

ACACIA: MODERN HOME FURNISHINGS  
SAN FRANCISCO, CALIFORNIA



Q4 2015 Shareholder Letter

[SQUARE.COM/INVESTORS](https://square.com/investors)



## To Our Shareholders:

We are excited to report our quarterly and annual financial results for the first time as a public company. We are off to a great start with fourth quarter results that demonstrate both high growth and strong operating performance. Our results show we are executing on what we set out to do: grow our core payments business and extend into other services that deepen our relationships with our sellers.

In the fourth quarter of 2015, Gross Payment Volume (GPV) increased 47% year over year to \$10.2 billion. Adjusted Revenue was \$135 million, up 64% year over year, while total net revenue was \$374 million, up 49% year over year. We are not only seeing strong growth in our core payments business but also across our Software and Data Products. In the fourth quarter, revenue from these products was \$22 million, up 52% sequentially from \$15 million in the third quarter of 2015. Our continued and sustained growth reflects the strength of our large base of over two million active sellers and our ability to broaden our revenue streams. We have momentum in our business and will continue investing to pave the way for long-term scale and profitability.

From payment processing to point of sale, hardware to software, business financing to payroll (and more), we have built a cohesive commerce ecosystem that helps sellers start, run, and grow their businesses. This makes us unique and stands in marked contrast to the rest of the industry, which forces sellers to laboriously piece together hardware, software, and payments services from many different vendors.

## Q4 2015 Highlights

---

### GROSS PAYMENT VOLUME

**\$10.2 Billion** <sup>+47% YoY</sup>

See page 5 for more details

### ADJUSTED REVENUE

**\$135 Million** <sup>+64% YoY</sup>

See page 5 for more details

### TOTAL NET REVENUE

**\$374 Million** <sup>+49% YoY</sup>

See page 5 for more details

### SOFTWARE AND DATA PRODUCTS REVENUE

**\$22 Million** <sup>+272% YoY</sup>

See pages 5–6 for more details

### ADJUSTED EBITDA

**(\$6) Million** <sup>(5%) of Adjusted Revenue</sup>

See page 7 for more details

---

A reconciliation of Adjusted Revenue and other non-GAAP metrics used in this letter to their nearest GAAP equivalents is provided at the end of this letter.

The financial services industry as a whole is now undergoing a significant transformation. Commerce is becoming increasingly digital and mobile, new technologies such as EMV (chip cards) and NFC (contactless payments) are taking hold, and consumer habits are changing fast. For example, in December 2015, 53% of cards swiped on Square were EMV chip cards, up from 12% in January 2015. We have always been a leader in this space and believe we are in an ideal position to capitalize on this industry wide shift.

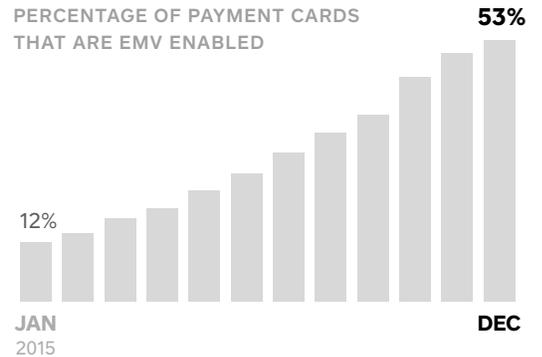
As of the end of the fourth quarter, we had already received over 350,000 pre-orders for our new contactless and chip reader. With this reader, Square sellers can accept payments in nearly every way their customers want to pay. It makes it easy to accept EMV chip cards and also new, faster forms of payment such as Apple Pay and Android Pay. It's a simple, beautiful experience that allows you to pay for a haircut with a tap of your phone. The reader is for sale online and in Apple Stores around the country for \$49, and we are planning to sell the product on Amazon and in Staples, Best Buy, and Target stores in the spring.

At the same time, we continue to develop products and services that allow us to expand our reach and deepen our relationships with our sellers. For example:

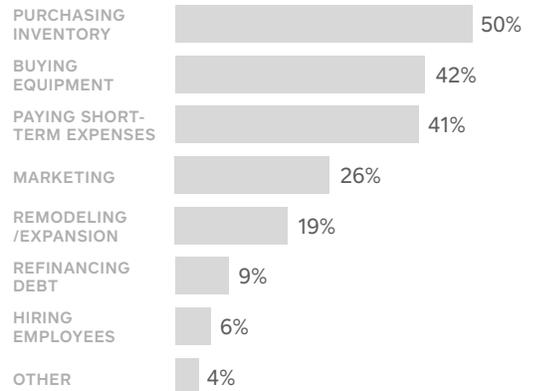
**Square Capital** is our financial services product that delivers capital to sellers in a fast, fair, and intelligent manner. Its growth is exceptional: We extended over \$400 million through more than 70,000 advances in 2015, with nearly \$150 million advanced in the fourth quarter. Our sellers find Square Capital invaluable, and over 90% of those who have been offered a



Contactless and chip reader.



