

# Tokenfolio: Stripe Investment Memo

We are excited to launch this opportunity to invest into Stripe, which expects to process over \$1 trillion in payments this year. Stripe is one of the most sought after private stocks, with recent sell-out secondary trades at \$67bn. Our entry point at ~\$59bn valuation (\$24.90/sh) is well below this, as well as Stripe's \$95bn Series H in 2021. We will be making an indirect investment via an existing established cap table investor.

## Highlights

- Stripe expects to process \$1 trillion of payments in 2023. Stripe has grown rapidly since its founding 13 years ago - PayPal took 23 years to reach \$1 trillion payment volume.
- Stripe's payment infrastructure powers the world's largest companies, including Amazon and Shopify. Stripe rode the Covid e-commerce boom growing gross revenue 60% in 2021 and even in the post-Covid slowdown, achieved 27% revenue growth in 2022 to \$14.3 billion.
- Both payments and e-commerce are huge growing markets: globally ~\$170 trillion of payments are made each year whilst the \$4.3 trillion ecommerce market is expected to grow at a 14.3% CAGR and surpass \$7.4 trillion in 2025.
- Stripe is positioned well for continued growth: with its developer-first approach, heavy investment in R&D and diversified product set, Stripe stands out from competitors. Its take rate is double that of payment competitors like Adyen whilst its diversification into non-payment products builds a more complete ecosystem that embeds itself into its customers' operations, creating a stickier product.
- Stripe raised at a \$95 billion valuation in 2021 (Series H). In March 2023, Stripe raised \$6.5 billion at a \$50 billion valuation - this was a non-dilutive raise that provided liquidity for employees. Our entry point at ~\$59 billion valuation (\$24.90/sh) provides an attractive 38% discount to the Series H round and is below current secondary trading activity of \$67 billion.

## The Company

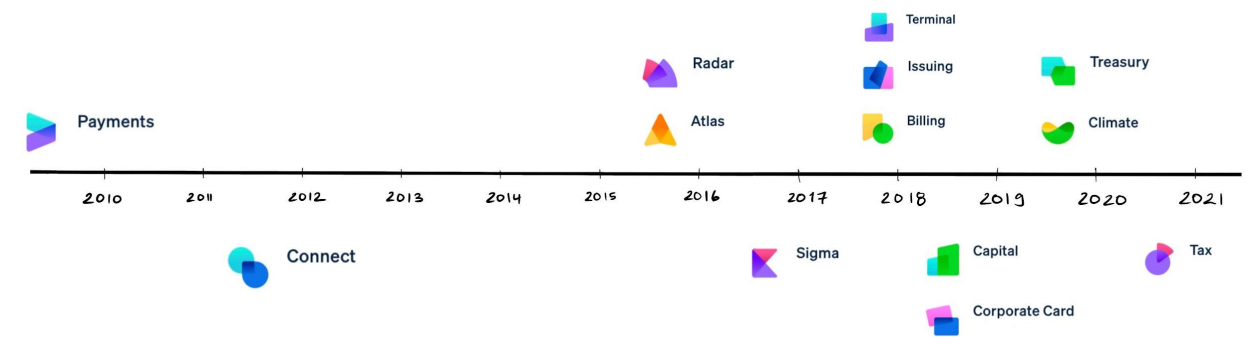
Stripe is a developer-oriented payments company that enables businesses of all sizes to accept credit card payments easily and quickly. Having launched in 2010, Stripe has significantly impacted the payments industry and is used by companies such as Amazon, Instacart, Zoom, Slack, and Shopify. Millions of businesses of all sizes — from startups to Fortune 500s — now use Stripe to accept payments, send payouts and manage their businesses online.

Stripe’s aim is to build and modernize online financial infrastructure in the service of its stated mission to “increase the GDP of the internet”.








Products

Stripe’s core business is online payments, including everything from typical 1:1 payments (Stripe Payments) to complex multi-party payments enabled by platforms and marketplaces (Stripe Connect). For the first few years of its existence, the company focused on these core offerings. Starting in 2015, it began to branch out with more frequent product releases.










