



# Sophic Capital Weekly Cache

Please find below what we've been reading in technology and ESG related investing this week. Please feel free to send us what you've found interesting. You are receiving this email, because you've previously worked with Sophic Capital or we've discussed tech investing.

## Canadian Technology Capital Markets & Company News

**Shopify (SHOP-NYSE, SHOP-TSX) stock surges toward record high as pandemic drives booming e-commerce growth.** Shopify Inc. shares soared 10% on Wednesday, on track to notch a record high as the company showed that it's benefiting from a surge in online shopping due to COVID-19. The company easily topped second-quarter earnings and revenue expectations as it capitalized on the boom in digital activity. Gross merchandise volume, or the value of what was sold on the Shopify platform, more than doubled from a year earlier to reach US\$30.1 billion, whereas analysts surveyed by FactSet had been looking for \$19.9 billion. Though Shopify noted in its news release that GMV growth accelerated in the early part of the quarter before decelerating in June and so far in July, the company also pointed to signs of momentum that could carry forward even after the pandemic subsides. Shopify disclosed that the number of new stores created on its platform was up 71% in the second quarter relative to the first quarter. <https://on.mktw.net/39LiEV>

**WELL Health (WELL-TSX) announces conversion of all outstanding debentures.** WELL has provided written notice to its debenture holders, most of whom are long-term focused shareholders, that the Company will convert all outstanding debentures to common shares by the end of August. The conversion of the debentures will result in the Company having no other debt or debt instruments on its balance sheet. In addition, the Company continues to have more than \$24 million of cash to pursue future M&A opportunities. The conversion of the outstanding debentures will also reduce WELL's interest expenses, thereby improving the Company's profitability and cash flow. <https://bit.ly/2Pb9Pvd>

**theScore (SCR-TSXV) reports Q3 F2020 financial results.** Despite the unprecedented disruption to the sports calendar caused by the COVID-19 pandemic, the Company achieved 2.9 million average monthly active users of theScore app on iOS and Android in Q3 F2020, representing nearly 75% of its average monthly active users achieved in the same period in the previous year. Total revenue for Q3 F2020 was \$2.4 million compared to \$8.5 million for the same period last year. During the period, the Company took significant measures to manage costs, including the reduction of discretionary expenses and availing itself of applicable Government programs, including the Canadian Emergency Wage Subsidy (CEWS). Additionally, in April 2020, every member of theScore's senior management team agreed to forego 25% of their salary from May 1 to August 31, 2020 in exchange for an equivalent grant of Restricted Stock Units (RSUs) in the Company, with a variation of this program also made available on an optional basis to all full-time staff. <https://thesco.re/33c1DTu>

**Mogo (MOGO-TSX, MOGO-NASDAQ) announces the launch of MogoSpend.** MogoSpend is the first

and only card in Canada that automatically offsets CO2 with each purchase. For every dollar spent, one pound of CO2 is offset on the consumer's behalf. This can not only help Canadians get to a net zero carbon footprint, but in many cases this will offset more CO2 than they contribute, which is considered climate positive. Carbon offsetting is a process where the damage caused by releasing CO2 is effectively reduced by doing other things that remove CO2, such as planting trees. Mogo has partnered with Vancouver-based Offsetters, a company that specializes in helping companies go green including managing offsetting projects. The current project supported by Mogo is a certified REDD+ initiative focused on protecting the Amazon Rainforest, one of the largest absorbers of CO2 on the planet today, from deforestation. <https://bit.ly/30dT4FK>

**Sun Life leads \$43 million round of financing in telehealth startup Dialogue.** Toronto-based telehealth startup Dialogue has raised \$43 million led by Canadian life insurance company Sun Life Financial. The round consists of a \$32.7 million equity investment from Sun Life, as well as follow-on investments from existing investors Caisse de dépôt et placement du Québec, Portag3 Ventures, White Star Capital, HV Holtzbrinck Ventures, First Ascent Ventures, and Walter Ventures. <https://bit.ly/3gd5TpC>

**SaaS startup Conexiom raises \$40 million in strategic growth financing.** Vancouver-based Conexiom, a supply chain SaaS startup offering sales order and invoice automation solutions for manufacturers and distributors, has secured \$40 million in strategic growth financing. <https://bit.ly/3hHjxBw>

**Diagram-backed Wingocard closes \$2 million to bring mobile banking to teens.** Wingocard, a new Montreal-based startup focused on personal finance for teens, has closed a \$2 million seed round led by Diagram Ventures. The FinTech startup, launched in January, is one of the newest members of Diagram's portfolio, which invests in and co-develops companies. Wingocard did not disclose any other investors in the all-equity round. <https://bit.ly/3gdeDvF>