HOW OUR SELLERS USE SQUARE CAPITAL



Based on survey responses in 2015.

second advance have accepted it.

With **Instant Deposit**, we can send funds from a sale immediately to a seller's bank account—24 hours a day, seven days a week. We charge one percent of the dollar amount deposited, and since launch in August 2015 through the end of the fourth quarter, we have helped over 58,000 sellers complete nearly 600,000 deposits instantly.

With **Square Invoices**, sellers can create custom digital invoices and collect payments online. Since its launch a year and a half ago, approximately 100,000 active sellers used Square Invoices to process their payments as of the end of the fourth quarter.

**Caviar**, our restaurant delivery service for popular local restaurants, launched in six new cities in 2015 and is now in 17 markets across the country. Caviar enables restaurants to serve more customers, grow their sales, and expand their reach. The number of orders through Caviar in the fourth quarter grew by 4.5 times year over year.

Above all, our priority is our sellers. We stand for economic empowerment, and everything we do should serve the purpose of giving our sellers accessible, affordable tools to grow their businesses and participate in the economy. As a public company, our purpose has not changed. Our sellers are our partners, and their success is our success. That's one of the great things about Square: We can build a strong, growing, and profitable business by putting our sellers first. And we will!

#### DIRECTED SHARE PROGRAM FOR OUR SELLERS

At the time we went public, we offered our sellers the ability to buy equity in Square at the IPO price. Over 14,000 sellers did, and we are thrilled that they are now also owners of the company. The proceeds from this Directed Share Program benefited the Start Small Foundation, a foundation Jack created to invest in artists, musicians, and local businesses, with a focus on underserved communities. We look forward to welcoming these seller-shareholders to our earnings call and hearing from them during Q&A.

## FINANCIAL DISCUSSION

Unless otherwise noted, all comparisons referenced here are on a year-over-year basis and exclude contribution from Starbucks.

### Gross Payment Volume (GPV)

In the fourth quarter of 2015, we processed GPV of \$10.2 billion, which represents an increase of 47% from the fourth quarter of 2014. For the full year of 2015, GPV totaled \$35.6 billion, a 50% increase from the full year of 2014. GPV growth was driven by both ongoing growth in our existing seller base and new sellers added in 2015. GPV from larger sellers, which we define as those that generate greater than \$125,000 in annualized GPV, grew over 70% in the fourth quarter and now represents 39% of GPV, up from 33% a year ago.

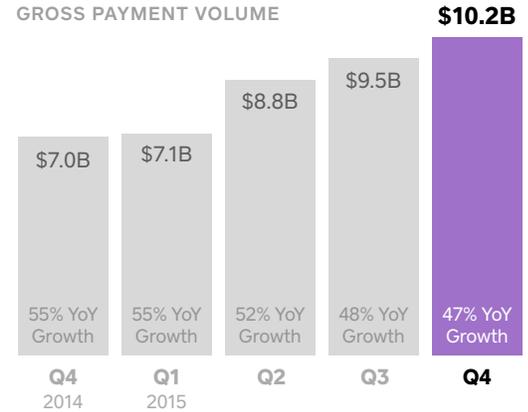
### Revenue

Adjusted Revenue was \$135 million in the fourth quarter of 2015, which represents an increase of 64%, an acceleration from the 57% growth rate in the third quarter of 2015. For the full year of 2015, Adjusted Revenue was \$452 million, an increase of 64%. Total net revenue, which includes revenue from Starbucks, was \$374 million in the fourth quarter, up 49%, and \$1,267 million for the full year of 2015, also up 49%.

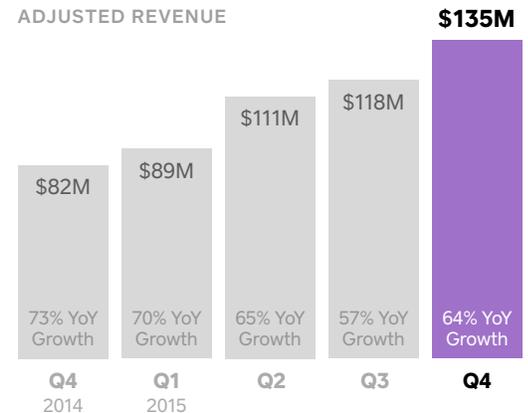
Transaction revenue was \$299 million in the fourth quarter of 2015, up 45%. Transaction revenue as a percentage of GPV was 2.93% compared to 2.97% in the prior year period. The decline is attributable to increases in free processing credits for seller-to-seller referrals and selectively offering custom pricing to larger sellers.

