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Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including net loss and our other financial results presented in accordance with GAAP. The following table presents a reconciliation of net loss to Adjusted EBITDA for each of the periods indicated:

	Year Ended December 31,			Nine Months Ended September 30,	
	2012	2013	2014	2014	2015
	(in thousands)			(unaudited)	
Net loss	\$ (85,199)	\$ (104,493)	\$ (154,093)	\$ (117,021)	\$ (131,528)
Starbucks transaction revenue	(9,471)	(114,456)	(123,024)	(86,508)	(95,199)
Starbucks transaction costs	12,547	139,803	150,955	107,889	118,542
Share-based compensation expense	8,114	14,658	36,100	24,653	49,486
Depreciation and amortization	3,579	8,272	18,586	12,843	18,526
Interest (income) and expense	5	(12)	1,058	615	995
Other (income) and expense	(167)	(950)	1,104	737	1,390
Provision (benefit) for income taxes	—	513	1,440	(257)	2,502
Loss on sale of property and equipment	13	2,705	133	—	240
Impairment of intangible assets	—	2,430	—	—	—
Adjusted EBITDA	<u>\$ (70,579)</u>	<u>\$ (51,530)</u>	<u>\$ (67,741)</u>	<u>\$ (57,049)</u>	<u>\$ (35,046)</u>

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis in conjunction with the information set forth under "Selected Consolidated Financial And Other Data" and our consolidated financial statements and related notes included elsewhere in this prospectus. The statements in this discussion regarding our expectations of our future performance; liquidity and capital resources; our plans, estimates, beliefs and expectations that involve risks and uncertainties; and other non-historical statements in this discussion, are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" and elsewhere in this prospectus. Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

### Overview

We started Square in February 2009 to enable anyone with a mobile device to accept card payments, anywhere, anytime. While we found early success providing easy access to card payments, commerce extends beyond payments. In every transaction, we see opportunity for our sellers: to learn more about which products are selling best, to reinvest in their businesses, or to create and engage loyal buyers. Although we currently generate approximately 95% of our revenue from payments and point-of-sale (POS) services, which includes the impact of revenue generated from Starbucks, we have extended our product and service offerings to include financial services and marketing services, all to help sellers start, run, and grow their businesses.

We work to democratize commerce—leveling the playing field for sellers of all sizes. Our focus on technology and design allows us to create products and services that are accessible, intuitive, and easy-to-use. We set attractive and transparent pricing, and we accept approximately 95% of sellers who seek to process payments with Square. We provide a free software app with our affordable (often free) hardware to turn mobile devices into powerful POS solutions in minutes. Our insights into our sellers' businesses have allowed us to develop services that are applicable to businesses of all types and sizes, from Square Analytics to digital receipts. We also continue to add advanced software features that tailor our POS solution to specific types of sellers, such as open tickets for bars and restaurants and inventory management for retailers.