

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 and drive industry-leading **revenue retention rate of 113%**.

We have a massive and growing addressable market



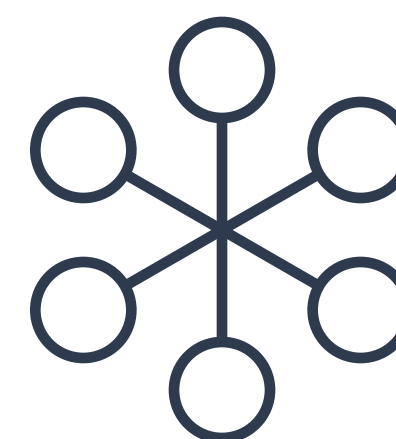
MANAGED PAYMENTS

Invoices
Instant Deposit
Virtual Terminal
Square Cash
Dashboard



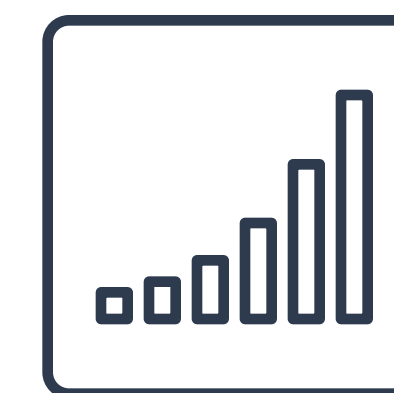
POINT OF SALE

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

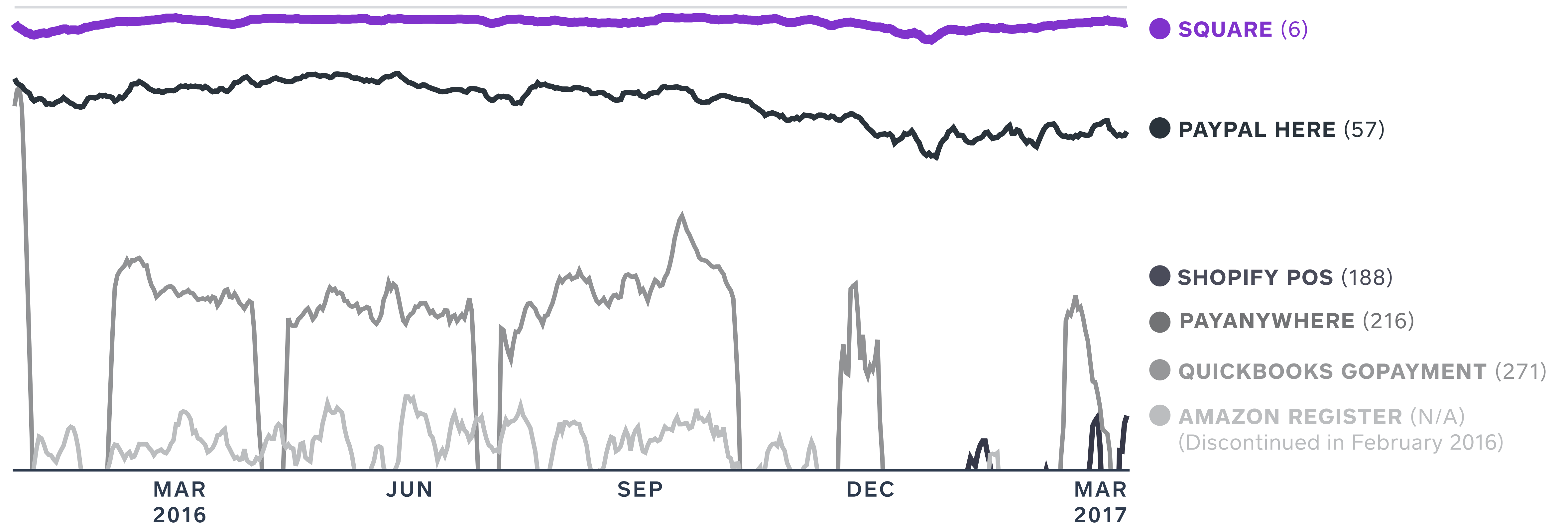
Direct, ongoing interactions with sellers help us deliver offerings in the context of their usage

... 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

iPHONE BUSINESS APP RANKINGS

SQUARE (6)

PAYPAL HERE (57)

SHOPIFY POS (188)

PAYANYWHERE (216)

QUICKBOOKS GOPAYMENT (271)

AMAZON REGISTER (N/A)
(Discontinued in February 2016)

iPAD BUSINESS APP RANKINGS

SQUARE (5)

QUICKBOOKS GOPAYMENT (118)

SHOPIFY POS (141)

CLOVER GO (154)

SHOPKEEP (165)

REVEL (257)

