A Few Things We Learned

2021 Q1

OCTAHEDRON CAPITAL

ir@octahedroncapital.com | @OctahedronCap | https://afewthingswelearned.com

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Contents

1. Digital Advertising

2. Gaming & Content

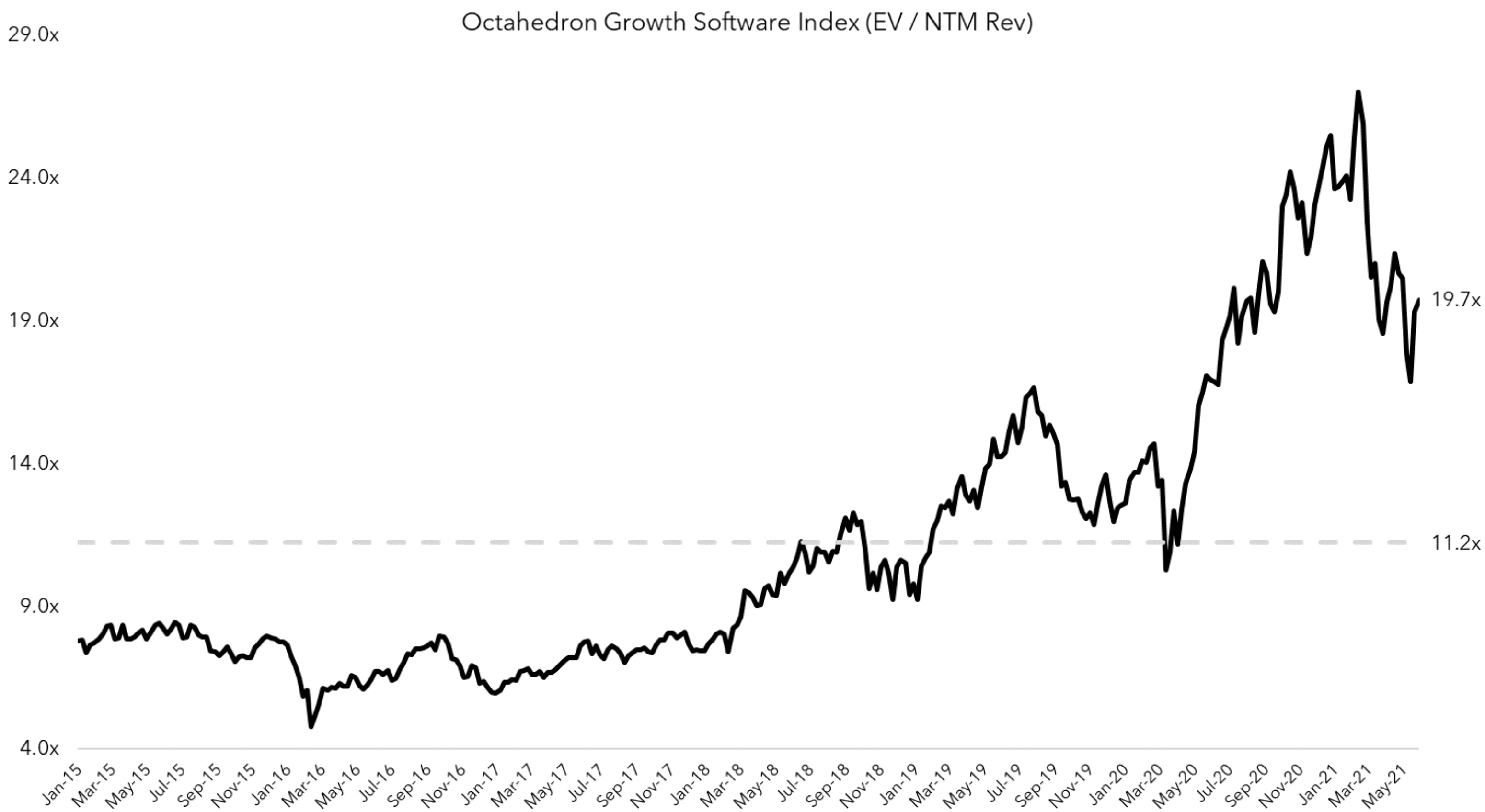
3. Payments & Fintech

4. On-Demand & E-Commerce

5. Software

Valuations - Software

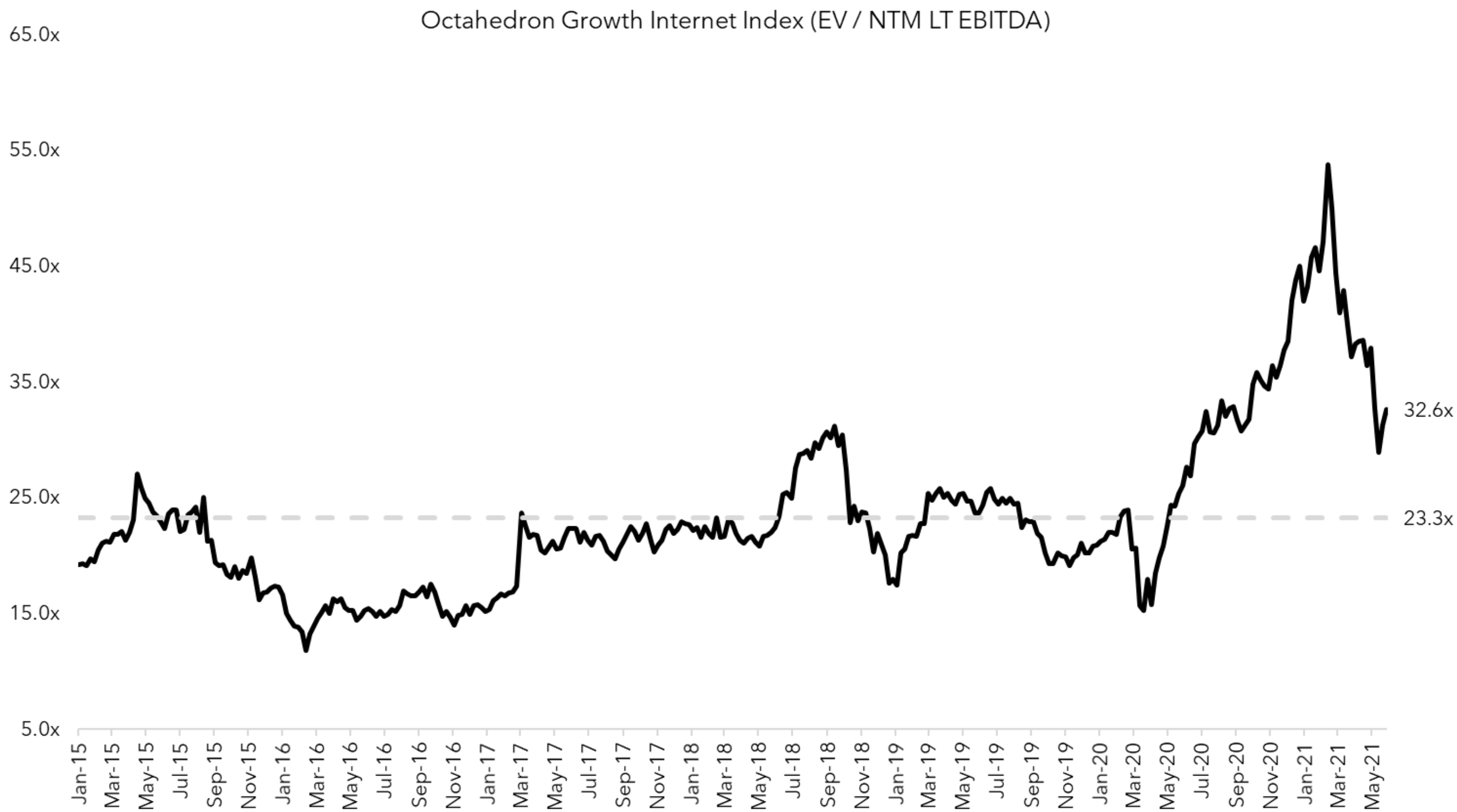
Growth Software valuations are moving towards pre-COVID levels, but still ~75% above the 5-year median…



Source: Bloomberg as of 27-May-21, Octahedron estimates

Valuations - Internet

Growth Internet valuations have corrected further than software, but remain ~40% above 5-year median



Source: Bloomberg as of 27-May-21, Octahedron estimates

Re-opening and Recovery

The US is leading the recovery in travel, led by domestic trip growth

BOOKING HOLDINGS

"For Q1 **in the U.S., we had positive room night growth** versus Q1 2019, and it was our strongest performing major country. **These results were driven by domestic bookings** as our international business is still very slow. We're pleased to see improvements in our U.S. room night trends each month in Q1, and these improvements continued into April."

Tripadvisor

"**We saw rising consumer demand on our platform led by the U.S. market and driven by accelerated vaccination trends.** We are optimistic that the U.S. can further improve and serve as a leading indicator for leisure travel recovery in international markets in the periods to come."

"Improvement throughout Q1 was driven almost entirely by the U.S., where the first phase of leisure travel recovery seems well underway. In March, **U.S. monthly unique users approached 80% of 2019 levels**, while traffic outside the U.S. was approximately half of 2019 levels."

Source: 1Q'21 earnings

Re-opening and Recovery

Global recovery will be a function of vaccine distribution and virus re-occurrence

BOOKING HOLDINGS

"On a regional basis, the U.S. continue to have very strong room night growth in April and was above March levels. Europe room night's declines with better in April down in March recovering from a softening of trend we saw at the end of March and the first week of April. Room night's declines in Europe were down over 50% in April. **Asian room night declines worsened in April versus March as outbreaks of new cases increases, increased vaccination progress has been slow and governments continue to impose restrictions on travel.** Asia was the least recovered region in April. The rest of the world declines were about the same in April as we were in Q1 and Q4."

Tripadvisor

"In our key markets of the U.S. and U.K., **we have seen a close correlation between improved vaccination rates and rising travel intent**, including searches for hotels, restaurants, and things to do."

Source: 1Q'21 earnings

Re-opening and Recovery

Fintechs are corroborating the return to normalcy

“Markets are transitioning from the **normalization phase to the growth phase** domestically… e-commerce continues to be strong and we're seeing improvements in card-present spending. We believe **there's significant pent-up demand for travel**, as we've just seen in domestic travel. We expect domestic travel to improve progressively throughout the year in countries with strong vaccination programs. International travel should start to open on a select basis in the second half of the year between countries, the strong vaccination programs and/or low case rates.”

“Nearing the end of the quarter, we **began to see a sharp uptick** in spending in categories that have been pressured by the pandemic. **Travel and ticketing was particularly strong.**

“**Travel was the real highlight among our verticals**, even though its takeoff began late in the quarter. Travel accounted for **2% of September quarter GMV**, but has steadily grown to **9% in the March** ending quarter. In **April** travel growth continued to accelerate, taking its proportion of GMV to **11%** of the company-wide total.”

Source: 1Q’21 earnings

Re-opening and Recovery

Remote work is changing the nature of travel

"In fact, **we expect this rebound to be unlike anything that we have ever seen before and we expect travel to be very different than before**. People are discovering that they don't have to be tethered to one location to live and work. And what this means, is that people are more flexible about where and when they travel. People can now travel anytime. **People are also traveling everywhere. They're not just going to seem 20 or 30 cities, they're visiting smaller cities, towns and rural communities.** And when people do travel, they're staying longer. 24% of our nights booked in Q1 where first stays of 28 nights or longer. **People are not just traveling in Airbnb, they're now living on Airbnb.** And these trends are not going away. The world is never going back to the way it was, and that means that travel is never going back to the way it was either."

Source: 1Q'21 earnings

Re-opening and Recovery

Government stimulus benefited consumer spending in 1Q21

Etsy

"**Our estimate is that government stimulus drove approximately 8 percentage points of GMS growth in Q1 2021**. We have already seen this benefit wane in April and early May and do not expect government stimulus to similarly impact our business in the second half of this year.**"**

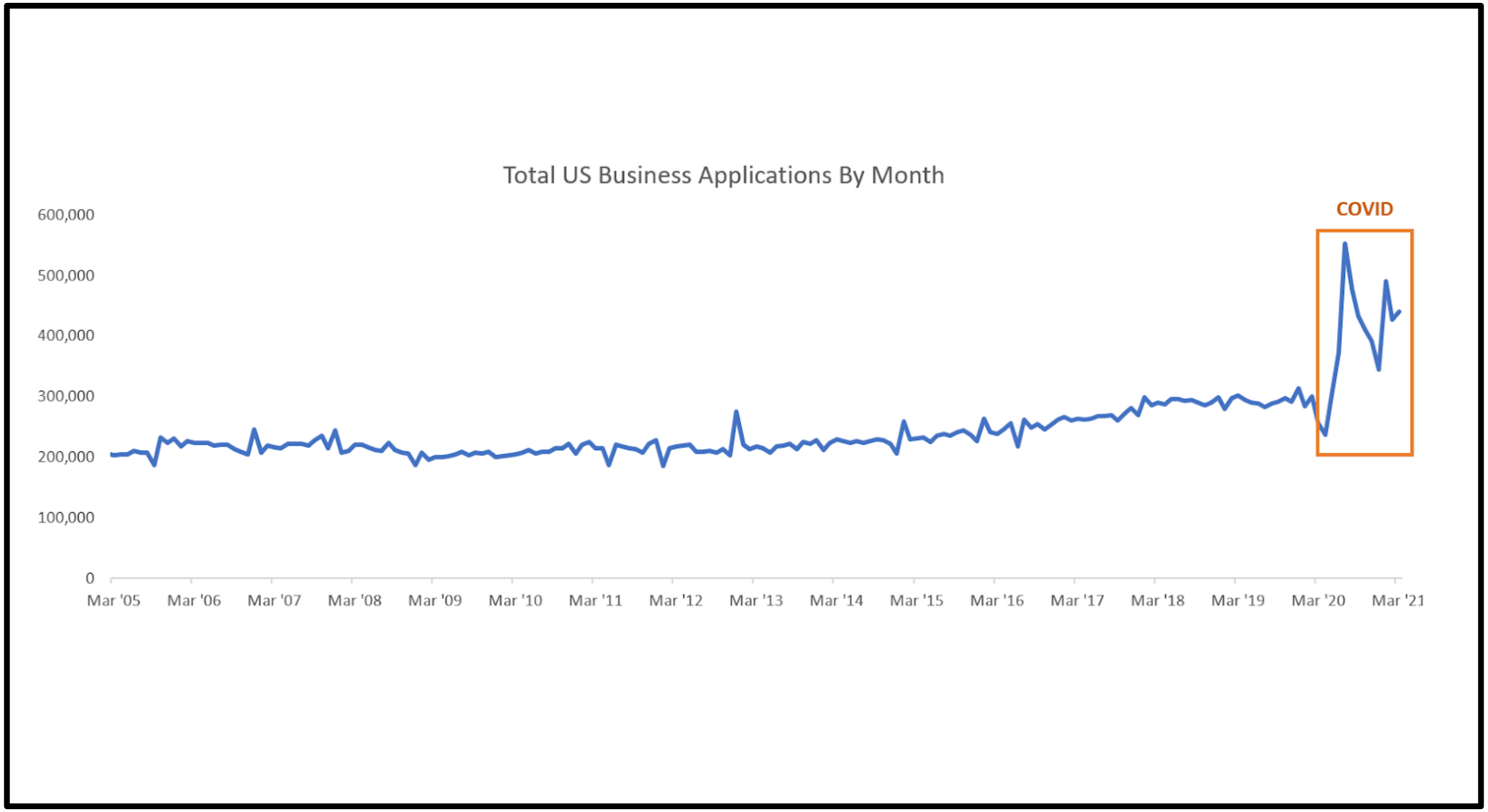
DOORDASH

"Throughout Q1, as markets continued reopening and in-store dining increased across the U.S., the impact to our order volume was smaller than we expected, which contributed to strong performance in the quarter. **We believe stimulus checks were partially responsible for this, as their issuance increased consumer demand on our platform at the same time as in-store dining rates accelerated in many markets.**"

Source: 1Q'21 earnings

Re-opening and Recovery

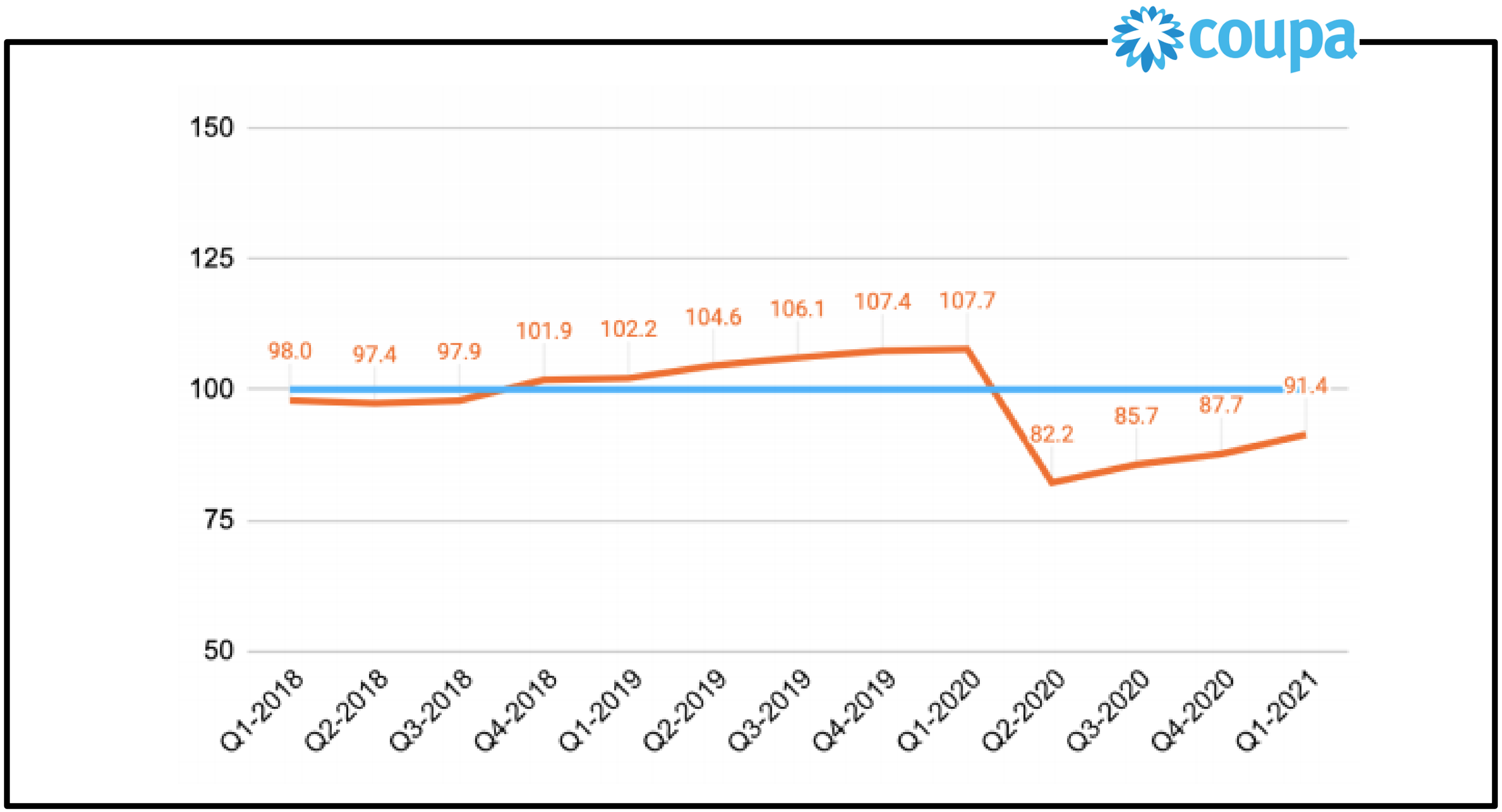
COVID-19 resulted in record number of new businesses creations…



Source: US Census Bureau

Re-opening and Recovery

… and business spend confidence is gradually going back to pre-pandemic levels



Source: Coupa The Business Spend Index (BSI) is a predictive measure of business confidence, leveraging insights from billions of dollars of annual business spend data from the Coupa Community, that delivers business value and insights at the macro and industry level. Confidence in future economic opportunity is defined by the willingness of a business to commit to spend. This quarter, business spend confidence as measured by the BSI showed continued improvement, increasing to 91.4.