**StellarAlgo closes \$1.5 million to help sports, live audience sector better engage with fans.** StellarAlgo is a Calgary-based startup that has developed a SaaS customer data platform that allows live audience businesses, such as professional sports organizations, to better connect with their fans. The startup names among its clients, the Vancouver Canucks, LA Kings, LA Galaxy, Vegas Golden Knights, and the Portland Trail Blazers. In 2019, StellarAlgo signed a deal with the Calgary Sports and Entertainment Corporation (CSEC), which owns five Calgary professional sports teams including the Flames and Stampede. <https://bit.ly/338IhP0>

**Canadian angel investment reached record-breaking \$163.9 million in 2019.** Angel investment reached a new record of \$163.9 million in 2019, bringing angel activity to more than \$1 billion in Canada over the last decade, according to a new report from the National Angel Capital Organization (NACO). NACO's 10th annual report spotlights angel investment activity and year-over-year trends to provide insight into the significance of angel investing in Canada's innovation economy. The report defines angels as community-based investors that are the main source of early-stage capital for Canadian entrepreneurs. The record \$163.9 million in funding was tracked across 299 investments in 2019. This is the highest annual amount invested in the last decade, an increase of approximately 15 percent from 2018 figure and exceeding 2017's previous record. NACO determined that every dollar of angel investment results in \$156 in revenue for angel-backed companies. <https://bit.ly/2XcVbrJ>

**Toronto is emerging as a tech superpower as immigrants choose Canada over the US.** Many people in the tech industry are choosing to move to Canada over the US because of the US' restrictive immigration laws. Since 2013, Toronto has added more tech jobs than any other place in North America, including Silicon Valley. 25% of Canada's overall workforce are immigrants, and in the tech space that number is even higher — 40%. But while the US is closing doors, Canada has been rolling out the welcome mat. Since 2013, the number of tech jobs in Toronto has skyrocketed from about 148,000 to 228,000, an increase of 54%. "We have over 100,000 people immigrate to the Toronto region each year, which is twice as many as San Francisco Bay Area," Jason Goldlist, cofounder of TechToronto, said. And we don't just attract the quantity. It's also quality because a fifth of these immigrants already have a STEM degree before they even arrive here. Canadian e-

commerce giant Shopify is trying to capitalize on the opportunity. Following Trump's announcement, CEO Tobias Lutke — himself an immigrant from Germany — tweeted, "If this affects your plans consider coming to Canada instead." <https://bit.ly/2XgdLPx>

**Two years after acquisition of Hubdoc, Xero names Toronto its North American tech hub.** New Zealand-domiciled small business accounting platform Xero has named its existing Toronto office as the company's North American hub for product development and technology innovation. "With Toronto named as one of the top five cities in North America for tech talent, we're excited about the opportunities ahead." Xero called the move "a major commitment to the Canadian market." The company plans to double employee headcount over the next two years, but when reached for comment declined to disclose how many employees currently work in Toronto. Craig Walker, executive general manager of payments and billing and founding CTO at Xero, said in a statement sent to BetaKit the Toronto office has capacity for over 200 employees. <https://bit.ly/3jQcubC>

**Instacart and Costco launch same-day delivery across Canada.** Instacart and Costco announced the companies have partnered to launch same-day delivery from 76 Costco warehouses across Canada. Following a successful two-month pilot in select Ontario warehouses, the nationwide collaboration brings Costco's broad selection of groceries, pantry staples and household essentials directly from the store to the customer's door in as fast as two hours. <https://bit.ly/2X7VLH2>

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## Global Markets: IPOs, Venture Capital, M&A

**Venture capitalists think the IPO has lost its way — here's why they're bullish on the future of blank-check companies.** Venture capitalists, disillusioned with the IPO process, are warming to blank-check deals in 2020. SPACs, or special purpose acquisition companies, are publicly traded shell companies that can merge with private companies and offer them a different route to debuting on the public market. As market uncertainty prompted by the pandemic has prompted companies to rethink how to go public, venture capitalists are pointing to [reports of tech IPOs being mispriced](https://bit.ly/30Tyvxo), and crowning the blank-check company as the IPO's successor. <https://bit.ly/30Tyvxo>

**Investment in AI startups slips to three-year low.** startups fell to 458 deals worth US\$7.2 billion. According to the CB Insights dataset, the deal volume is the lowest for 12 quarters, or since Q2 2017 when 387 investments into AI startups were worth US\$4.7 billion. <https://tcrn.ch/3jVH2bZ>

