

# SEVENS REPORT *alpha*

**Webinar #25: Growth in online retailing and changes in  
consumer spending habits**

**Date: Thursday, August 2, 2018**

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ETFs**

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## Goals for Today's Webinar

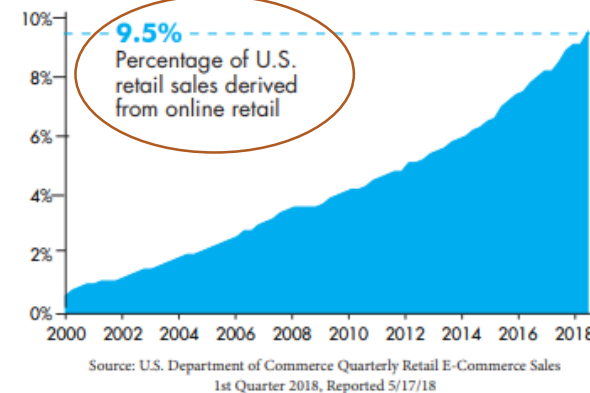
- Online Retail Growth – Is It Meeting (or Exceeding) Expectations?
- Why Can't I Just Buy AMZN?
- Where is the Biggest Opportunity – in the U.S., or Abroad?
- The Sales Tax Decision – Is This A Headwind, or an Opportunity?
- Cashless Society – Is It Really Coming?
- IBUY Performance

## Online Retail Growth – Is It Meeting (or Exceeding) Expectations?

- The U.S. Department of Commerce Quarterly Retail E-Commerce Sales Report issued on May 17, 2018 showed online retail sales growing 16.4% year over year.
- This compares to total retail sales growing 4.5% during the same period. So, almost quadrupling the regular retail growth rate.
- Total U.S. Retail Sales reached \$5.076T in 2017.
- That means there's 4.5 trillion dollar gap between on-line spending (453.46 billion in 2017) and total U.S. retail spending. That is a large opportunity!

### GROWTH OF U.S. ONLINE RETAIL SALES

Online retail sales continue to gain ground on traditional retail sales. In the U.S. online sales have grown more than 2500% since 1999.



# 19%

COMPOUND ANNUAL GROWTH RATE OF U.S. ONLINE RETAIL SALES FROM 1999 TO 1Q2018<sub>1</sub>

# 2676%

TOTAL GROWTH OF U.S. ONLINE RETAIL SALES FROM 1999 TO 1Q2018<sub>1</sub>

## Online Retail Growth – Is It Meeting (or Exceeding) Expectations?

### Features that US Internet Users Like About Shopping Digitally that Are Missing from an In-Store Experience, Oct 2017

% of respondents



Note: ages 18+

Source: June20 conducted by Propeller Insights, Nov 16, 2017

233213

www.eMarketer.com

## Why Can't I Just Buy AMZN?

- AMZN only 3%
- Diversification
- Targeted Online Growth

### Mergers & Acquisitions Activity and Fundamental Strength

A number of online retail stocks in the EQM Online Retail Index saw announcements like partnerships, acquisitions and improved revenue estimates over the past six months. This is a trend to watch, as this activity illustrates the dynamic nature of many of these companies as they mature and begin to be able to partner, acquire or manage their business more effectively. Here's a list of these lesser known companies below.

**Shutterfly:** After the close of the market on January 30th, 2017 Shutterfly [announced its acquisition of the largest school photo company in the US](#), a privately held firm called LifeTouch. Shutterfly shares gained more than 35% the very next trading day based on that news being actionable.

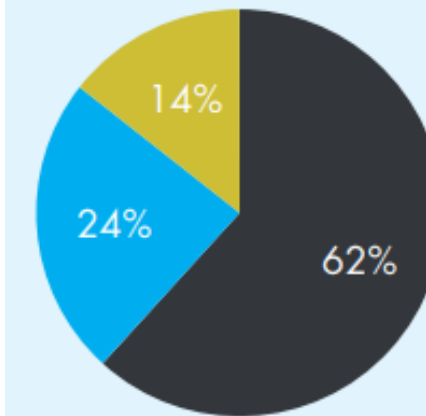
**Grub Hub:** On Feb 8, 2018 shares of Grub Hub gained more than 25% on an [announced partnership with Yum Brands](#), under which Yum acquired \$200 million in Grub Hub shares. In addition, Grub Hub became the exclusive online ordering, pickup and delivery platform for KFC, Pizza Hut and Taco Bell.

**Ocado:** On May 17, 2018 shares of Ocado gained more than 45% on an [announced partnership with Kroger](#) in which Kroger will use Ocado's online ordering technology, automated fulfillment solutions and delivery logistics in the grocery business.