We can drive valuable insights across our entire business

\$53_B

**GROSS PAYMENT
VOLUME**

254_M

**UNIQUE CARDS USED
ON SQUARE**

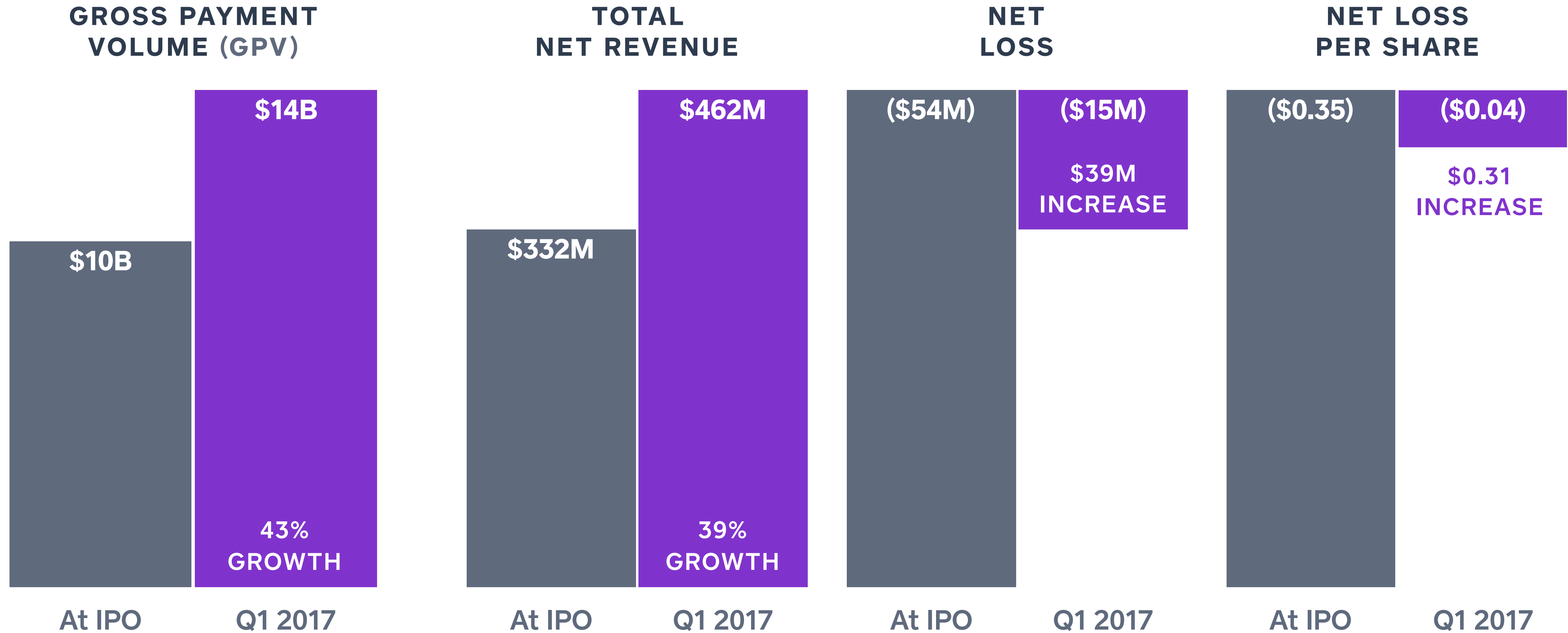
35

**TRANSACTIONS
PER SECOND**

>2_B

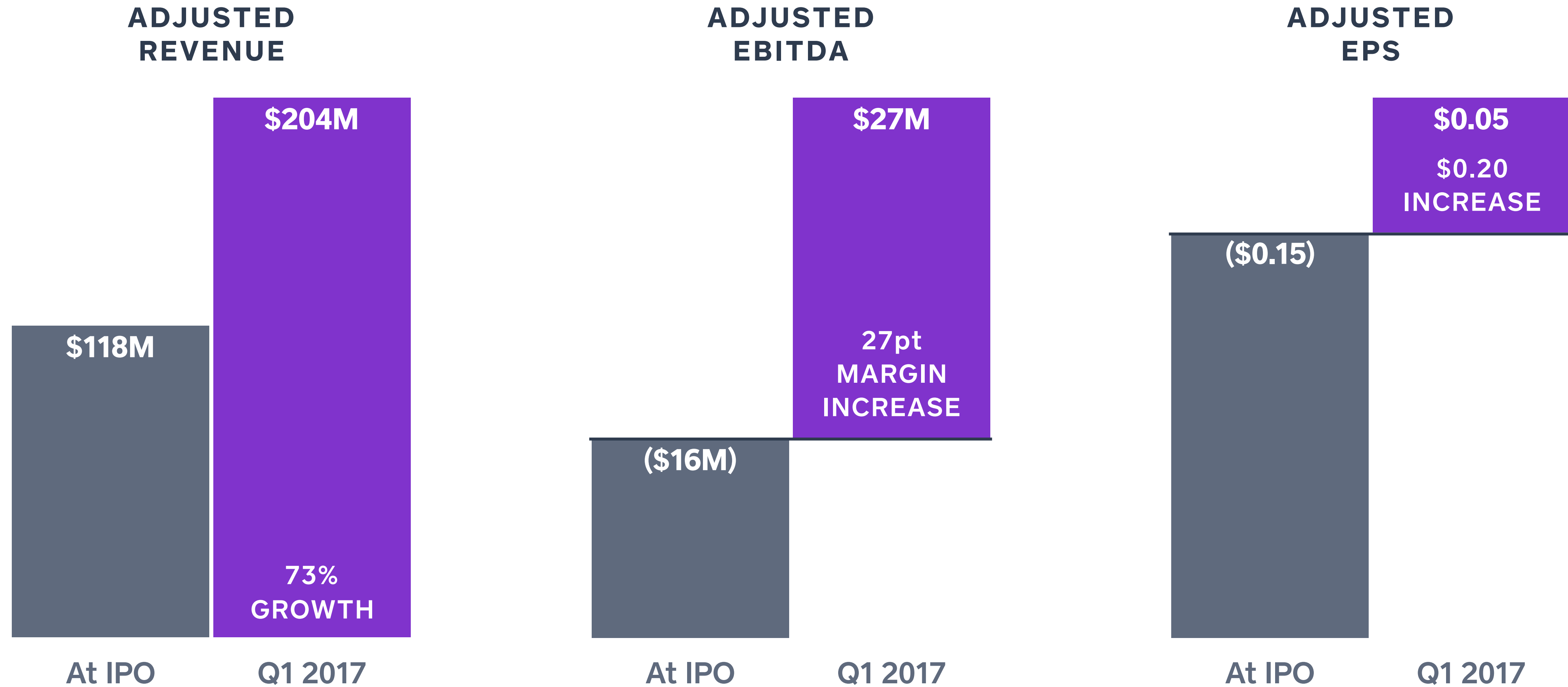
**DATA POINTS COLLECTED
AND UPDATED DAILY ON
SQUARE SELLERS**

Significant growth at scale



"At IPO" represents Q3 2015.

Significant growth at scale



“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



Figures are represented as trailing 12 months ended March 31, 2017.

Less than 3% penetrated



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

\$26_B

U.S. PAYMENTS

\$5_B

E-COMMERCE

\$8_B

SOFTWARE

\$14_B

SQUARE CAPITAL

\$11_B

CAVIAR

Sources: Euromonitor. 2012 U.S. Census, FDIC, Oliver Wyman, Goldman Sachs—Future of Finance, Morgan Stanley—The Pizza Paradigm for Online Food Delivery.