Digital Advertising

Digital Advertising

Search advertising had a strong 1Q…

"Revenue was strong with **search and advertising growing 38% year-over-year and even grow sequentially, this is the seasonally strongest first quarter**.

In the first quarter, in Search, we saw sustained strength across most categories led by retail. We also saw strong performance in tech and CPG. In YouTube, we had phenomenal growth driven by direct response, followed by continued strength in brand.

Source: 1Q'21 earnings

Digital Advertising

…driven by strength in the retail sector, within which, SMB spend stood out

"A lot of the new advertisers that you're referring to are, obviously, SMBs. And there is no doubt that this has been a challenging year for SMBs, the pandemic has disrupted how many of them connect with their customers. **But, the pandemic has also been a catalyst for key consumer trends, obviously, creating a lot of new opportunities for small businesses.**

And, obviously, consumers are spending more time online, they're buying more online, **they were willing to try new brands and they're eager to support local businesses, SMBs. So, searches for support local businesses are up significantly since last year.**

And we've been focused really on helping SMBs with simpler tools, so they can actually embrace digital a lot faster. And that's where we have really invested over the year, making everything simpler.

We had a very wide range of solutions to help them get online, **get discovered across all of our key products, Search, Maps, YouTube and so on**."

Source: 1Q'21 earnings

Digital Advertising

Bytedance has now reached global, massive scale…

ByteDance

More than **1.5 billion monthly active users** worldwide.

More than **a dozen products**, including TikTok, Helo, Lark, and Resso, as well as platforms specific to the China market, including Douyin, Toutiao, and Xigua.

More than **150 markets** and **35 languages** overall for Bytedance

Offices in over **30 countries** and **120 cities** across Asia, the Americas, Europe, and the rest of the world.

Source: Bytedance commentary made available for the use of Octahedron Capital Management.

Digital Advertising

Even as the world normalizes, Snap is seeing little impact on engagement…

"Additionally, **we are optimistic about the engagement trends we are seeing as the world is beginning to open up**. As things began to open up in the United States in late February, we saw inflection points in key behaviors like story posting and engagement with the Snap Map. More recently, we saw a rise in the rate of new friendships and bidirectional communication on Snapchat in late March as people have begun to socialize in broader groups. We designed Snapchat to be a useful complement to real-life friendships, and are excited about these optimistic trends developing with our audience."

Source: 1Q'21 earnings

Digital Advertising

…which has helped it build a high-quality direct response advertising business

"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: 1Q'21 earnings

Digital Advertising

Meanwhile, Twitter continues to fall short

"The short answer is we're getting there, but we still have more opportunity in front of us. On a couple of levels. The first is that we're **not yet leveraging that signal around those 7,000 topics** and there's many people who already follow one as well as we can. We have lots of great signal about what you care about in the moment that we can use to show you a great ad, but there is **definitely room for us to improve**."

Source: 1Q'21 earnings

Digital Advertising

Ad businesses have found ways to mitigate the impact of IDFA in iOS 14.5…

"And then your second question was regarding any surprises with iOS 14.5. Look, I think it's really early. They just began rolling out the update, so it's sort of very low kind of penetration rates of the new OS at this point. **But a couple things. I'd say we continue to be concerned about the impact that this update is going to have on the ability of small businesses to use their advertising budgets effectively**. That said, **the impact on our own business we think will be manageable**. We continue to expect it will be a headwind for the remainder of the year, but we're making encouraging progress, as Sheryl mentioned, on our own solutions to help advertisers navigate these changes."

"We've been actively preparing for the changes that Apple just released as part of iOS 14.5. Our **outlook for Q2 in 2021 assumes a modest impact** from the rollout of changes associated with iOS 14.5 across owned and operated ads … Long-term, we're confident that our brand advertising strength and better performance products position us well to help advertisers achieve their goals."

Source: 1Q'21 earnings

Digital Advertising

… while gaming companies indicate that impact of IDFA will be minimal

zynga

"We have also factored into our guidance that Apple's recent changes to IDFA will create **some short-term pressure** on advertising yields, primarily in Q2 and Q3. However, our teams have **multiple strategies in place that should more than offset this potential headwind**, including yield optimizations and opportunities to expand our advertising inventory."

unity

"**Our Operate organization captures and analyzes 50 billion in-app events each day**. If you do the math, that's about 35 million in-app events every minute, and we do this across 20 platforms … We believe that the ability to analyze this data positions us very well in the industry … So, IDFA will most likely impact the ads industry, but we believe that our data and analytics advantage, plus this advanced preparation that I was mentioning, **position us very well to manage the IDFA**."

Source: 1Q'21 earnings

Digital Advertising

YouTube is now capturing brand *and* direct-response ad dollars…

"Speaking of **YouTube**, we're helping advertisers address **both brand and performance** goals at scale**, driving higher return on ad spend** at a time when they need it most. **We're only a few years in on direct response**, and we think there is significant opportunity for innovation that will improve the user experience and provide better ROI for advertisers.

On the performance side, advertisers of all sizes are seeing incredible results … We're seeing strong growth in YouTube's **brand** business, **fueled by a global consumer trend from linear TV towards streaming video**. With over 2 billion monthly logged-in users and over 1 billion hours of video watched every day, YouTube is offering advertisers efficient reach to large audiences which are incremental to those found on TV."

Source: 1Q'21 earnings

Digital Advertising

…while Roku continues to be in pole position to capture linear TV dollars

Roku

"This quarter, we saw that **advertisers are increasingly moving money to streaming**. The Roku Channel's virtuous cycle is attracting viewers, advertisers, content partners and the creative community, and streaming services are taking advantage of the tools Roku offers to help build audience and make their streaming business successful. **We believe the inevitability of streaming is clear and that Roku's business model allows us to optimize streaming for all stakeholders**, including viewers, advertisers and content partners."

Source: 1Q'21 earnings

Digital Advertising

In China, Bilibili is creating a loyal fanbase that can eventually be monetized…

"But for Bilibili, what we are trying to do is to build a city. We are trying to gather the young users with similar interests, ask them to become residents of this city. We provide different type of consumption scenarios to them to cater their needs, including -- such as games, live broadcasting, movie and content and derivative products, and even offline activities. And they will grow fond of the city and even fall in love with it, and they'll be inviting more friends to join the neighborhood. **And for this process, it might start really slow. But once the momentum is built, it will accelerate and have great potential. ...**

...**So what is Bilibili's advertisement potential? We have captured near half of China's young generation.** On our platform, the average age of our user is about 22.8 years old, and 86% of our user is age 35 and below. And our user, about 50% of them live in the first and second-tier cities. They are deeply influenced the mainstream ideals, and they are the key driving force for all kinds of consumption. And they are the most wanted cohort that's chased by all advertisers."

Source: 1Q'21 earnings call

Digital Advertising

…while Zhihu is riding China's "video-ization of everything" trend

知乎

"We launched various **video creation utilities and tool kit for our video content creators** and have also introduced a **dedicated video tab on the app homepage**.

"Video content is a very important part in our ecosystem. For those videos that are over 1 minute long, the **daily uploading volume increased by 17x on the past quarter.** And the **average consumption on video also increased by over 60%**… right now, you see **video penetration of ours DAUs is now over 30%**… And we believe that every answer on Zhihu should have a video version

…in the entire industry of video, mid-form video is still at a very early stage. If you look at many other similar content communities, if we put all the uploading volumes of mid-form videos altogether, the daily uploading volume is only by hundreds of thousands. And we believe that **going forward, this volume will explode to millions on a daily basis**"

Source: 1Q'21 earnings call

Gaming & Content

Gaming

Free Fire's continues to show enduring strength…

sea
connecting the dots

"I think as we can observe from our disclosure of quarterly active user, quarterly paying user and bookings as well as the bottom line of adjusted EBITDA, which is largely also attributable to Free Fire being a global game and growing at a very healthy rate globally. **We see it still at the early stage of the life cycle. And in fact, we see it increasingly as a platform and a major IP franchise** … The driver of the growth come from both Southeast Asia, LatAm as well as India and the rest of the world … So we're still at an early stage of driving growth on a user base as well as pay user base for this game, and developing it into increasingly a social platform where people not only come to play the core game play, but also enjoy other modes, hang out, listen to music, social life."

Source: 1Q'21 earnings

Gaming

…and early-2Q data indicates elevated engagement on Roblox

ROBLOX

"still in the second quarter, there's a combination of just core metrics and core growth and improvement in the business and **there's still obviously the influences of COVID are still in the numbers as well**. April bookings, overall, were very strong, definitely higher than what we expected and somewhere around, I don't know 45% to 47% of the consensus numbers for the quarter … When we look at what that means in the medium and longer term, I would just say the following. When the pandemic started, we immediately saw engagement go up, right. We had a substantial user base at the time who immediately had more time and spent more time on the platform. And then we grew users very quickly and those users have the ability to engage very quickly as well. Because of that, we started to see really strong conversion to payers and really strong monetization and that's obviously, reflected in the step up in bookings that we've seen over the last several quarters. **If you look at April, what you will see is bookings looks to be the highest growth of all of the numbers** … **we're just seeing really high conversion and monetization characteristics as we head into the rest of the year**."

Source: 1Q'21 earnings

Gaming

Traditional publishers are preparing for a slowdown, structural tailwinds notwithstanding

TAKE-TWO INTERACTIVE

"Turning to our outlook, we believe that the pandemic initiated a transformational shift in entertainment consumption, revealing the possibilities of interactive entertainment to a much broader market, with interactive entertainment becoming the number one entertainment vertical. We anticipate that the overall addressable market for our industry will be notably larger going forward than it was pre-pandemic. However, **as the world returns to a new normal, we expect a moderation** of the trends that benefited our industry over the past year."

Source: C1Q'21 earnings

Gaming

Unity is furthering its dominance even at the largest game developers

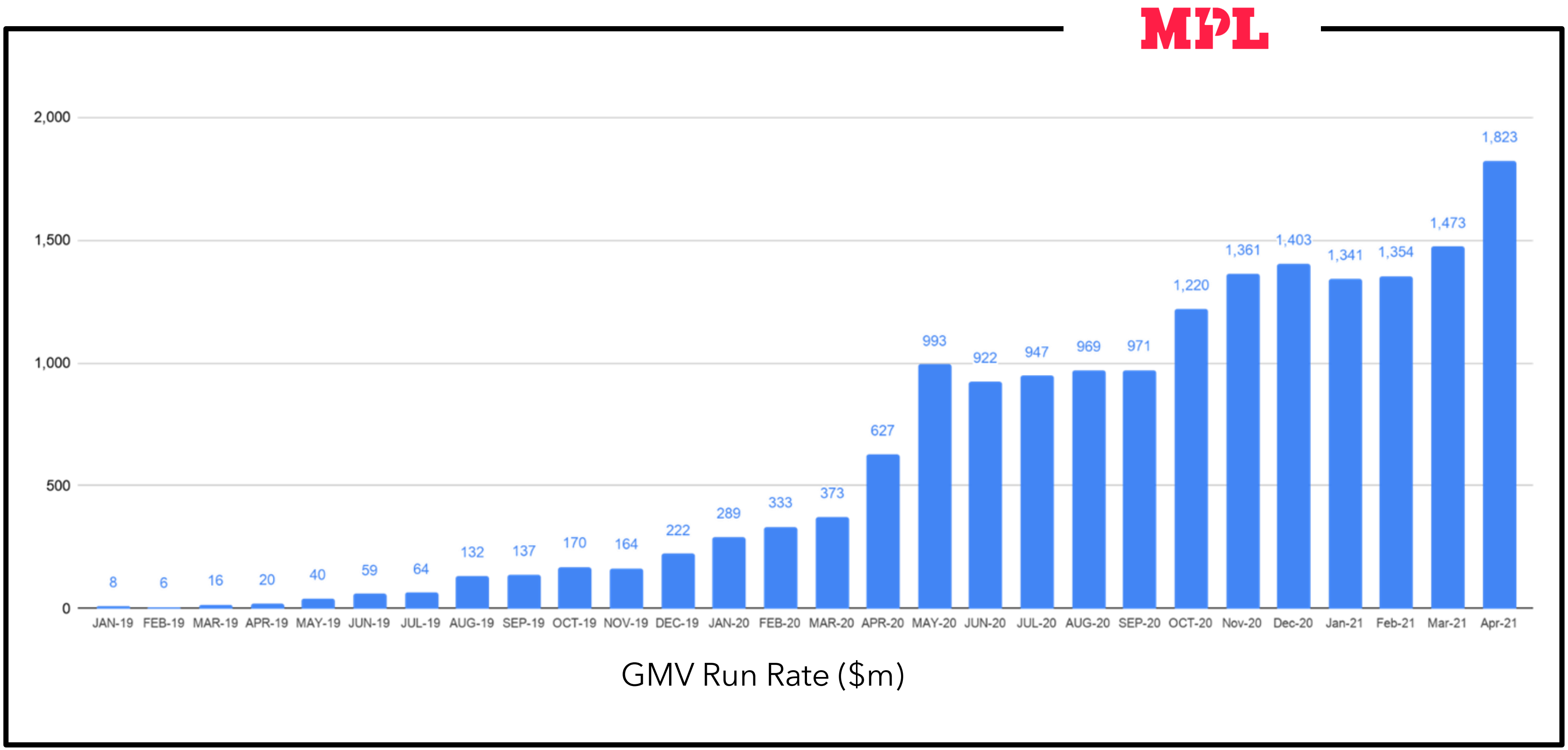
unity

"In March 2021, the makers of the game Candy Crush, KING, released the latest in the Crash Bandicoot franchise, Crash Bandicoot on the Run, built entirely on Unity. As its first 3D mobile title, KING's highly ambitious goals demanded that they be intentional about choosing a **game engine**. They chose Unity to bring a beloved franchise to mobile with console-quality graphics and playable on a broad array of devices."

Source: 1Q'21 earnings

Gaming

Competitive gaming shows no sign of slowing down



Source: MPL proprietary data made available for the <u>exclusive</u> use of Octahedron Capital Management.

Content

Netflix is planning for a strong second half content slate

NETFLIX

"**We anticipate paid membership growth will re-accelerate in the second half of 2021 as we ramp into a very strong back half slate** with the return of big hits like Sex Education, The Witcher, La Casa de Papel (aka Money Heist), and You, as well as an exciting array of original films including the finale to The Kissing Booth trilogy and large scale, star-driven features like Red Notice (starring Gal Gadot, Dwayne Johnson and Ryan Reynolds) and Don't Look Up (with an all-star cast including Leonardo DiCaprio, Jennifer Lawrence, Cate Blanchett, Timothée Chalamet, and Meryl Streep).

We'll also have our most comprehensive offering to date of local language titles including Too Hot to Handle for Brazil and Mexico, a special based on our Korean hit franchise Kingdom, the action-thriller Dhamaka (India), as well as new seasons of Sintonia (Brazil), and Control Z (Mexico)."