Our Software and Data Product revenue was \$22 million in the fourth quarter of 2015, growing 52% sequentially from

### GROSS PAYMENT VOLUME

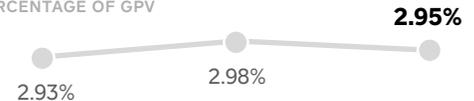


### ADJUSTED REVENUE



A reconciliation of Adjusted Revenue and other non-GAAP metrics used in this letter to their nearest GAAP equivalents is provided at the end of this letter.

### TRANSACTION REVENUE AS A PERCENTAGE OF GPV



### TRANSACTION PROFIT AS A PERCENTAGE OF GPV



the third quarter. For the full year of 2015, Software and Data Product revenue was \$58 million, a nearly fivefold increase compared to the full year of 2014.

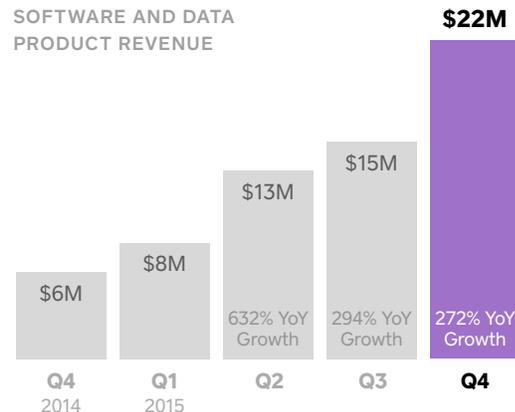
Hardware revenue in the fourth quarter was \$6 million, up 215% from the fourth quarter of 2014, and for the full year of 2015, it was \$16 million, up 124% compared to 2014. The increase in the fourth quarter was due in large part to the launch of our contactless and chip reader, which began shipping in December.

Lastly, Starbucks transaction revenue was \$47 million and gross profit was breakeven in the fourth quarter of 2015, largely benefiting from the newly renegotiated Starbucks processing rates that went into effect beginning October 2015.

### Operating Expenses/Earnings

Our operating expenses were \$157 million in the fourth quarter, up 52%. Excluding share-based compensation expenses, operating expenses were \$124 million, up 36%. While most operating expenses will increase on an absolute basis, over time we anticipate driving continued reductions in operating expenses as a percentage of Adjusted Revenue as we gain economies of scale.

Product development expenses were \$59 million in the fourth quarter, up 49%, primarily reflecting growth in share-based compensation, additions to our team, and investments in product design and tooling, including amounts related to our contactless and chip reader. Sales and marketing expenses were \$38 million in the fourth quarter, up 25%. Total net revenue and Adjusted Revenue growth of 49% and 64%, respectively, substantially outpaced growth in sales and marketing expenses—



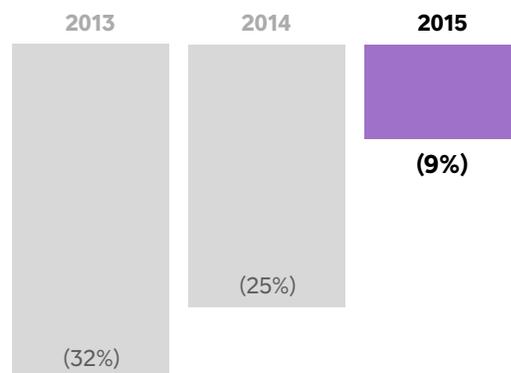
a trend that we believe points to the positive retention and organic growth characteristics of our business, as well as the continued optimization of our customer acquisition channels. General and administrative expenses were \$46 million in the fourth quarter, up 78%, an increase that reflects additions to our customer support, risk operations, legal, compliance, and finance teams that will allow us to scale our operations as a public company.

Transaction and advance losses were \$13 million in the fourth quarter. Growth in transaction and advance losses largely reflects the increase in GPV, as well as provisions related to growth in Square Capital advances not sold to third parties. Transaction losses for payment processing as a percentage of GPV were consistent with historical levels of approximately 0.1%.

Fourth-quarter Adjusted EBITDA was a loss of \$6 million, compared to a loss of \$11 million in the fourth quarter of 2014. Adjusted EBITDA for 2015 was a loss of \$41 million compared to a loss of \$68 million for 2014, representing 15 points of EBITDA margin improvement. Looking ahead, we plan to continue balancing future growth investments against improvements in operating leverage.

