

STRIPE

High growth company
of 2020

The PrivCo



EXECUTIVE SUMMARY

Stripe is one of the highest growth companies of 2020 based on our research in the 2020 PrivCo 50 report and is positioned as an ever-more vital player to economic growth. The company is a Software as a Service (SaaS) company that develops a range of products to allow businesses to accept and make payments over the Internet. Stripe was founded in 2010 by brothers Patrick and John Collison and is headquartered in San Francisco, California.

While Stripe's success can be attributed long before the pandemic, the use of their service has been accelerated by the pandemic as the shift to online shopping has rapidly sped from years to months. Digital commerce transaction has grown 23.7% YOY, with online commerce transactions totaling over 50% of the projected \$4,934BN.

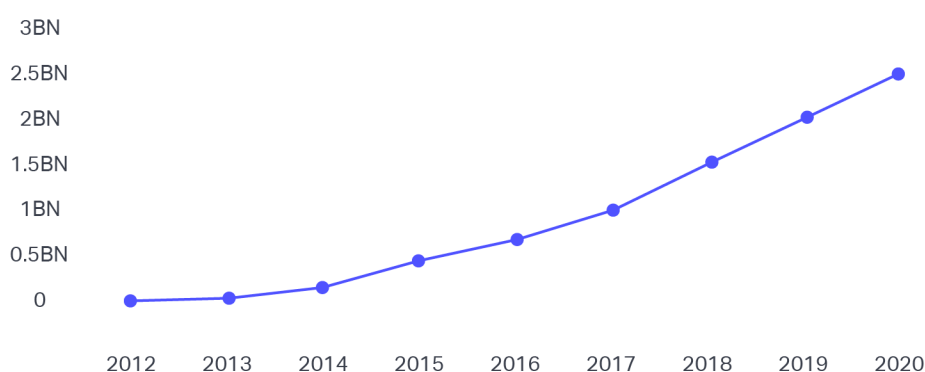
Businesses of all sizes from Amazon, Google, and Microsoft to new startups use Stripe's service in over 120 countries to accept payments and manage their businesses online. The company charges a standard 2.9% variable fee and \$0.30 cents per successful transaction and earns most of their revenue this way although they have additional product offerings to add to transactional value ranging from subscription billing, premium customer service capabilities, data warehousing, to incorporation support services.



SUCCESS IN NUMBERS

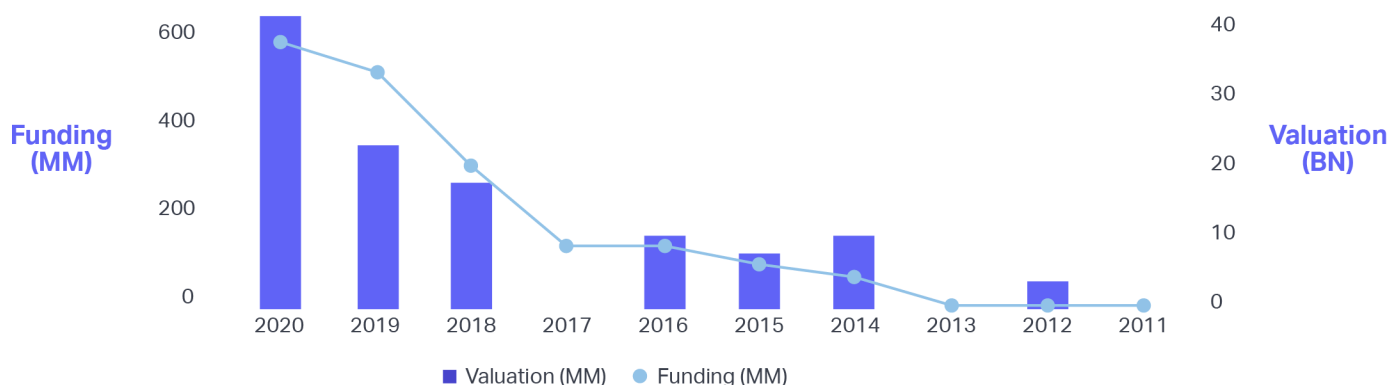
When the pandemic forced store closures and put a halt to spending at brick-and-mortar stores, Stripe enabled businesses online to continue to accept payments and conduct business functions. From its 2011 founding, it has continually shown exceptional growth and in the last four years, it has repeatedly achieved \$500MM+ growth in revenue and a 35.8% three-year CAGR. However, profit is not a foreign idea with the founders since this wasn't the founders' first profitable startup idea. The Collison brothers' had, in fact, sold off their first company before their 20th birthdays, and would come up with the idea of Stripe while they were still studying at MIT and Harvard.