Source: 1Q'21 earnings

Content

Core drivers at Netflix remain healthy…

NETFLIX

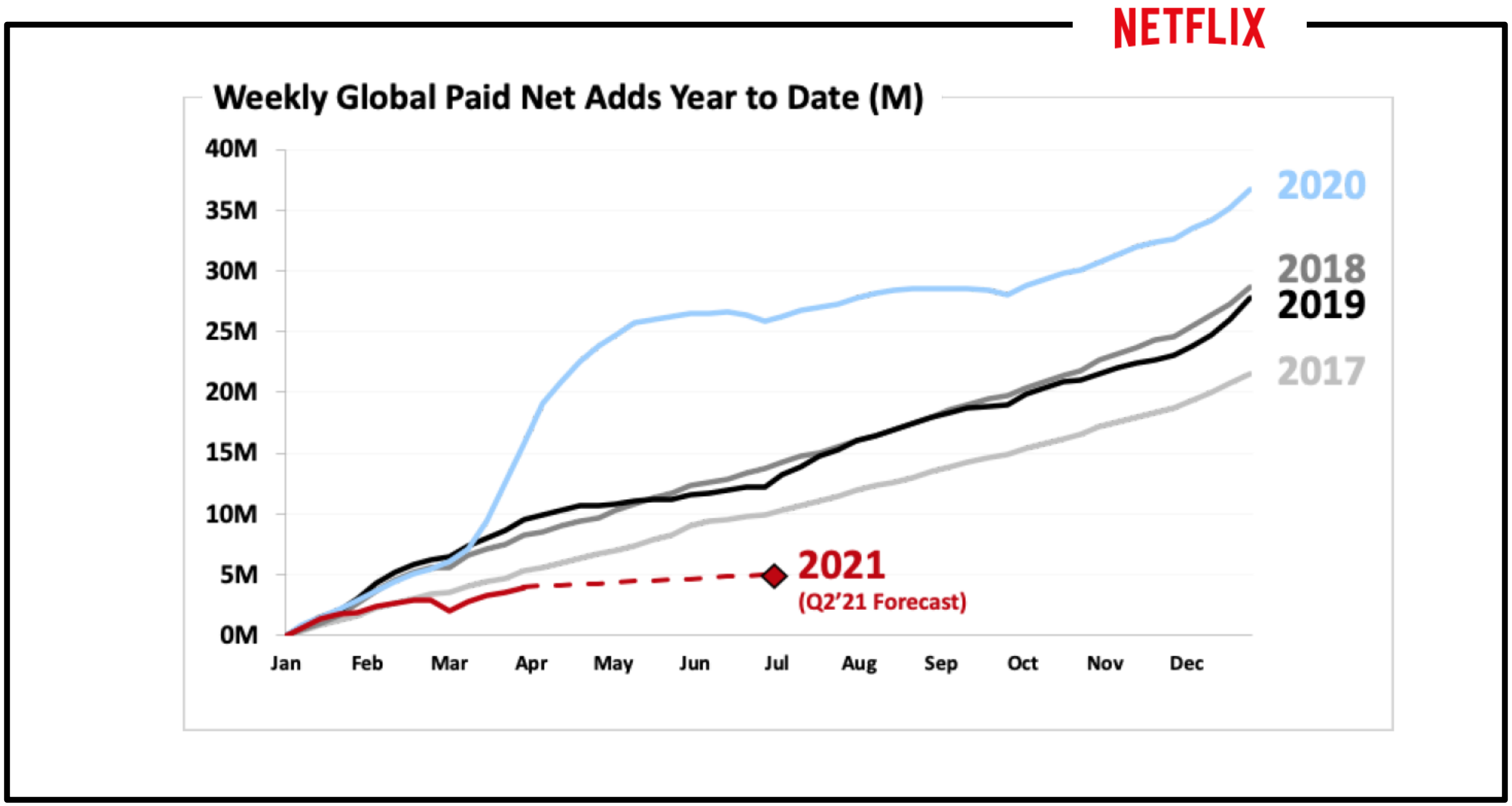
“And we can see, over the past five years, our biggest kind of misses to forecast either up or down the bit -- most of those big misses, the biggest ever in the past five quarters relative to the past five years and that was these five quarters of COVID. So just a difficult time to forecast the business, but the key is the business remains healthy. **Our engagement, our viewing per household is -- was up year-over-year in Q1, our churn was down year-over-year** and the business is still growing”

“**Our churn is actually below pre-price change levels already in the U.S.** and in most of the markets in where we have adjusted prices and just some of the newer ones haven't come all the way back down, but they're rapidly getting there.”

Source: 1Q’21 earnings

Content

…which indicates that net add guidance may prove conservative



Source: 1Q'21 earnings

Content

Netflix's scale driving consolidation of competition

Discovery + WARNERMEDIA

"**The key to direct-to-consumer is have content that people love.** But in this competitive world that we're in right now, it's not you got to have content that people love. **You got to have content that people love so much that they would run home and pay for it before they pay the dinner or the roof over their head.** And what this gives us, coming together, the building block of this transaction is just extraordinary library of characters, stories, big tentpole brands."

"For us, we thought it was going to be mostly subscription and that we found that we had light product at unbelievable ARPU for us, over $6. So we charge $5, we may go to $6, and **we may go to $11 a subscriber, 50% more than we were making on a cable sub."**

Source: $DISCA / WarnerMedia merger call

Content

Live audio becoming mainstream, but will likely be a function of content quality

Spotify

"I think **live audio is clearly something that you should expect as capabilities go pretty much every major platform will have.** And my expectation, it's really no different than how you think about stories, stories today exist on a format on a number of platforms including Spotify including of course Instagram, Snap and many others."

"**I think it really just comes down to creating compelling content**. You can imagine as, in the previous question, we may have an artist that have an upcoming album, and you as the fan may be able to experience that earlier than other consumers can or you can have an artists to explain what the thinking around writing a certain song was and you can obviously have comedians and other people engage on topics that they are currently experiencing or imagining. So **I think it's really comes down to the quality of the content**."

Source: 1Q'21 earnings

Content

Peloton's investment to improve order-to-delivery windows seems to be paying off

PELOTON

"Over the past year we have invested aggressively in the continued expansion of our supply chain, and you'll recall that in last quarter's shareholder letter we disclosed incremental investments in expedited shipping to reduce the wait times for our products. **Today we're pleased to say that these investments have yielded significant improvements for our Members, as average wait times for our original Bike are now back to pre-COVID-19 levels.** While progress has been made, additional work remains to reduce delivery times across the remainder of our product portfolio and regions."

Source: C1Q'21 earnings

Content

The recall of their treadmill may be a temporary blip…

PELOTON

"That we're going to prioritize safety …and built the most trusted brands over the next couple of decades. And it started yesterday with our recall to say we're going to take some short-term financial [hit] to be able to invest in a building something that's built to last for decades, where our brand is pristine"

Tread (mass market)

Incidents: 18 reports of touchscreen loosening and 6 reports of touchscreen falling.

Impacted Units: 1,050 in US

Screws attaching screen to the treadmill need to be tighter

Sales likely start again in 3Q CY'21

Tread+ (high end)

Incidents: 72 injury reports, including 29 reports of injuries to children. One child death.

Impacted Units: 125,000 in US

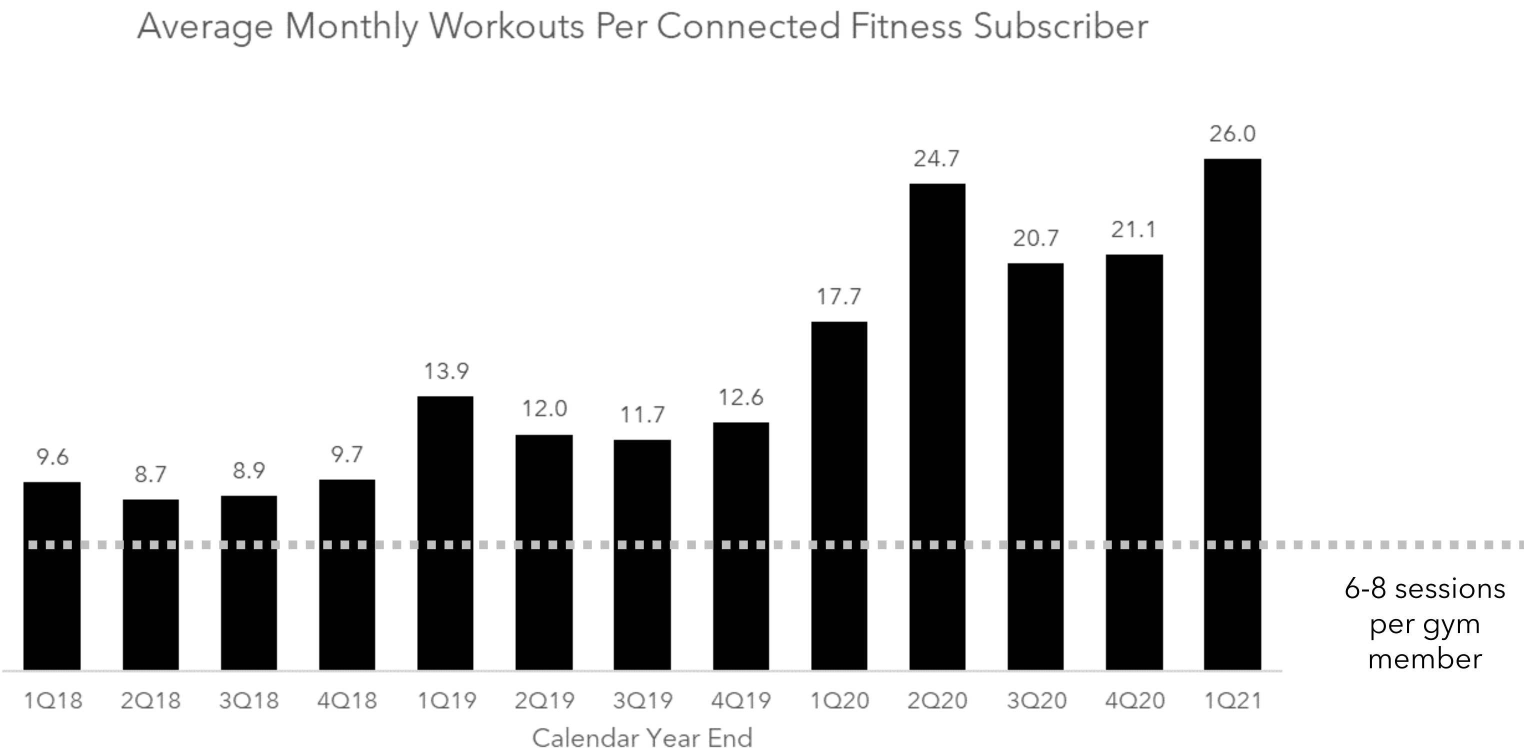
Software fix deployed, hardware fix in progress.

Sales likely to resume in 1Q CY'22

Source: C1Q'21 earnings, CPSC recall announcement, Octahedron estimate

Content

…as consumer product engagement with Peloton continues to surprise



Source: C1Q'21 earnings, Octahedron estimate

Content

As the world returns to normal, dating apps may enjoy significant tailwinds

match

"So, the US happens to be right now one of the few large markets where we are seeing mobility trends above pre-COVID levels. And some countries in Europe are starting to get close to that pre-COVID level, too. We've mentioned before that **as we see lockdowns ease and mobility improve, dating activity follows and so does propensity to pay**.

bumble

"we are definitely **seeing signs of increased engagement in the US as both the economy gets a little bit better and as vaccinations rollout and the health situation improves**. We have seen, particularly we have a large installed base and we've seen a trend up in the reengagement level. So that means users who had opted out during the pandemic starting to come back in, that is definitely fueling the active users that we have on the platform"

Source: 1Q'21 earnings

Content

Apple's consumer dominance now extends to 660 million paid subscriptions

"First, our installed base growth has accelerated and reach an all-time high across each major product category.

Second, the number of both transacting and paid accounts on our digital content stores reached a new all-time high during the March quarter, with **paid accounts increasing double digits** in each of our geographic segments.

Third, paid subscriptions continue to show strong growth.

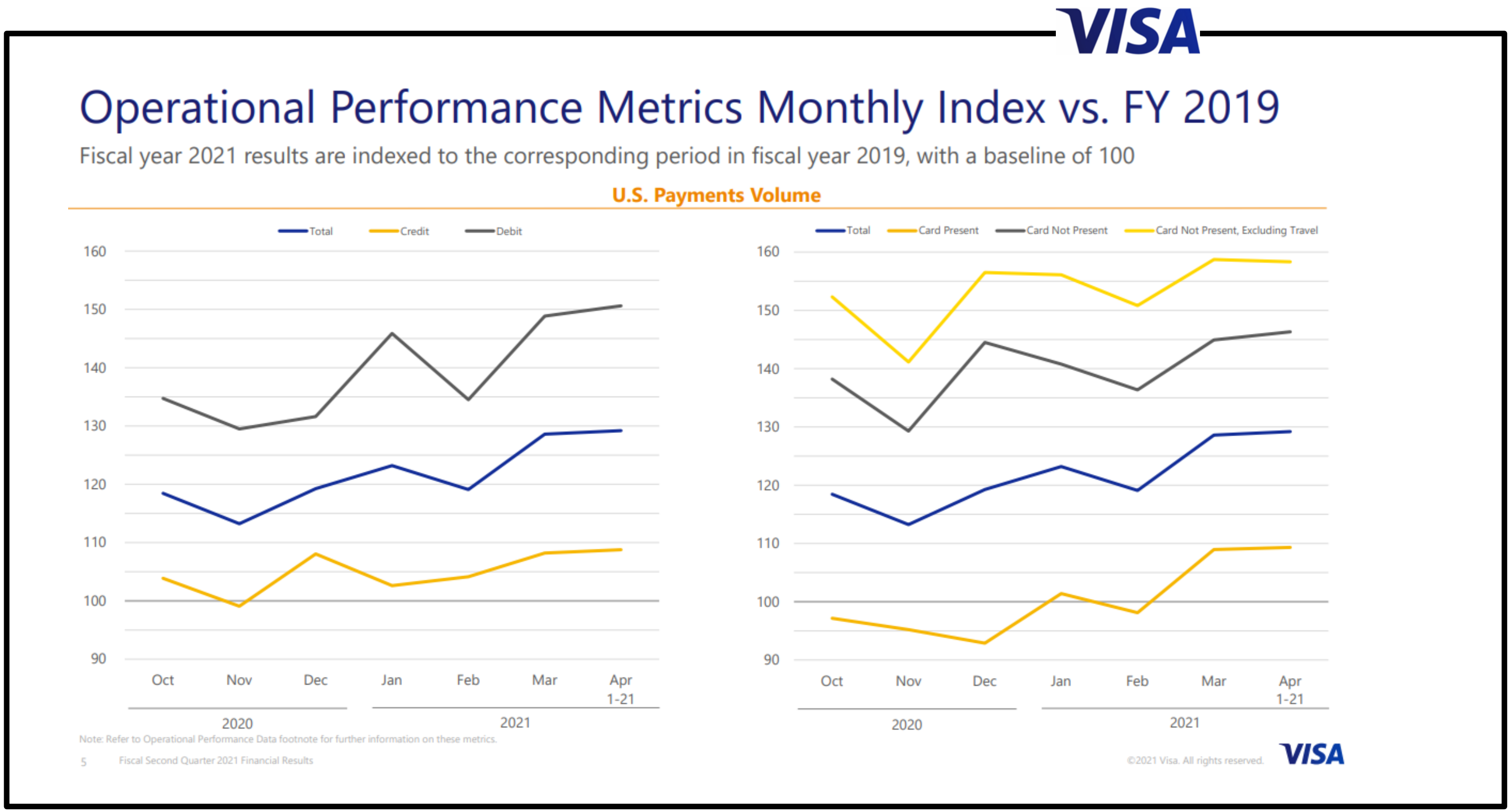
During the March quarter, we added more than 40 million paid subs sequentially, and **we have now reached more than 660 million paid subscriptions across the services on our platform.** This is up 145 million from just a year ago and twice the number of paid subscriptions we are only 2.5 years ago."

Source: C1Q'21 earnings

Payments & Fintech

Payments

Visa reported steady improvement in activity through 1Q’21…



Source: 1Q’21 earnings

Payments

…as did Mastercard

mastercard.

Business Update Through April 21st

	2021 vs. 2020 year-over-year growth %				2021 as a percentage of 2019[5]			
	January[1]	February[1]	March[1]	April 21 MTD	January	February	March	April 21 MTD
Switched volume[2]	**4%**	**4%**	**30%**	**65%**	**120%**	**118%**	**123%**	**123%**
United States	10%	4%	36%	63%	123%	116%	125%	129%
Worldwide less U.S.	(1)%	4%	26%	67%	116%	120%	122%	118%
Switched transactions[3]	**4%**	**2%**	**20%**	**58%**	**124%**	**122%**	**122%**	**122%**
Cross-border volume[2,4]	**(30)%**	**(24)%**	**11%**	**66%**	**80%**	**82%**	**82%**	**83%**
Intra-Europe	(22)%	(20)%	17%	50%	90%	90%	90%	90%
Other Cross-Border	(37)%	(29)%	5%	86%	71%	75%	75%	77%
XB CNP ex travel	34%	39%	44%	41%	159%	166%	163%	171%
XB Travel (CP + CNP travel)	(67)%	(63)%	(26)%	166%	37%	38%	40%	39%