On a GAAP basis, net loss per share attributable to common stockholders, basic and diluted, was (\$0.34) for the fourth quarter with 235 million weighted-average shares. This includes the impact of the deemed stock dividend of \$32 million, or (\$0.14) per share, related to the issuance of additional shares to certain holders of Series E preferred stock at the time of the initial public offering. For the full year of 2015, net loss per share attributable to common stockholders, basic and diluted, was (\$1.24) with 170 million weighted-average shares.

EBITDA MARGIN: ADJUSTED EBITDA  
PERCENTAGE OF ADJUSTED REVENUE



## Balance Sheet/Cash Flow

We ended 2015 with \$471 million in cash and equivalents. The increase in cash and equivalents in the fourth quarter was driven primarily by the proceeds that we raised in our initial public offering and improvements in our cash flow from operations. In addition, relative to 2015, we expect reductions in total capital expenditures in 2016 since we have substantially completed major build-outs related to our corporate headquarters.

## GUIDANCE

|  | Q1 2016           | FY 2016          |
|--|-------------------|------------------|
| ADJUSTED REVENUE                       | \$132M to \$137M  | \$600M to \$620M |
| ADJUSTED EBITDA                        | (\$11M) to (\$9M) | \$6M to \$12M    |
| WEIGHTED-AVERAGE<br>SHARES OUTSTANDING | 332 Million       |                  |

While a reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis, we have provided a reconciliation of GAAP to non-GAAP financial measures in the financial statement tables at the end of this letter.

Historically, the fourth quarter has been our strongest revenue quarter, driven by strong seller GPV momentum during the holiday season. Our first quarter is seasonally our slowest in terms of transaction revenue sequential growth.

Additionally, in the first quarter of 2016, we will have shipped all remaining units in our pre-order backlog for our contactless and chip reader. Over half of the pre-ordered readers included a promotional processing credit. As a result, we expect transaction revenue as percentage of GPV to be slightly depressed in the first quarter of 2016 and, to a lesser extent, in the second quarter of 2016.

## EARNINGS WEBCAST

MEDIA CONTACT  
press@squareup.com

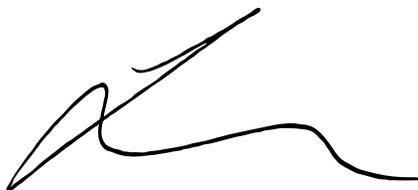
INVESTOR RELATIONS CONTACT  
ir@squareup.com

Square will host a conference call and earnings webcast at 2:00 p.m. Pacific time/5:00 p.m. eastern time today, March 9, to discuss these results. The domestic dial-in for the call is (877) 656-8333 and the international dial-in is (704) 753-0403. The Conference ID is 42304430. To listen to a live audio webcast, please visit Square's Investor Relations website at [square.com/investors](http://square.com/investors). A replay will be available on the same website following the call.

We will release financial results for the first quarter of 2016 on May 5, 2016, after the market closes, and will also host a conference call and earnings webcast at 2:00 p.m. Pacific time/5:00 p.m. eastern time on the same day to discuss these results.



**Jack Dorsey**  
CEO



**Sarah Friar**  
CFO



*“With the help of Square Capital, I am able to offer my clients first-class service. Everyone says I have the biggest and best barbershop. When people walk into an establishment that’s clean, with up-to-date amenities, and looks good, they don’t mind spending their money.*”

*“If you want people to invest in you, you have to invest in yourself.”*

**RAY DAVIS**  
RAYZOR SHARP BARBER SHOP  
HOUSTON, TEXAS

## SAFE HARBOR STATEMENT

This letter contains forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, statements regarding the future performance of Square, Inc. and its consolidated subsidiaries (the "Company"); the Company's expected financial results for future periods, including with respect to Adjusted Revenue, Adjusted EBITDA, and the number of weighted average shares outstanding; future growth in the Company's businesses; management's statements related to business strategy, plans, and objectives for future operations; and the Company's expectations regarding the timing of shipment of products. In some cases, forward-looking statements can be identified by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue," or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Such statements are subject to a number of risks, uncertainties, and assumptions, and investors are cautioned not to place undue reliance on these statements. Actual results could differ materially from those expressed or implied, and reported results should not be considered as an indication of future performance.

Risks that contribute to the uncertain nature of the forward-looking statements include, among others, the Company's ability to deal with the substantial and increasingly intense competition in its industry; changes to the rules and practices of payment card networks and acquiring processors; the effect of evolving regulations and oversight related to the Company's provision of payments services and other financial services; and the effect of management changes and business initiatives; changes in political, business, and economic conditions; as well as other risks listed or described from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"), including the prospectus related to the Company's initial public offering of Class A common stock filed pursuant to Rule 424(b) under the Securities Act of 1933, which are on file with the SEC and available on the investor relations page of the Company's website. Except as required by law, the Company assumes no obligation to update any of the statements in this letter.

