

August 2019 Company Overview



[SQUARE.COM/INVESTORS](https://square.com/investors)

SMALL TOWN COFFEE
Kapaa, HI

Cautionary statement

This document contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which statements involve substantial risks and uncertainties. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, statements regarding possible or assumed future performance and results of operations; the business plans and strategies of Square, Inc. and its consolidated subsidiaries (the “Company”); future growth in the Company’s businesses, products, and services; the Company’s ability to cross-sell and up-sell its products; the Company's ability to maintain and/or improve upon its prior performance metrics, including its historic transaction loss rates, acceptance rates, and adjusted revenue retention rates; and information concerning expansion into new markets and total addressable market opportunity. Such statements are subject to a number of risks, uncertainties, assumptions, and other factors that may cause the Company’s actual results, performance, or achievements to differ materially from results expressed or implied in this document. Investors are cautioned not to place undue reliance on these statements.

Risks that contribute to the uncertain nature of the forward-looking statements include, among others, risks associated with developing and delivering products and services to address the rapidly evolving market for payments and point-of-sale, financial, and marketing services; the Company’s ability to create and monetize an ecosystem of products for its Cash App; the Company’s ability to expand its product portfolio and market reach and deal with the substantial and increasingly intense competition in its industry; the Company’s ability to ensure interoperability of its technology with that of third parties; the Company’s ability to retain existing customers, attract new customers, and increase sales to all customers; changes to the rules and practices of payment card networks and acquiring processors; the Company’s history of generating net losses; possible fluctuations in the Company’s results of operation and operating metrics; and the effect of management changes and business initiatives, as well as other risks listed or described from time to time in the Company's filings with the Securities and Exchange Commission (the “SEC”), including the Company’s most recent filing on Form 10-Q, which is on file with the SEC and available on the investor relations page of the Company's website. All forward-looking statements are based on information and estimates available to the company at the time of this letter and are not guarantees of future performance. Except as required by law, the Company assumes no obligation to update any of the statements in this document.

This document includes certain non-GAAP measures not based on generally accepted accounting principles. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. The non-GAAP measures used by the Company may differ from the non-GAAP measures used by other companies. Reconciliations between GAAP and these non-GAAP measures are included in the appendix to this document.

The checklist to start a business is daunting

PAYMENTS



POINT OF SALE



RECEIPTS

Tbl 201/1 Chk 4045 Dst 5
 Dec21'12 05:23PM

1	Yuengling Pilsn	6.40
2	Beverage	6.00
2	DOZEN	51.90
24	Oysters	0.00
2		0.00
1	Calamari	10.50
12	Jumbo Shrimp	36.00
1	Small Caesar Sal	4.00
1	Autumn Platter	16.50

EMPLOYEES

EMP	DEPT	IN	OUT	HOURS WORKED		HOURS UNRECORDED
				HOURS	MINUTES	
24MD		9:00	5:30	2	8:00	8:00
25TU		9:05	12:00	3	3:00	11:00
25TU		12:33	6:00	3	8:15	16:00 0:15
26WE		9:09	5:00	7	7:15	23:15
27TH		9:00	12:02	3	3:00	26:15
27TH		12:32	7:00	9	9:15	31:15 1:30
28FR		9:00	5:50	8	8:15	39:15 1:45
29SA		9:00H	2:00H	4	4:30	39:15 6:145
T				5	7	4:30

ANALYTICS



FINANCE



INVOICES

Ship order to:
 Name: Paul M. McBride
 Address: [Handwritten address]
 Car information:
 Model: _____ Year: _____
 Commission number: _____
 Are You a member of a Triumph Club? _____
 Which? _____