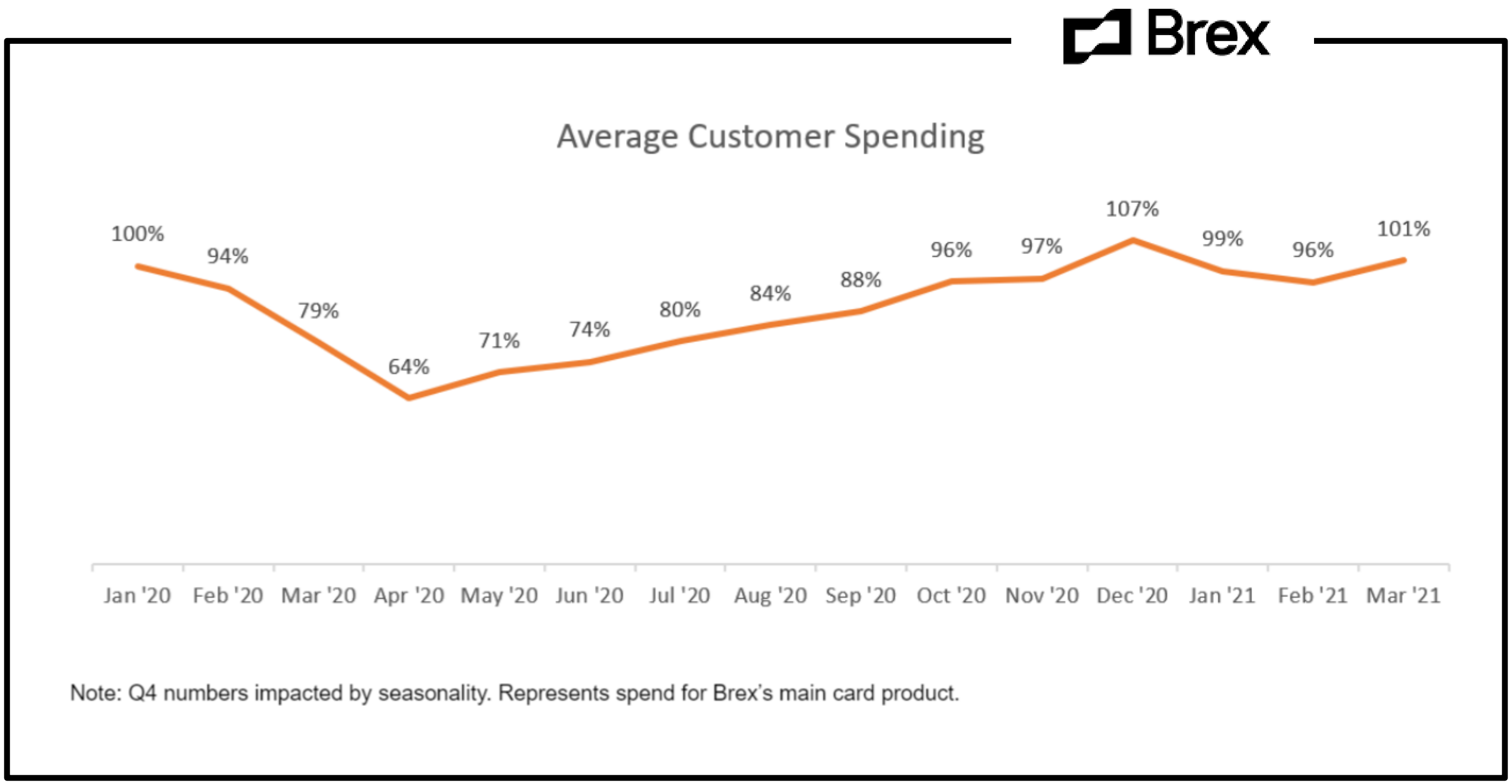
1. Growth rates have been normalized to eliminate the effects of differing switching and carryover days between periods
2. Mastercard-branded programs only; on a local currency basis
3. Total number of transactions switched by Mastercard
4. Cross-border volume growth is calculated in a manner as defined in the company's Supplemental Operational Performance Data
5. Represents 2021 volume or transactions expressed as a percentage of the comparable 2019 amounts, which have been adjusted for the following impacts: currency, differing number of switching days and/or carryover days

April 29, 2021

Source: 1Q'21 earnings

Payments

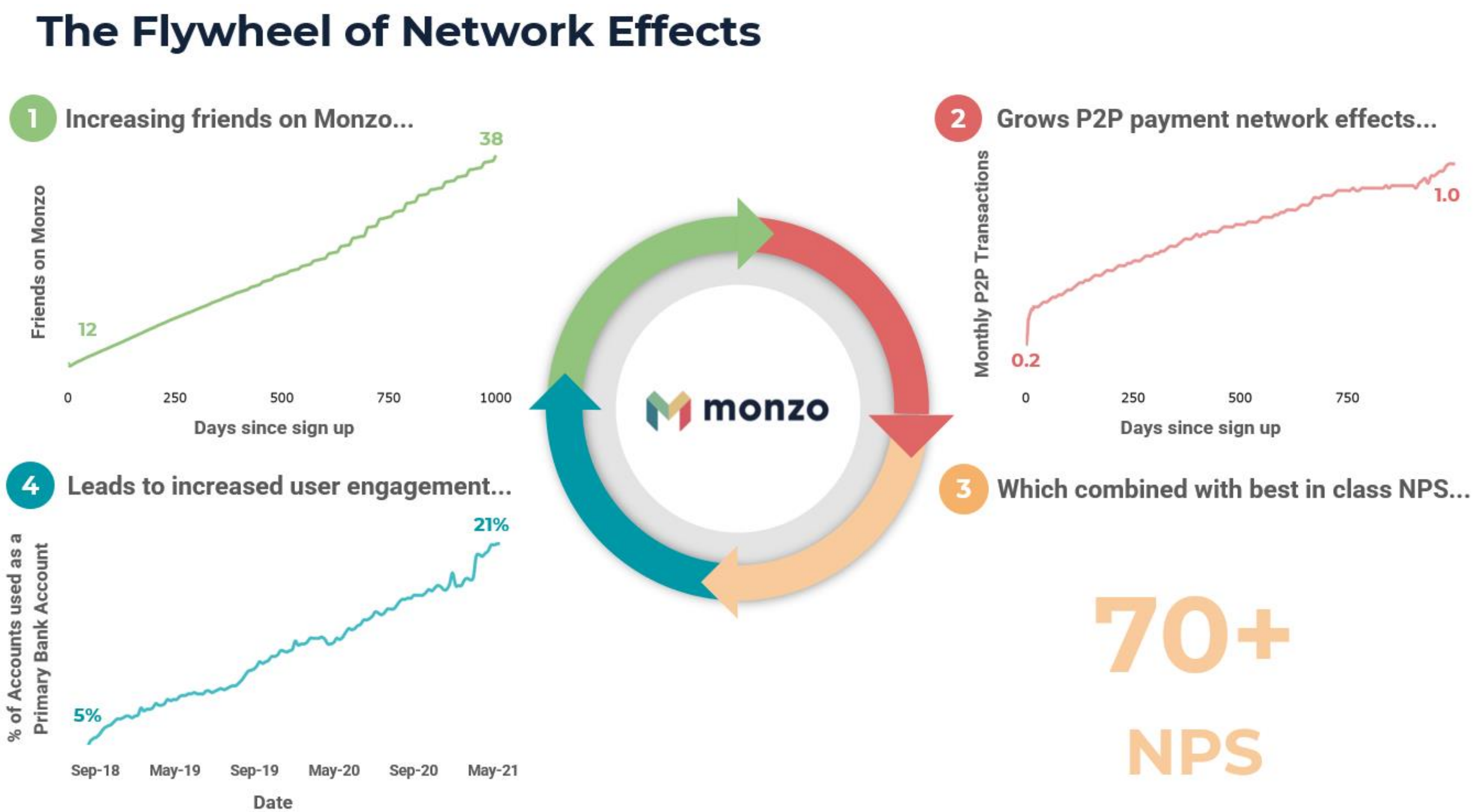
US SMB spending has rebounded strongly, per Brex



Source: Brex Inc. proprietary data made available for the exclusive use of Octahedron Capital Management.

Payments

Neobanks are a beneficiary of changing consumer behavior



Source: Monzo Bank Ltd. proprietary data made available for the exclusive use of Octahedron Capital Management.

Payments

Consumer behaviors with commerce and payments may have permanently changed…

VISA

"We definitely see millions of new people coming into e-com - shoppers who weren't there before. **And I don't think they're going to turn backward at all**."

PayPal

"We believe that the shift in **consumer digital behavior will remain essentially unchanged** in a post-COVID world. Consumers have expanded their digital lives into a seamless online and offline experience…We continue to see elevated e-commerce spending, well above pre-pandemic levels, **even in countries and markets that have begun to reopen.**"

Source: 1Q'21 earnings

Payments

…while grocery and beauty verticals seem to stand out

cardlytics

“The other thing I can clearly say with remarkable confidence that is **here to stay is online grocery**, we’ve just seen a massive shift in demand there, and we have not seen it start to shift back. I will say, in every other vertical, we've seen it start to shift back to in-store purchases…**they're all going backwards - and they're buying more in-store with the exception of those two categories** – beauty - which obviously doesn't have an in-store component - **and online grocery.”**

Source: 1Q’21 earnings

Payments

The pandemic seems to have redefined the consumer shopping journey….

"First of all, retail fundamentally changes - consumers aren't just going to go to their website. **They're going to be in large consumer platforms like TikTok or PayPal or others**. The reason Walmart wanted to buy part of TikTok is they wanted to kind of put shopping into that platform. We call it contextual commerce."

"It's the same thing inside PayPal. We know that people will start to utilize wish-list shopping tools, and wish lists are really a form of creating an individualized demand curve. This is what you want. This is the price point that you want it; retailer, if you can give me that, I'll buy it. **And so retailers are coming to where you are looking individually, personalizing offers to you. Retail is going to shift dramatically**."

Source: 1Q'21 earnings

Payments

…while BNPL (Buy Now Pay Later) is showing impressive momentum

afterpay

"Underlying sales in North America increased by 167% compared to Q3 FY20. **The US was up 211% on a local currency basis."**

"During the quarter approximately 17.6k NA customers joined the platform per day with a total active customer base of **9.3m** reached. "In April to date, that number has increased to 18.7k per day."

affirm

"Affirm delivered another strong quarter that exceeded the financial outlook, we provided in February. **We more than doubled our active merchant count year-over-year to nearly 12,000**. We accelerated year-over-year GMV growth to 83% from 55% in the second quarter **and excluding Peloton, our GMV grew 100 % up from 54% in the previous quarter.**"

Source: 1Q'21 earnings

Payments

BNPL is accelerating purchases that consumers could not otherwise afford…

affirm

"One nurse thanked us for the affordable monthly payments that allowed her to buy a **Theragun** prime massager, which helped soothe her aches and pains after a 12 hour shifts during the pandemic. A mother of two, thanked us for helping her take her family to **Disney World**, just before her new baby arrived. She appreciated that she could book a special vacation **without breaking the bank**."

Source: C1Q'21 earnings

Payments

…providing merchants with a powerful financing tool to increase sales

affirm

"It's pretty clear that **there's an enormous amount of pent-up demand on the merchant side**. **The competitive overlap is not yet a major topic on our minds**…And fundamentally, that [BNPL merchant fees] doesn't really go against the payments budget, and it doesn't compete with payments so much as **it becomes a marketing channel or a marketing accelerator**."

Source: C1Q'21 earnings

Payments

PayPal is attempting to build a payments SuperApp…

PayPal

“And this quarter, we're going to start to put out a ton more in the digital wallet. It'll be updated; it'll be a new user experience, and that will cross over **not just payments but basic consumer financial services as well as shopping tools** and those will be enhanced and enhanced over time, where the data and information from every one of those separate and unique products and services will be used to create even better experiences as people use other parts of the wallet"

“If you look at the annualized TPV of Venmo right now, call it about $205 billion and $210 billion of TPV. Think back when we went public - our TPV for the year was $285 billion, **so you basically have another PayPal inside of PayPal**”

“I think that pay with Venmo honestly could be way bigger than we imagine or even have in our models. It's really kind of **the moral equivalent of what PayPal was 15-20 years ago** when it was all P2P and then started moving out into merchant services"

Source: 1Q’21 earnings

Payments

…and so is Square

Square

"So there's a discovery aspect to it as well to see what is new and what new boost comes up. And this all goes back to what we continue to build within the cash app. This is an increase to the boost, cash card, investing, bitcoin. **All these things provide more network effects for us**."

"So we want to build **a suite of services** that are relevant to the audience we're trying to serve and are also critical to them and do it in one place where they don't have to really go anywhere else, just like our seller ecosystem."

"They don't have to hook anything else up. They don't have to download any other apps. They can do all the things that people want to do in this day, in this present moment from one app, and we'll continue to add more and more boosts because **we still consider it to be fairly early in terms of the capabilities that we're going to enable**. And it has a pretty exciting runway ahead of it."

Source: 1Q'21 earnings

Payments

Crypto getting mainstream adoption amongst older fintechs…

VISA

"The first opportunity **is enabling consumers to make a purchase of these currencies or Bitcoin** and we're working hard with wallets and exchanges to just make sure we're facilitating acceptance in people's ability to use their Visa cards to buy."

"The second opportunity **is enabling digital-currency cash-outs to fiat.** So converting a digital currency to a fiat on a Visa credential, which then makes funds available for shopping at any one of the 70 million Visa merchants and gives immediate utility to the digital currency."

"Thirdly, **is enabling financial institutions and fintech partners to be able to have a crypto option for their customers.** So what we've done in this space is we've created APIs that enable financial institution customers to purchase, custody, or even trade digital currencies held by Anchorage"

"Fourth one **is settlement.** We've upgraded our infrastructure to allow a financial institution to settle with in a digital currency with stablecoin, starting with USDC."

Source: 1Q'21 earnings

Payments

…as well as newer ones

Square

"We started with buying and selling of bitcoin in cash app. And a lot of our related work around government lobbying as well CTI is all around **making sure that the Internet can realize a native currency because it is so fundamental to businesses on the Internet and so fundamental to our business generally**."

PayPal

"We now have the most modern tech stack you can imagine. We are leading in innovation and we want to work with Central Banks, with governments, with regulators to really think about how do we shape the next generation of the financial system, so that it's faster, less expensive and more inclusive and that is a huge opportunity, **because digital currencies and digital wallets go hand in hand together and I think over the next 5 to 10 years, the very foundation of our system is going to change** and I think PayPal can be a major player in helping to shape that"

Source: 1Q'21 earnings

Payments

Coinbase envisions the future of crypto in three distinct phases…

coinbase

We're seeing crypto, **first, be used as for investment**, people are trading it.

Stage two is crypto in financial services, and so that's where you're starting to see things like decentralized exchanges, DeFi, decentralized borrowing and lending…

And in the **third phase**…the future is around crypto as an app platform. And so that could mean people using crypto as kind of like the next version of the internet, they will build their application natively on blockchains, even if they have nothing to do with financial services. We're seeing some early signs … like identity management, creating games, artwork with NFT's.

In a perfect world, people will be able to just tap and open one of these third-party applications and it'll already have their wallet connected, because of course, **our strategy is to be the primary financial account in the cryptoeconomy and in the future, maybe even their identity and everything is already connected when they just open one of these third-party applications**.

Source: 1Q'21 earnings

Payments

…while attempting to build the "AWS" for crypto

coinbase

We've built that other companies can build upon, and we're doing that through a product called Coinbase Cloud. **You can imagine it is kind of like our AWS for crypto** where we're starting to offer more APIs and services like this that other banks and really any other kind of company can use to integrate with the blockchain.

Any company that wants to build a crypto application, a new DeFi app or offer their customers a service, such as custody or staking will need to securely operate with blockchain node infrastructure, and as we said before - crypto's complex - this is really scarce talent that knows how to operate these nodes and operate this infrastructure. So we believe we can provide tools that make developing in crypto trusted and easy to use just like we made Bitcoin accessible to millions of people. **So much like today's internet companies, use AWS for cloud infrastructure, we're seeing a shift towards companies using Coinbase Cloud - to power their blockchain infrastructure."**

Source: 1Q'21 earnings

Payments

Central Banks exploring the issuance of digital currencies adds legitimacy to crypto

PayPal

"Central bank-issued digital currencies can also take advantage of distributed ledger technology [DLT] or other modern technologies, but they're basically digitizing a fiat currency like the U.S. dollar. A digital dollar would be fully backed by the U.S. government, but done in a digital fashion, and that **might allow the government to open up Fed funding to other institutions besides banks, potentially companies like PayPal, where you could fund straight from the Fed right into a digital wallet.** You wouldn't have to send out stimulus checks in the mail—just go directly into their digital wallet through a digital currency, instantaneous access, no cost and friction."

VISA

"Central bank digital currency is being explored in many nations. And I think it could end up being -- prove to be quite valuable in countries where **the infrastructure to distribute cash is either unavailable or limited**."

Square

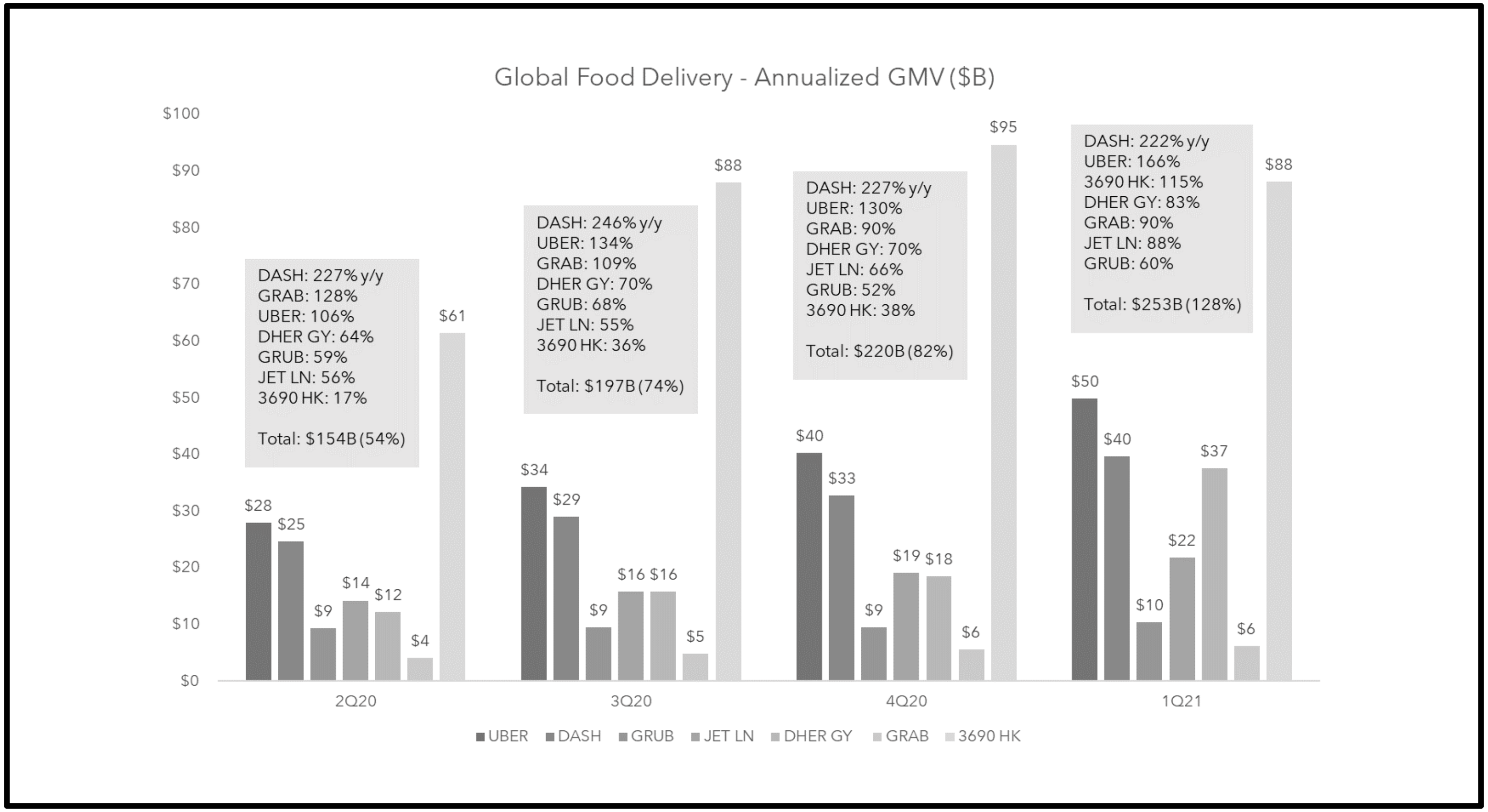
"With direct deposit, we've seen encouraging recent progress...with March being our highest number of overall direct deposit actives and our first-time actives growth driven by **government fund inflows, paycheck deposits and tax refunds...**And it's through the broader growth of inflows that **we see an opportunity to continue to invest and see higher ARPUs over time**."

