the EBIT level.

Q

So comparable SaaS and your net revenue at the EBIT level on payments, roughly the same.

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

That's right. That's right. And our gross margins are approaching 80%. Right? Because we recognize payments on a high margin basis; gross margin basis.

Q

Yeah. Yeah. Go ahead.

Q

[Question Inaudible] (00:16:53-00:17:15)

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

So Amazon is a great partner.

A

Q

So Robert, just for the benefit of anyone that might be listening, you can go ahead and repeat the question?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

I mean, I think the question is, how do we feel about Amazon in terms of a channel partner or a threat?

A

Q

Channel consolidation including what it might mean for players like Amazon? Yeah.

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

Yeah. So well, number one, I mean Amazon's a great partner of ours. We were one of the first to launch Amazon FPS. In terms of Amazon as a channel or Google, Microsoft as a channel or Facebook, Meta or Instagram or TikTok as a channel, our philosophy is that we want to – our omnichannel strategy is we want to make sure that whatever channel our customers can sell products through, we want that listing to be optimized for that channel. And those channels have a lot of different schemas. We want to make sure that that listing is done in a way where it maximizes conversion and it increases their return on ad spend which is why we bought Feedonomics. Feedonomics is the very best at feed management, that syndication.

And we feel like as those channels exist today and as new channels emerge, we do feel like the future is omnichannel where people are going to buy products in a lot of different, unique ways on whatever they're looking at, on whatever device, on whatever new emerging site that my kids start looking at on a nightly basis, we want to make sure that our merchants products can be found and found in the right way. So we do feel like that's the future. We think it's going to be a multichannel world in e-commerce. And that's why omnichannel for us is probably one of our top three most important strategic pillars.

Q

Any other questions? We got about 9 minutes left, so be sure to watch if you have one or call it out. So I want to get TAM; the TAM question out there. So how is the mid-market enterprise platform spend and then put it into the context of what that might look like if you go beyond platform?



**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Sure. Yeah. I mean, we kind of estimated \$10 billion to \$12 billion to be spent on e-commerce platforms over the next five years. When you think about TAM, not just – I mean, outside of the platform, you think about the payments, you think about shipping fulfillment, you think about omni-channel, rev share, you think about all the different components around commerce, if we look at that on a net basis, if we apply our kind of net margin, net take rate on rev share that we would get from the ecosystem, we are kind of estimating kind of a \$28 billion, \$29 billion TAM all up.

In terms of the platform spend, about a third of that we feel like is B2B and I think it's going to be one of the faster-growing segments. I think B2B merchants today want to look like, act like, do like B2C merchants. They want to take advantage of modern technologies. They want to figure out ways to automate a lot of manual processes. And the launch of our B2B edition that we rolled out two or three weeks ago, I think, really hits the mark around that. We've created a buyer portal that is going to make it really seamless and automated in terms of how they manage their buyers. I think their custom quotes, complex product catalogs, B2B merchants are just more bespoke. One size fits all won't work for B2B merchants. So, the value prop around openness, flexibility, customization, best of breed resonates with a B2B merchant. So, I think it's about a third of that platform spend market and one that we're really excited about because I think it's going to be a big growth driver for us.

Q

Yeah. And do you feel like there's an inflection in the market now for B2B? Is that – like is it a growth rate that's multiples of B2C, how should investors think about the different growth rates?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Sure. We had our Analyst Day last year, I think it was in May. We've shared that maybe a third of our bookings on a quarterly basis had a B2B component. Today, I think it's probably higher. I think when we look [indiscernible] (00:21:56) and opportunities, B2B is one where we're excited because they're usually larger deals, so bigger subscriptions. The characteristics though are maybe not as much PSR because B2B merchants do less credit card transactions, they do more offline payments, but in terms of subscriptions and we're a majority subscription business, they're larger, they're bigger and very sticky. The good news about an enterprise e-commerce platform is how sticky it is. It's surprising to us that even in the first wave of enterprise e-commerce platforms still have a lot of merchants that are using them, but yeah; I think B2B is going to be a big growth driver.