STRIPE’S PRODUCT RELEASES OVER TIME



## PAYMENTS

-  **Payments**  
Online payments
-  **Checkout**  
Pre-built payments page
-  **Elements**  
Customizable payments UIs
-  **Payment Links**  
No-code payments
-  **Connect**  
Payments for platforms
-  **Invoicing**  
Online invoices
-  **Billing**  
Subscription management

## BUSINESS OPERATIONS

-  **Radar**  
Fraud & risk management
-  **Data Pipeline**  
Data warehouse sync
-  **Sigma**  
Custom reports
-  **Atlas**  
Startup incorporation
-  **Climate**  
Carbon removal
-  **Tax**  
Sales tax & VAT automation
-  **Identity**  
Online identity verification
-  **Revenue Recognition**  
Accounting automation
-  **Financial Connections**  
Linked financial account data

In 2022, Stripe also announced support for crypto, with payouts in USDC and a fiat-to-crypto onramp for web3 developers to embed payment functionality.

## Traction

Stripe processed \$640 billion in payments in 2021 and grew by 28% in 2022 to \$817 billion. Stripe expects to process over \$1 trillion in payments and record a profit in 2023 after a post-Covid slowdown saw an \$80 million loss in 2022. Stripe subsequently acknowledged it had over hired and laid off 14% of its workforce and has stated it will return to profitability - in 2021, the company was reported to make hundreds of millions of EBITDA.

Stripe recorded \$14.3 billion in gross revenue in 2022. The company saw a Covid boom with 60% growth in 2021, which normalized in 2022 to 27%. Net revenue grew 25% to \$3.2 billion in 2022, with \$280 million, or 9%, coming from non-payment products.

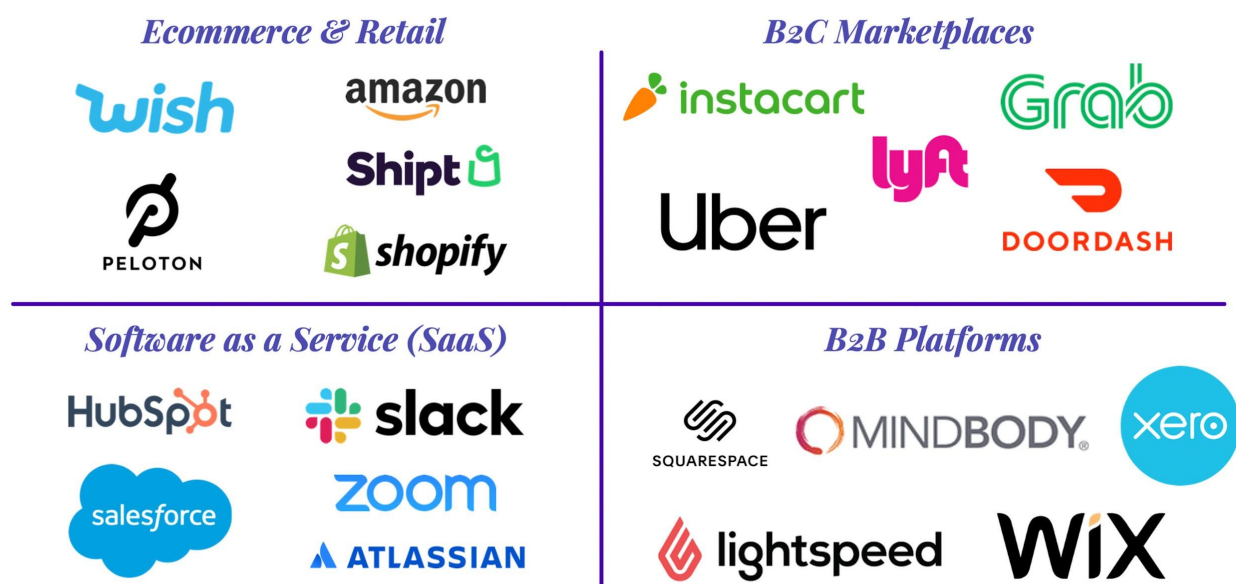
Millions of businesses use Stripe for processing payments, and the company added 1,400 customers a day in 2021. Although most are non-enterprise customers, Stripe has been moving upmarket. It increased the number of customers with over \$1 billion in payment volumes from 25 in 2019 to 110 in 2022. The company is growing faster internationally than in North America, but ~75% of customers were still in the US in 2022 - which provides a significant opportunity for continued growth. Its one-click checkout product, Link, has 14 million MAU.

