



Evolve
Capital Partners

Square Inc.

November 2015

Summary of Initial Public Offering



**SPECIALIZED INVESTMENT BANKERS AT
THE INTERSECTION OF FINANCE & TECHNOLOGY**

Square, Inc. IPO – Executive Summary

Initial Public Offering Overview



NYSE: SQ



Description

Square, Inc. develops and provides payment processing, point-of-sale (POS), financial, and marketing services worldwide. The company also offers magnetic stripe readers, contactless and chip readers, and chip card readers. Other services include Square POS, Square Payroll, Square Dashboard, Square Cash, Square Capital and Caviar Food Delivery.



Use of Proceeds

Square intends to use the IPO proceeds to obtain additional capital primarily to support its routine corporate expenses, including working capital expenses; invest in money market accounts and may even use it to for acquisitions of complementary businesses, technologies or other assets.

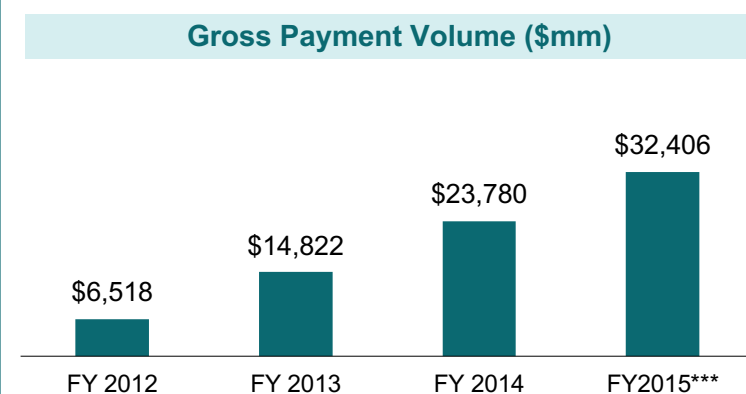
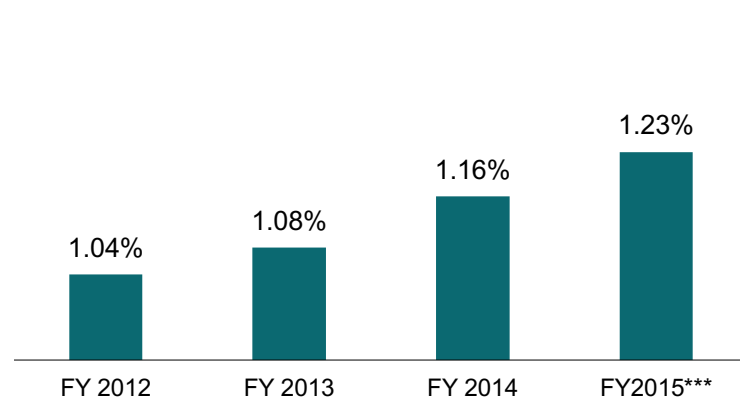
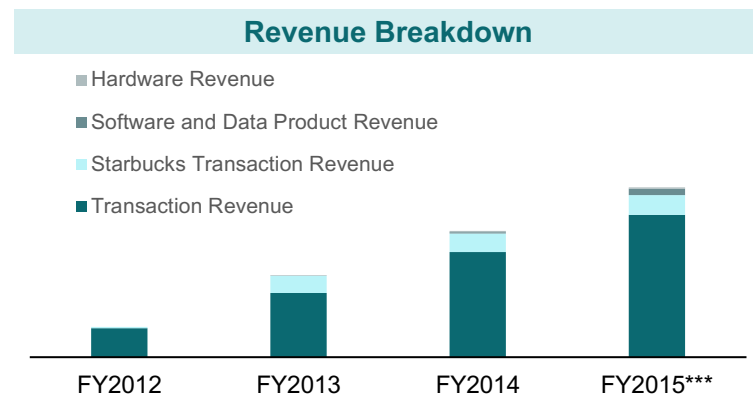
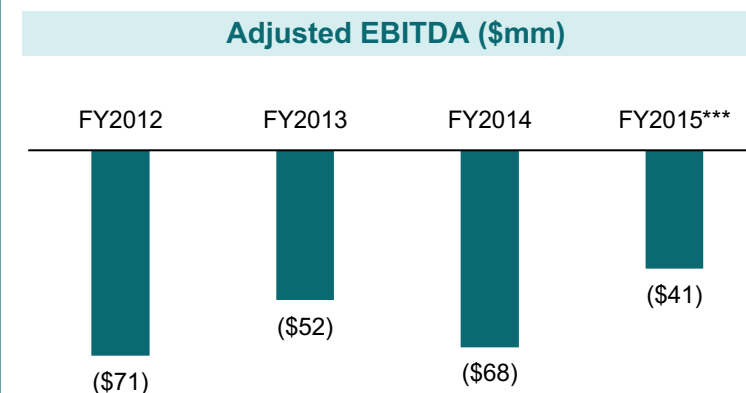
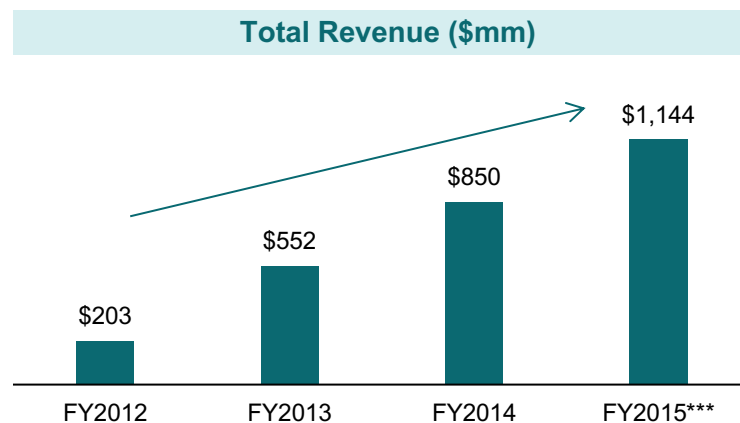
Source(s): Company website, 424B4 Filings

