

need of our sellers, managing one of their largest business expenses. In 2014, U.S. businesses were expected to spend \$16 billion on payroll services.

Our marketing services enable our sellers to reach and engage buyers, further increasing activity in our ecosystem. Square Customer Engagement addresses our sellers' advertising and marketing needs. Local advertising spending in the United States was expected to reach \$138 billion in 2014, according to an April 2015 BIA/Kelsey forecast. In addition, Caviar generates revenue from fees charged on food deliveries. Consumers spent approximately \$230 billion at independent restaurants in 2014.

We also believe our ecosystem is expanding the market with new sellers. The simplicity, affordability, transparency, and cohesion of our services enable many sellers and buyers access to a world previously unavailable to them. We

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estimate based on data from industry sources that from 2009 to 2014, the number of active merchant outlets accepting credit cards grew by approximately one million or less. However, Square, counting as one establishment, has millions of sellers accepting payments. We believe our opportunity will continue to grow as we expand globally.

Our Strengths

We Create Technology to Transform Commerce

We invest significantly in hardware and software design and engineering to rapidly deploy product updates to sellers and buyers. At the end of 2014, over 45% of our employees served in product engineering, development, and design functions. Unburdened by legacy technology, we deliver tightly integrated services using a full-stack development approach that combines product management, development, and design.

We Have Tremendous Scale

Our millions of sellers provide a sizable opportunity for up-selling and cross-selling our products and services. Our scale also enables us to establish favorable partnerships with financial institutions to provide attractive pricing for our sellers.

We Have a Strong Brand

We estimate that, to date, nearly half of our sellers have found us and signed up, rather than us having found them. This is the result of building services that deliver value and that sellers eagerly recommend. We have earned a net promoter score³ of nearly 70, which is double the average score for banking providers calculated by Satmetrix Systems, Inc., a third-party research firm. In addition, our square-shaped readers reinforce our well-known brand and make it easy for new sellers to find Square. These sellers in turn help us grow by recommending us to other sellers, engaging in social media about us, and proudly displaying our logo in their stores.

We Have a Deep Understanding of Our Sellers

Payments and POS activity in our ecosystem allows us to create products and services that address many of the functions our sellers need to operate and grow their businesses. This deep understanding also enhances our detection of fraudulent behavior, improves our underwriting capabilities, lowers costs, and improves the customer experience.

We Use a Differentiated Approach to Risk Management

Our risk management approach starts with trusting sellers. We remove the friction of signing up, then use technology to quickly detect and eliminate risky and fraudulent activity. The risk models we have developed help us to accept approximately 95% of sellers who seek to process payments with Square, while keeping our risk and fraud losses low. Our

³ Net promoter score (NPS) is an index ranging from -100 to 100 that measures the willingness of customers to recommend a company's products. It is used to gauge customers' overall satisfaction with a company's product and their loyalty to the brand, and it is typically based on customer surveys. We conduct surveys of our sellers to assess our NPS on a quarterly basis.