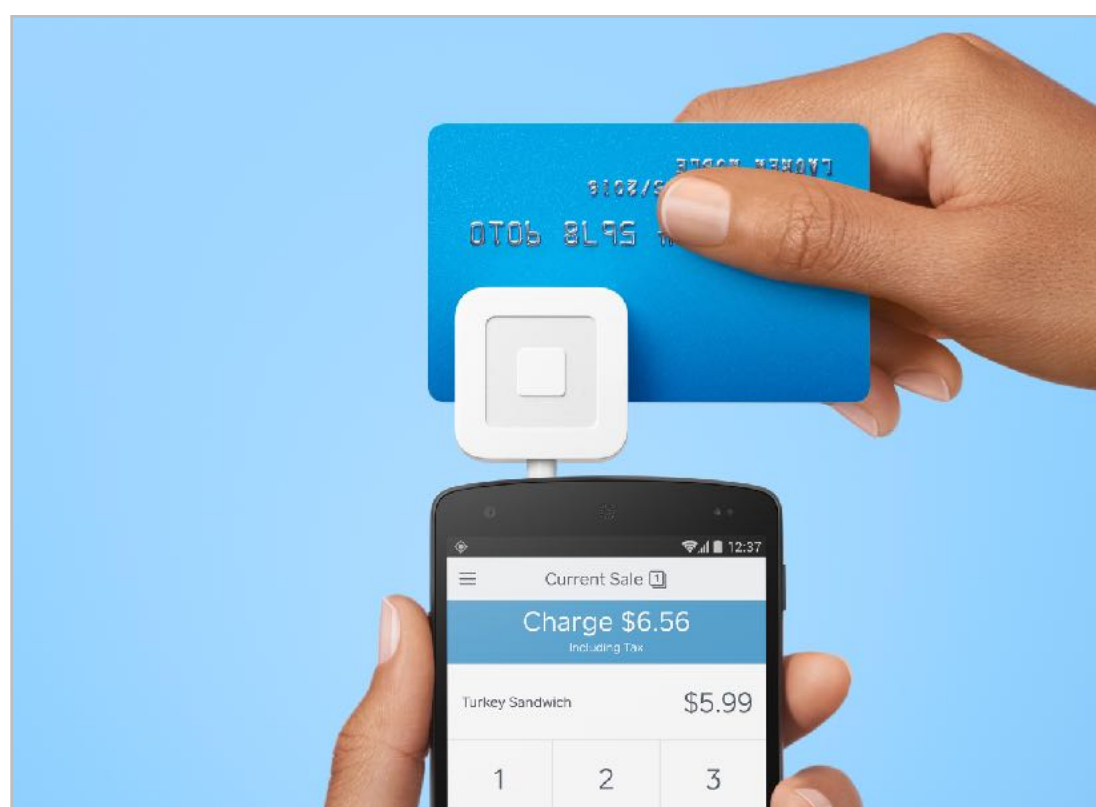
QUANTITY DESIRED	PLATE NUMBER	PART NUMBER	DETAILED DESCRIPTION	PRICE EACH	PRICE
1			Bulk Kit	46.00	46.00
1	5695		Idle air seal	1.50	1.50
2			Bush and pins	7.50	14.00
4 (1 set)			Tie rod ends	10.50	42.00
1			Red hose set	15.50	15.50
4			Dzus w/ls fast	1.50	6.00
15			Catalytic		
			Conclude no stock in immediate future.		
5	5697		Stud		
			(Can supply good used ones; please specify lengths needed. Price would be the same.)		