“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⁺

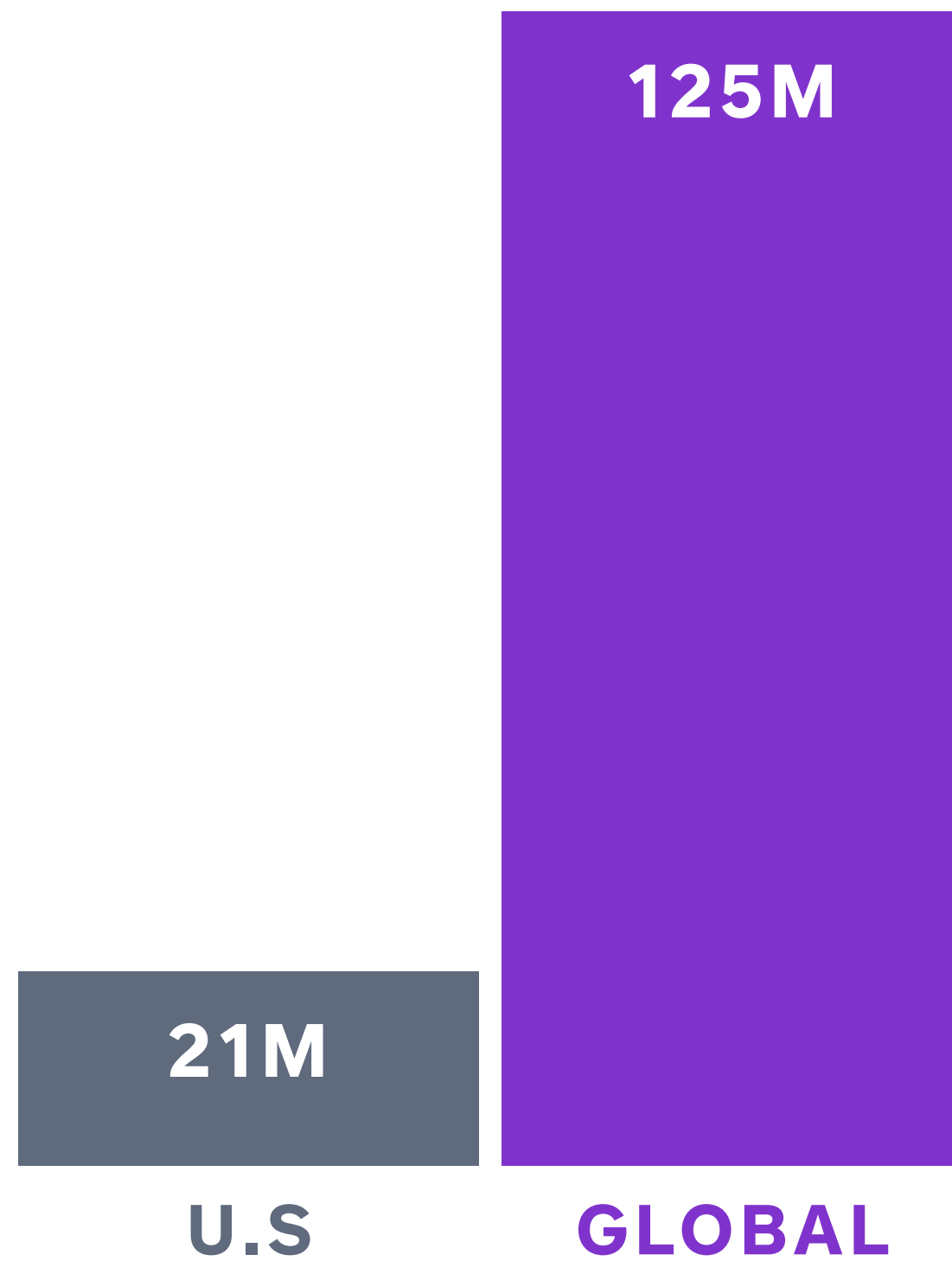
**U.S. ADJUSTED
REVENUE OPPORTUNITY**



**OPPORTUNITY CONTINUES
TO GROW AS WE BUILD
CAPABILITIES**

The global opportunity is potentially 6–7x that in the U.S.

SMALL BUSINESSES



CARD VOLUME



Sources: 2012 U.S. Census, International Finance Corporation (IFC), The Nilson Report.

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.

Small business count figures based on U.S. Census and International Finance Corporation (IFC). Global Card Volume represents 2025 projection.