Headquarters	San Francisco, CA
Founded	2009
Employees	1,282
Listing Date	11/24/2015
Lead Underwriters	
Issue Price	\$9.00
Shares Offered	27 million (underwriters were offered an additional 4 million shares that they could purchase by fully exercising their option)
Gross Proceeds	\$243 million

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Key Metrics – IPO

Shares Offered at the time of IPO	27 million
Issue Price	\$9.00
Total Shares Outstanding after IPO*	328 million
Market Value at Issue Price**	\$3.0 billion
Enterprise Value at Issue Price#	\$2.8 billion
EV / 2016 Revenue	2.4x
Listing Date	11/19/2015
Market Closing Price	\$13.07



Source(s): Capital IQ, Pitchbook, Square, Inc S1 filing

*Shares outstanding as on September 30, 2015

** Market value has been calculated by multiplying Total Shares Outstanding with the Issued price

*** Trailing 12 months as of September 30, 2015

† Adjusted Revenue = Total Net Revenue – Transaction Costs

Enterprise Value has been calculated by adding Net Debt as on September 30, 2015 to Market Value at Issue Price.

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Company Overview

Millions of sellers accept payments with Square. They span all types of businesses: from cabs to coffee shops, lawyers to landscapers, retail stores to restaurants.

- Square is a new-age Payment Service Provider (PSP) that enables anyone with a mobile device to accept card payments, anywhere, anytime.
- The Company focuses on technology and design to create products for payment processing and has built services around those products that allow merchants to learn more about which of their products and services are selling best, allowing them to reinvest better and to engage with loyal buyers.
- The Company provides a free software app with their affordable hardware that turns mobile devices into powerful POS solutions within minutes.
- Square is headquartered in San Francisco, California, and operates mostly in the USA. The Company has expanded its services throughout Japan and Canada as well.