**Facebook seeks insights into startups by investing in VC funds.** Facebook in recent weeks has approached a handful of small venture capital firms to discuss becoming an investor in their funds, according to people familiar with the matter. The VC strategy, which also includes direct investments in startups, aims to give the social network early, valuable insight into a wider swath of companies. While Microsoft, Intel and others for years have taken stakes in startups through VC subsidiaries, Facebook has shied away from adopting a formal investing program until recently. Instead, it has made one-off investments, such as its recent \$5.7 billion investment in Indian tech conglomerate Jio Platforms. Google, in contrast, has multiple, long-running venture arms, including GV, which has backed big-name companies like Slack and Uber. In June, Facebook confirmed it was creating its own corporate VC arm. <https://bit.ly/3jRaq3c>

**Affirm is reportedly eyeing an IPO that could value it at US\$10 billion.** Affirm, a point-of-sale microlender that lets consumers make purchases with the flexibility to defer their payments over time, is eyeing an IPO with the aid of Goldman Sachs, the Wall Street Journal reported. If Affirm doesn't decide to go public with an IPO, another alternative available to the company would be selling itself to a special purpose acquisition company, WSJ noted. <https://bit.ly/33plaQi>

**SAP to spin off its Qualtrics unit through IPO.** SAP announced last Sunday it plans to take its Qualtrics cloud-software business public through an initial public offering. SAP bought Qualtrics ahead of its planned

IPO in 2018 for around US\$8 billion. "SAP's acquisition of Qualtrics has been a great success and has outperformed our expectations with 2019 cloud growth in excess of 40%, demonstrating very strong performance in the current setup," SAP CEO Christian Klein said in a statement Sunday. "We decided that an IPO would provide the greatest opportunity for Qualtrics to grow." SAP said it will continue to hold majority ownership of Qualtrics, and Qualtrics founder Ryan Smith will remain its largest shareholder. SAP said the timing and final decision for the IPO is still pending, and subject to market conditions. <https://on.mktw.net/30Pdrsa>

**Microsoft and Bytedance put TikTok talks on hold after Trump signals opposition.** Microsoft has paused negotiations to buy the U.S. operations of the video-sharing app TikTok after President Trump said late Friday he opposed the deal, according to people familiar with the matter. The president's statements spurred TikTok to make additional concessions, including agreeing to add as many as 10,000 jobs in the U.S. over the next three years, but it isn't clear if those will alter Mr. Trump's stance, one of the people said. The founder of TikTok parent Bytedance Ltd., Zhang Yiming, also agreed to sell his stake as part of any deal, the person said. The software giant was in advanced talks with Bytedance, gaining momentum toward a deal they believed met the White House goal for the popular app to get bought by a U.S. company, the people said. Those plans were interrupted when Mr. Trump told reporters on Air Force One that he preferred to ban the app and wouldn't support a sale. Before Mr. Trump's remarks, the two sides believed the broad strokes of a deal could be in place by Monday, the people said. The companies were caught off guard by the president's comments, said one person familiar with the matter. Another person said the White House has been involved in the discussions for weeks and made it clear from the outset that the desired outcome was for TikTok to be "American-owned." <https://on.wsj.com/3gsokH2>

**TikTok owner ByteDance considers listing China business in Hong Kong or Shanghai.** Chinese tech giant ByteDance is considering listing its domestic business in Hong Kong or Shanghai, people familiar with the matter told Reuters, against a backdrop of rising Sino-U.S. tensions over its hit non-China video app TikTok. Of the two venues, the company prefers Hong Kong, according to two of the people. One of the two also said ByteDance is simultaneously studying the option to list its smaller, non-China business - which includes TikTok that is not available in China - in Europe or the United States. The eight-year-old Beijing-based tech and media company had originally wanted to list as a combined entity, including TikTok and other operations, in New York or Hong Kong in a blockbuster deal. TikTok allows smartphone users to film and upload short videos with special effects within seconds. Reuters previously reported China accounts for the bulk of ByteDance revenue, which one source said was around US\$16 billion in 2019. A standalone listing could value the China business at more than US\$100 billion in Hong Kong or on Shanghai's Nasdaq-style STAR Market, according to two sources. <https://reut.rs/3hRUJqE>