## KEY OPERATING METRICS AND NON-GAAP FINANCIAL MEASURES

To supplement Square's financial information presented in accordance with generally accepted accounting principles in the United States, or GAAP, Square considers certain operating and financial measures that are not prepared in accordance with GAAP, including Gross Payment Volume, Adjusted Revenue, and Adjusted EBITDA. Each of these metrics and measures excludes the effect of our payment processing agreement with Starbucks. We do not intend to renew our payment processing agreement with Starbucks when it expires in the third quarter of 2016, and we recently amended the agreement to eliminate the exclusivity provision in order to permit Starbucks to begin transitioning to another payment processor starting October 1, 2015. Under the amendment, Starbucks also agreed to pay increased processing rates to us for as long as it continues to process transactions with us. Starbucks has announced that it will transition to another payment processor and will cease using our payment processing services altogether prior to the scheduled

expiration of the agreement in the third quarter of 2016. As a result, we believe it is useful to exclude Starbucks activity to clearly show the impact Starbucks has had on our financial results historically, to provide insight into the impact of the expected termination of the Starbucks agreement on our revenues going forward, to facilitate period-to-period comparisons of our business, and to facilitate comparisons of our performance to that of other payment processors. Our agreements with other sellers, including Starbucks following the amendment described above, generally provide both those sellers and us the unilateral right to terminate such agreements at any time, without fine or penalty. Furthermore, we generally do not enter into long-term contractual agreements with sellers.

We define Gross Payment Volume (GPV) as the total dollar amount of all card payments processed by sellers using Square, net of refunds. GPV excludes card payments processed for Starbucks. Additionally, GPV excludes activity related to our Square Cash peer-to-peer payments service.

Adjusted Revenue is a non-GAAP financial measure that we define as our total net revenue less transaction costs, adjusted to eliminate the effect of activity under our payment processing agreement with Starbucks. As described above, Starbucks has announced that it will transition to another payment processor and will cease using our payment processing services altogether, and we believe that providing Adjusted Revenue metrics that exclude the impact of our agreement with Starbucks is useful to investors. We believe it is useful to exclude transaction costs from Adjusted Revenue as this is a primary metric used by management to measure our business performance, and it affords greater comparability to other payment processing companies. Adjusted Revenue has limitations as a financial measure, should be considered as supplemental in nature, and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

Adjusted EBITDA is a non-GAAP financial measure that represents our net loss, adjusted to eliminate the effect of Starbucks transaction revenue and Starbucks transaction costs, before interest income and expense, provision or benefit for income taxes, depreciation, amortization, share-based compensation expense, other income and expense, the gain or loss on the sale of property and equipment, and impairment of intangible assets. We have included Adjusted EBITDA because it is a key measure used by our management to evaluate our operating performance, generate future operating plans, and make strategic decisions, including those relating to operating expenses and the allocation of internal resources. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. In addition, it provides a useful measure for period-to-period comparisons of our business, as it removes the effect of certain non-cash items and certain variable charges. Adjusted EBITDA has limitations as a financial measure, should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with GAAP.