Revenue



Stripe's success is also backed by healthy investment. The company received an extension of its Round G funding of \$600MM from previous investors General Catalyst Partners, Andreessen Horowitz, GV, and Sequoia Capital in April 2020 bringing its total funding to \$1.64BN. And even from its early founding, they have caught the eyes of investors and Silicon Valley, bringing on PayPal co-founders Peter Thiel and Elon Musk as one of its first angel investors.

Valuation + Funding



STRIPE'S BUSINESS MODEL

Stripe is a full-stack developer of various financial software services consisting of three layers: a cloud-based payments infrastructure; a customizable payments platform that allows companies to build tailor-made applications; and ready-made applications for various purposes, including billing, reporting or fraud prevention with machine learning. The most straightforward and majority of the company's income comes from charging its customers a standard 2.9% variable fee and \$0.30 cents per successful transaction.

To continue to grow, the company extends beyond simply accepting transactions to a number of other services.

Billing Tools

Stripe offers a number of billing-related tools from recurring subscription or billing services, payout services for marketplaces, as well as fraud transaction detection capabilities, for extra fees. They also sell physical terminals for in-store point-of-sale transactions which are also charged different transaction fees.

Helping small businesses grow

In line with the company's mission to help small businesses grow, Stripe has a number of product offerings such as its Stripe Atlas service that helps small businesses get incorporated. Another service called Stripe Capital, which was launched in September 2019, is a lending arm for online businesses to borrow money.

Their most recent venture was a corporate card program geared towards helping ease the complexities of business expense reporting.






Customer service and data capabilities

Stripe also offers premium customer service support for extra fees to its customers as well as Sigma, a data warehousing capabilities that couple with their analytics tools that run on a fully customizable SQL tool.



KEY COMPETITORS

PayPal was the first major company to develop ways to accept payment online for e-Commerce sites such as eBay. Although many other tech giants (Yahoo, Google, Microsoft) tried to launch their own versions to tap into the payments market with limited success, eventually leading them to shutter their services in the 2000s. Braintree, the Chicago-based startup founded in 2007 was one of the successful startups that broke through, bringing in multiple payment options for merchants. The company, which ended up being bought by PayPal in 2013, now is a sizable chunk of PayPal's merchant business. San Francisco-based Square is another now public competitor, although their focus is revolutionizing the in-store point-of-sale.

	Key Product	Other Notes
Braintree	Online Payment Solution	Acquired by Paypal in 2013
 Square	POS Payment Provider	IPO in 2015
Verifone®	Payment and POS service provider	Acquired 2Checkout in September 2020
adyen	Payment Service Provider	IPO in 2018
 worldpay	Payment Service Provider	Acquired by FIS Global in 2019
 fattmerchant	Payment Service Provider	
 wepay	Payment Service Provider	The company is a subsidiary of Chase
 PayJunction®	Payment Service Provider	

INDUSTRY OUTLOOK

The FinTech industry is changing at the speed of light. The growth of digital payments is projected at an annual growth rate of 13.4% by 2024 of \$8,170BN. In 2020, the total transaction value is projected to reach \$4,934BN, which is a 23.7% increase YOY. Within 2020, digital commerce covers over 50% of the transactional value. While China still leads the way in terms of the massive shift towards digital payment, the U.S. is steadily speeding up. On the other hand, digital payment options will also increase. Buy now pay later options are gaining popularity and may become an alternative to bank-issued credit cards. Meanwhile, to reduce checkout friction, payment service providers will be looking at new ways to increase security while decreasing the number of steps to checkout including addressing the European regulatory requirement of Strong Customer Authentication (SCA). Traditional banks will also look to APIs from fintech providers in 2021 to strengthen their payment services migrating to cloud infrastructure, thereby speeding up the transition to open banking, which allows third-party financial service providers access to consumer banking, transaction, and other financial data.



PrivCo provides the most comprehensive private financial intel on U.S. companies with \$1M+ revenue, EBIDTA valuation, growth metrics irrespective of ownership, or deal activity.

This report was written in November 2020 and is accurate at the time of writing.

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