**China's Ctrip in talks with investors to delist from Nasdaq.** The management of China's largest online travel firm, with a current market value of US\$16.5 billion, has reached out to a number of financial and strategic investors including private equity firms and domestic tech companies about joining a take-private deal, said four people with direct knowledge of the matter. Ctrip's move comes as U.S.-listed Chinese companies face tightened scrutiny and more strict audit requirements from U.S. regulators, while geopolitical tensions escalate between the world's two largest economies. Those have prompted a number of Chinese companies to abandon a New York listing and move instead to an exchange closer to home. There have been six announced take-privates of U.S.-listed Chinese companies worth US\$9.1 billion so far this year, showed Refinitiv data. The average premiums paid by buyers, however, almost halved to 22% from 42% last year. <https://reut.rs/30b31nn>

**Popular coding Q&A site Stack Overflow raises US\$85 million to double down on teams software business.** If you have a coding question, chances are a Google search will take you to Stack Overflow. The programming-oriented Q&A website is the 45th most popular site in the world, according to Alexa Rank. "No other company or organization has the size of community that we have in the technology industry," says CEO Prashanth Chandrasekar. "Every developer knows who we are." The Covid-19 pandemic's shift to remote

work has only bolstered Stack Overflow's spot in engineering circles. From April to June, an average of 200,000 new users signed up each month, the best quarter in the 12-year-old New York City-based startup's history, Chandrasekar says. With that demand has come more venture capital interest: Stack Overflow announced on Tuesday it has raised US\$85 million in a Series E funding round. <https://bit.ly/2CUU3lv>

**Google will keep employees working remotely until July 2021.** Google plans to keep 200,000 full-time and contract employees working remotely until at least July 2021, The Wall Street Journal reported. Other tech firms have announced long-term plans to keep employees working from home due to restrictions from the coronavirus pandemic, but Google would be the first to extend remote working into the middle of next year. Facebook, Twitter, and Square have already announced plans to allow workers to continue working remotely indefinitely. <https://bit.ly/3jGm80m>

**WeWork is turning to big brokerages like CBRE and JLL to help it find customers. It's a huge strategy shift that shows how hard office space is to fill right now.** WeWork has hired JLL and CBRE to market large availabilities it has in New York City and Los Angeles, respectively. The flexible-workspace giant said it is now embracing the brokerage industry and plans to hire firms to help it fill millions of square feet in major cities across the country. Leasing office space has become more difficult as the coronavirus pandemic continues to stall deals and tenants remain uncertain when most employees will return to the workplace. WeWork's decision to tap major brokerages is a turnabout from its past strategy of leasing space on its own. <https://bit.ly/303ZzLs>

**Cloud computing bills spiking during pandemic.** After making the shift to working from home during the Covid-19 pandemic and using more cloud computing services, companies in the automotive and transportation industries are getting sticker shock when receiving their cloud bills, according to a report from The Wall Street Journal. The challenges underscore the fact that cloud adoption is still in its early stages and can involve growing pains. They're also a reminder that renting someone else's servers doesn't always result in lower costs without a proper amount of oversight, as many companies have learned the hard way. On another level, these types of stories raise the question of whether cloud providers should do more to protect customers from making expensive mistakes. Amazon Web Services, Microsoft, and Google are all active on this front, but it appears that some of their customers aren't paying enough attention. <https://bit.ly/331eTKB>

**Shares of Taiwan's TSMC soar after Intel's apparent manufacturing retreat.** Shares of Taiwan Semiconductor Manufacturing Co Ltd (TSMC) jumped on Monday after U.S. chipmaker Intel signaled it may stop manufacturing its own chip components. Intel last week signaled it may give up manufacturing its own chip designs after falling far behind schedule developing its newest technology. Shares in TSMC, the world's largest contract chipmaker, rose nearly 10% to a record high, joining a rally of Intel's rivals including Advanced Micro Devices. <https://reut.rs/300x3Ku>

**Increasing in share of developers, Apple and Amazon could topple Intel's x86 empire.** Apple's shift to ARM chips will have a much more profound impact than just lowering the cost and increasing the speed of its next MacBook. In our view, this shift marks the beginning of the end of Intel's forty-year reign in the x86 era. In the computer industry, victories are won with standards and scale. Intel invented the x86 standard and, by winning in the largest market of the 90s—PCs, it moved up market and eclipsed all other server CPU vendors in little more than a [decade](https://bit.ly/39xaRLa). <https://bit.ly/39xaRLa>

**Samsung profits soar on work from home demand.** Samsung Electronics has seen its earnings soar as sales were boosted by millions working and learning from home during the virus pandemic. The world's largest maker of smartphones said second quarter operating profits rose 23% compared to last year. The results were helped by strong demand for computer chips, which pushed up prices on the global market. <https://bbc.in/2ECn5Hf>

