

SQUARE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	December 31,	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 452,030	\$ 461,329
Short-term investments	59,901	—
Restricted cash	22,131	13,537
Settlements receivable	321,102	142,727
Customer funds held	43,574	9,446
Loans held for sale	42,144	604
Merchant cash advance receivable, net	4,212	36,473
Other current assets	56,331	41,447
Total current assets	1,001,425	705,563
Property and equipment, net	88,328	87,222
Goodwill	57,173	56,699
Acquired intangible assets, net	19,292	26,776
Long-term investments	27,366	—
Restricted cash	14,584	14,686
Other assets	3,194	3,826
Total assets	<u>\$ 1,211,362</u>	<u>\$ 894,772</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 12,602	\$ 18,869
Customers payable	388,058	215,365
Customer funds obligation	43,574	9,446
Accrued transaction losses	20,064	17,176
Accrued expenses	39,543	44,401
Other current liabilities	73,623	28,945
Total current liabilities	577,464	334,202
Debt (Note 11)	—	—
Other liabilities	57,745	52,522
Total liabilities	635,209	386,724
Commitments and contingencies (Note 16)		
Stockholders' equity:		
Preferred stock, \$0.0000001 par value: 100,000,000 shares authorized at December 31, 2016 and December 31, 2015. None issued and outstanding at December 31, 2016 and December 31, 2015.	—	—
Class A common stock, \$0.0000001 par value: 1,000,000,000 shares authorized at December 31, 2016 and December 31, 2015; 198,746,620 and 31,717,133 issued and outstanding at December 31, 2016 and December 31, 2015, respectively.	—	—
Class B common stock, \$0.0000001 par value: 500,000,000 shares authorized at December 31, 2016 and December 31, 2015; 165,800,756 and 303,232,312 issued and outstanding at December 31, 2016 and December 31, 2015, respectively.	—	—
Additional paid-in capital	1,357,381	1,116,882
Accumulated other comprehensive loss	(1,989)	(1,185)
Accumulated deficit	(779,239)	(607,649)
Total stockholders' equity	576,153	508,048
Total liabilities and stockholders' equity	<u>\$ 1,211,362</u>	<u>\$ 894,772</u>

See accompanying notes to consolidated financial statements.

SQUARE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	Year Ended December 31,		
	2016	2015	2014
Revenue:			
Transaction-based revenue	\$ 1,456,160	\$ 1,050,445	\$ 707,799
Starbucks transaction-based revenue	78,903	142,283	123,024
Subscription and services-based revenue	129,351	58,013	12,046
Hardware revenue	44,307	16,377	7,323
Total net revenue	1,708,721	1,267,118	850,192
Cost of revenue:			
Transaction-based costs	943,200	672,667	450,858
Starbucks transaction-based costs	69,761	165,438	150,955
Subscription and services-based costs	43,132	22,470	2,973
Hardware costs	68,562	30,874	18,330
Amortization of acquired technology	8,028	5,639	1,002
Total cost of revenue	1,132,683	897,088	624,118
Gross profit	576,038	370,030	226,074
Operating expenses:			
Product development	268,537	199,638	144,637
Sales and marketing	173,876	145,618	112,577
General and administrative	251,993	143,466	94,220
Transaction, loan and advance losses	51,235	54,009	24,081
Amortization of acquired customer assets	850	1,757	1,050
Total operating expenses	746,491	544,488	376,565
Operating loss	(170,453)	(174,458)	(150,491)
Interest and other (income) expense, net	(780)	1,613	2,162
Loss before income tax	(169,673)	(176,071)	(152,653)
Provision for income taxes	1,917	3,746	1,440
Net loss	(171,590)	(179,817)	(154,093)
Deemed dividend on Series E preferred stock	—	(32,200)	—
Net loss attributable to common stockholders	\$ (171,590)	\$ (212,017)	\$ (154,093)
Net loss per share attributable to common stockholders:			
Basic	\$ (0.50)	\$ (1.24)	\$ (1.08)
Diluted	\$ (0.50)	\$ (1.24)	\$ (1.08)
Weighted-average shares used to compute net loss per share attributable to common stockholders:			
Basic	341,555	170,498	142,042
Diluted	341,555	170,498	142,042

See accompanying notes to consolidated financial statements.

SQUARE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2016	2015	2014
Cash flows from operating activities:			
Net loss	\$ (171,590)	\$ (179,817)	\$ (154,093)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	37,745	27,626	18,586
Share-based compensation	138,786	82,292	36,100
Excess tax benefit from share-based payment activity	—	(1,101)	(1,348)
Provision for transaction losses	50,819	43,379	18,478
Provision for uncollectible receivables related to merchant cash advances	1,159	6,240	2,431
Deferred provision for income taxes	58	26	(2,664)
(Gain) loss on disposal of property and equipment	(49)	270	133
Changes in operating assets and liabilities:			
Settlements receivable	(178,405)	(27,420)	(50,361)
Customer funds held	(34,128)	(6,462)	(2,985)
Purchase of loans held for sale	(668,976)	(816)	—
Proceeds from sales and principal payments of loans held for sale	627,627	21	—
Merchant cash advance receivable	31,102	(13,411)	(31,733)
Other current assets	(14,986)	(12,430)	(14,323)
Other assets	631	1,220	(636)
Accounts payable	(2,147)	7,831	179
Customers payable	172,446	69,547	49,971
Customer funds obligation	34,128	6,462	2,985
Charge-offs and recoveries to accrued transaction losses	(47,931)	(34,655)	(17,514)
Accrued expenses	(409)	21,450	8,113
Other current liabilities	44,102	19,760	3,007
Other liabilities	3,149	11,111	23,295
Net cash (used in) provided by operating activities	23,131	21,123	(112,379)
Cash flows from investing activities:			
Purchase of marketable securities	(164,766)	—	—
Maturities of marketable securities	43,200	—	—
Sales of marketable securities	34,222	—	—
Purchase of property and equipment	(25,433)	(37,432)	(28,794)
Proceeds from sale of property and equipment	296	—	—
Payment for acquisition of intangible assets	(400)	(1,286)	(400)
Increases in restricted cash	(8,492)	(1,878)	(7,075)
Business acquisitions (net of cash acquired)	(1,360)	(4,500)	11,715
Net cash used in investing activities:	(122,733)	(45,096)	(24,554)
Cash flows from financing activities:			
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	—
Payments of offering costs related to initial public offering	(5,530)	—	—
Proceeds from debt	—	—	30,000
Principal payments on debt	—	(30,000)	—
Payments of debt issuance costs	—	(1,387)	—
Principal payments on capital lease obligation	(168)	—	—
Proceeds from issuances of common stock from the exercise of options and employee stock purchase plan	96,439	13,840	14,056
Excess tax benefit from share-based payment award	—	1,101	1,348
Net cash provided by financing activities	90,741	264,763	194,152
Effect of foreign exchange rate on cash and cash equivalents	(438)	(1,776)	(1,080)