**MACHINE LEARNING/
ARTIFICIAL INTELLIGENCE**

**ELECTRONIC
PAYMENTS**

**OPEN
PLATFORMS**

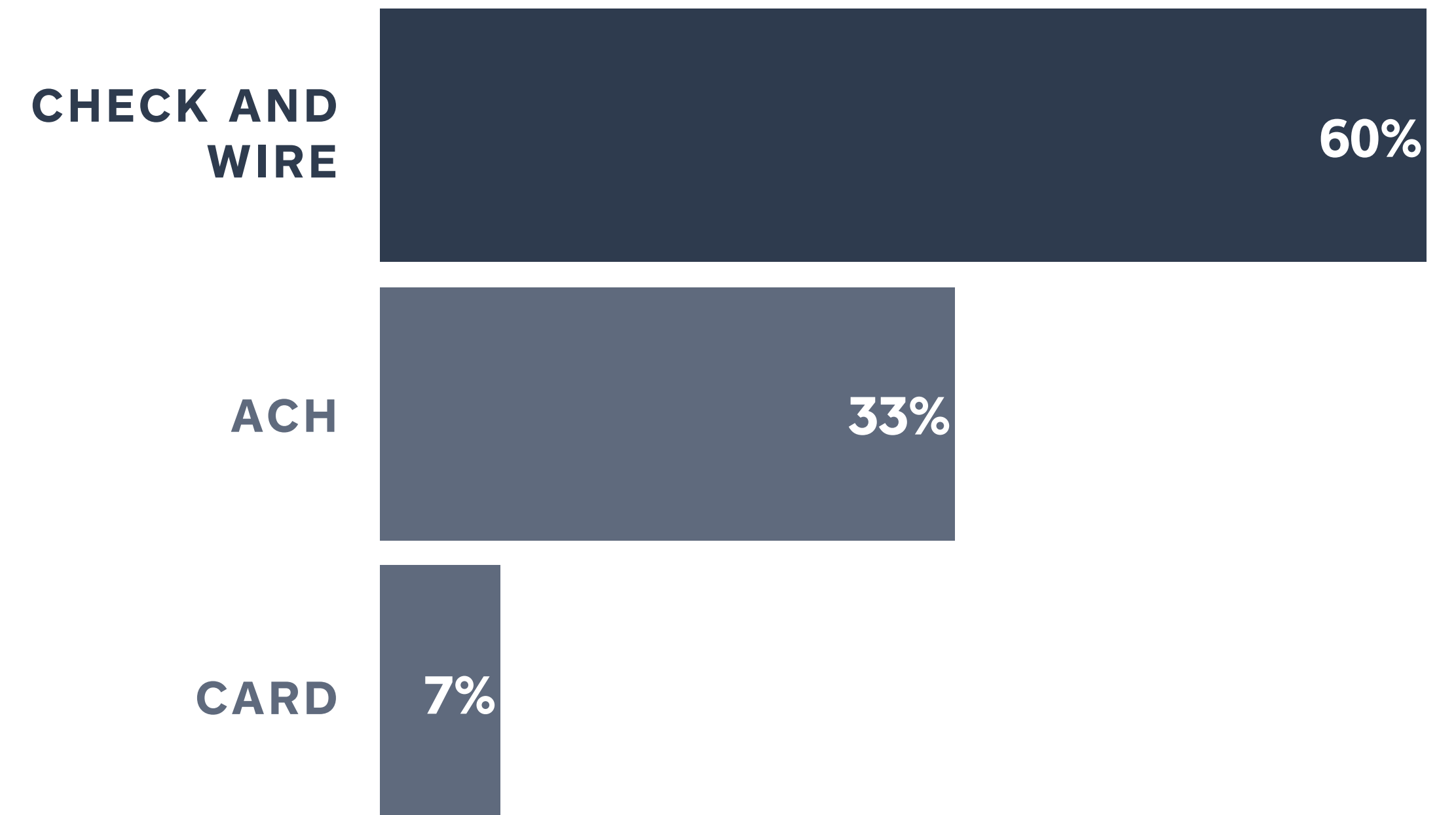
**Many disruptive
trends in our favor**

EMV/NFC

MOBILE

OMNI-CHANNEL

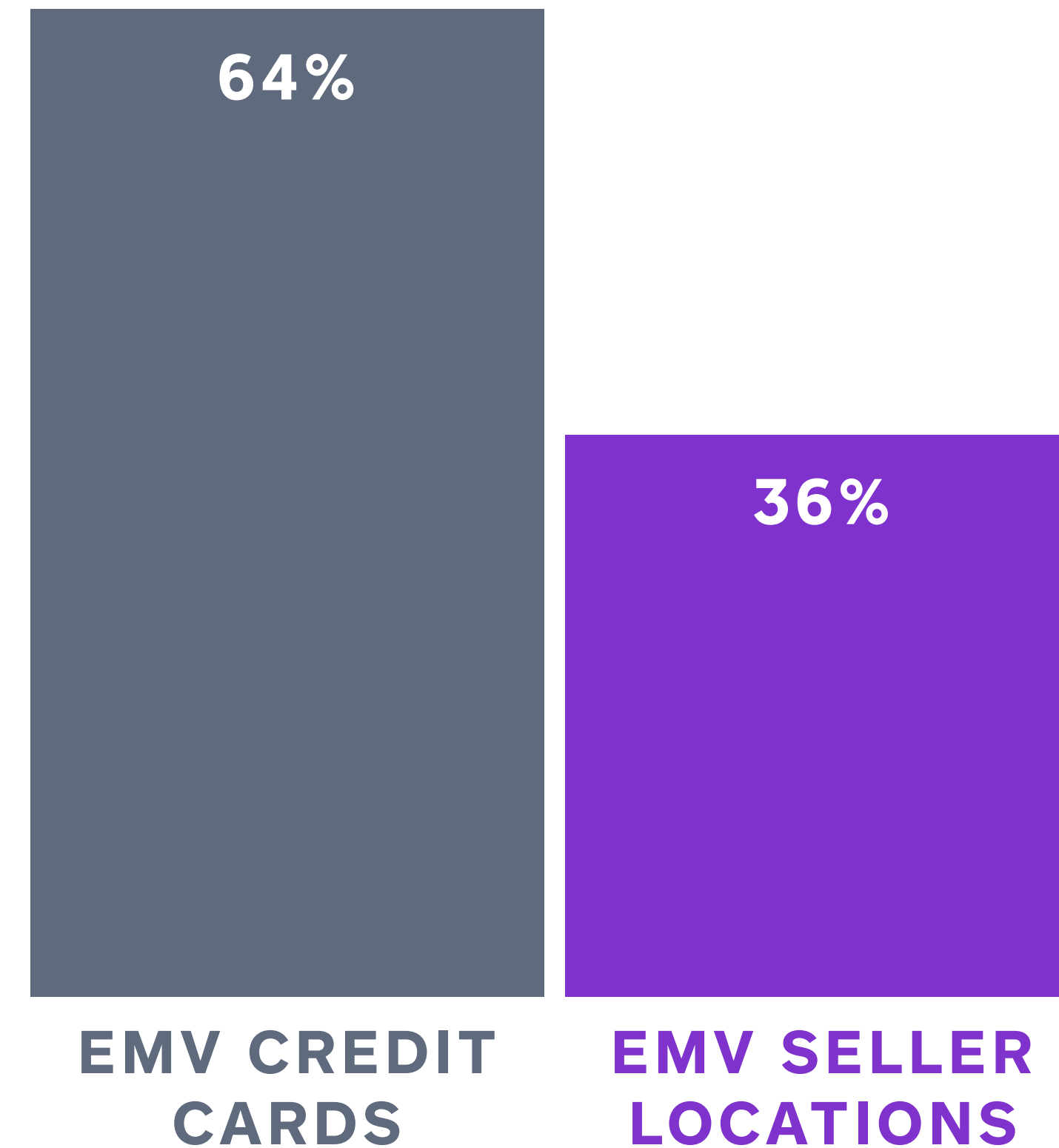
Electronic payments: B2B represents a large opportunity