**The global smartphone market plummeted 14% in Q2 2020, with Apple the only top vendor to grow. It**

shipped 45.1 million iPhones globally, a growth of 25% compared to the previous year. The smartphone market worldwide fell to 285 million units, a second consecutive quarter of freefall, as lockdown orders caused by the COVID-19 pandemic persisted through April and May. In addition, market share leadership rankings changed as Huawei toppled Samsung (see Canalys press release: Huawei trumps Samsung for first time in worldwide smartphone market in Q2 2020). Huawei shipped 55.8 million units, compared to Samsung's 53.7 million in Q2 2020. Xiaomi came fourth, shipping 28.8 million units, which was down 10%, and Oppo reclaimed fifth place from Vivo, shipping 25.8 million units with a 16% decline. <https://bit.ly/3hYlIkB>

## Emerging Technologies

**Social distancing startup Density raises US\$51 million.** Density, a startup whose software and hardware lets companies meet social distancing guidelines in office buildings, has raised US\$51 million in a Series C round led by Kleiner Perkins. That brings Density's total funding to more than US\$67 million. The funding shows how the decades-old market for so-called "workplace management" products, which had received lukewarm interest from investors before the Covid-19 pandemic, is getting new attention as a safety measure. Density, which tracks how many people are in office building rooms and floors at any given time, has landed big-name customers like Pinterest, Booz Allen Hamilton, and Resorts World Casino. But there are some unanswered questions looming over this market. While Density's technology doesn't identify individuals, some employees may view it—and similar products from other companies—as a privacy violation. It's also possible that some companies will continue letting some or all of their employees work from home indefinitely, as Twitter and other have done. That could reduce the demand for Density's products. <https://bit.ly/2BGVAuX>

**Niantic COO Megan Quinn thinks consumer AR glasses are just around the corner.** Protocol caught up with Quinn just days after Niantic hosted the first-ever distributed event for its runaway AR gaming hit Pokemon Go. In December, Niantic made some headlines when the company announced that it was partnering with Qualcomm on the development of AR reference hardware. Do you want to build your own AR glasses? We are not building our own hardware, nor do we have plans to. But given the unique position that we are in as experts in the industry on AR and location, we do talk with a lot of folks about the opportunity for them to build hardware. Our relationship with Qualcomm is a very public statement around that. We will work with them on a reference design of what we think a best-in-class Niantic experience looks like in a new form of hardware, but it's not a signal of intent to build the hardware ourselves. In your opinion, how far out are we from consumer-grade AR glasses reaching the market? I think we are 12 to 24 months from the next inflection point with AR and consumers. I do think Pokemon Go was the first inflection point. It really familiarized the average consumer to the opportunity that there was with AR, and the delight that AR can provide. Other companies have continued to expand on that journey and that opportunity. But I think the next inflection point, as it relates to new form factors and potentially new experiences that those form factors unlock, is somewhere in the 12 to 24 month range. <https://bit.ly/2BOtLRg>

**Amazon just won a huge FCC approval to launch 3,236 Kuiper internet satellites — a \$10 billion project that'd compete with SpaceX's emerging Starlink network.** Amazon wants to launch 3,236 internet-beaming satellites in an effort called Project Kuiper, which would directly compete with SpaceX's growing fleet of Starlink spacecraft. Despite heated competition, Amazon managed to trounce the opposition of its competitors and win US Federal Communications Commission approval to deploy Kuiper in space. SpaceX's Starlink project appears to be years ahead of Amazon's Kuiper, having already launched hundreds of satellites and started a beta test program for consumers. However, Amazon has committed to invest "more than US\$10 billion" to realize Kuiper and blanket Earth with affordable web access. <https://bit.ly/313LqgC>

**Experts say we're decades from fully autonomous cars. Here's why.** <https://bit.ly/3g8eOsk>

**Seoul begins probe into possible faulty parts in Tesla model.** South Korea's transport ministry said Tuesday

it has recently ordered a probe into Tesla Motors Inc.'s Model 3 for possible problems with parts. The Korea Automobile Testing & Research Institute (KATRI) of the Korea Transportation Safety Authority is looking into whether the Model 3's Autopilot driver-assist feature has any safety problems, an official at the Ministry of Land, Infrastructure and Transport said over the phone. <https://en.yna.co.kr/view/AEN20200728009800320>