# CONSOLIDATED STATEMENTS OF OPERATIONS

UNAUDITED  
In thousands, except per share data

|   | Three months ended, |              |              | Year ended,  |              |
|---|---------------------|--------------|--------------|--------------|--------------|
|   | Dec 31, 2015        | Sep 30, 2015 | Dec 31, 2014 | Dec 31, 2015 | Dec 31, 2014 |
| Revenue:  |                     |              |              |              |              |
| Transaction revenue   | \$ 298,516          | \$ 280,955   | \$ 206,331   | \$ 1,050,445 | \$ 707,799   |
| Starbucks transaction revenue   | 47,084              | 32,332       | 36,516       | 142,283      | 123,024      |
| Software and data product revenue   | 22,385              | 14,694       | 6,024        | 58,013       | 12,046       |
| Hardware revenue  | 6,375               | 4,207        | 2,023        | 16,377       | 7,323        |
| Total net revenue   | 374,360             | 332,188      | 250,894      | 1,267,118    | 850,192      |
| Cost of revenue:  |                     |              |              |              |              |
| Transaction costs   | 192,730             | 182,007      | 132,357      | 672,667      | 450,858      |
| Starbucks transaction costs   | 46,896              | 41,410       | 43,066       | 165,438      | 150,955      |
| Software and data product costs   | 8,650               | 5,593        | 1,941        | 22,470       | 2,973        |
| Hardware costs  | 14,238              | 5,726        | 4,803        | 30,874       | 18,330       |
| Amortization of acquired technology   | 2,753               | 1,142        | 400          | 5,639        | 1,002        |
| Total cost of revenue   | 265,267             | 235,878      | 182,567      | 897,088      | 624,118      |
| Gross profit  | 109,093             | 96,310       | 68,327       | 370,030      | 226,074      |
| Operating expenses:   |                     |              |              |              |              |
| Product development   | 59,186              | 55,020       | 39,670       | 199,638      | 144,637      |
| Sales and marketing   | 38,448              | 39,259       | 30,873       | 145,618      | 112,577      |
| General and administrative  | 45,723              | 37,820       | 25,635       | 143,466      | 94,220       |
| Transaction and advance losses  | 13,169              | 16,005       | 6,255        | 54,009       | 24,081       |
| Amortization of acquired customer assets  | 384                 | 423          | 459          | 1,757        | 1,050        |
| Total operating expenses  | 156,910             | 148,527      | 102,892      | 544,488      | 376,565      |
| Operating loss  | (47,817)            | (52,217)     | (34,565)     | (174,458)    | (150,491)    |
| Interest (income) and expense   | 168                 | 137          | 443          | 1,163        | 1,058        |
| Other (income) and expense  | (940)               | 644          | 367          | 450          | 1,104        |
| Loss before income tax  | (47,045)            | (52,998)     | (35,375)     | (176,071)    | (152,653)    |
| Provision for income taxes  | 1,244               | 932          | 1,697        | 3,746        | 1,440        |
| Net loss  | (48,289)            | (53,930)     | (37,072)     | (179,817)    | (154,093)    |
| Deemed dividend on Series E preferred stock   | (32,200)            | —            | —            | (32,200)     | —            |
| Net loss attributable to common stockholders  | \$ (80,489)         | \$ (53,930)  | \$ (37,072)  | \$ (212,017) | \$ (154,093) |
| Net loss per share attributable to common stockholders:   |                     |              |              |              |              |
| Basic   | \$ (0.34)           | \$ (0.35)    | \$ (0.25)    | \$ (1.24)    | \$ (1.08)    |
| Diluted   | \$ (0.34)           | \$ (0.35)    | \$ (0.25)    | \$ (1.24)    | \$ (1.08)    |
| Weighted-average shares used to compute net loss per share attributable to common stockholders: |                     |              |              |              |              |
| Basic   | 234,548             | 152,334      | 148,031      | 170,498      | 142,042      |
| Diluted   | 234,548             | 152,334      | 148,031      | 170,498      | 142,042      |

## CONSOLIDATED BALANCE SHEETS

UNAUDITED  
In thousands, except share and per share data

|   | December 31,      |                   |
|---|-------------------|-------------------|
|   | 2015              | 2014              |
| <b>ASSETS</b>   |                   |                   |
| Current assets:   |                   |                   |
| Cash and cash equivalents   | \$ 470,775        | \$ 225,300        |
| Restricted cash   | 13,537            | 11,950            |
| Settlements receivable  | 142,727           | 115,481           |
| Merchant cash advance receivable, net   | 36,473            | 29,302            |
| Other current assets  | 42,051            | 27,834            |
| <b>Total current assets</b>   | <b>705,563</b>    | <b>409,867</b>    |
| Property and equipment, net   | 87,222            | 63,733            |
| Goodwill  | 56,699            | 40,267            |
| Acquired intangible assets, net   | 26,776            | 10,279            |
| Restricted cash   | 14,686            | 14,394            |
| Other assets  | 3,826             | 3,348             |
| <b>Total assets</b>   | <b>\$ 894,772</b> | <b>\$ 541,888</b> |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                   |                   |
| Current liabilities:  |                   |                   |
| Accounts payable  | \$ 18,869         | \$ 5,436          |
| Customers payable   | 224,811           | 148,648           |
| Accrued transaction losses  | 17,176            | 8,452             |
| Accrued expenses  | 44,401            | 17,368            |
| Other current liabilities   | 28,945            | 11,202            |
| <b>Total current liabilities</b>  | <b>334,202</b>    | <b>191,106</b>    |
| Debt  | —                 | 30,000            |
| Other liabilities   | 52,522            | 47,110            |
| <b>Total liabilities</b>  | <b>386,724</b>    | <b>268,216</b>    |
| Stockholders' equity:   |                   |                   |
| Preferred stock, \$0.0000001 par value: 100,000,000 and 135,339,499 shares authorized at December 31, 2015 and December 31, 2014, respectively. None issued and outstanding at December 31, 2015 and 135,252,809 shares issued and outstanding at December 31, 2014.  | —                 | 514,945           |
| Common stock, \$0.0000001 par value: 1,000,000,000 Class A shares authorized; 31,717,133 issued and outstanding at December 31, 2015. No Class A shares authorized, issued, and outstanding at December 31, 2014. 500,000,000 and 445,000,000 Class B shares authorized; 303,232,312 and 154,603,683 issued and outstanding at December 31, 2015 and December 31, 2014, respectively. | —                 | —                 |
| Additional paid-in capital  | 1,116,882         | 155,166           |
| Accumulated other comprehensive loss  | (1,185)           | (807)             |
| Accumulated deficit   | (607,649)         | (395,632)         |
| <b>Total stockholders' equity</b>   | <b>508,048</b>    | <b>273,672</b>    |
| <b>Total liabilities and stockholders' equity</b>   | <b>\$ 894,772</b> | <b>\$ 541,888</b> |