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

More sellers will need to make the shift to EMV

U.S. EMV MIX AS A PERCENTAGE OF TOTAL CARDS AND SELLER LOCATIONS



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

**YEAR-OVER-YEAR DECREASE IN
COUNTERFEIT FRAUD (JUNE 2016)**

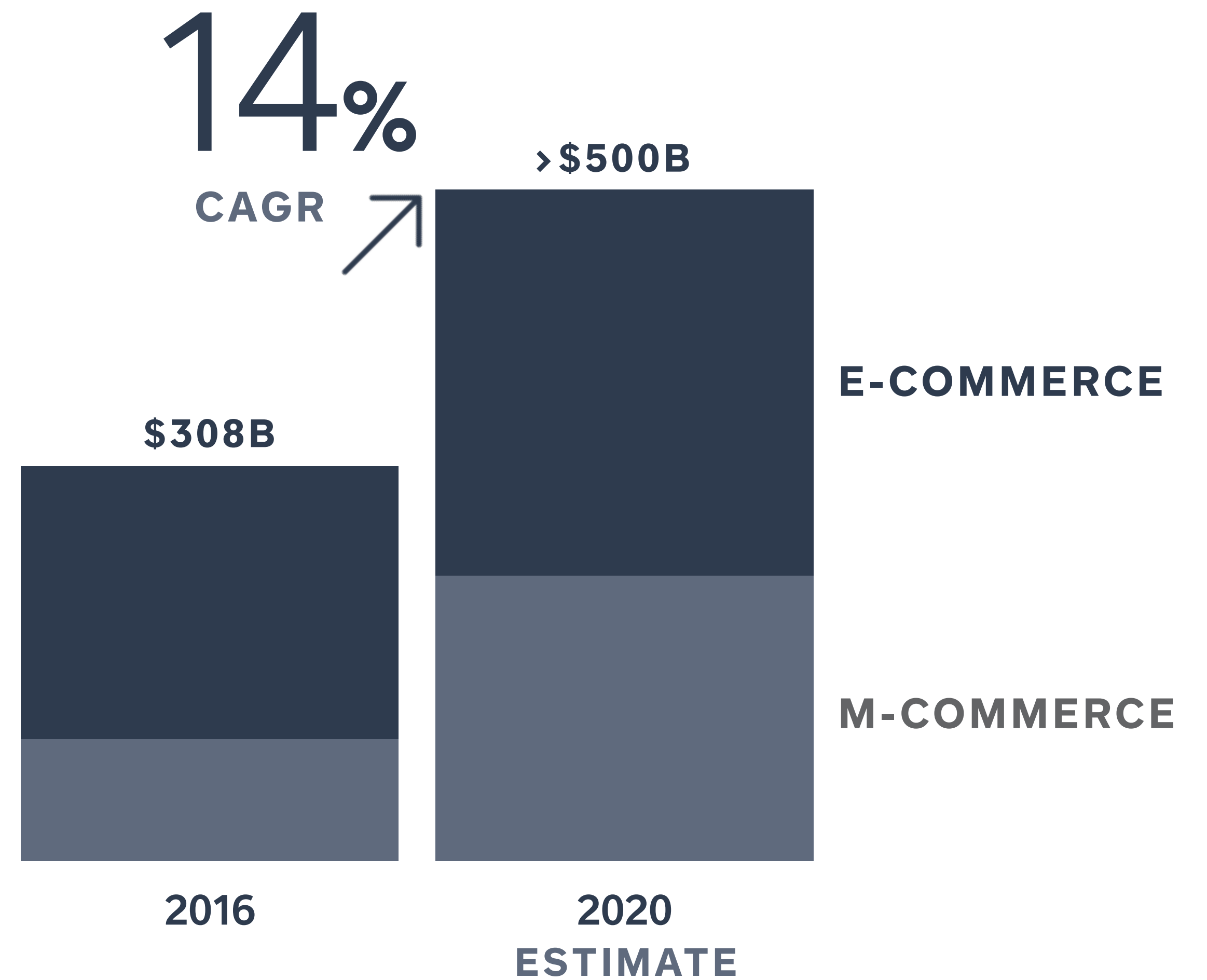
**More sellers will need to
make the shift to EMV**