Source: 1Q'21 earnings

On-Demand & E-Commerce

On-Demand

Global on-demand delivery growth continued to accelerate in 1Q'21



Source: 1Q'21 earnings; Octahedron estimates for Grab in quarters other than 4Q'20; DHER 1Q'21 growth rates normalized for Woowa acquisition

On-Demand

As restaurant supply gets commoditized, non-restaurant orders likely drive LT growth

"**Over the past four years, we went from just over 3,000 restaurants offering delivery to now more than 30,000 restaurants for 75% of our global footprint.** We're excited about our success with multiple 3PL partners and we continue to innovate. That includes testing, self delivery models and select markets and identifying ways to improve restaurant operations for deliveries so that customer experience will get better and better."

"**Merchants on the platform exceeded 700K**: Active Delivery merchants on Uber Eats grew 76% YoY."

Source: 1Q'21 earnings

On-Demand

Non-restaurant orders are now reaching meaningful scale at Uber and Meituan…

Uber

"Our New Verticals business expanded substantially during the quarter with an annualized GB run rate nearly doubling from Q4 and **reaching $3 billion in March.**"

美团 Meituan

"In 2020, Meituan Instashopping also achieved a stellar growth as we continued to broaden and diversify merchant base, build out our marketplace capabilities, and convert more food delivery consumers into non-food category consumers. Moreover, we tailored our operational strategies for different products and verticals, which should prove to be quite effective in growing this business. **In Q4 Meituan Instashopping daily peak orders reached 4.5 million.** *[~$16B RR (Octahedron est)]*"

Source: 1Q'21 earnings and 4Q'20 earnings; Assumes DASH non-restaurant orders at $25 AOV, assumes DHER GY Q-Commerce orders at $15 AOV, assumes 3690 HK Instashopping orders at $10 AOV

On-Demand

…as well as at Doordash and Delivery Hero

DOORDASH

"With respect to some of the new categories, we're very excited about our progress. I mean, growing 40% quarter-on-quarter, **our non-restaurant orders now are totaling over 7% of our total orders** *[~$2.3B RR (Octahedron est)]* and again this happened in a pretty short period of time."

Delivery Hero

"We do this with traditional food delivery, but of course, also in the significant growing quick commercial space. As an example, here, **in April, we delivered more than 400,000 orders per day in our quick commerce** *[~$2.2B RR (Octahedron est)]*, which likely makes us the largest global quick commerce player."

Source: 1Q'21 earnings and 4Q'20 earnings; Assumes DASH non-restaurant orders at $25 AOV, assumes DHER GY Q-Commerce orders at $15 AOV, assumes 3690 HK Instashopping orders at $10 AOV

On-Demand

Multi-verticality is seeding the potential for an on-demand SuperApp in the US…

DOORDASH

"So **customers who order from new categories subsequently increase their frequency with restaurants by a greater amount than those who do not order from new categories** said differently, once you begin to use multiple categories that actually increases your engagement with the core restaurant category. And then the other thing we found is that **customers who actually engage with us across different categories beyond food, also creating best stronger retention and engagement** versus restaurants place there versus consumers appear that they're already start selling. So we're actually seeing strength because the addition of categories being skewed mix user stickier with our platform."

Source: 1Q'21 earnings

On-Demand

…While Rappi's impressive cohorts show the power of a multi-vertical SuperApp

Rappi

Spend by cohort, indexed to year 1

	Year 1	Year 2	Year 3	Year 4	Year 5
2016 Cohort	1.00x	2.37x	5.06x	7.86x	**11.37x**
2017 Cohort	1.00x	3.07x	4.96x	**7.62x**	
2018 Cohort	1.00x	2.49x	**3.86x**		
2019 Cohort	1.00x	**1.61x**			

coupang

Spend by cohort, indexed to year 1

	Year 1	Year 2	Year 3	Year 4	Year 5
2016 Cohort	1.00x	1.37x	1.80x	2.37x	**3.59x**
2017 Cohort	1.00x	1.80x	2.35x	**3.46x**	
2018 Cohort	1.00x	1.98x	**3.06x**		
2019 Cohort	1.00x	**2.19x**			

Grab

Spend by cohort, indexed to year 1

	Year 1	Year 2	Year 3	Year 4	Year 5
2016 Cohort	1.00x	1.41x	1.93x	2.75x	**3.63x**
2017 Cohort	1.00x	1.49x	2.19x	**2.78x**	
2018 Cohort	1.00x	1.62x	**2.06x**		
2019 Cohort	1.00x	**1.45x**			

DOORDASH

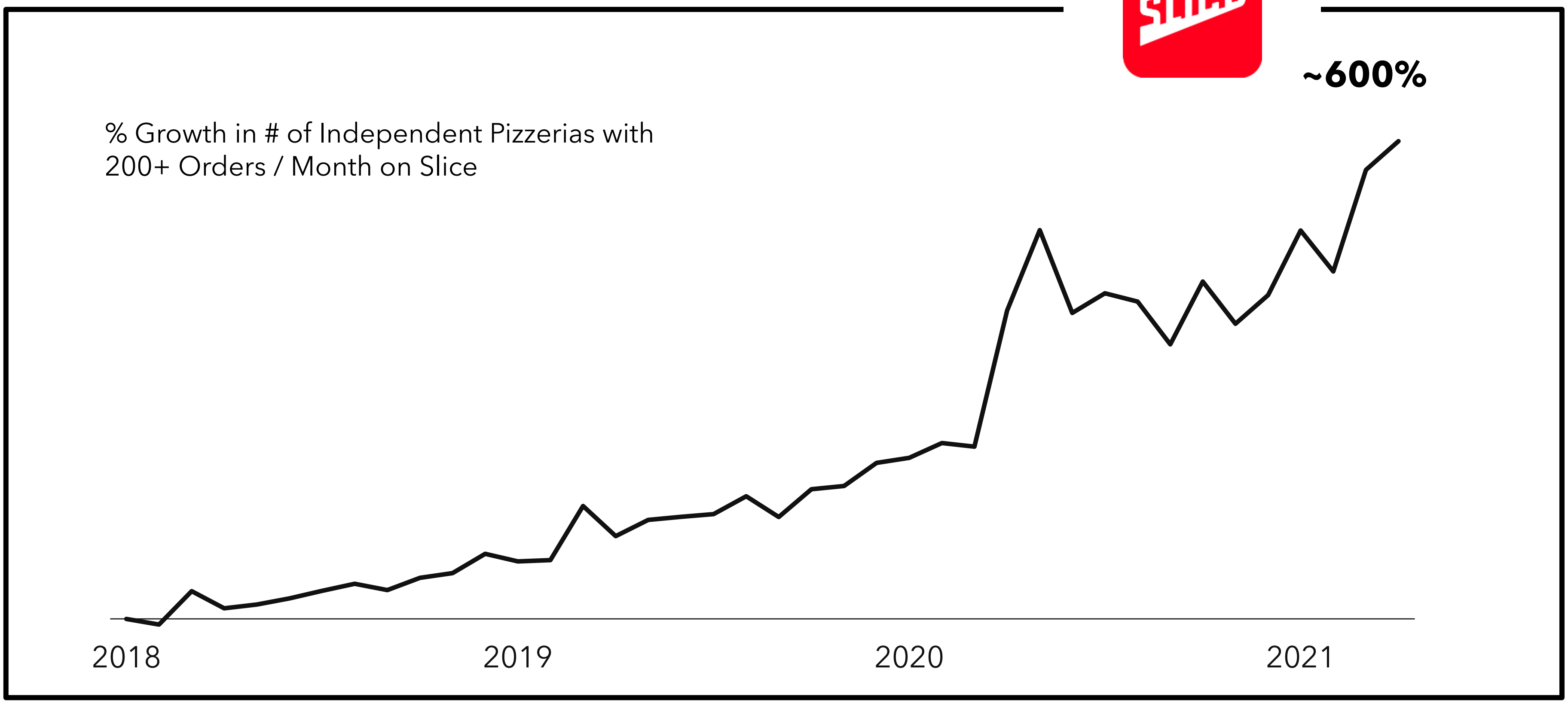
Spend by cohort, indexed to year 1

	Year 1	Year 2	Year 3	Year 4
2016 Cohort	1.00x	1.38x	1.39x	**1.57x**
2017 Cohort	1.00x	1.48x	**1.62x**	
2018 Cohort	1.00x	**1.65x**		

Source: Company filings, Rappi proprietary data made available for the exclusive use of Octahedron Capital Management

On-Demand

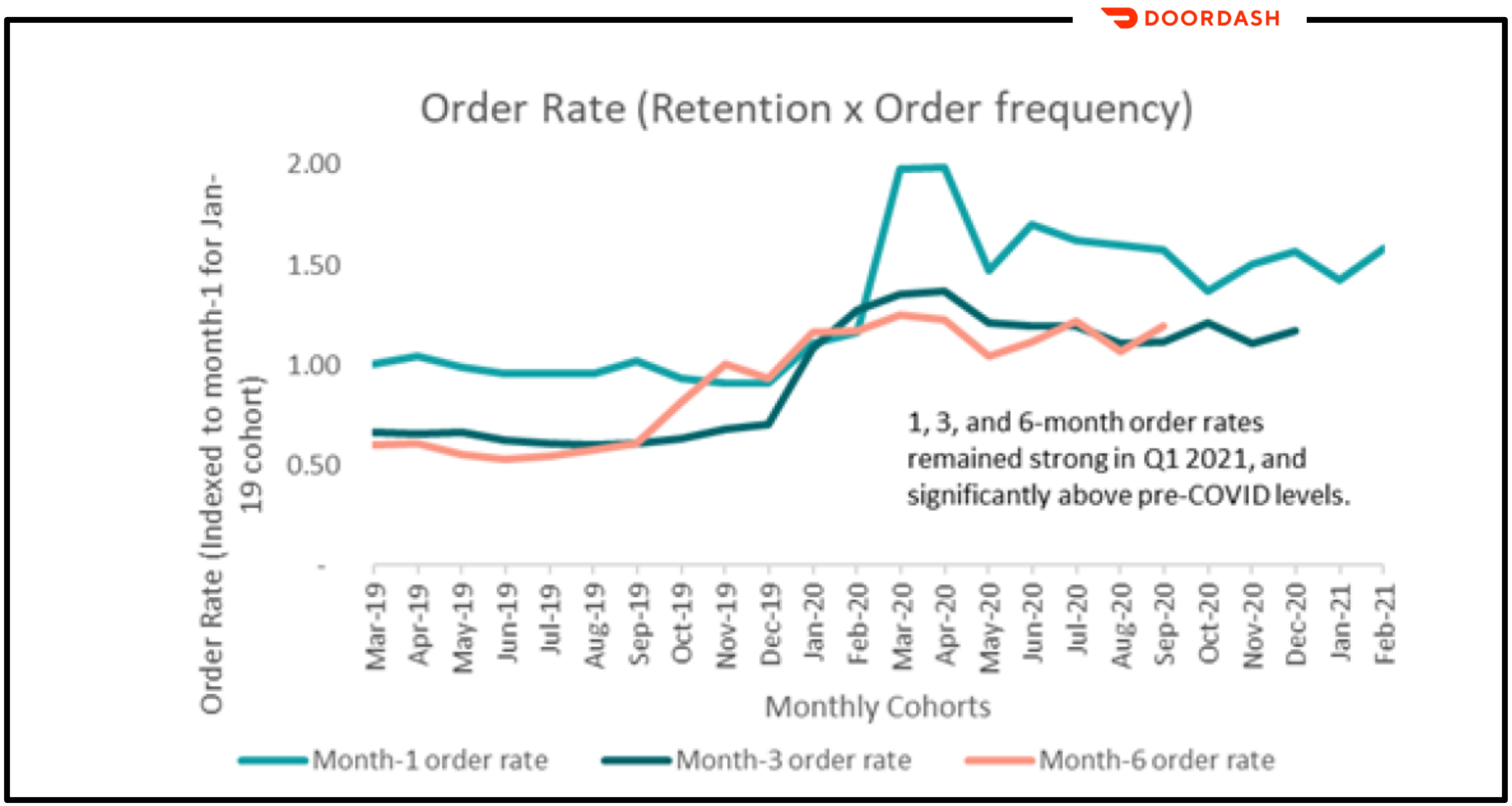
That said, focus on a single-vertical can also have significant impact, as shown by Slice



Source: Slice proprietary data made available for the exclusive use of Octahedron Capital Management.

On-Demand

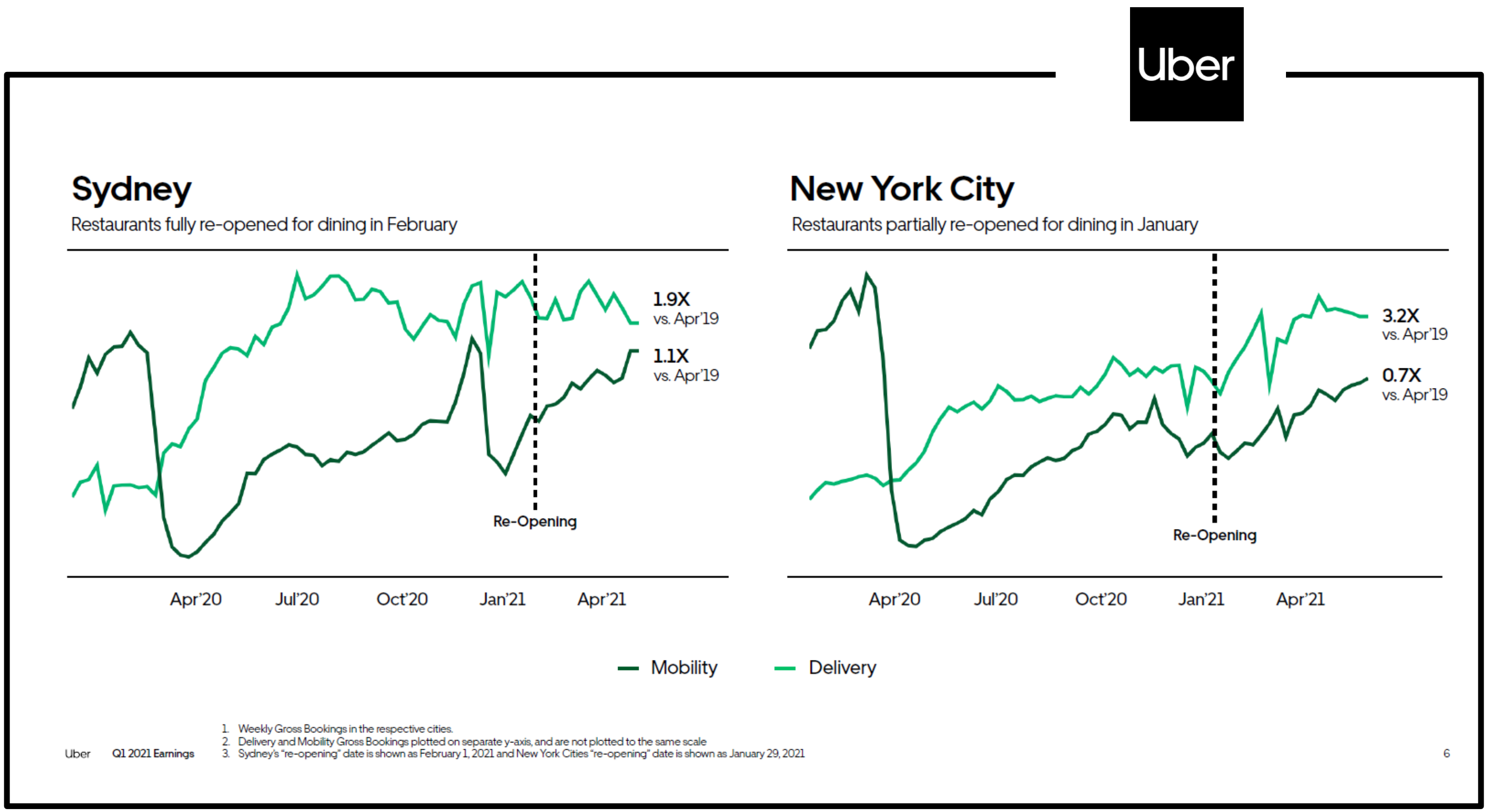
Even as cities re-open, DoorDash cohorts exhibit little weakness…



Source: 1Q'21 earnings

On-Demand

…a trend also seen in Uber's delivery business…

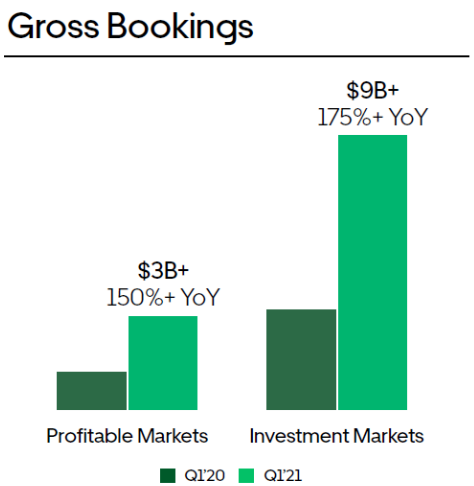


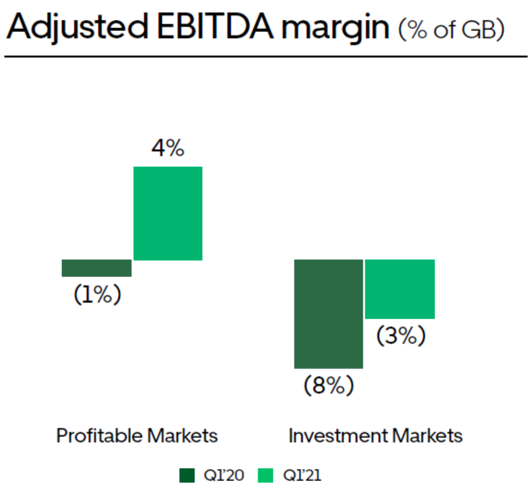
Source: 1Q'21 earnings

On-Demand

…which seems close to profitability on a consolidated level

"Some of the patterns that we see in profitable versus unprofitable markets is **profitable markets have lower incentive spend**…and **this is because you kind of build the cohort of very, very loyal users** and they come back to you out of habit not necessarily from price, early on, you use price to really grow your user base."





