Investment Thesis

SARAH FRIAR
Today’s takeaways

**MASSIVE MARKET OPPORTUNITY**
We’re targeting a **$60+ billion** market that’s rapidly expanding as we build new vectors for growth.

**UNIQUE AND SCALABLE ASSETS**
The *breadth and cohesion of our solutions* make them difficult to copy and we’re reaching sellers *efficiently* through *ubiquitous and scalable distribution channels*.

**POWERFUL BUSINESS MODEL**
Our attractive cohort economics combined with our cross-selling opportunity an drive industry-leading *revenue retention rate of 113%*. 

Revenue retention rate is calculated as year-over-year retention of Adjusted Revenue (excluding hardware and Gift Cards revenue) for our cohorts on average for the last four quarters ended March 31, 2017.
We have a massive and growing addressable market

**Managed Payments**
- Invoices
- Instant Deposit
- Virtual Terminal
- Square Cash
- Dashboard

**Point of Sale**
- Point of Sale
- Employee Management
- Appointments
- Customer Engagement
- Square for Retail

**Developer Platform**
- Build with Square
- App Marketplace

**Growth Services**
- Capital
- Caviar
Why Square wins: Unique assets, difficult to copy, and at scale

**FOCUS ON TECHNOLOGY AND DESIGN**
- Integrated, end-to-end: hardware, software, payments, and data

**BREADTH OF MANAGED PAYMENTS**
- Comprehensive, full-service offering that helps sellers manage the entire payment life cycle

**DIFFERENTIATED RISK MANAGEMENT**
- Transaction loss rate at ~0.1% of GPV while maintaining high acceptance rates

**OMNI-CHANNEL CAPABILITIES**
- Powerful solutions that enable sellers to accept both in-store and online payments

**OPEN PLATFORM**
- Flexible platform expands functionality that benefits sellers, developers, partners, and Square

**STRONG BRAND**
- Nearly 70 net promoter score, 2x the average for banking service providers

**BREADTH AND EFFICIENCY OF GO-TO-MARKET**
- Quick and easy onboarding and ubiquitous and scalable distribution channels

**PERSISTENT COMMUNICATION CHANNEL**
- Direct, ongoing interactions with sellers help us deliver offerings in the context of their usage

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Transaction loss rate and Square Net Promoter Score (NPS) represented as a trailing four-quarter average ended March 31, 2017. Banking NPS calculated by Satmetrix Systems, Inc., a third-party research firm.
... resulting in consistent, leading market share
The Square app has consistently been in the top 10 for U.S. App Store ranking in iPhone Business Applications.

iOS APP STORE—BUSINESS APPLICATIONS RANKINGS
“Number of downloads” is primary component of ranking

Source: AppFigures (as of March 31, 2017).
... across multiple devices

<table>
<thead>
<tr>
<th>iPhone Business App Rankings</th>
<th>iPad Business App Rankings</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SQUARE</strong> (6)</td>
<td><strong>SQUARE</strong> (5)</td>
</tr>
<tr>
<td><strong>PAYPAL HERE</strong> (57)</td>
<td><strong>QUICKBOOKS GOPAYMENT</strong> (118)</td>
</tr>
<tr>
<td><strong>SHOPIFY POS</strong> (188)</td>
<td><strong>SHOPIFY POS</strong> (141)</td>
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<tr>
<td><strong>PAYANYWHERE</strong> (216)</td>
<td><strong>CLOVER GO</strong> (154)</td>
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<td><strong>SHOPKEEP</strong> (165)</td>
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<tr>
<td><strong>AMAZON REGISTER</strong> (N/A)</td>
<td><strong>REVEL</strong> (257)</td>
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</table>

(Discontinued in February 2016)

Source: AppFigures (as of March 31, 2017).
We can drive valuable insights across our entire business

<table>
<thead>
<tr>
<th>$53B</th>
<th>254M</th>
<th>35</th>
<th>&gt;2B</th>
</tr>
</thead>
<tbody>
<tr>
<td>GROSS PAYMENT VOLUME</td>
<td>UNIQUE CARDS USED ON SQUARE</td>
<td>TRANSACTIONS PER SECOND</td>
<td>DATA POINTS COLLECTED AND UPDATED DAILY ON SQUARE SELLERS</td>
</tr>
</tbody>
</table>

All figures represented as trailing 12 months ended March 31, 2017.
Significant growth at scale

GROSS PAYMENT VOLUME (GPV)
- At IPO: $10B
- Q1 2017: $14B
  - 43% GROWTH

TOTAL NET REVENUE
- At IPO: $332M
- Q1 2017: $462M
  - 39% GROWTH

NET LOSS
- At IPO: ($54M)
- Q1 2017: ($15M)
  - $39M INCREASE

NET LOSS PER SHARE
- At IPO: ($0.35)
- Q1 2017: ($0.04)
  - $0.31 INCREASE

"At IPO" represents Q3 2015.
Significant growth at scale

**ADJUSTED REVENUE**

- **At IPO**: $118M
- **Q1 2017**: $204M
- **Growth**: 73%

**ADJUSTED EBITDA**

- **At IPO**: $118M
- **Q1 2017**: $27M
- **Margin Increase**: 27pt

**ADJUSTED EPS**

- **At IPO**: $(0.15)
- **Q1 2017**: $(0.05)
- **Increase**: $0.20

“At IPO” represents Q3 2015.
A reconciliation of non-GAAP metrics used in this document to their nearest GAAP equivalents is provided in the appendix to this document. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Adjusted Revenue.
Our business model provides a compelling investment opportunity