## Customers

Stripe began with a focus on startups and SMBs, providing a fast and easy way for developers to accept payments over the Internet. It grew with these companies over time, and the company eventually moved upmarket to serve enterprise customers.

The company has deals with two of the world's largest ecommerce platforms, Shopify and Amazon. Shopify Payments and Shopify Balance were built using Stripe's infrastructure. Shopify Payments facilitates payments between customers and Shopify merchants, and Shopify Balance provides business accounts and spending cards for Shopify merchants.

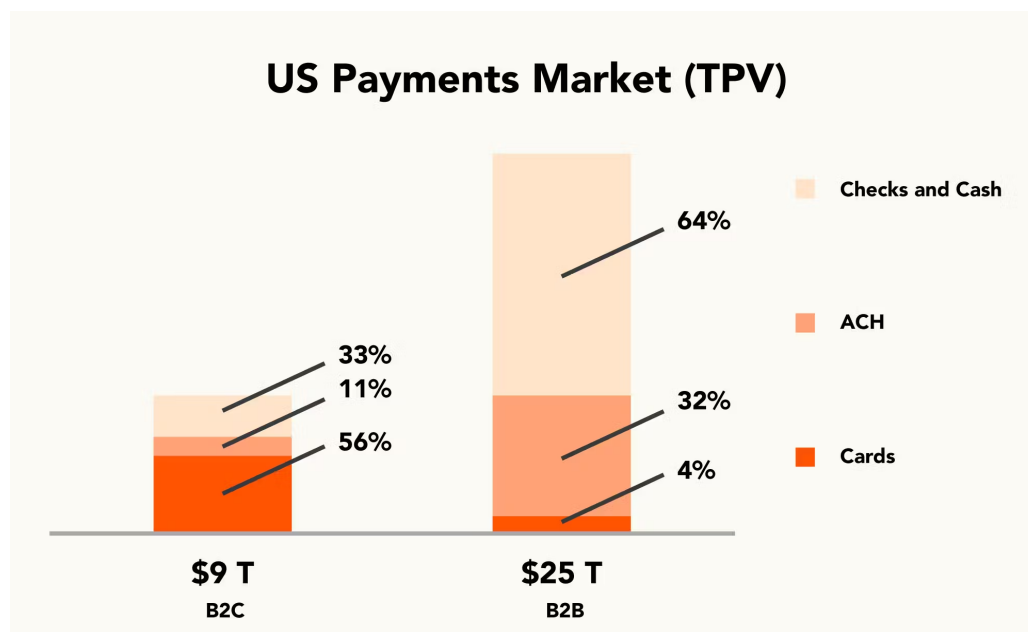
Amazon and Stripe first partnered in 2017, and in January 2023 they announced the expansion of this partnership. Stripe will expand its usage of AWS as its cloud infrastructure provider. In exchange, Amazon will use Stripe to process payments in the US, Europe, and Canada for a significant portion of payment volume for offerings like Prime, Audible, Kindle, Amazon Pay, and Buy With Prime. Other notable Stripe customers include marketplaces like Lyft and Instacart and companies like Ford, Slack, Figma, and OpenAI.



## Market Size

The total payments volume (TPV) in the US alone is \$34 trillion, with \$9 trillion in B2C payments and \$25 trillion in B2B payments. Globally, there are \$125 trillion in B2B payments. Assuming the same ratio of B2C to B2B payments as in the US, this means there are ~\$45 trillion in B2C payments. That would mean a total global TPV of ~\$170 trillion.