MARKETING



Square offers tools for sellers to start, run and grow their business

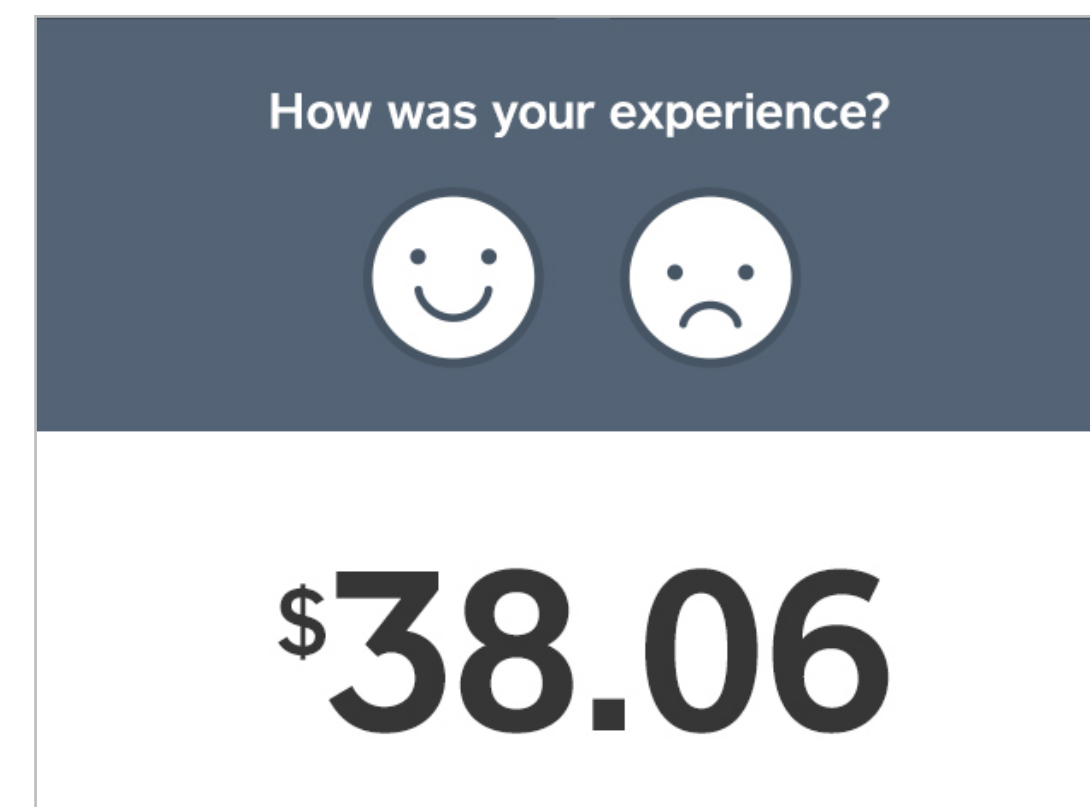
PAYMENTS



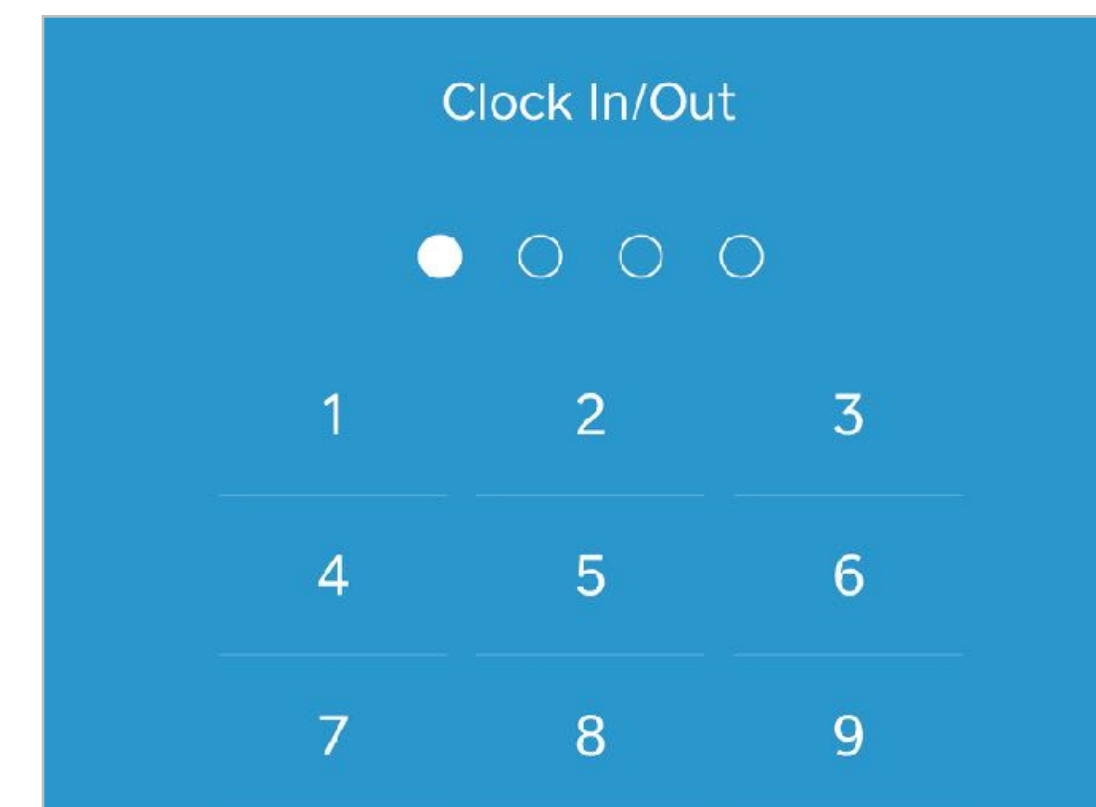
POINT OF SALE



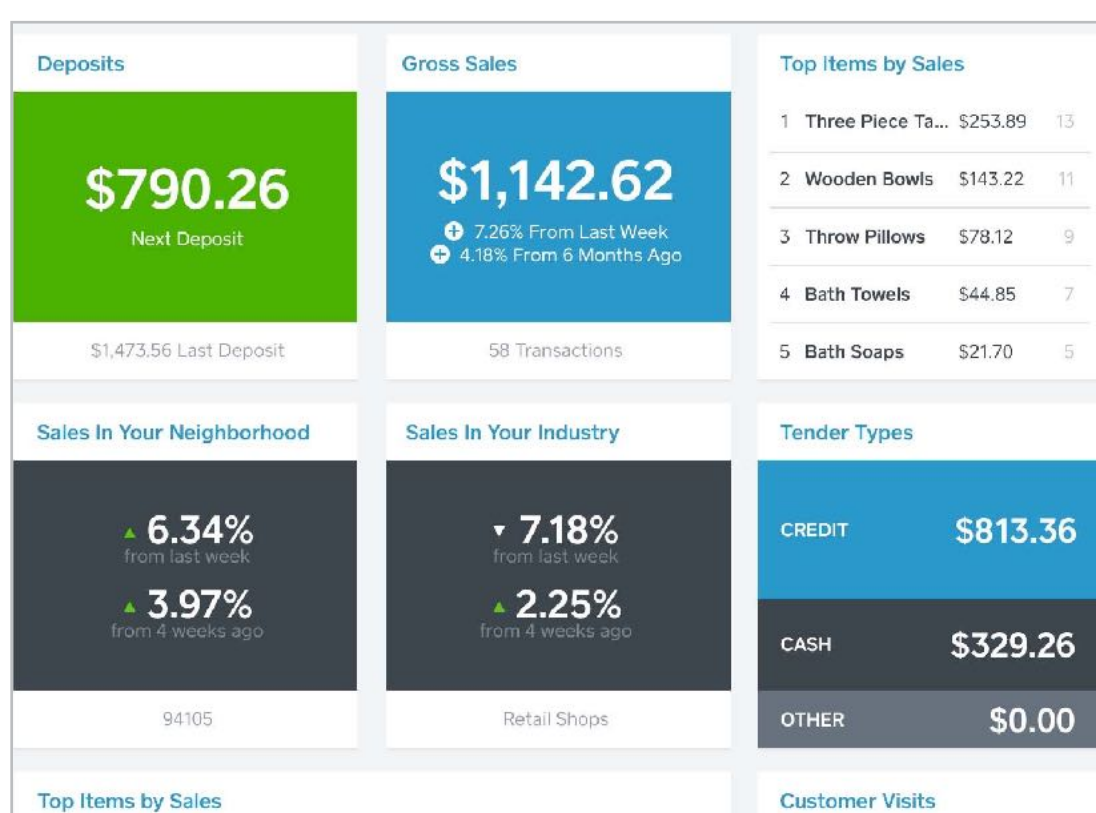
RECEIPTS



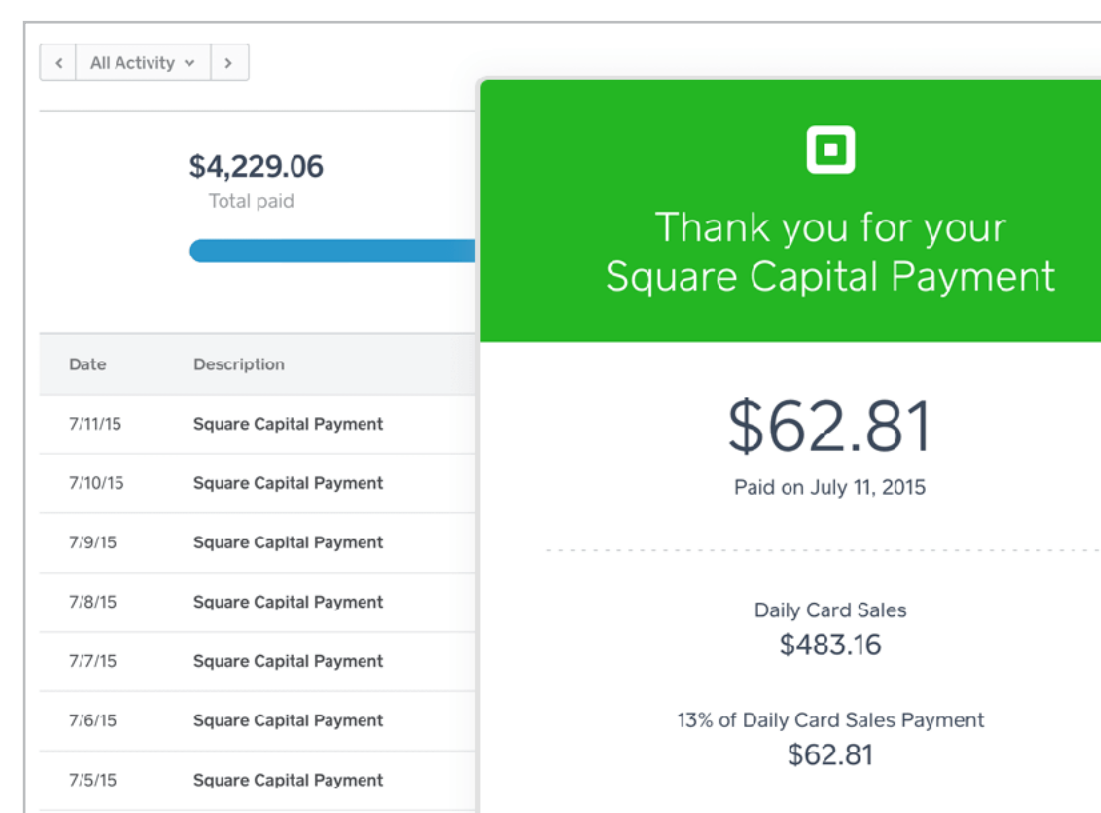
EMPLOYEES/PAYROLL



ANALYTICS



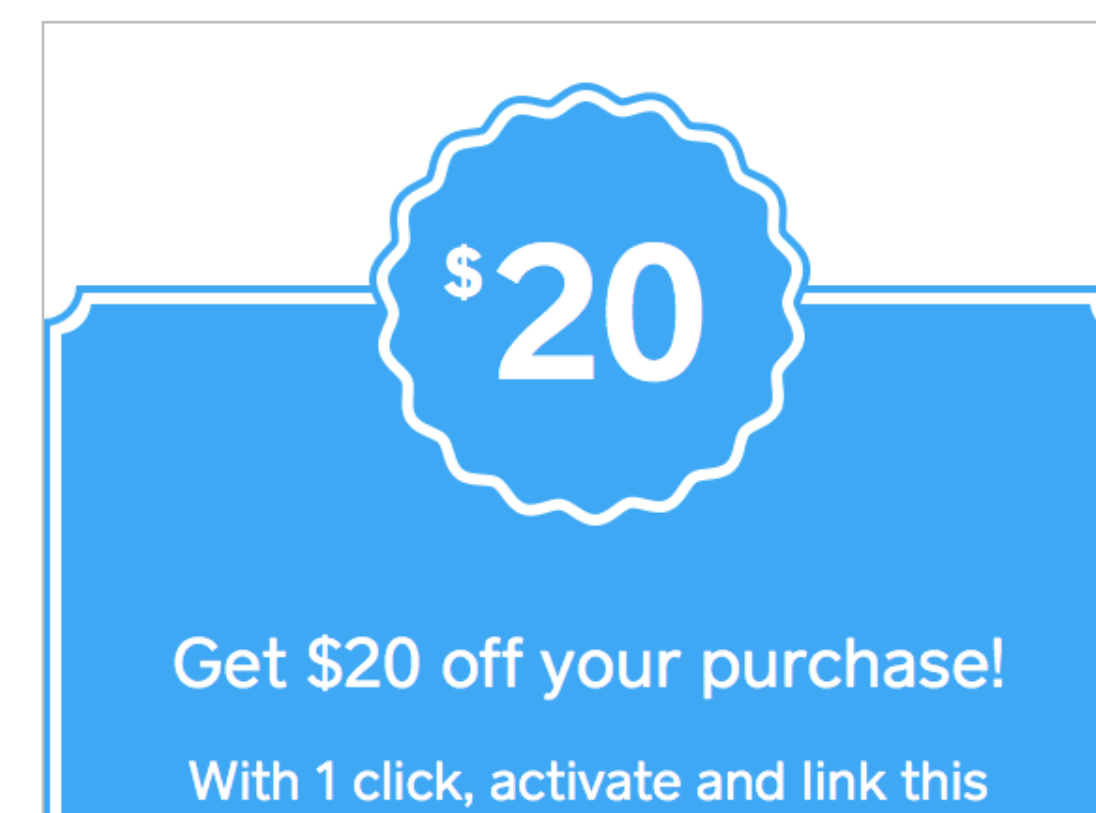
FINANCE



INVOICES



MARKETING



Square is building a unique ecosystem of products and services