## Media, Streaming, Gaming & Sports Betting

**Facebook is set to finally get the rights to show music videos.** Facebook Inc. has completed a series of deals for the right to show music videos, according to people familiar with the matter, vaulting the social network into a medium dominated by YouTube. Partnerships with the three largest music companies -- Universal Music Group, Sony Music Entertainment and Warner Music Group -- are expected to be announced soon, said the people, who asked not to be identified because the information is private. Music videos are one of the most popular genres on Alphabet Inc.'s YouTube, and Facebook has long sought the legal rights to allow its billions of users to watch and share them on its platform. Facebook had previously inked deals with rights holders in order to use the audio -- useful when people upload clips that include background music, for example -- but didn't have permission to show the official videos. <https://bloom.bg/3fdv0al>

**AMC agrees to shorten theatrical window for Universal Pictures.** Movie theater chain AMC Entertainment has agreed to allow Comcast's Universal Pictures movie studio to release movies for home viewing just 17 days after they appear in theaters—a dramatic concession for AMC. For years, movie studios have been pushing to shorten the so-called theatrical window—the period that films can only be shown in theaters, which has lately been around 75 days—but theater owners like AMC refused to budge. However with the coronavirus pandemic shutting down theaters around the globe, movie studios have started to have the upper hand. Universal in particular has advocated for rethinking how movies are released. It saw some success with a few movies it launched straight for home rentals earlier this year during the pandemic. That decision prompted AMC to vow not to show Universal's movies. But it is increasingly clear that the pandemic may be changing life as we know it. Theaters are going to have to completely rethink their businesses—maybe toward creating high-end experiences for moviegoers like some independent chains do. And studios may need to figure out how they can recoup the costs of some of their more high budget movies going forward. <https://bit.ly/3faerMG>

**Roblox jumps to over 150 million monthly users, will pay out US\$250 million to developers in 2020.** Gaming platform Roblox, which has seen a surge of use due to the coronavirus pandemic, now has over 150 million monthly active users, up from the 115 million it announced in February before the U.S.'s shelter-in-place orders went into effect. The company also said its developer community is on pace to earn over US\$250 million in 2020, up from the US\$110 million they earned last year. Roblox, to be clear, doesn't build the games that run on its platform. Instead, offers the platform for developers to build upon, similar to the App Store. Many of its most popular games are free, monetizing as players spend on in-game items using virtual cash called Robux. Some of the company's larger individual games, before the pandemic, would average over 10 million monthly users. And over 10 games as of February claimed more than 1 billion total visits. <https://tcrn.ch/2CQ0S81>

**US bill looks to erase sports gamble handle tax, foster expansion.** Despite no legalization on the federal level and states only having been given the right to offer legal sports gambling two years ago, the US federal government isn't about to let the activity happen without receiving a piece of the action. Currently, on legal wagers placed on sports in states like Nevada and New Jersey, Uncle Sam takes a tax of 0.25% of the handle. Even though the government needs as much incoming revenue as possible to cover the losses incurred by the coronavirus, several members of Congress are looking to strip away the tax, which, along with other requirements placed on the legal sports gambling industry, contributes around US\$33 million to the government, based on last year's figures. The tax has been in place since 1951 when it was introduced as an attempt to stop illegal sports gambling. The money generated would be used by federal law enforcement to

identify, infiltrate and break up the activity and, while it may have been effective at some point, this is no longer the case. Many feel the tax is facilitating illegal gambling rings, and the president and CEO of the American Gaming Association (AGA), Bill Miller, asserts, "Though originally enacted as a tool to curb illegal gambling, these antiquated federal taxes now give illegal operators a leg up." <https://bit.ly/3g51lvW>

## Adtech, Privacy & Regulatory

**Everything you need to know from the tech antitrust hearing.** Amazon's Jeff Bezos, Facebook's Mark Zuckerberg, Apple's Tim Cook, and Google / Alphabet's Sundar Pichai all laid out their defense strategies in published testimony. They made the case that their companies are providing beneficial products in a landscape filled with competition and that their massive scale simply makes their services better. Many members of Congress questioned those claims. <https://bit.ly/2P9iK03>

**China's central bank urges antitrust probe into Alipay, WeChat Pay.** China's top antitrust agency is looking at whether to launch a probe into Alipay and WeChat Pay, prompted by the central bank which argues the digital payment giants have used their dominant positions to quash competition, sources with knowledge of the matter said. The State Council's antitrust committee has been gathering information on Alipay, owned by Ant Group which in turn is an affiliate of Alibaba Group Holding Ltd, as well as on Tencent Holdings Ltd's WeChat Pay for more than a month, they said. Any investigation would likely dampen enthusiasm for Ant Group's planned dual listing in Hong Kong and Shanghai that is seeking a valuation of more than US\$200 billion. <https://reut.rs/2DqhXFy>