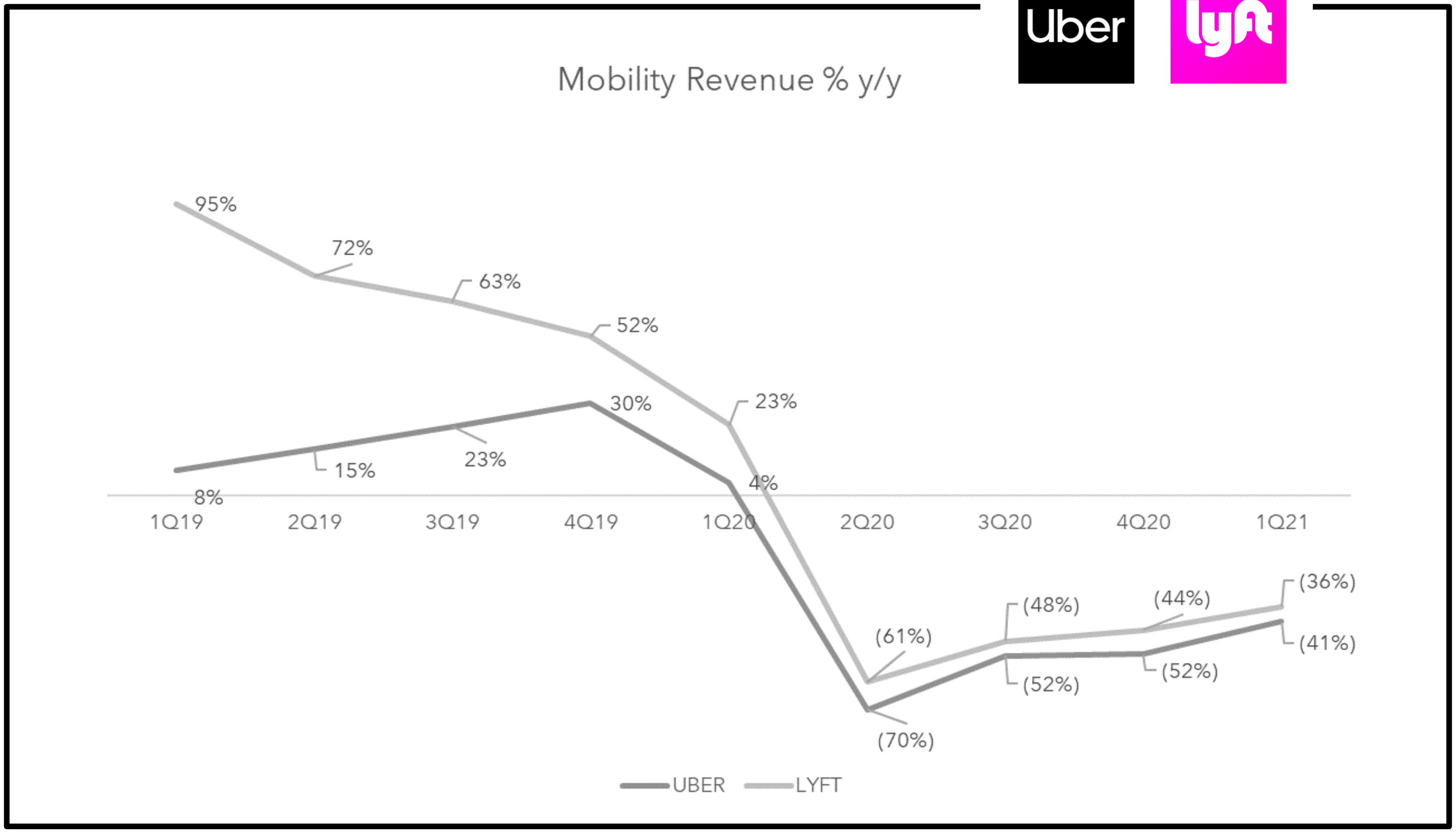
Uber Q1 2021 Earnings

1. Profitable markets include the 12 markets that were Delivery EBITDA profitable in Q1 '21 and investment markets represent the rest of Delivery's existing footprint.
2. Gross Bookings and Adj EBITDA exclude exited markets.

Source: 1Q'21 earnings

On-Demand

Rideshare recovery muted, but steep rebound likely this summer…



Source: 1Q'21 earnings

On-Demand

…and driver shortages likely to ease over the next few months

Uber

"**In several countries including the US, we'll continue to lean in with targeted incentives for new and existing drivers to build up significant supply** which will enable us to achieve maximum velocity as the recovery plays out."

lyft

"One is just **as more and more drivers are getting their second dose and feeling safer driving** and as overall case rates come down.

Two is **the federal unemployment benefit are sunsetting in Q3.** And that's clearly been having an impact, I think on the whole ridesharing industry, but on the broader economy beyond ridesharing.

And then third, nobody knows exactly what the delivery market will look like, but **if delivery does slow down as the economy reopens,** then we would expect to see **delivery drivers back to ridesharing**."

Source: 1Q'21 earnings

On-Demand

Regulatory concerns over gig economy worker classification appear overblown

Uber

"The fact that the Labor Department has said that they want to engage key companies on this issue, the fact that they said just as latest today that **they are not planning to offer new regulations for independent contractors in the near future.** We think all of that creates sort of a real opportunity for a dialog that can ultimately lead to a solution that gives gig workers the protection they deserve, while preserving the innovation that, that gives them the flexibility that they desire."

lyft

"At a high level, yes, we're talking to policymakers across the country. **Having very good conversations about what drivers want, which was made clear in Prop 22. They want independence as well as benefits.** And so, I would expect more models like that to come forward over the coming quarters. The way we were successful with Prop 22 was working together and creating a coalition of the industry, and that's how we'll do it going forward. So overall, **I'm optimistic we'll have a few more success stories on bringing this model to more states this calendar year**"

DOORDASH

So we're very excited about what we heard. Secretary Walsh and the Biden administration say which to our ears was that **they're very excited in figuring out with us with the private sector companies how to actually construct a model that takes us into the 21st century instead of moving backwards toward the 20th century.** I mean if you think about it what DoorDash stands for is optimizing for the worker. So in this case the Dasher, the millions of drivers on our platform."

Source: 1Q'21 earnings

On-Demand

Traditional retailers now scaling up same day on-demand services…

Walmart

"In general, **we have been working on capacity improvements and capacity growth when it comes online pickup and delivery from stores**, and that's something that we have been tackling for some time now, and accelerated last year and we manage things what we call things like slot utilization or available slots, and we have more slots available for picking, for schedule orders than we've ever had."

TARGET

"In the face of this incredible growth, **there are emerging opportunities in high volume locations to invest in capacity and efficiency in support of our same-day services.** Specifically, in more than 100 locations this year, we're investing in small projects to optimize the front ends of these buildings, freeing up additional capacity for continued same day growth, while making the lay-out more efficient and safer for the team."

Source: 1Q'21 earnings

On Demand

…which seem to be a key driver of their subscription programs

Walmart

"On membership, inside Walmart, this is a new program for us. **The number one driver of selling memberships is the grocery supercenter pickup** and delivery, and as we said before, capacity is our issue there. And as we said in February, our focus is on the quality of that experience, not the quantity. We want some time to work on NPS."

Source: C1Q'21 earnings

E-Commerce

(Even) more evidence that consumer behaviors may have permanently changed

"For example, our digital comps more than doubled for the full-year and grew 92% in the fourth quarter, driven by a healthy combination of increases in traffic and conversion. …and enabled us to achieve **three years early** our 2023 goal of doubling our e-commerce revenue **from 2018 levels**.

I don't expect the pandemic tailwinds to disappear once mass vaccinations have occurred. Guest were seeking more convenient at-home options before COVID-19, and **they will continue to seek these options post the pandemic"**

shopify

"Australia and New Zealand…it's not an exact proxy…but it does provide some indication that this new buying behavior in the way that retail operates is a permanent shift long after the pandemic is over. **It's quite clear that this is not a temporary thing."**

Source: 1Q'21 earnings

E-Commerce

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

PROLOGIS®

"**E-commerce demand remains elevated, representing 25% of new lease signings in the first quarter,** the balance of leasing is diverse with outsized growth among companies that provide food and consumer products as well as renewed momentum in the construction segment as housing expands."

Source: 1Q'21 earnings

E-Commerce

Offline retail seeing (unsurprising) strength in apparel and weakness in food/essentials…

TARGET

"For instance, with guests venturing out, **we've seen an incredible rebound in apparel sales with Q1 comp growth of more than 60%.** On the other hand, and **as expected, we experienced slower growth in food, beverages and essentials**, as we annualize the peak stock up period a year ago."

Source: C1Q'21 earnings

E-Commerce

…while online retail seeing (surprising) strength in home, fitness and outdoor

affirm

"…that said **we are not seeing a reduction in demand** in fashion and in home, fitness, outdoor. All the different categories, where Affirm has traditionally been very, very strong are in fact, continuing strong."

Source: C1Q'21 earnings

E-Commerce

The transformation of traditional retailers to omnichannel is now complete…

Walmart: "Globally, e-commerce sales growth remains robust **at more than 40%**"

Target: "First quarter **digital comp sales also grew 50%** on top of last year's enormous numbers."

Albertsons: "In FQ4 (CQ1), **digital sales growth accelerated to 282%**, with growth of 258% for the full year."

Sprouts Farmers Market: "**E-commerce sales continued to remain strong with sales of 221%**, compared to last year."

Best Buy:
C1Q21 Online Sales Growth: +7.6% y/y
C1Q20 Online sales Growth: +155.4% y/y

Source: 1Q'21 earnings

E-Commerce

…as retailers are now experimenting with new store formats for e-commerce

"Late last year, **we launched a pilot in Houston to test a much more experiential store**… From a fulfillment standpoint, we reoriented the location of the store warehouse to be adjacent to a new covered driveup curbside experience and lockers."

"**we are piloting new store formats as primary fulfillment hubs** in four Minneapolis locations. In these locations, we reduced the shoppable square footage to provide incremental space for staging product for in-store pickup and to support shipped from store transactions."

"Later this year, **we will be piloting a new market approach**… **From a physical store standpoint, in this market, we will be testing an array of different prototypes, including 15,000, 25,000 and 35,000 square-foot stores, a new outlet store and even smaller 5,000 square-foot stores.** Our goal is to improve customer penetration by delivering new more efficient and still experiential store formats that are more proximate and relevant to customers."

Source: C1Q'21 earnings

E-Commerce

Shopify has become the primary partner for ad business turning on e-commerce

shopify

"The number of shops actively selling on **Facebook Shops has more than quadrupled since Q1 a year ago, as well as the GMV through Facebook**. While still small, the launch of Facebook Shops in May of last year is clearly starting to make a difference here."

"In Q1, **we expanded our marketing partnership with TikTok internationally** to an additional 14 countries in North America, EMEA, and APAC so far we've seen good satisfaction in the adoption of TikTok in the US since we launched the integration last October. "

"We recently **expanded our Pinterest channel** into 27 additional markets opening discoverability and sales opportunities worldwide. More merchants are leveraging the value of Shopify Point Of Sale, a true omni-channel solution, as a number of locations using our Point Of Sale Pro increased substantially over the first three months of this year."

Source: 1Q'21 earnings

E-Commerce

Carvana continues to see demand growth outpacing available supply…

CARVANA

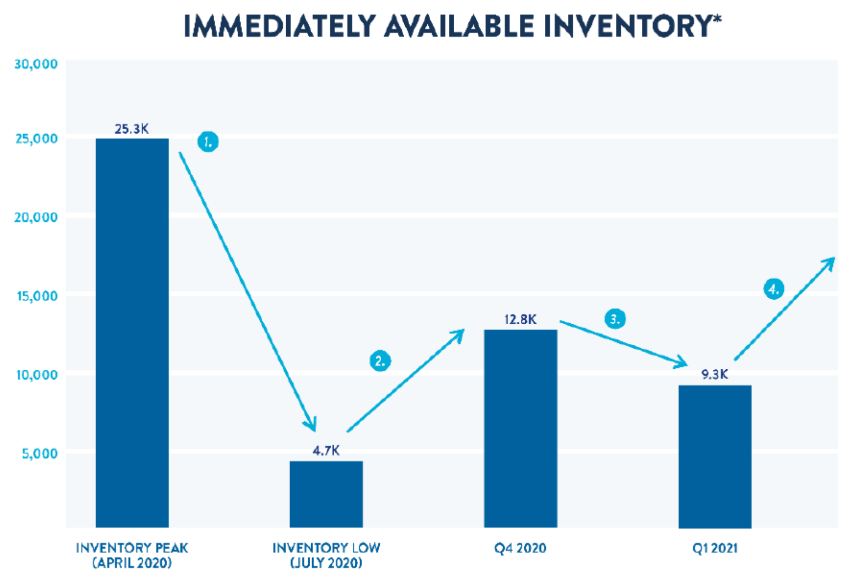
"While we have made significant progress over the past two quarters increasing production volume, **rapid demand growth has thus far outpaced these increases, leading to a 27% reduction in average immediately available inventory from Q4 to Q1. We believe additional inventory would have led to more retail units sold in Q1,** and thus we remain focused on growing inventory by scaling production volume as quickly as possible."

1. COVID-19 first wave hits; paused vehicle purchasing and reduced hours at IRCs to position business defensively. Demand then rapidly rebounds driving available inventory down 80% from its peak.

2. Production increases at IRCs more than doubling available inventory from its low.

3. Third wave of COVID-19 paired with growth accelerating to 76% YoY in Q1 2021 caused additional reductions in available inventory.

4. We opened 1 IRC in Q1 2021 and expect to open 9 more by the end of 2022.



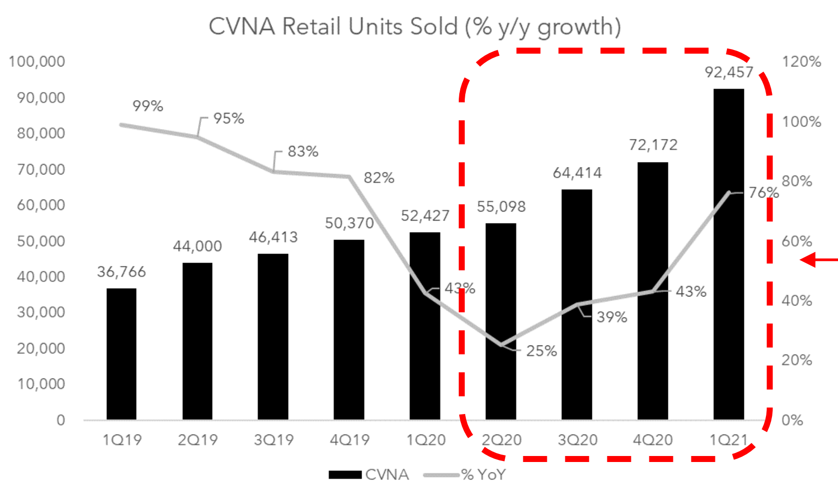
Source: 1Q'21 earnings

E-Commerce

… but is likely to return to inventory growth in 2Q'21

CARVANA

"Importantly, the investments we've made in ramping up our ops capacity in general and our inspection center capacity in particular are starting to pay off. As a result of the ongoing focus, **weekly production levels have been up closer to 50% above the fourth quarter more recently**, which positions us well to begin growing inventory and increasing selection for our customers again for the first time since the pandemic struck over a year ago."



Execution delivered despite supply constraints and COVID disruption

Source: 1Q'21 earnings, Octahedron Analysis

E-Commerce

Etsy non-mask GMS growth continued to accelerate…

Etsy

"**Non-mask GMS growth accelerated 20 percentage points quarter-over-quarter to 138%**, the second consecutive quarter of sequential acceleration. As anticipated, mask sales continued to contract as a percentage of overall GMS to 2.5% down from 4% in Q4."

Source: 1Q'21 earnings

E-Commerce

… driven by a virtuous flywheel of increasing frequency, take rates and brand value

Etsy

First, **we continue to benefit from buyer frequency as our cohorts are engaging with us more often**, leading to material gains in lifetime value. For example, GMS per buyer is up 20% year-over-year and as we achieved growth in LTV, it enables us to spend more marketing dollars and a healthy ROI.

Second, as part of our Offsite Ads initiative, we generated an additional seller fee when we successfully place an ad that leads to a sale. **This incremental revenue recoups approximately 30% of our performance marketing spend and increases lifetime value**, and consequently allows us to reinvest to drive more growth for our sellers, a beautiful virtuous flywheel.

And third, because **we have continued to heighten awareness of the significant breadth of merchandise on the Etsy platform, there is higher demand for our long-tail of keywords, creating more ad inventory for us to bid on that meets our ROI hurdles**."

Source: 1Q'21 earnings

E-Commerce

Increased pet adoption in 2020 has resulted in structurally elevated recurring revenues at Chewy

chewy

"Our performance and dynamics of this past year have provided us with an advanced look at Chewy's future... **Pet adoption surged in 2020 as millions of people** sought out comfort, companionship and the joy of pet parents.