As sellers and individuals use more services, their activity with Square increases, reinforcing our recurring revenue model.



MANAGED PAYMENTS

Full service offering to manage the entire payment lifecycle from onboarding, to accepting in-person and online payments, to fast settlement of funds, to disputes management.

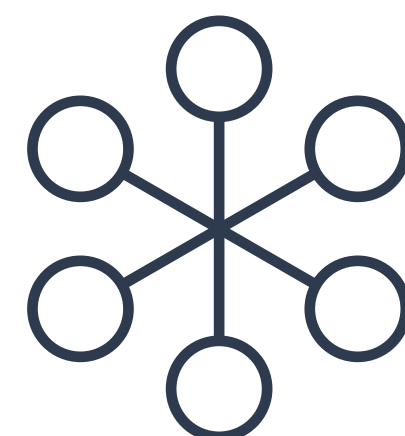
Instant Deposit,
Virtual Terminal,
Dashboard,
Square Card



SOFTWARE

Advanced software that helps sellers manage payments, orders, inventory, employees, and customers, all integrated to create a cohesive experience.

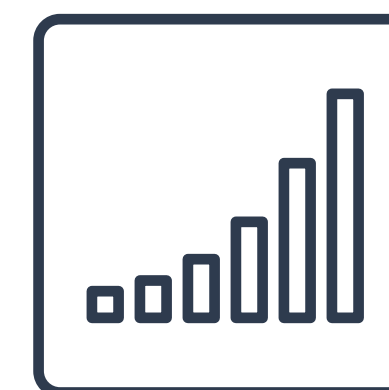
Point of Sale, Dashboard,
Employee Management,
Appointments, Customer
Engagement, Payroll,
Square for Retail, Invoices,
Square for Restaurants,
Square Online Store



DEVELOPER PLATFORM

Application program interfaces (APIs) enabling sellers and developers to customize their business solutions on Square's ecosystem.

Build with Square,
App Marketplace,
Square Reader SDK,
In App Payments SDK,
Order Manager



GROWTH SERVICES

Powerful tools that help sellers further grow their businesses.