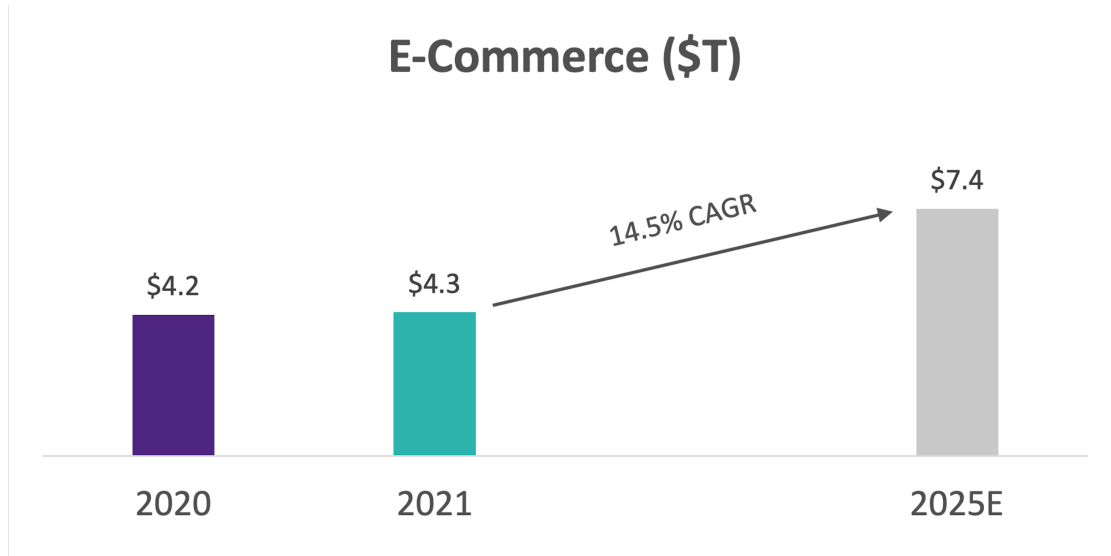
In 2021, the payments industry brought in \$2.1 trillion in revenue. McKinsey projects that this revenue figure will rise above \$3 trillion by 2026.



Global digital payments penetration lags behind the US, so the global fraction of non-digital payments is likely to be even higher. 89% of US consumers use digital payments to some degree, compared to two in three consumers worldwide.

Stripe's product suite exposes it to markets beyond payment processing. Radar alone, for example, expands its addressable market significantly as businesses are expected to face \$343 billion in losses to online payment fraud globally between 2023 and 2027. In addition, Stripe Capital provides loans to SMBs using Stripe or a Stripe-enabled platform and SMBs are financially underserved. In developing countries, 40% of SMBs have unmet funding needs totaling \$5.2 trillion annually. In the US, a 2021 survey found that less than half of US small businesses had their funding needs fully met.

Stripe is well positioned to take advantage of the continued growth in e-commerce. The global e-commerce market size was valued at \$4.3T in 2021, and is expected to surpass \$7.4T in 2025, representing a 14.5% CAGR.



## Competitive Landscape

Stripe offers a payment product with an integrated product ecosystem, especially for small businesses. Once a company uses Stripe for one aspect of their business, they are more likely to use Stripe for other products they need. In addition, the more deeply integrated Stripe becomes into a customer's operations and finances as that customer adopts more and more Stripe products, the higher switching costs become.

However, competitors focused on narrow slices of Stripe's business are sometimes able to create products with more functionality. For example, Marqeta issues cards with greater customizability than Issuing, and Plaid offers more bank integrations than Financial Connections. Here are some of Stripe's competitors across various parts of its business:

- Payments: Adyen, PayPal, Checkout.com
- Financial Connections: Plaid, Finicity (Mastercard), Tink (Visa)
- Issuing: Marqeta, Lithic, Highnote, Galileo
- Treasury + Issuing + Capital: Unit, Bond, Treasury Prime
- Capital: Pipe, Clearco, Square Loans
- Billing: Chargebee, Recurly, Zuora
- Radar: Sardine, Sift, Kount
- Identity: Persona, Socure, Alloy
- Corporate Card: Ramp, Brex, American Express
- Tax: Avalara, Vertex, Sovos, Anrok
- Link: Bolt, Apple Pay, Google Pay

Given its large addressable market, payment processing has space for multiple winners. Competitors include PayPal (Braintree) and Square for SMBs and Adyen, PayPal, Checkout.com, and FIS for enterprises.

Founded in 2006, Adyen is Stripe's main competitor in payments. From the beginning, Amsterdam-based Adyen focused on serving large, global enterprises. By contrast, Stripe started out targeting SMBs and startups and is now moving upmarket into Adyen's territory.