↓ **54%**

DECREASE

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

Sellers are increasingly looking for omni-channel solutions

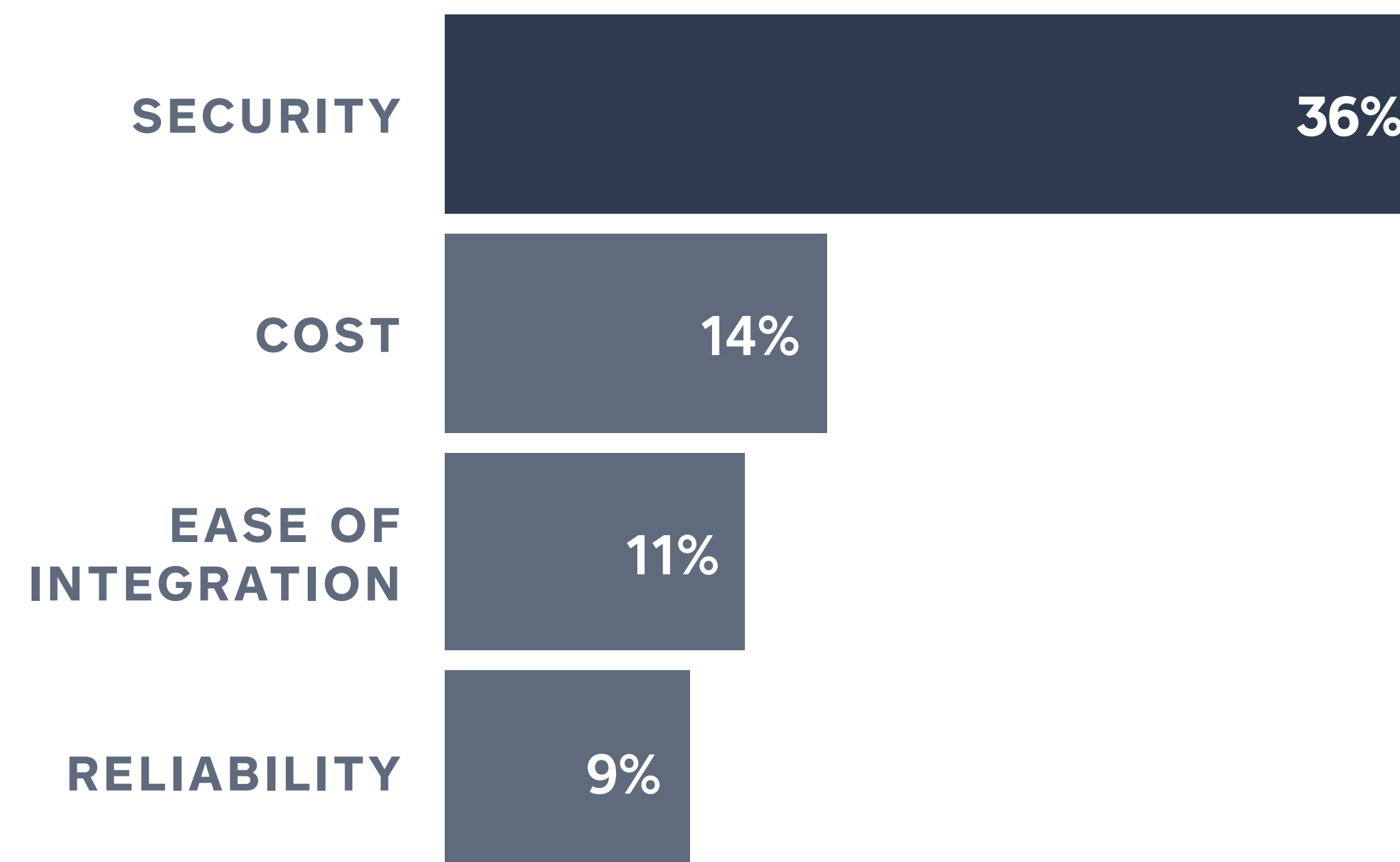


E-commerce sales are estimated to reach **over \$500 billion** annually in four years.