Q

Yeah. [indiscernible] (00:22:46) composable for a moment. It seems more complex from the outside. What are the benefits for the midmarket or enterprise to switch?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

I touched on a little bit of that. I mean, it's really – they want to take advantage of the very best technologies available in the market. We don't feel like we could build the best payments, the best point of sale, the best MarTech, the best omni-channel, whatever. We feel like we can build the best platform. But that means that we want to make sure that our merchants can take advantage of all of these emerging technologies, these

companies who go to bed every night, wake up every morning thinking about those products. I think that's the benefit. I think the merchants get the benefit of – if you think about future-proofing a platform, their odds of future-proofing their platform are probably way better if they're taking advantage of the best payments, best shipping fulfillment, best MarTech and all of those solutions that they're making a bet on. I mean, the good thing is an e-commerce platform is not a nice to have product. I mean, it's a must has. They're running their e-commerce business on it. So that's the mindset that we've had and I think that that's the benefit that our merchants get.

Q

You recently signed a Buy with Prime integration. Talk about the impact of that partnership since you announced it in January and how significant was it?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

It's a great example of, we could never build that, right? But Amazon, we were the first to partner with them to offer that up to our merchants. It's ramping up well. We do get rev share as that adoption takes place and we would put that into kind of that shipping fulfillment bucket where we would get rev share over time through our PSR line item. So just another category that we'll get revenue share economics from a great partner.

Q

And has the merchant use of it been material or do you have enough visibility on impact to conversion rate and that kind of thing? Like, from the outside, having Prime as an option should drive higher sales. Have you seen that with the merchants that are using talk a little bit about adoption and sales conversion?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Still early days, but ramping. Feedback's been great from both the merchant and from Amazon. They want to continue to do more with us. And so, yeah, I think ramping great, at or above expectations.

Q

Yeah. International market, what's your plan for expansion?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

When we went public three years ago, we kind of shared our focus areas and it was omni-channel, B2B, composable commerce and international expansion. I think we did a good job of expanding into the markets that we felt like we had the best product market fit. We've expanded into, I think, 15 new markets, and some markets are doing extremely well. Some are doing kind of at expectations. There's a few that we're a little surprised that it's not going so well, but overall, I think our international expansion efforts have been really strong. And what we're finding, especially in Europe, is in Europe, our value prop resonates really well. And for us, we would have continued the pace of expansion, but we also decided to pull in our profitability timeline. The challenge with expansion is there's a lot of frontend cost. You get good payback in economics over time, but there's a lot of

frontend cost. And so, we decided this year, hey, let's focus in the markets that we've already entered into. Let's get to breakeven and then, revisit new markets down the road.

Q

Yeah. We have about a minute left. Are there any questions in the audience? Yeah.

Q

[Question Inaudible] (00:27:05-00:27:24)

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Yeah. Our agency partners, who we work really closely with, I think, they haven't really seen too many implementations yet. I mean, what we're hearing is they want to start with Shop Pay, put the Shop Pay on as much as they can, and they're checkout. We're not seeing too many implementations yet, but obviously they recognize that enterprise commerce is you got to be composable. And so definitely we agree, but they're looking at, I think, certain components to implement. We're a platform, right? We offer a platform where that composability touches every single component of our platform and we've opened every component of our platform up already. So TBD on how that evolves and what the adoption will be, but we agree it's got to be composable.

Q

And we're just out of time here. But I wanted to make sure that we talk about profitability.

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Sure.

Q

What are your longer-term goals with respect to profitability and targeted growth profile to achieve it?

**Robert Alvarez**

*Chief Financial Officer, BigCommerce Holdings, Inc.*

A

Yeah. So we obviously want to deliver a positive adjusted EBITDA quarter, but we want to deliver GAAP profit as well. We feel like we've got a business that, no question, will get to 80% or higher gross margins as we continue to scale, especially with this focus in enterprise accounts. Our op margins should be at or above 20%, and that's kind of the profile that we're building towards. I mean, our rule of 40% is going to be driven by top line growth focused on the enterprise, but also profitability that gets us to that rule of 40% profile sooner rather than later.

**Unverified Participant**

Great. Robert, thanks very much. We appreciate it.

## Robert Alvarez

*Chief Financial Officer, BigCommerce Holdings, Inc.*

Thanks, [ph] Tyler (00:29:27). Appreciate it. Thank you, all.

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