These strategic differences are reflected in two companies' respective customer counts and compositions. Stripe has millions of customers, but only 110 with \$1 billion or more in volume. Adyen, on the other hand, has a customer count in the thousands comprised solely of enterprise and mid-market companies. Bigger customers have higher transaction volumes, but their greater negotiating power results in a lower take rate for Adyen. Other differences include Stripe's broader product suite versus Adyen's, which contributes to Stripe's higher take rate. Stripe has been more aggressive in terms of R&D focused on expanding beyond payments.

Though the two have similar TPVs, Stripe has a 50% higher gross revenue than Adyen. In terms of take rate: Stripe's gross revenue take rate is 1.75% and Adyen's is 1.16%, so Stripe is able to extract 50% more revenue on a same-sized transaction as Adyen. Stripe also makes almost double the amount of net revenue as Adyen (\$2.8B in 2022 vs \$1.44B for Adyen).

## Business model

Stripe Payments lies at the core of Stripe's business and features usage-based pricing. The standard pricing for Payments in the US is \$0.30 + 2.9% of the transaction value for each successful card charge and includes Radar for fraud detection. Pricing varies by country.

Stripe increases its take rate with the products layered around Payments. Its take rate for 2021 was estimated to be 0.39%. This is more than double Adyen's take rate of 0.17%.

- Radar: \$0.05/transaction
- Data Pipeline: \$0.03/transaction
- Revenue Recognition: 0.2%/transaction
- Tax: 0.5%/transaction
- Connect: 0.25%/payouts
- Identity: \$1.50/verification
- Financial Connections: \$0.10/Balances API call
- Atlas: \$500 + \$100/year

Not only do the additional products increase the take rate Stripe is able to charge, but they also create a more complete ecosystem for business finance. Companies using multiple products may be less likely to switch away from Stripe once it's deeply embedded in their operations.

Stripe has also diversified its product suite with higher-margin BaaS (Banking-as-a-Service) offerings aimed at platforms, including Treasury, Issuing, and Capital. In 2022, 9% of Stripe's revenue came from non-payment products.

## Team

Stripe is dual-headquartered in San Francisco, California, US and Dublin, Ireland. As a global company, it has offices in over 10 countries.

The company was founded in 2010 by two brothers with Irish background, John and Patrick Collison. In their early 20s, John and Patrick founded their first company called Auctomatic, a management system developer for auction sites that built tools for the eBay platform in particular. They successfully sold it to Live Current Media for \$5M in 2008.

Patrick is a technical prodigy, having won numerous prestigious awards, including Ireland's 41st Young Scientist and Technology Exhibition in 2005 for his work on the programming language Lisp. Patrick studied at MIT before launching Auctomatic, and was also director of engineering at Live Current Media. John enrolled at Harvard University, commencing his studies in September 2009. Both Patrick and John dropped out of university to build Stripe.

## Funding rounds

In March 2021, Stripe raised a \$600 million Series H round at a \$95 billion valuation, bringing its total funding to \$2.2 billion. Investors in the round included Fidelity, Sequoia, and Ireland's National Treasury Management Agency (NTMA). In March 2023, Stripe raised \$6.5 billion at a \$50 billion valuation - this was a non-dilutive raise that instead went towards providing liquidity to current and former employees and tax obligations associated with equity awards.

Round	Date	Valuation	Amount Raised
Seed Round	Mar 2011	\$30M	\$2M
Series A	Feb 2012	\$300M	\$18M
Series B	Jul 2012	\$600M	\$20M
Series C-1	Jan 2014	\$1.8B	\$80M
Series C-2	Dec 2014	\$3.5B	\$70M
Series C-3	Jul 2015	\$5B	\$100M
Series D	Nov 2016	\$9.2B	\$150M
Series E-1	Sep 2018	\$19.8B	\$245M
Series E-2	Jan 2019	\$22.5B	\$100M



Series G-1	Sep 2019	\$35B	\$250M
Series G-2	Apr 2020	\$36.6B	\$600M
Series H	Mar 2021	\$95B	\$600M
Series I	Mar 2023	\$50B	\$6.5B

#### Sources:

- The Generalist: <https://www.generalist.com/briefing/stripe>
- Stripe website
- Crunchbase
- Contrary <https://research.contrary.com/reports/stripe>
- Stripe vs Adyen: <https://tanay.substack.com/p/stripe-vs-adyen-financials-2023-update>