Key Statistics

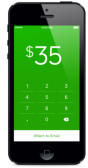
 Users	180 million payment cards used (as on 9/30/15)
 Total Revenue	Square has witnessed a CAGR of 78% in Total Revenue between 2012 and 2015
 Clients	More than 2 million merchants (as of 9/30/15)
 GPV	\$32.4 billion in the last twelve months (as of 9/30/15)

Source(s): Company Website, Square, Inc. S1

Square, Inc. IPO – Executive Summary

Products and Services

Payments & POS Solutions



Square Cash is a fast and easy peer-to-peer payments system or anyone to send and receive money electronically. Individuals and businesses can sign up for a Square Cash account using just a debit card and an email address or a phone number.



Square Reader and Square Stand are in-person payment hardware products that plug into standard headset jack of mobile phones/iPads and enable merchants, irrespective of size, to accept card payments.



Square Register is a free POS software application that enables sellers to itemize products or services for faster checkout. Items can be grouped, sorted and linked to inventory management. It accepts cash, checks and card payments.



Square Analytics helps sellers easily understand how their business is performing and understand their best selling products. Payments information is stored in the cloud making it accessible anywhere and anytime.

Financial & Marketing Services



Square Capital provides Merchant Cash Advances (MCA) to pre-qualified sellers and others based on their payment processing history. The terms are straightforward and merchants get their funds quickly. In return, merchants agree to make payments to Square, equal to a percentage of the payment volume Square processes for merchants up to a fixed amount.



Square Payroll is an easy to use payroll service for sellers, optimized for those with hourly employees. Employee hours worked can be pre-populated from employee shift logging information on Square Register.



Square Customer Engagement helps sellers engage buyers in ongoing conversations and promote offerings through email marketing to drive additional sales. A seller can even offer a credit or refund to customers directly.



Caviar offers food delivery service to help restaurants reach new customers and increase sales. Caviar manages the logistics of delivery, thereby, making it easy for restaurants to expand and grow without additional overhead.

Source(s): Company Website, Square, Inc. S1 as files on 11/19/15

Square, Inc. IPO – Executive Summary

Company Overview

Square believes in maintaining close relationships with its merchant customers and has created an ecosystem of products and services to support their Payment & POS solutions.

Square's Key Strengths

End-to-End Commerce

Every payment a seller accepts creates an opportunity to develop a deeper understanding of the merchant's business. Square uses these insights to build additional seller services, which in turn generate more payment activity, bring more buyers into the network, and further strengthen the ecosystem.

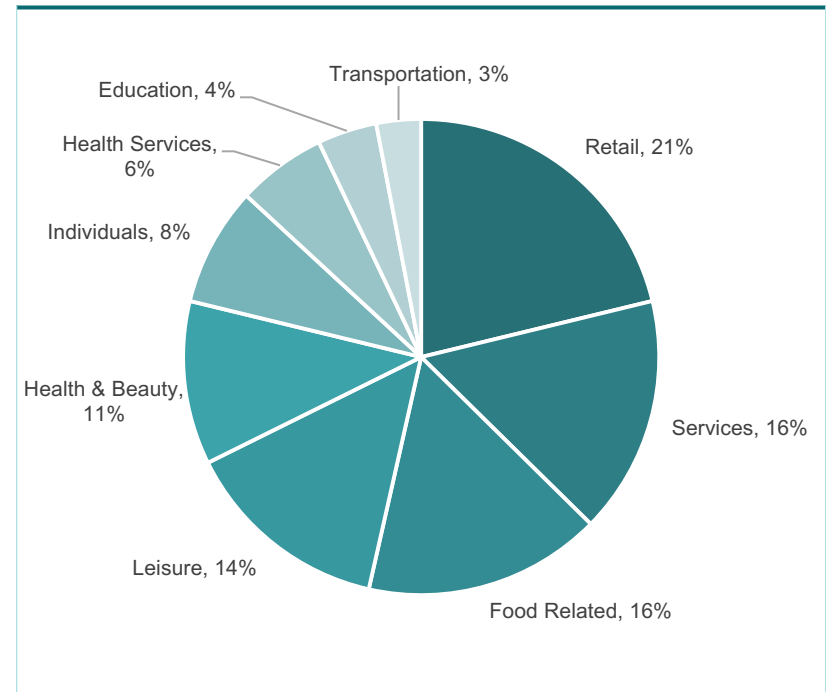
Integrated Cohesive Ecosystem

Services in Square's ecosystem connect seamlessly with each other. Square designs integrated hardware products and software services to provide sellers and buyers with a frictionless experience. Value-added services to Payments and POS services include financial services through Square Capital and marketing services through Square Customer Engagement and Caviar.