**Apple removes 30,000 apps from China App Store to comply with regulations for paid games.** Apple has removed over 30,000 applications from the App Store in China, according to a new report from Bloomberg. The report cites new data from Qimai Research Institute, and it explains that games accounted for 90% of the app removals. Apple has actually been gradually removing thousands of applications from the App Store for this reason. As Technode reported earlier this month, Apple removed more than 3,000 games from the China App Store over the course of July 1 and July 2. The report explained that Apple is working to comply with strict gaming regulations in China, which require that developers gain approval from Chinese regulators. <https://bit.ly/3glZHVt>

**Australian regulator says Google misled users over data privacy issues.** Australia's competition regulator on Monday accused Alphabet's Google of misleading consumers to get permission for use of their personal data for targeted advertising, seeking a fine "in the millions" and aiming to establish a precedent. The move comes as scrutiny grows worldwide over data privacy, with U.S. and European lawmakers recently focusing on how tech companies treat user data. <https://reut.rs/30Xdq5A>

**Uber drivers are suing for their data and it has big implications for the US\$200 billion gig economy.** Drivers for ride hailing giant Uber are suing the firm in Europe to access their data, arguing that the app uses different markers to determine who gets the best jobs. In a second, related UK lawsuit, they are also suing to change their employment status in a way that would give them certain rights such as paid holiday and national minimum wage. They say the landmark lawsuits could help to address the power imbalance between tech giants and workers in the estimated US\$200 billion gig economy. According to one former driver involved in the suits, James Farrar, obtaining information could be a key mechanism to enable gig economy workers to organize. <https://bit.ly/3f82abo>

**'A big correction': Pandemic brings change to 'bloated' ad industry.** Some people in the industry say a correction was necessary. Marketing budgets have dwindled as the coronavirus led to nationwide lockdowns and canceled events, and customers are no longer in the mood for flashy TV commercials or bright, cheerful billboards. The research firm Forrester predicted last week that advertising spending in the United States would decline by 25% this year and would not recover until 2023. For Twitter, advertising revenue fell 23% in the

most recent quarter. Now the platform has said it is looking into subscriptions and other ways to make money that do not depend on ads. <https://nyti.ms/30fMejk>

**Tech unicorn Dave admits to security breach impacting 7.5 million users.** Digital banking app and tech unicorn Dave.com confirmed today a security breach after a hacker published the details of 7,516,625 users on a public forum. In an email to ZDNet, Dave said the security breach originated on the network of a former business partner, Waydev, an analytics platform used by engineering teams. The company also brought in cyber-security firm CrowdStrike to assist the investigation. <https://zd.net/2DbO9fq>

**Garmin services struggle back to life after reported ransomware attack.** Garmin services appear to be coming online after having [been down](#) since late Wednesday from an apparent ransomware attack. Garmin Connect, the service that lets runners, swimmers, and athletes of all sorts obsessively track their performance measured by Garmin wearables, is now syncing data again, *The Verge* can confirm. All of our activity data collected since Wednesday is now visible in the Garmin app. <https://bit.ly/2XgX3jh>

**Apple threatens to remove Airbnb from App Store over virtual experiences commission.** Apple is demanding 30% commission from Airbnb and ClassPass. That's because the pair have shifted to selling virtual, online classes during the pandemic. It has threatened to remove Airbnb from the App Store if it doesn't comply. <https://bit.ly/3gcGENb>

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## eCommerce

**Walmart Plus, Walmart's Amazon Prime competitor, will reportedly cost US\$98 a year.** Walmart+ is expected to cost a flat fee of US\$98.00 per year. This subscription will include "same-day delivery of groceries and general merchandise, discounts on fuel at Walmart gas stations, and early access to product deals," Recode reports. The service will also reportedly include benefits like "unlimited same-day delivery of groceries and other goods from Walmart Supercenters, reserved delivery slots and open-slot notifications, as well as some access to Walmart's new Express two-hour delivery offering, though not unlimited usage," according to Recode. Walmart+ will additionally feature "discounts on fuel at Walmart gas stations, early access to some product deals, and a Scan & Go service that would allow shoppers to check out in Walmart stores without waiting in line," the Recode report reads. <https://bit.ly/2X33UMK>

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## Fintech, Blockchain & Cryptocurrency