# CONSOLIDATED STATEMENTS OF CASH FLOW

UNAUDITED  
In thousands

|  | Year ended,  |              |
|--|--------------|--------------|
|  | Dec 31, 2015 | Dec 31, 2014 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |              |
| Net loss   | \$ (179,817) | \$ (154,093) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities:  |              |              |
| Depreciation and amortization  | 27,626       | 18,586       |
| Share-based compensation   | 82,292       | 36,100       |
| Excess tax benefit from share-based payment activity                                       | (1,101)      | (1,348)      |
| Provision for transaction losses   | 43,379       | 18,478       |
| Provision for uncollectible receivables related to merchant cash advances                  | 6,240        | 2,431        |
| Deferred provision for income taxes  | 26           | (2,664)      |
| Loss on disposal of property and equipment   | 270          | 133          |
| Changes in operating assets and liabilities:   |              |              |
| Settlements receivable   | (27,420)     | (50,361)     |
| Merchant cash advance receivable   | (13,411)     | (31,733)     |
| Other current assets   | (13,225)     | (14,323)     |
| Other assets   | 1,220        | (636)        |
| Accounts payable   | 7,831        | 179          |
| Customers payable  | 76,008       | 52,956       |
| Charge-offs and recoveries to accrued transaction losses                                   | (34,655)     | (17,514)     |
| Accrued expenses   | 21,450       | 8,113        |
| Other current liabilities  | 19,760       | 3,007        |
| Other liabilities  | 11,111       | 23,295       |
| Net cash (used in) provided by operating activities  | 27,584       | (109,394)    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |              |              |
| Purchase of property and equipment   | (37,432)     | (28,794)     |
| Payment for acquisition of intangible assets   | (1,286)      | (400)        |
| (Increases) decreases in restricted cash   | (1,878)      | (7,075)      |
| Business acquisitions (net of cash acquired)   | (4,500)      | 11,715       |
| Net cash used in investing activities  | (45,096)     | (24,554)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |              |              |
| Proceeds from issuance of preferred stock, net   | 29,952       | 148,748      |
| Proceeds from issuance of common stock upon initial public offering, net of offering costs | 251,257      | —            |
| Proceeds from debt   | —            | 30,000       |
| Principal payments on debt   | (30,000)     | —            |
| Payments of debt issuance costs  | (1,387)      | —            |
| Proceeds from the exercise of stock options  | 13,840       | 14,056       |
| Excess tax benefit from share-based payment award  | 1,101        | 1,348        |
| Net cash provided by financing activities  | 264,763      | 194,152      |
| Effect of foreign exchange rate on cash and cash equivalents                               | (1,776)      | (1,080)      |
| Net increase (decrease) in cash and cash equivalents                                       | 245,475      | 59,124       |
| Cash and cash equivalents, beginning of the year   | 225,300      | 166,176      |
| Cash and cash equivalents, end of the year   | \$ 470,775   | \$ 225,300   |

## KEY OPERATING METRICS AND NON-GAAP FINANCIAL MEASURES

UNAUDITED  
In thousands, except GPV

|                   | Three months ended, |              |              | Year ended,  |              |
|-------------------|---------------------|--------------|--------------|--------------|--------------|
|                   | Dec 31, 2015        | Sep 30, 2015 | Dec 31, 2014 | Dec 31, 2015 | Dec 31, 2014 |
| GPV (in millions) | \$ 10,193           | \$ 9,540     | \$ 6,955     | \$ 35,643    | \$ 23,780    |
| Adjusted Revenue  | \$ 134,546          | \$ 117,849   | \$ 82,021    | \$ 452,168   | \$ 276,310   |
| Adjusted EBITDA   | \$ (6,069)          | \$ (15,776)  | \$ (10,692)  | \$ (41,115)  | \$ (67,741)  |