Caters to Businesses of All Sizes

As technology and the regulatory environment evolve, sellers of all types and sizes face a continuous need for new solutions. Historically, payments and POS services (across hardware and software), financial services, and marketing services have been limited or nonexistent for many businesses because of high costs and unpredictable access to funds.

Major technology and strategic partners



Source(s): Company Website

Square, Inc. IPO – Executive Summary

Market Opportunity

Square believes there is a substantial opportunity for their end-to-end commerce ecosystem to connect functions that previously existed as silos: payments, POS services, financial services, and marketing services. Square earns revenue from fees charged on payment volume, as well as from software revenue paid by sellers.

Payments Services Expected to Grow

According to The Nilson Report, consumer payment card purchase volume is expected to reach \$7.6 trillion in 2018 and \$10.0 trillion in 2023. As card payment transactions increase, Square will generate more transaction fees.

Increasing Demand for Short Term Financing

According to the FDIC Q4 2014 report, there were \$130 billion in small business loans under \$100,000 outstanding as of December 2014. A 2013 Oliver Wyman report noted there was \$80 billion of demand for small business new-form lending lines of credit. Square Payroll also meets sellers needs for managing one of their largest business expenses

Local Advertising Spending Has Increased

According to a BIA/Kelsey Forecast, local advertising spending in the United States was expected to reach \$138 billion in 2014. Square Customer Engagement addresses and generates revenue from a seller's advertising and marketing needs.

Booming Food Delivery Service Industry

Consumers spent approximately \$230 billion at independent restaurants in 2014. Caviar generates revenue from fees charged on food deliveries.








Source(s): Square, Inc. S1

Growth Strategy

Enhance Products and Services	<ul style="list-style-type: none">• Introduce new payment methods and services• Increase product and service functionality• Grow third-party App Marketplace• Increase third-party funding for Square Capital
Extend Reach	<ul style="list-style-type: none">• Strengthen brand and increase customer acquisition• Expand existing and add new marketing channels• Cross-sell and up-sell products and services• Enhance relationships with larger sellers
Expand Globally	<ul style="list-style-type: none">• Expand payments services into additional countries• Deploy non-payments based services to accelerate global efforts

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Financing History

Date	Series/Type	Amount (\$mm)	Lead Investor	Transaction Notes
12/05/2015	Growth	NA	VICTORY PARK CAPITAL	Victory Park Capital's investment significantly expands Square Capital. This SME financing program allows Square to extend short term loans to merchants who require capital to grow.
09/12/2014	Series E	\$146	 	Square raised \$150 million, valuing the company at \$6 billion, led by the GIC and Goldman Sachs. This round of funding enables Square to compete with PayPal, Amazon, Google and Apple Pay.
07/24/2012	Series D	\$222	  	Citi Ventures, Rizvi Traverse Management and Starbucks Coffee Company made strategic investments in Square, valuing the company at \$3.3 billion. The capital will help fund Square's plans for international expansion.
06/07/2011	Series C	\$103	KPCB 	The \$100 million investment in Square by a group led by Kleiner Perkins Caufield & Byers quadrupled the value of the company. As part of the deal, Mary Meeker, a partner at KPCB, will join Square's board.
06/07/2011	Series B	\$32	SEQUOIA 	Square raised \$32 million in a round led by Sequoia Capital, valuing the company at \$240 million. Sequoia's Partner, Roelof Botha, joined Square's Board of Directors as part of the deal.
11/30/2009	Series A	\$10	khosla ventures	Square raised \$10 million in funding, valuing the company at \$40 million.

Source(s): CapitalIQ, Pitchbook, Press Releases

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