Capital, Caviar,
Installments



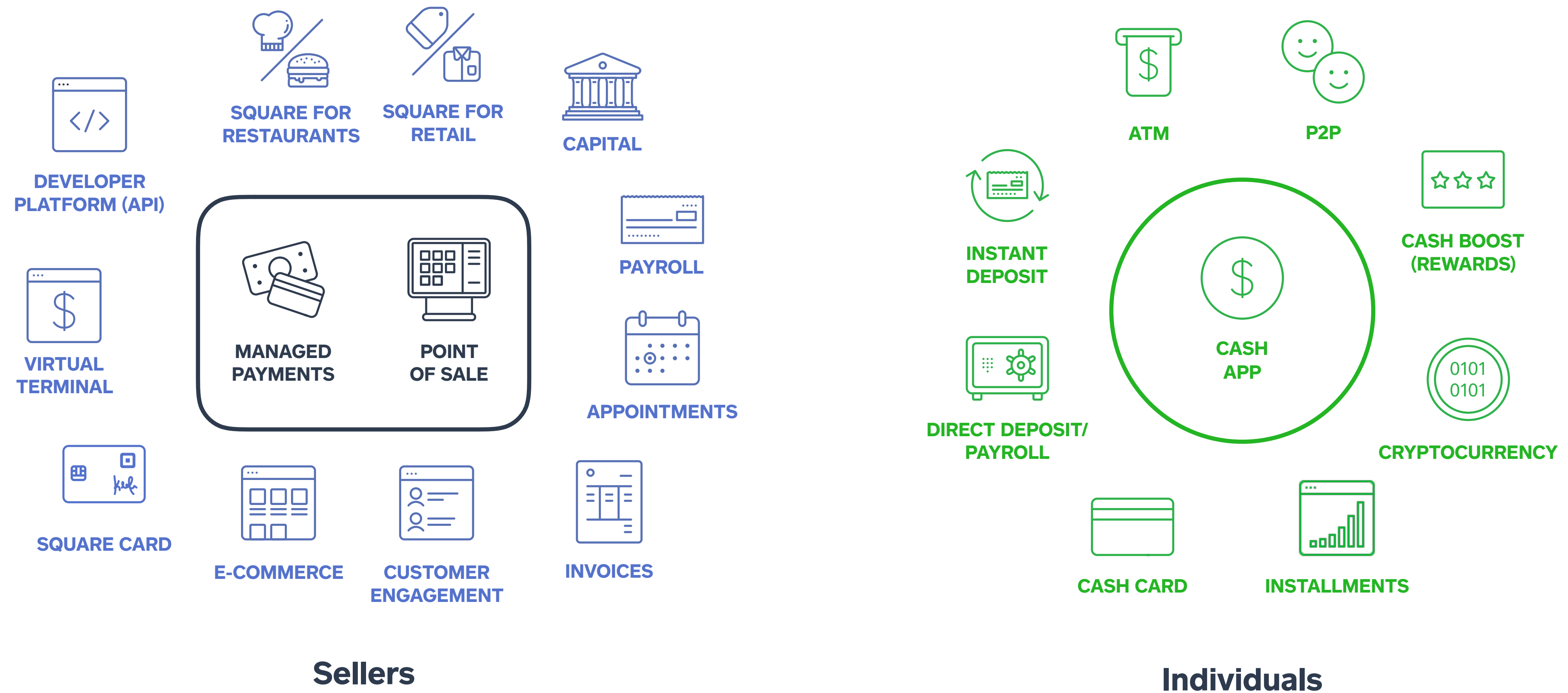
CASH APP

Application that gives individuals increased access to the financial system by allowing them to send, store, and spend money.

P2P, Instant Deposit,
Cash Card,
Direct Deposit / Payroll,
ATM, Bitcoin,
Cash Boost (Rewards)

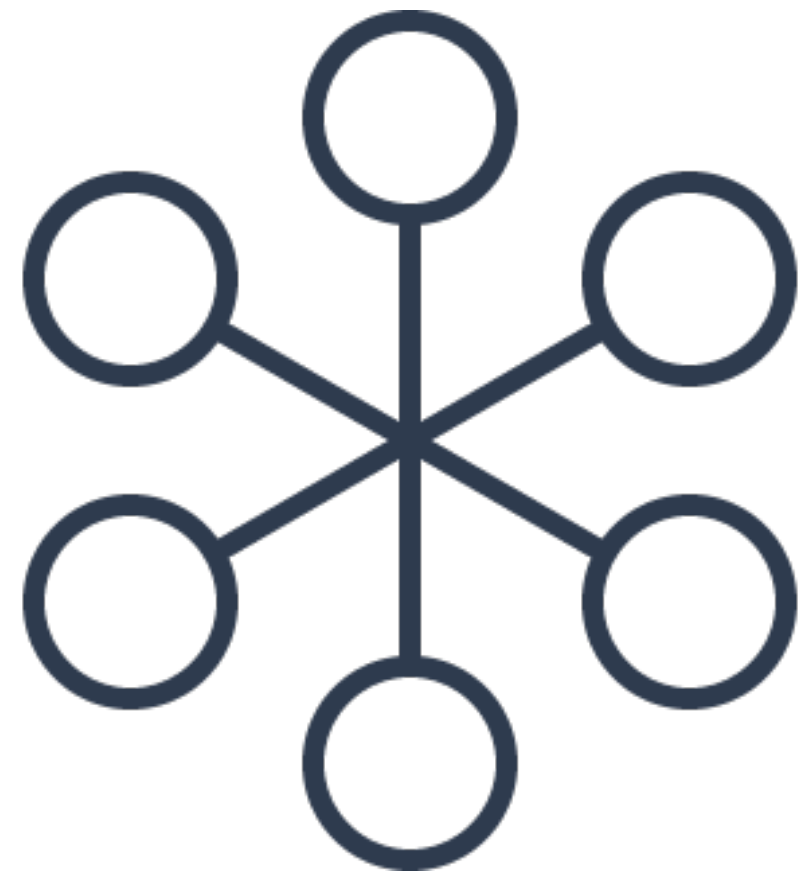
Square is building a unique ecosystem of products and services

As sellers and individuals use more services, their activity with Square increases, reinforcing our recurring revenue model.



Our strategic priorities

These focus areas provide meaningful value to sellers and individuals, increasing our market opportunity



**STRENGTHEN
OMNICHANNEL
COMMERCE**



**EXPAND FINANCIAL
SERVICES**



**GROW CURRENT
INTERNATIONAL
MARKETS**

Square's U.S. payments opportunity

21M

APPLICABLE SMALL TO
MEDIUM-SIZE BUSINESSES



\$3T

GPV OPPORTUNITY



\$26B

U.S. PAYMENTS
ADJUSTED REVENUE
OPPORTUNITY

Sources: 2012 U.S. Census, Euromonitor.

All figures are based on employer and non-employer firms with less than \$100 million in annual gross receipts in select industry verticals based on 2012 U.S. Census data. "GPV Opportunity" is calculated by multiplying total annual gross receipts by Euromonitor's estimate of card payment transaction mix of total consumer payments of 50%. "U.S. Payments Adjusted Revenue Opportunity" is calculated by multiplying total GPV opportunity by our average transaction margin as a percentage of GPV of 1%.

We're building a \$70B+ commerce ecosystem

\$26_B

U.S. PAYMENTS

\$6_B

E-COMMERCE

\$12_B

SOFTWARE

\$15_B

SQUARE CAPITAL

\$11_B

CAVIAR

Sources: FTI Consulting, 2012 U.S. Census, FDIC, Oliver Wyman, Goldman Sachs—Future of Finance, Morgan Stanley—The Pizza Paradigm for Online Food Delivery.