…**Looking at our own data, it is clear to us that these new pet parents are joining us early in their journey. For example, in 2020, we observed a 35% year-over-year increase in the creation of pet profiles for puppies and kitten and a 40% increase in the creation of profiles for newly adopted pets.** We get excited about these insights because that newly adopted Chewy puppy is going to grow up, eat more food and shred more toys, leading to a long-lasting relationship with us, resulting in a stream of recurring revenues for years to come."

Source: 4QFY'20 earnings call

E-commerce

Shopee continued to grow unabated despite increasing competition

"Shopee delivered exceptional results for the first quarter building on its stellar performance in 2020, as it continues to gain momentum and attract more buyers and sellers. In the first quarter, Shopee reported 1.1 billion gross orders, up **153%** year-on-year, and GMV of $12.6 billion, an increase of **103%** year-on-year. GAAP revenue grew 250% year-on-year to $922.3 million. Our year-on-year order growth rate continued to accelerate in the quarter, underscoring our strengthening market leadership."

Source: 1Q'21 earnings

E-Commerce

In China, the race is on to connect the last 400M internet users to e-commerce

美团 Meituan

"Meituan Select is a very big opportunity for us and is **a new efficient way to get access to several hundreds of millions of new users**. So we are committed to become a leading player in this community e-commerce business…it will have **access to the last 300 million or 400 million Internet users.**

…We are talking about towns or even villages in some places, including all the rural areas. In the past, the e-commerce -- different models of e-commerce and existing infrastructure were not able to serve the needs of those rural areas, until we have the community [group buying] E-Commerce [model]. **This new model will effectively acquire more users on our platform and lower the cost across the value chain and expand our business to broader retailing of goods."**

Source: 4Q'20 earnings

E-Commerce

The big platforms are leveraging this opportunity to defend and expand their reach

Tencent 腾讯

"**The entire Internet industry is undergoing a new round of additional investment in which investors and companies are prioritizing growth over profit**. We can see this in our own investee portfolio where heavy investments are made in areas such as community group buy, electric vehicles and user acquisition. As for Tencent, **we see opportunities to proactively invest** in several areas where we can be an early mover and a shaper of industry evolution rather than playing catch up later."

"In terms of the stepped-up investment, the most important driver is that we have seen an acceleration of market trends… around the businesses moving online… Part of that is also the fact that the industry is actually moving faster ahead, right. So if you look at this history of Tencent, we have always tried to stay ahead of the curve, invest ahead of the curve and be a shaper in terms of the industry trend. **But if the entire industry is actually moving faster, then we actually sort of have to step up that gas pedal in order to stay even more ahead** of the others."

Alibaba Group

"Therefore, **we plan to invest all of our incremental profits in this coming year into core strategic areas** such as technology innovation, support programs for merchants to lower their operating costs, user acquisition and experience enhancements, merchandising and supply chain capabilities, infrastructure development and new business initiatives… They will be **designed to enlarge our total addressable market, differentiate consumer and merchant value proposition from our competitors and generate greater consumer engagement and purchase frequency.**"

Source: 1Q'21 earnings

E-Commerce

Alibaba leveraging omni-channel to build tailored solutions for its consumers (1/2)

Alibaba Group

"Alibaba introduced our New Retail strategies in 2016, and we have executed our strategy based on **multiple business models to serve the various demands of consumers**. For groceries, fresh produce and FMCG products, we transformed off-line retailers such as Sun Art, through digitalizing their operations and created New Retail formats, such as Freshippo, that integrate online/offline experience. The combination of these New Retail formats **satisfy consumer demands not only in-store but also in nearby communities by offering comprehensive delivery options from 1 hour, half a day, same day and next day**.

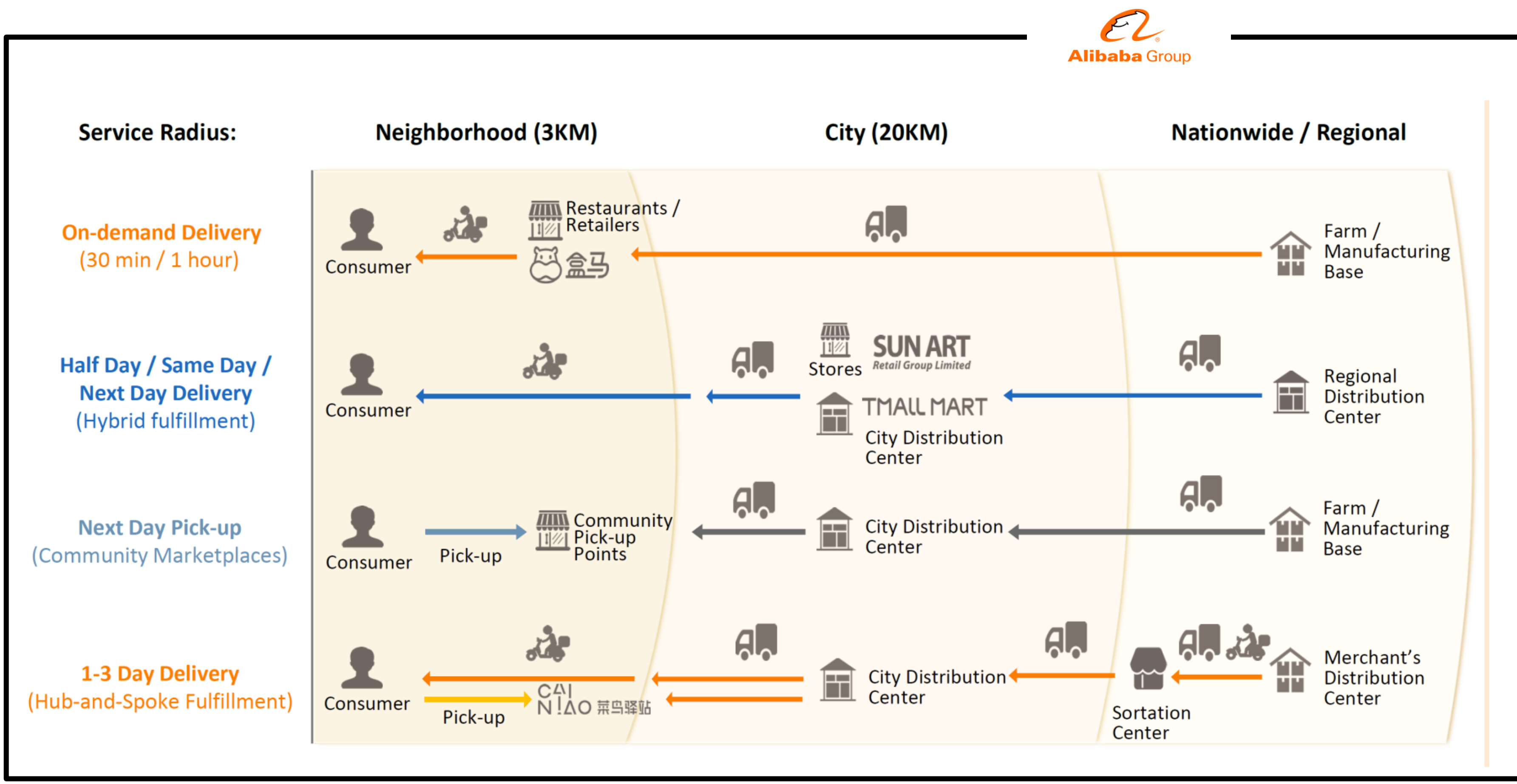
As part of **our latest exploration in New Retail, we started the Community Marketplaces business in selected regions in China**. Our Community Marketplaces is supported by the supply chain capabilities of Freshippo, Sun Art and other partners. In addition to 1-hour, half-day, same-day and the next-day delivery options mentioned above, we now offer community consumers with the option of order today and pick up tomorrow…the Community Marketplaces model is one of the essential ways to serve price-conscious consumers. **This model can help us acquire new customers in low-tier cities and rural areas and further increase our users' consumption frequency and stickiness**.

We will grow this business, **leveraging Alibaba Ecosystem's full core capabilities**, including merchandising and supply chain capabilities, logistics and fulfillment infrastructure, consumer engagement capabilities and the distribution channel development and management capabilities."

Source: C1Q'21 earnings

E-Commerce

Alibaba leveraging omni-channel to build tailored solutions for its consumers (2/2)



Source: C1Q'21 earnings

E-Commerce

Pinduoduo intends to redesign China's entire food and grocery industry

"Our aim is to become the world's largest agriculture and grocery platform.

First, we're gratified by our positive early foray into agriculture-focused logistics infrastructure system, DuoDuo Grocery. It **intelligently connects our users directly to local farmers and increases the variety of fresh produce they can purchase online. It lowers cost by reducing spoilage from storage and transport and improves the carbon emission and eliminates that from the last mile.** Farmers earn more as well.

Second, we will introduce our consumer to manufacturer revolution to agriculture. We already enjoy a very good partnership with farmers and agri-merchants. **More than 12 million farmers sell through our platform.**

Third, we are making headway in tapping on science to improve the food system. As Lei mentioned, we are backing a first-of-its-kind study on the health impact of plant-based meats**. There is growing recognition our current dietary patterns are neither healthy nor environmentally sustainable. Replacing meat with plant-based alternatives is a promising solution to both issues**…"

Source: 1Q'21 earnings

E-Commerce

Chinese Internet companies are emphasizing their social responsibility goals

美团 Meituan

"We will continue to focus on ESG and proactively executed a carbon neutrality initiative. Not only do we innovate to promote sustainable packaging, we also advocate the holistic management of our bikes to provide a more environmentally friendly transport solution. We will also commit to investing in future technology and driving innovation on every front to ensure our continued progress and the creation of… societal values."

Pinduoduo (PDD): "We constantly think about how we can best marshal our resources and reach to catalyze improvements and bring more benefit to society. Our direct access to over 800 million consumers and our understanding of them as well as our network of over 8.6 million merchants on our platform makes us uniquely well positioned to bring top minds from around the world together to develop practical solutions to real-world problems that our users encounter every day."

Tencent 腾讯

"Finally, we announced our aspiration to promote sustainable innovations for social value. We seek to bring sustainable benefits and value to society by leveraging our technology and products and to elevate the importance of sustainable social value when making decisions in all our products and services… We'll incubate projects in various areas, such as basic science, education, innovation, rural revitalization, carbon neutrality and food, energy and water provision… Throughout the process, we'll pursue long-term social value rather than economic profits. We are committing an initial capital of RMB 50 billion to be funded by our investment gains..."

Source: Meituan 4Q'20 earnings, PDD and Tencent 1Q'21 earnings

E-Commerce

In Latin America, e-commerce continues to fire on all cylinders…

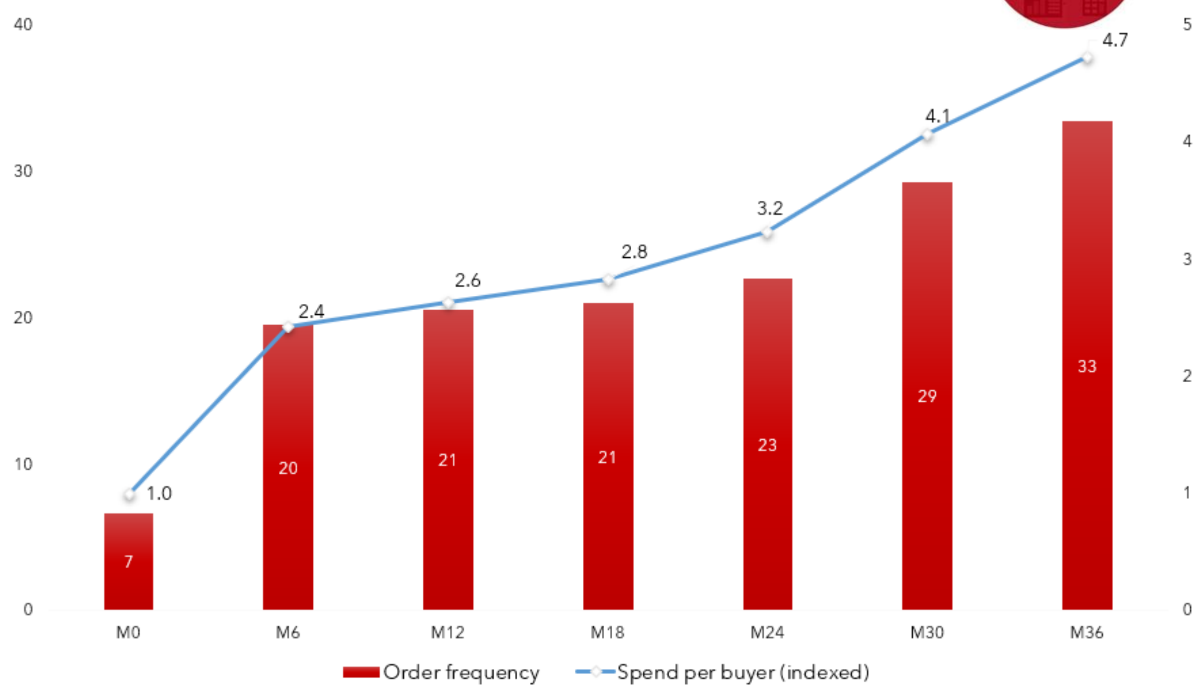
Across our geographies, **all countries either maintained or posted higher growth rates compared to the fourth quarter of 2020**. In Brazil, our largest market, we doubled items sold and nearly doubled GMV versus the prior year. **In Mexico, we continue to accelerate our sequential growth** in items sold and GMV. All other geographies showed positive trends in GMV growth as well, with Chile, in particular, increasing its share in our business substantially."

"**Had this happened 2 or 3 years earlier where our logistics build out had not been where it was, we would have had a very different capability to retain a lot of these new [COVID 2020] cohorts of users**. So I think clearly, pandemic-driven initial trial or users who had lapsed and then returned to the platform and realized that the overall user experience was dramatically different from… what they had experienced in the past has been a very, very important driver of growth.

Source: 1Q'21 earnings

E-Commerce

…while in India, Udaan saw strong engagement and wallet expansion by digitizing SMEs



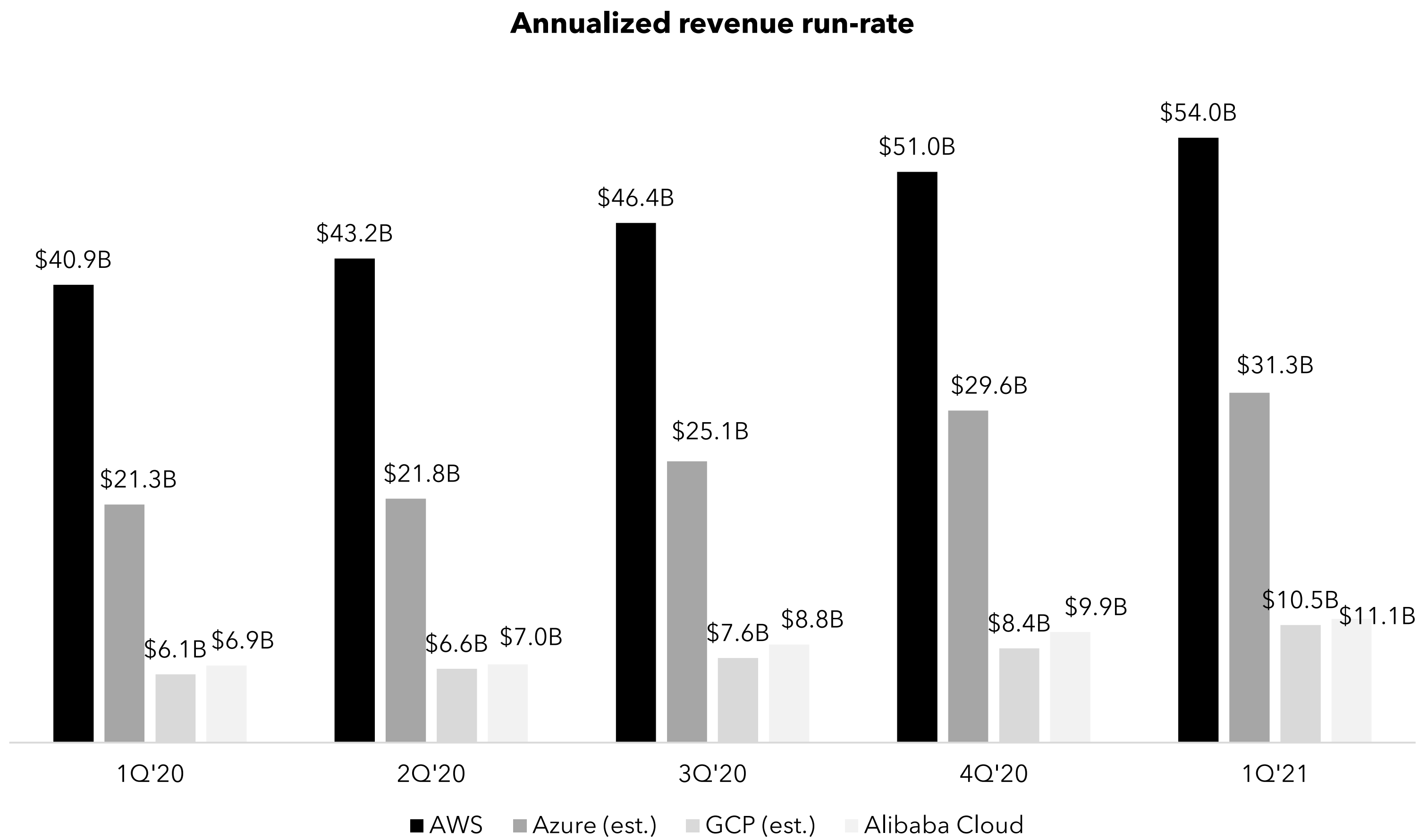
Note: Data is representative for the Food-FMCG BU of udaan (~65% of overall business)
Order frequency = Number of orders that a buyer places in a month; A buyer could place multiple orders a day as well
Spend per buyer (indexed) = Growth of the buyer spend on the platform relative to their spend during month of initial onboarding (M0)
X-axis: M0 = month of onboarding, Mn = n months from onboarding month

Source: Udaan proprietary data made available for the exclusive use of Octahedron Capital Management.

