

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

	December 31,	
	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 583,173	\$ 696,474
Short-term investments	540,991	169,576
Restricted cash	33,838	28,805
Settlements receivable	364,946	620,523
Customer funds	334,017	103,042
Loans held for sale	89,974	73,420
Other current assets	164,966	86,454
Total current assets	<u>2,111,905</u>	<u>1,778,294</u>
Property and equipment, net	142,402	91,496
Goodwill	261,705	58,327
Acquired intangible assets, net	77,102	14,334
Long-term investments	464,680	203,667
Restricted cash	15,836	9,802
Build-to-suit lease asset	149,000	—
Other non-current assets	58,393	31,350
Total assets	<u>\$ 3,281,023</u>	<u>\$ 2,187,270</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Customers payable	749,215	733,736
Settlements payable	54,137	114,788
Accrued transaction losses	33,682	26,893
Accrued expenses	82,354	52,280
Other current liabilities	99,153	45,130
Total current liabilities	<u>1,018,541</u>	<u>972,827</u>
Long-term debt (Note 12)	899,695	358,572
Build-to-suit lease liability	149,000	—
Other non-current liabilities	93,286	69,538
Total liabilities	<u>2,160,522</u>	<u>1,400,937</u>
Commitments and contingencies (Note 17)		
Stockholders' equity:		
Preferred stock, \$0.0000001 par value: 100,000,000 shares authorized at December 31, 2018 and December 31, 2017. None issued and outstanding at December 31, 2018 and December 31, 2017.	—	—
Class A common stock, \$0.0000001 par value: 1,000,000,000 shares authorized at December 31, 2018 and December 31, 2017; 323,546,864 and 280,400,813 issued and outstanding at December 31, 2018 and December 31, 2017, respectively.	—	—
Class B common stock, \$0.0000001 par value: 500,000,000 shares authorized at December 31, 2018 and December 31, 2017; 93,501,142 and 114,793,262 issued and outstanding at December 31, 2018 and December 31, 2017, respectively.	—	—
Additional paid-in capital	2,012,328	1,630,386
Accumulated other comprehensive loss	(6,053)	(1,318)
Accumulated deficit	(885,774)	(842,735)
Total stockholders' equity	<u>1,120,501</u>	<u>786,333</u>
Total liabilities and stockholders' equity	<u>\$ 3,281,023</u>	<u>\$ 2,187,270</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	\$ 2,471,451	\$ 1,920,174	\$ 1,456,160
Starbucks transaction-based revenue	—	—	78,903
Subscription and services-based revenue	591,706	252,664	129,351
Hardware revenue	68,503	41,415	44,307
Bitcoin revenue	166,517	—	—
Total net revenue	3,298,177	2,214,253	1,708,721
Cost of revenue:			
Transaction-based costs	1,558,562	1,230,290	943,200
Starbucks transaction-based costs	—	—	69,761
Subscription and services-based costs	169,884	75,720	43,132
Hardware costs	94,114	62,393	68,562
Bitcoin costs	164,827	—	—
Amortization of acquired technology	7,090	6,544	8,028
Total cost of revenue	1,994,477	1,374,947	1,132,683
Gross profit	1,303,700	839,306	576,038
Operating expenses:			
Product development	497,479	321,888	268,537
Sales and marketing	411,151	253,170	173,876
General and administrative	339,245	250,553	251,993
Transaction, loan and advance losses	88,077	67,018	51,235
Amortization of acquired customer assets	4,362	883	850
Total operating expenses	1,340,314	893,512	746,491
Operating loss	(36,614)	(54,206)	(170,453)
Interest expense, net	17,982	10,053	(533)
Other income, net	(18,469)	(1,595)	(247)
Loss before income tax	(36,127)	(62,664)	(169,673)
Provision for income taxes	2,326	149	1,917
Net loss	\$ (38,453)	\$ (62,813)	\$ (171,590)
Net loss per share:			
Basic	\$ (0.09)	\$ (0.17)	\$ (0.50)
Diluted	\$ (0.09)	\$ (0.17)	\$ (0.50)
Weighted-average shares used to compute net loss per share:			
Basic	405,731	379,344	341,555
Diluted	405,731	379,344	341,555

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2016	2015	2015
Cash flows from operating activities:			
Net loss	\$ (38,453)	\$ (62,813)	\$ (171,590)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	60,961	37,279	37,745
Non-cash interest and other expense	31,257	14,421	(49)
Loss on extinguishment of long-term debt	5,047	—	—
Share-based compensation	216,881	155,836	138,786
Replacement stock awards issued in connection with acquisition	899	—	—
Gain on revaluation of equity investment	(20,342)	—	—
Recovery of common stock in connection with indemnification settlement agreement	(2,745)	—	—
Transaction, loan and advance losses	88,077	67,018	51,235
Change in deferred income taxes	(646)	(1,385)	58
Changes in operating assets and liabilities:			
Settlements receivable	245,795	(305,831)	(177,662)
Customer funds	(131,004)	(59,468)	(34,128)
Purchase of loans held for sale	(1,609,611)	(1,184,630)	(668,976)
Sales and principal payments of loans held for sale	1,579,834	1,145,314	627,627
Other current assets	(77,405)	(26,119)	16,116
Other non-current assets	(6,641)	(3,274)	631
Customers payable	15,597	301,778	206,574
Settlements payable	(60,651)	63,637	38,046
Charge-offs to accrued transaction losses	(58,192)	(46,148)	(47,931)
Accrued expenses	7,190	12,207	(409)
Other current liabilities	35,294	8,198	3,909
Other non-current liabilities	13,938	11,691	3,149
Net cash provided by operating activities	295,080	127,711	23,131
Cash flows from investing activities:			
Purchase of marketable debt securities	(1,000,346)	(544,910)	(164,766)
Proceeds from maturities of marketable debt securities	197,454	168,224	43,200
Proceeds from sale of marketable debt securities	171,992	89,087	34,222
Purchase of marketable debt securities from customer funds	(148,096)	—	—
Proceeds from sale of marketable debt securities from customer funds	48,334	—	—
Purchase of property and equipment	(61,203)	(26,097)	(25,433)
Proceeds from sale of property and equipment	—	—	296
Purchase of equity investment	—	(25,000)	—
Purchase of intangible assets	(1,584)	—	(400)
Business combinations, net of cash acquired	(112,399)	(1,915)	(1,360)
Net cash used in investing activities:	(905,848)	(340,611)	(114,241)
Cash flows from financing activities:			
Proceeds from issuance of convertible senior notes, net	855,663	428,250	—
Purchase of convertible senior note hedges	(172,586)	(92,136)	—
Proceeds from issuance of warrants	112,125	57,244	—
Principal payment on conversion of senior notes	(219,384)	—	—
Payment of deferred purchase consideration	(848)	—	—
Payment for termination of Starbucks warrant	—	(54,808)	—
Payments of offering costs related to initial public offering	—	—	(5,530)
Principal payments on capital lease obligation	(3,941)	(1,439)	(168)
Proceeds from the exercise of stock options and purchases under the employee stock purchase plan, net	133,850	162,504	96,439
Payments for tax withholding related to vesting of restricted stock units	(189,124)	(44,682)	—