## ADJUSTED REVENUE RECONCILIATION

UNAUDITED  
In thousands

|                                     | Three months ended, |              |              | Year ended,  |              |
|-------------------------------------|---------------------|--------------|--------------|--------------|--------------|
|                                     | Dec 31, 2015        | Sep 30, 2015 | Dec 31, 2014 | Dec 31, 2015 | Dec 31, 2014 |
| Total net revenue                   | \$ 374,360          | \$ 332,188   | \$ 250,894   | \$ 1,267,118 | \$ 850,192   |
| Less: Starbucks transaction revenue | 47,084              | 32,332       | 36,516       | 142,283      | 123,024      |
| Less: Transaction costs             | 192,730             | 182,007      | 132,357      | 672,667      | 450,858      |
| Adjusted Revenue                    | \$ 134,546          | \$ 117,849   | \$ 82,021    | \$ 452,168   | \$ 276,310   |

## ADJUSTED EBITDA RECONCILIATION

UNAUDITED  
In thousands

|  | Three months ended, |              |              | Year ended,  |              |
|--|---------------------|--------------|--------------|--------------|--------------|
|  | Dec 31, 2015        | Sep 30, 2015 | Dec 31, 2014 | Dec 31, 2015 | Dec 31, 2014 |
| Net loss                               | \$ (48,289)         | \$ (53,930)  | \$ (37,072)  | \$ (179,817) | \$ (154,093) |
| Starbucks transaction revenue          | (47,084)            | (32,332)     | (36,516)     | (142,283)    | (123,024)    |
| Starbucks transaction costs            | 46,896              | 41,410       | 43,066       | 165,438      | 150,955      |
| Share-based compensation expense       | 32,806              | 20,793       | 11,447       | 82,292       | 36,100       |
| Depreciation and amortization          | 9,100               | 6,570        | 5,743        | 27,626       | 18,586       |
| Interest (income) and expense          | 168                 | 137          | 443          | 1,163        | 1,058        |
| Other (income) and expense             | (940)               | 644          | 367          | 450          | 1,104        |
| Provision for income taxes             | 1,244               | 932          | 1,697        | 3,746        | 1,440        |
| Loss on sale of property and equipment | 30                  | —            | 133          | 270          | 133          |
| Impairment of intangible assets        | —                   | —            | —            | —            | —            |
| Adjusted EBITDA                        | \$ (6,069)          | \$ (15,776)  | \$ (10,692)  | \$ (41,115)  | \$ (67,741)  |

## SHARE-BASED COMPENSATION BY FUNCTION

UNAUDITED  
In thousands

|                                       | Three months ended, |                  |                  | Year ended,      |                  |
|---------------------------------------|---------------------|------------------|------------------|------------------|------------------|
|                                       | Dec 31, 2015        | Sep 30, 2015     | Dec 31, 2014     | Dec 31, 2015     | Dec 31, 2014     |
| Product development                   | \$ 21,451           | \$ 13,938        | \$ 7,851         | \$ 54,738        | \$ 24,758        |
| Sales and marketing                   | 2,836               | 1,750            | 1,185            | 7,360            | 3,738            |
| General and administrative            | 8,519               | 5,105            | 2,411            | 20,194           | 7,604            |
| <u>Total share-based compensation</u> | <u>\$ 32,806</u>    | <u>\$ 20,793</u> | <u>\$ 11,447</u> | <u>\$ 82,292</u> | <u>\$ 36,100</u> |

## DEPRECIATION AND AMORTIZATION BY FUNCTION

UNAUDITED  
In thousands

|  | Three months ended, |                 |                 | Year ended,      |                  |
|--|---------------------|-----------------|-----------------|------------------|------------------|
|  | Dec 31, 2015        | Sep 30, 2015    | Dec 31, 2014    | Dec 31, 2015     | Dec 31, 2014     |
| Cost of revenue                            | \$ 3,935            | \$ 1,142        | \$ 400          | \$ 6,822         | \$ 1,002         |
| Product development                        | 2,240               | 3,171           | 3,378           | 11,347           | 10,775           |
| Sales and marketing                        | 3                   | 3               | 2               | 10               | 108              |
| General and administrative                 | 2,922               | 2,254           | 1,963           | 9,447            | 6,701            |
| <u>Total depreciation and amortization</u> | <u>\$ 9,100</u>     | <u>\$ 6,570</u> | <u>\$ 5,743</u> | <u>\$ 27,626</u> | <u>\$ 18,586</u> |