“U.S. Payments” Opportunity is calculated by multiplying the total GPV opportunity based on 2012 U.S. Census data by our average transaction margin as a percentage of GPV of 1%.

“E-commerce” Opportunity is calculated by multiplying the 2020 U.S. online retail sales FTI Consulting forecast as of 2017 by our average transaction margin as a percentage of GPV of 1%.

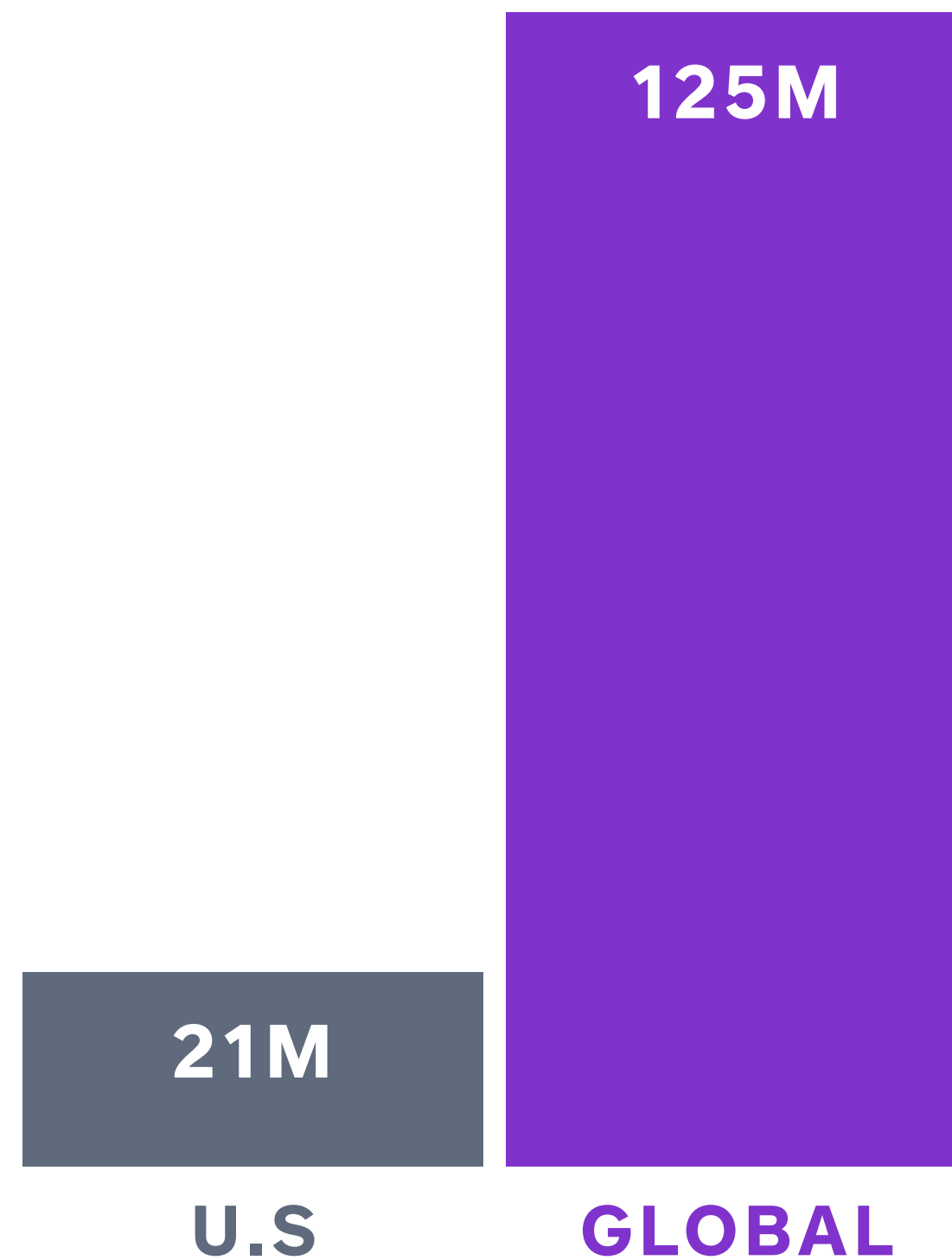
“Software” Opportunity is calculated by multiplying total employer and non-employer firms producing less than \$100 million in annual gross receipts in select industry verticals based on 2012 U.S. Census data by our average monthly fee of our subscription products annualized multiplied by the total number of our subscription products as of December 31, 2018.

“Square Capital” Opportunity is calculated by multiplying the sum of FDIC’s \$222B of U.S. small business loans under \$250,000 outstanding as of December 31, 2018 and Oliver Wyman’s estimated \$80B of demand for small business new form lending lines of credit as of 2013, by the average of Goldman Sachs’ estimated revenue rate on small business loans of 4% to 6% as of 2015.

“Caviar” Opportunity is based on Morgan Stanley estimates of the food delivery market excluding pizza.

The global opportunity is potentially >6x that in the U.S.

SMALL AND MEDIUM-SIZED BUSINESSES



CARD VOLUME



Sources: 2012 U.S. Census, International Finance Corporation (IFC), The Nilson Report.