**TREMENDOUS SCALE**

Millions of active sellers, $53 billion trailing four quarter GPV

**SIGNIFICANT GROWTH**

39% Adjusted Revenue year-over-year growth

**ATTRACTIVE COHORT ECONOMICS**

113% Adjusted Revenue retention rate and 3-to-4 quarter payback

**STRONG MARGIN TRAJECTORY**

$27 million in Adjusted EBITDA, representing 13% margin

Data points shown above are as of March 31, 2017. Active sellers defined as sellers with five or more payments in the last 12 months. See appendix for GAAP reconciliation to Adjusted Revenue and Adjusted EBITDA. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Adjusted Revenue. Payback calculated as the number of quarters it takes for a cohort of sellers’ cumulative Adjusted Revenue (excluding hardware and Gift Cards revenue) to surpass our sales and marketing spending in the quarter in which we acquired that cohort. Revenue retention rate is calculated as year-over-year retention of Adjusted Revenue (excluding hardware and Gift Cards revenue) for our cohorts on average for the last four quarters.
Our Addressable Market
Square’s U.S. payments opportunity today

21M → $3T → $26B

APPLICABLE SMALL TO MEDIUM-SIZE BUSINESSES

GPV OPPORTUNITY

U.S. PAYMENTS ADJUSTED REVENUE OPPORTUNITY

Sources: 2012 U.S. Census, Euromonitor.
All figures are based on employer and non-employer firms with less than $100 million in annual gross receipts in select industry verticals based on 2012 U.S. Census data.
“GPV Opportunity” is calculated by multiplying total annual gross receipts by Euromonitor’s estimate of card payment transaction mix of total consumer payments of 50%.
“U.S. Payments Adjusted Revenue Opportunity” is calculated by multiplying total annual gross receipts by our average transaction margin as a percentage of GPV of 1%.
Square today

$53B
SQUARE GPV

$0.6B
SQUARE PAYMENTS ADJUSTED REVENUE

Figures are represented as trailing 12 months ended March 31, 2017.
Less than 3% penetrated

$3T
GPV OPPORTUNITY

$26B
U.S. PAYMENTS ADJUSTED REVENUE OPPORTUNITY

Sources: 2012 U.S. Census, Euromonitor.
Square figures are represented as trailing 12 months ended March 31, 2017. “Opportunity” figures are based on employer and non-employer firms with less than $100 million in annual gross receipts in select industry verticals based on 2012 U.S. Census data. “GPV Opportunity” is calculated by multiplying total annual gross receipts by Euromonitor’s estimate of card payment transaction mix of total consumer payments of 50%. “U.S. Payments Adjusted Revenue Opportunity” is calculated by multiplying total annual gross receipts by our average transaction margin as a percentage of GPV of 1%.
**We’re building a $60B+ commerce ecosystem**

<table>
<thead>
<tr>
<th>Category</th>
<th>Value</th>
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</thead>
<tbody>
<tr>
<td>U.S. Payments</td>
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</tr>
<tr>
<td>E-commerce</td>
<td>$5B</td>
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<tr>
<td>Software</td>
<td>$8B</td>
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<td>Square Capital</td>
<td>$14B</td>
</tr>
<tr>
<td>Caviar</td>
<td>$11B</td>
</tr>
</tbody>
</table>


**“U.S. Payments” Opportunity** is calculated by multiplying total annual gross receipts by our average transaction margin as a percentage of GPV of 1%.

**“E-commerce” Opportunity** is calculated by multiplying 2020 retail e-commerce Euromonitor forecasts by our average transaction margin of 1%.

**“Software” Opportunity** is calculated by multiplying total employer firms producing less than $100 million in gross receipts annual in select industry verticals based on 2012 U.S. Census data by our average monthly fee of our subscription products annualized multiplied by the total number of our subscription products.

**“Square Capital” Opportunity** is calculated by multiplying $203B of U.S. small business loans outstanding under $250,000 as of December, 2016, and $80B of demand for small business new form lending lines of credit by Goldman Sachs’ estimated revenue rate on small business loans of 4% to 6%.

**“Caviar” Opportunity** is based on Morgan Stanley estimates of the food delivery market excluding pizza.
We’re building a $60B+ commerce ecosystem

$60B+

U.S. ADJUSTED
REVENUE OPPORTUNITY

OPPORTUNITY CONTINUES TO GROW AS WE BUILD CAPABILITIES
The global opportunity is potentially 6–7x that in the U.S.

U.S. small business is based on employer and non-employer firms with less than $100 million in annual gross receipts in select industry verticals based on 2012 U.S. Census data.
Many disruptive trends in our favor
Electronic payments: B2B represents a large opportunity

Outdated methods like check and wire represent 60% of business-to-business commerce.

More sellers will need to make the shift to EMV

Approximately 64% of credit cards are chip, but only 36% of seller locations are EMV ready.

More sellers will need to make the shift to EMV

Sellers who upgraded to EMV saw counterfeit fraud dollars drop 54% on average.

Sellers are increasingly looking for omni-channel solutions.

E-commerce sales are estimated to reach over $500 billion annually in four years.

Source: Euromonitor.
Software developers are recognizing value in payments

Over 2/3 of independent software vendors (ISVs) are considering a semi-integrated model for payments.

ISVs named security, cost, ease of integration, and reliability as the most important aspects to choosing a payments partner.

Traditional borrowing for a small business is difficult

One in four businesses did not apply due to discouragement, difficulty in the search process, or high credit costs.

Source: Federal Reserve Banks—2016 Small Business Credit Survey.
Traditional borrowing for a small business is difficult.

Outdated methods like credit score continue to make financing difficult for small businesses.

Source: Federal Reserve Banks—2016 Small Business Credit Survey.
Many disruptive trends in our favor