**What's behind Bitcoin's surge? Experts have several theories.** Bitcoin is famous for its volatility, but has been unusually quiet in recent months. The digital currency had been hovering in a tight band between US\$9,000 and US\$10,000 for nearly all of the last three months—until a sudden breakout in the past week. On Monday, the price of Bitcoin brushed US\$11,000, which is up from around US\$9,100 a week ago. This is notable given how Bitcoin has failed to stay above US\$10,000 on the few occasions when it's broken that mark, and how it hasn't crossed US\$10,500 in nearly a year. <https://bit.ly/3g91TGq>

**Online lenders fizzling in crisis with On Deck agreeing to sale.** On Deck Capital Inc. said late Tuesday it had agreed to sell itself for US\$90 million, almost six years after an initial public offering that valued the online small-business lender at US\$1.85 billion. Shares of On Deck and competitors including LendingClub Corp. and GreenSky Inc. have tumbled this year. On Deck Chief Executive Officer Noah Breslow warned in April that the company could no longer prioritize growth in its core business. "Our current focus is on improving cash flow and mitigating risk for our small-business customers and ourselves alike," Breslow said on a conference call. During the financial crisis, banks were short on firepower for lending and wary of risks, which cleared the way for new entrants. Now the problem isn't a shortage of cash, but of information. It's hard to predict who will keep their jobs or stay afloat as the pandemic evolves. Even established credit-card lenders

such as Capital One Financial Corp. are conceding they don't know which of their longtime customers still have a job. <https://bloom.bg/30aFXFn>

**Buzzy challenger bank unicorn Monzo doubled losses in 2019 despite higher revenues, says COVID-19 pandemic is major threat.** Fintech challenger bank Monzo announced that its losses ballooned to £115.4 million (US\$151 million) in 2019 — twice that of 2018. That is despite revenues at the London-based startup doubling to £90 million (US\$118 million) in 2019. Monzo said the ongoing uncertainty of the COVID-19 pandemic was a major threat to its future, but that it could raise more cash if needed. <https://bit.ly/2BMpgqz>

**PayPal and Venmo QR Code checkout is coming to 8,200 CVS stores in Q4.** The company announced this morning CVS will become the first nationwide retailer to allow customers to pay using either their PayPal or Venmo QR code at the register, without fees. The payment will pull from funds available in the customer's existing account balance, bank account or from their debit or credit card, just as it would online. Venmo users will additionally have the option to pay with their Venmo Rewards. CVS has committed to rolling out the technology across 8,200 U.S. stores in the fourth quarter of 2020. PayPal introduced its new QR Code technology for buyers and sellers in 28 markets around the world in May. Its first brick-and-mortar integration was back in 2012 with Home Depot. Soon after, PayPal expanded to 15 more national retailers, including names like JC Penney, Office Depot, Rooms To Go, Foot Locker, Barnes & Noble and others, through relationships with half a dozen point-of-sale terminal makers, and partnered with POS software firm AJB. It later rolled out even more partnerships, including those with iPad POS solution provider Revel Systems and hardware maker NCR. <https://tcrn.ch/39QpFVy>

**Meituan app no longer supports Alipay.** Chinese food delivery and rating platform Meituan Dianping has recently removed Alibaba's online payment platform Alipay in its app, Tech Planet reported Wednesday. Tech Planet said some users couldn't find Alipay on Meituan while monthly payment, debit card, WeChat Pay and Apple Pay are still available. "Why doesn't Taobao support WeChat Pay?" Meituan CEO Wang Xing responded on social media. "WeChat Pay has more active users than Alipay and lower transaction fees." Meituan also blocked Alipay in 2016 and 2018. Alibaba currently holds 1.48% of Meituan's shares. On May 29, Meituan launched its monthly payment plan where users can "buy this month and pay next month" with a maximum interest-free period of 38 days. It also supports installment payments up to 12 months. Meituan's revenue dropped 13% in the first quarter of 2020 due to the impact of COVID-19. The company has since launched "contactless delivery" services to reboot delivery orders during the quarantine. <https://bit.ly/3hRG4vK>

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### Sophic Capital Client Insights

**America's Paper Money Not Going Away. Social distancing and keeping hands clean won't lessen banknote need.** Through the 2020 coronavirus pandemic, health officials have inundated us with messaging about washing our hands thoroughly and regularly. This has morphed into a culture of not touching anyone or anything, including paper money. Some businesses fear that paper money carries the coronavirus and can transmit it to whomever handles it. Some businesses have gone as far to disinfect banknotes they accept (a new form of money laundering). <https://bit.ly/30ZFzZD>

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### DISCLAIMERS