**Stitch Fix:** On June 8th, 2018 shares of Stitch Fix rose more than 25% after it [announced stronger than expected financial results](#) for its fiscal third quarter.

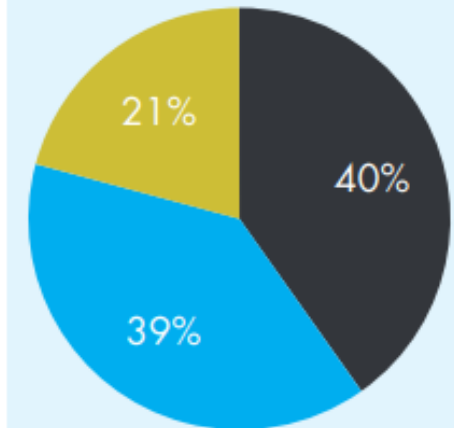
**Etsy:** On June 14th, 2018 shares of Etsy gained more than 28% when it [announced an increase in platform fees](#) that in turn boosted its revenue outlook for the year.

ONLINE RETAIL  
MARKET SEGMENTS  
INDEX DATA AS OF 6/30/18



■ TRADITIONAL RETAIL  
■ MARKETPLACE  
■ TRAVEL

MARKET CAPITALIZATION  
BREAKDOWN  
INDEX DATA AS OF 6/30/18



■ LARGE CAP (>\$10 BILLION)  
■ MID CAP (\$2 BILLION < \$10 BILLION)  
■ SMALL CAP (\$300 MILLION < \$2 BILLION)

## Where is the Biggest Opportunity – in the U.S., or Abroad?

### ONLINE BUYER GROWTH:

The amount of online buyers around the world was estimated to increase by 57% from 2014 to 2019.



**2016**  
1.5 BILLION

Source: eMarketer December 2015



**2021**  
2.3 BILLION  
ESTIMATED

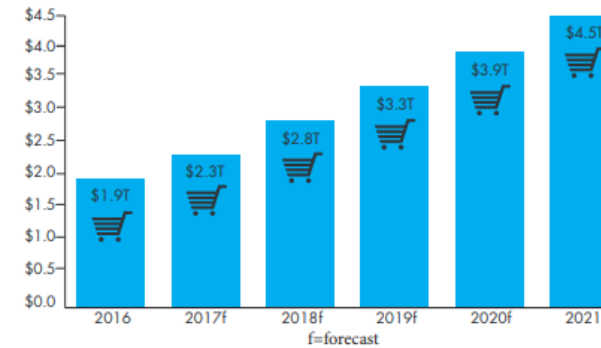
# 53%

ESTIMATED GROWTH RATE OF  
ONLINE BUYERS WORLDWIDE  
FROM 2016-2021<sub>2</sub>



### ABSOLUTE GLOBAL INDUSTRY GROWTH

Global online retail sales continue to rise, and that trend is expected to continue. Consider that global online sales were \$1.9 trillion in 2016 and are projected to be \$4.5 trillion in 2021.



Source: eMarketer, July 2017

**\$1.9  
TRILLION**  
GLOBAL ONLINE  
SALES IN 2016<sub>3</sub>

**\$4.5  
TRILLION**  
PROJECTED GLOBAL  
ONLINE SALES  
IN 2021<sub>3</sub>



## The Sales Tax Decision – Is This A Headwind, or an Opportunity?

- From Amplify:
  - In late June of 2018, the U.S. Supreme Court ruled that states can force online retailers to collect sales tax on transactions even if the online retailer does not have a physical presence in that state.
  - The much-anticipated ruling sets up more than 10,000 state and local taxing authorities to collect taxes from online retailers. Implementing the various tax rates, tax holidays and tax exempt items across these jurisdictions will be complicated.
  - We believe this ruling gives an advantage to publicly-traded online retail and marketplace companies, as they will be able to spend the time and money to developing a solution to collect these taxes.
  - This ruling may force many small businesses who can't afford to develop their own tax collection solution to partner with online retailers or join marketplaces to fulfill tax requirements on their sales.
  - It's notable that the Supreme Court ruling had no significant impact on the stock prices of the diverse group of online retailers. Perhaps this is due to the many other factors that appear to be attracting consumers to shop online, beyond potentially avoiding the payment of state and local sales taxes. Nevertheless, this issue will be one to watch over the next year.
- **Key Takeaway (from Tom): This could end up being a net positive for large online retailers like Wayfair, Overstock, Amazon, etc. as smaller merchants move to larger platforms to deal with taxes payable. This is not a decision that would cause me to not invest in online retail growth.**



## IBUY Outperformance