Software developers are recognizing value in payments

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

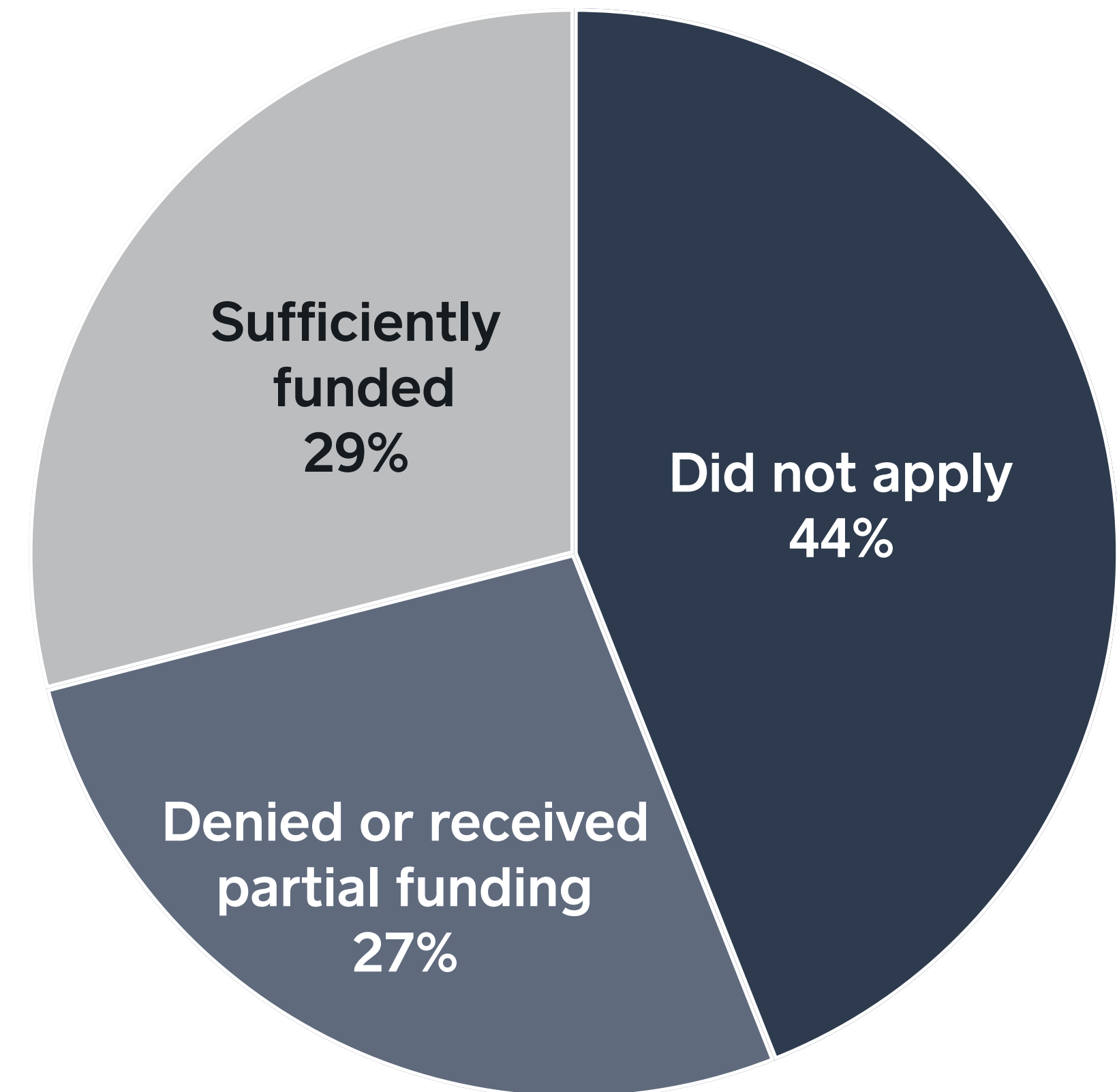
MOST IMPORTANT ASPECTS TO ISVs WHEN SELECTING A PAYMENTS PARTNER



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

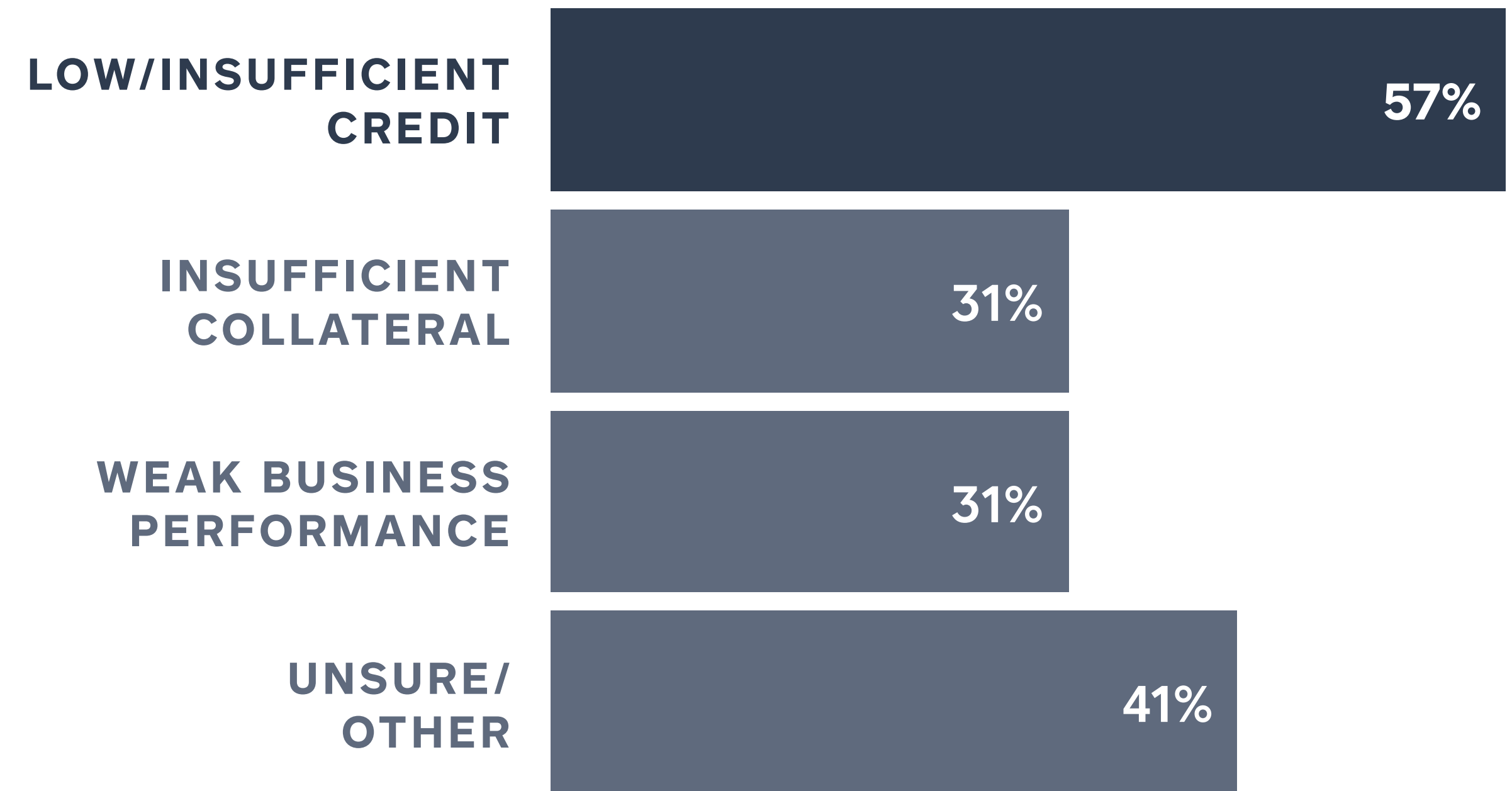
DEMAND FOR FINANCING FOR SMALL BUSINESSES



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

Traditional borrowing for a small business is difficult

TOP REASONS FOR CREDIT DENIAL



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

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ARTIFICIAL INTELLIGENCE**

**ELECTRONIC
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