Software

Software

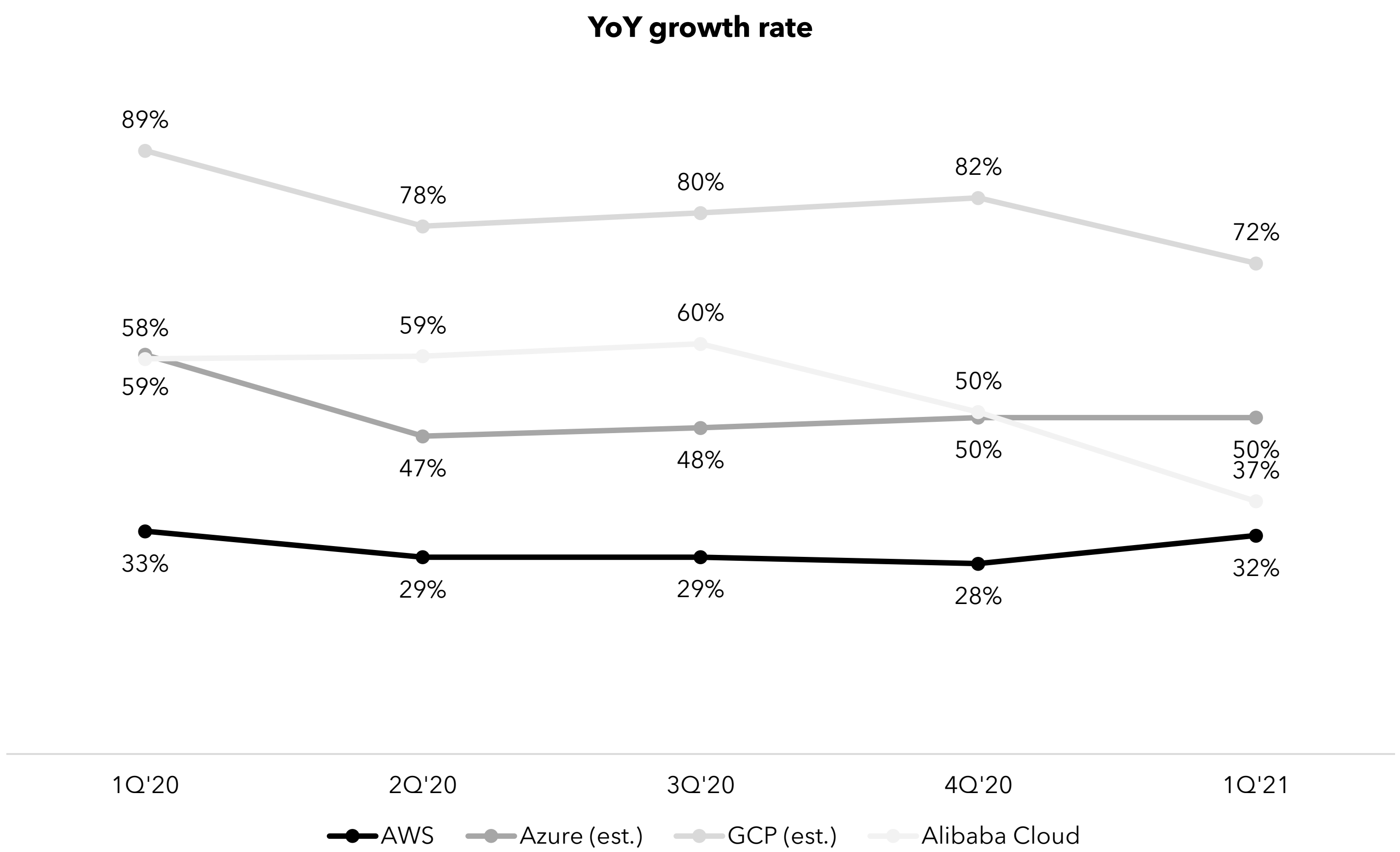
Cloud spending hums along all over the world….



Source: Company filings, Octahedron estimates

Software

…But AWS stood out from peers with accelerating growth in 1Q'21



Source: Company filings, Octahedron estimates

Software

Microsoft framed its opportunity set as the entire world's COGS

Microsoft

As the **world's COGS** become more digital, computing will become more ubiquitous and decentralized.

Source: 1Q'21 earnings

Software

Software digital transformation is showing no signs of slowing down…

fastly

"We are now over a year into the pandemic **and digital transformation is showing no signs of slowing. In fact, it's accelerating.** And we believe we are at the start of a new era. "

twilio

"..I've talked to you a lot of customers about is now that they see kind of the end of the pandemic in sight, **they're not foreseeing that the digital is going away for them that they see it. "**

"**A lot of the transitions that have happened to digital**, whether it's telemedicine or digital relationships and financial services **are going to continue** and so they're looking for us to be strategic partners to help them move to the new world"

Microsoft

"Over a year into the pandemic, **digital adoption curves aren't slowing down**. In fact, they're accelerating and it's just the beginning. Digital technology will be the foundation for resilience and growth over the next decade."

Source: 1Q'21 earnings

Software

…but ripping & replacing on-premise software presents non-obvious costs and risks

"I think you're dead on that while we see growth rates in cloud, anything cloud be really spectacular as they should be. The bulk, if you really look at overall technology spending in aggregate, the **bulk of the spending is still spent on-prem for a good reason**.

You've got 1970s or 1960s applications all the way through to early 2000s Java and C and C++ based applications and all the on-prem package apps that need to be ported and in some cases, can be ported to a cloud infrastructure. **But it's not trivial to do that**.

Many of the architectures and workloads from that last generation don't operate with the efficiency and effectiveness that you'd want to add your cloud footprint. **So you can actually increase costs as you do that if you're not thoughtful about it.** In most cases, you've already depreciated your equipment in your data center."

Source: 1Q'21 earnings

Software

Software companies are anticipating a strong 2021 despite 2020's tailwinds

DATADOG

"First, usage growth from existing customers was **stronger than expected and above historical levels**… Second, new logo ARR was strong in what is normally a seasonally slower quarter, showing our go-to-market investments are paying off. And third, churn continues to remain very low and in line with historical rates."

"While the pandemic continues to impact the macro environment, businesses are starting to **turn to priorities in the post-COVID world**. Businesses must be digital first, which we expect will move forward digital transformation project. **Massive IT re-platforming is still in its early stages**. We believe we are in a great position with our unified observability platform."

twilio

"Twilio has always been focused on empowering developers to build for the future using our customer engagement platform. However, **even with the tremendous amount of transformation that took place in the last year, we are just scratching the surface of what is possible**."

Source: 1Q'21 earnings

Software

Databricks is now a material driver of computing volume for cloud vendors…

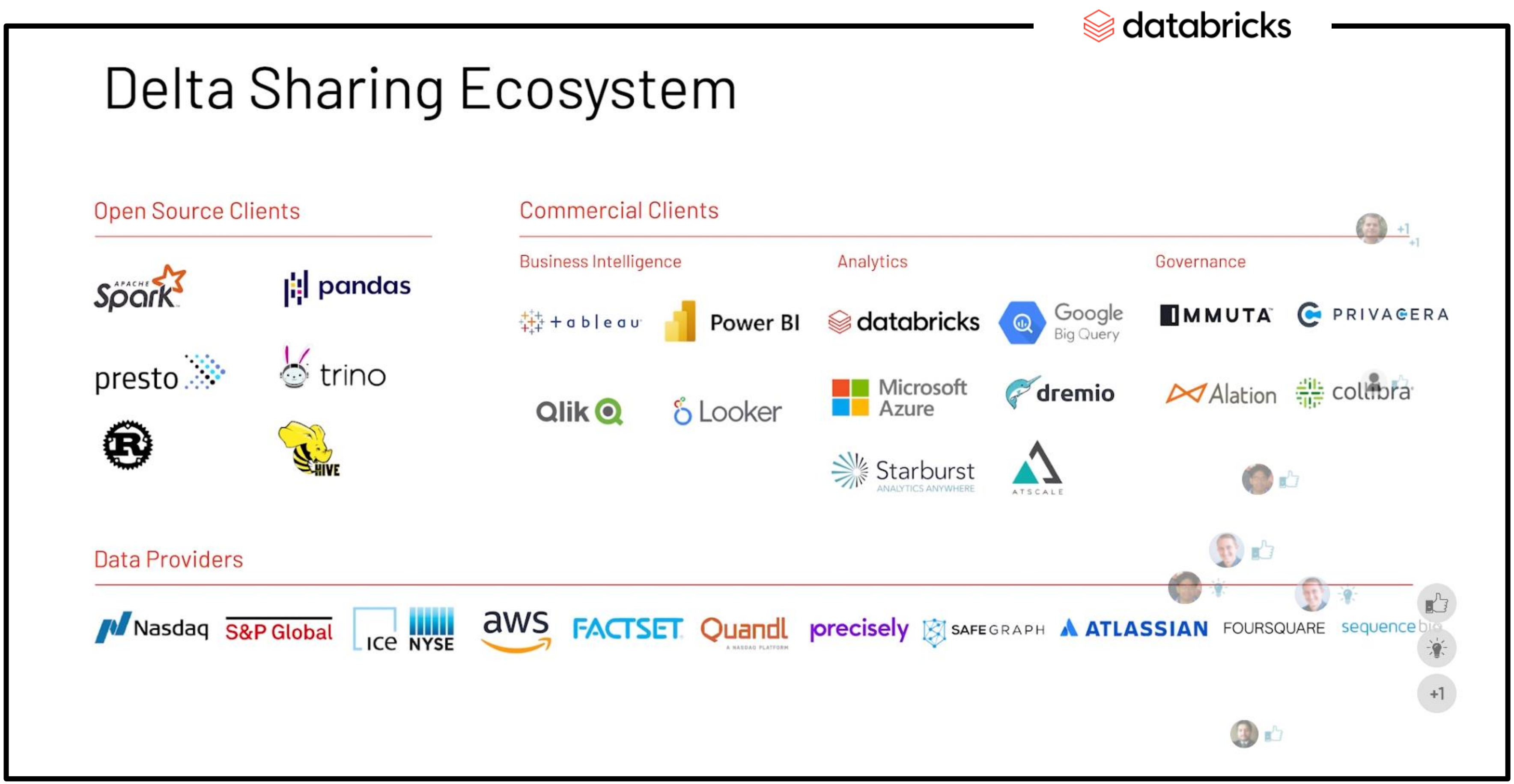
databricks

"Databricks now launches and orchestrates **well over 5M VMs per day**. This compares to over 2.5M VMs per day a year ago and <200K VMs per day three years ago (May 2018). Databricks believes this makes them one of the (if not the) **largest third-party catalysts of computing infrastructure for the three major cloud** providers, and drives a tight strategic alignment between the companies."

Source: Databricks proprietary data and commentary made available for the exclusive use of Octahedron Capital Management.

Software

…And just launched its 6th industry-defining project: Delta Sharing



Source: Databricks

Software

Snowflake, as usual, continues its impeccable execution

snowflake

"Snowflake's **focus on vertical industries is well underway**. We've organized our organization around six core verticals... This vertical industry focus will intensify across our sales, marketing, alliances, product and service organizations."

"**We are already benefiting from our maturing enterprise sales efforts**. In Q1, the number of customers with greater than $1 million and trailing 12-month product revenue increased to 104, up from 77 last quarter. When we expand within our largest customers, we typically replace more than 1 solution. In many cases, we replace on-premise and first-generation cloud solutions, and we address new workloads. Snowflake creates use cases that were previously impossible. **This is what fuels our 168% net revenue retention rate**"

"I would say the **biggest improvement we've seen to date in the gross margin** has really been the renegotiation of our contracts with our cloud vendors and **the discipline in our sales organization around discounting** and coupled with the fact that as we move into larger enterprises, we're selling more business-critical enterprise, which attract a higher contribution margin."

Source: 1Q'21 earnings

Software

Okta's acquisition of Auth0 is accelerating its evolution to a full-service identity cloud

okta

"In a cloud centric world, identity has become even more important and strategic than infrastructure or collaboration clouds... Identity is the epicenter of an organization's tech connections and it offers freedom of choice to adopt any technology. **Expanding our use cases is an important component of becoming a primary cloud**."

"Our presence in the CIAM [Customer Identity Access Management] market just took a **game-changing leap forward with the closing of the Auth0 acquisition** earlier this month. Okta and Auth0 have complementary strengths and expertise, and together we can now give customers more choice to meet every identity need... We've been a combined company for only a few weeks and **we couldn't be happier with the feedback we've received from customers and partners** at both Auth0 and Okta. They're incredibly excited about the breadth of use cases and coverage we offer."

"There is a **clear need for both the Okta low code approach and the Auth0 developer led approach to the CIAM market**... Together, Okta and Auth0 create a powerful combination. We've strengthened our position as the world's leading independent identity cloud. We'll create even more powerful network effects that will drive platform innovation, allowing us to better serve our customers with a broader range of use cases and audiences. And as a result, **we'll capture more of the massive and growing $80 billion identity market opportunity even faster**."

Source: 1Q'21 earnings

Software

Twilio continues to expand outside of pure communication APIs…

twilio

"We spent the last 10+ years building the leading cloud communication platform, but our vision is about **more than communication: it's about end-to-end customer engagement**, ultimately providing businesses with the **holy grail – a single, actionable view of the customer journey**… Companies are seeking to harness data from disparate systems to understand their customers, and then use the best digital channels to successfully engage them. The reason this is so powerful is because when done well, this results in **more effective acquisition, higher satisfaction and longer retention of customers**."

"Consumer expectations are constantly evolving. They are no longer tied to just one form of communication, and **they expect companies to pull together disparate interactions to deliver increasingly personalized content** based on what they're doing -- anytime, anywhere, and over their preferred channels.

"The study showed that digitizing customer engagement is key to staying relevant. To address the new demands of consumers, **95% of respondents reported plans to increase or maintain their current communication channel offerings**, with companies looking to add an average of four new channels (think live chat, IVR, video, etc..)."

Source: 1Q'21 earnings

Software

…and the Segment acquisition may be pivotal

twilio

"Now that Segment is here, it's become a major part of the conversation we're having with customers, because every company that I talk to seems to be struggling with **how do I build this one picture of my customer based on data that is spread across all these different systems** - *they got separate system for marketing and a separate system for the contact center, separate system for commerce, but also across business units'*

"We made an acquisition here and we got to integrate their view of the customer, and oh we've got these different structures inside the company and they all use different systems and so this question of how do you actually build that profile of your customers, **how do you understand your customer**?"

Source: 1Q'21 earnings

Software

The pandemic accelerated awareness of Unified Communications as a Service (UCaaS)

RingCentral®

"As the work environment turns hybrid for many businesses, RingCentral's any device, any mode, anywhere, Message Video Phone or MVP platform continues to gain steam. RingCentral was always about work from anywhere."

In closing, **we believe work from anywhere if you're to stay.** The global pandemic has pulled forward years of UCaaS structural awareness and RingCentral is in the pole position with our differentiated trusted platform, accelerating pipeline, and a unique partnership network that we believe will be getting even stronger.

So let's start with the macro. So on the macro, what we are seeing is the shift in the overall spend environment for cloud communications. **I mean, if you recall, you've covered us for a long time, the biggest issue right for the space was lack of awareness and urgency and both. And here we are broken years of inertia of our demand, so that's on the macro side.**"

Source: 1Q'21 earnings

Software

RPA, while trendy today, may be undifferentiated

servicenow

"Many of our customers are trying to drive automation, across a mix of legacy and of course modern applications. And **when you think about RPA, it's not a particularly differentiating technology, but it's particularly important for integrating with legacy applications that don't support API-based integrations.**

…I can tell you that **customers tell me that they feel like RPA has left them with islands of automation. And it's getting harder for them to manage as they scale.** They're kind of hitting a wall."

Source: 1Q'21 earnings

Software

Crowdstrike continues believe that it's TAM is expanding…

CROWDSTRIKE

"At IPO in 2019, we had a $25 billion TAM. With our current portfolio in 2021, we believe that TAM is $36 billion, and in 2023, we see it growing to $44 billion. What's really exciting for me is **we believe we have a path to increasing our TAM to $106 billion in 2025**.

If we just take PCs as an example, almost 1 billion PCs available to protect 900 million -- 6 billion global mobile devices, which we also protect. 70 million global servers, these are physical servers. We believe there's a lot more virtual servers to protect. We'll talk a little bit about our cloud opportunity in a minute. And **over 10 billion global IoT devices. So when we think about CrowdStrike, we are the perfect company to protect these devices as the threat environment continues to evolve**

ServiceNow with a total of 7,000 customers; Workday 8,000; **CrowdStrike 10,000 as the youngest company on this list; and Salesforce 150,000.** So we're really early into our customer acquisition journey."

Source: 1Q'21 earnings

Software

…While MongoDB is making enterprise developers much more self reliant

mongoDB

"I believe we'll look back at 2020 as the year that put an exclamation point on the need for businesses to reinvent themselves using software and data. As the world increasingly becomes digital first, there is no off-the-shelf software that organizations can buy to differentiate themselves against our competition. **To be blunt, you cannot buy a competitive advantage, you have to build it yourself. And to build your differentiated future using software and data, you have to maximize the productivity of your developers.**"

Source: 1Q'21 earnings

Software

Cloudflare is enjoying reducing sales cycles and increasing contract duration…

CLOUDFLARE

"Yeah. So, **our sales cycles are actually getting a little bit shorter. But our contract duration is moving out, probably from 12 to 13 to 13 to 14 months.** And even more importantly, if you weigh our contract duration dollar-based, it's probably about 16 months. And this brings also earlier payments with all the good benefits that you saw on the capital side too. So moving up marketing rather successful in large cohorts, is driving the good results that you see."

Source: 1Q'21 earnings

Software

…While Bill.com continues to win SMB B2B payments

"Our mission is to make it simple to connect and do business. **Our platform enables us by helping businesses simplify their back office financial operations, connect with suppliers and customers, and make payments.** We ended the third quarter with over 115,000 customers, more than 2.5 million network members and an annualized run rate of $140 billion in TPV. **We believe we are the leading digital B2B payments platform for SMBs and operate one of the largest B2B networks in the United States**"

Source: 1Q'21 earnings

Questions?

email: ir@octahedroncapital.com

twitter: @OctahedronCap

web: https://afewthingswelearned.com