U.S. small and medium-sized business is based on employer and non-employer firms with less than \$100 million in annual gross receipts in select industry verticals based on 2012 U.S. Census data. Global small and medium-sized business based on International Finance Corporation (IFC) as of 2010. U.S. and Global Card Volume represents 2027 projection based on The Nilson Report as of January 2019.

Why Square wins: Unique assets, difficult to copy, and at scale

FOCUS ON TECHNOLOGY AND DESIGN

Integrated, end-to-end: hardware, software, payments, and data

BREADTH OF MANAGED PAYMENTS

Comprehensive, full-service offering that helps sellers **manage the entire payment life cycle**

DIFFERENTIATED RISK MANAGEMENT

Transaction loss rate at ~0.1% of GPV while maintaining **high acceptance rates**

OMNI-CHANNEL CAPABILITIES

Powerful solutions that enable sellers to **engage with buyers wherever they are**

OPEN PLATFORM

Flexible platform expands functionality that **benefits sellers, developers, partners, and Square**

STRONG BRAND

Net promoter score over 70, ~2x the average for banking service providers

BREADTH AND EFFICIENCY OF GO-TO-MARKET

Self-serve onboarding and ubiquitous and **scalable distribution channels**

PERSISTENT COMMUNICATION CHANNEL

Direct, ongoing interactions with sellers help us deliver offerings in the context of their usage

Scalable go-to-market strategy...



BRAND

We lead with a **strong brand**. Our high NPS of over 70 means our sellers recommend our services to others.



MARKETING

We also focus on **direct and scalable marketing channels**.

These include online display and search marketing, social media, direct mail, referral programs, television, direct sales, and others.



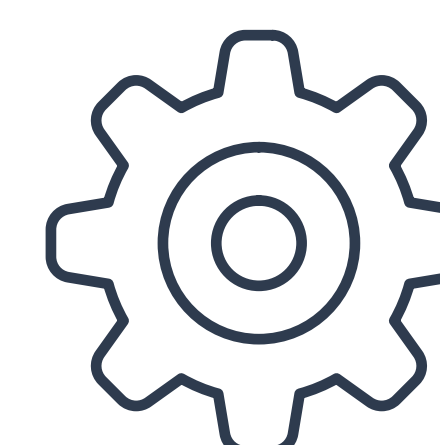
RETAIL DISTRIBUTION

Square hardware products are available at over **24,000 retail stores**.



PARTNERS

We work with **third-party developers** who offer our solutions to their customers.



RETENTION

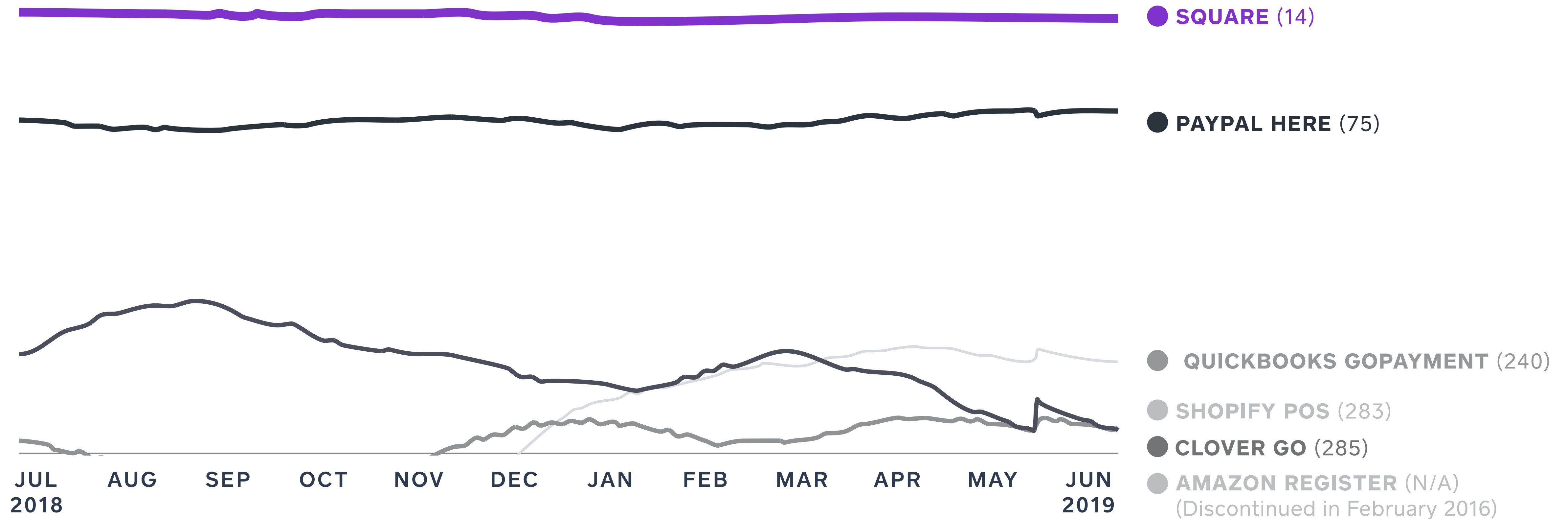
We take a systematic approach to growth and retention marketing with **machine learning** as the underpinning engine.

... resulting in consistent, leading market share

The Square app has consistently been in the top 15 for U.S. App Store ranking in iPhone Business Applications.

iOS APP STORE—BUSINESS APPLICATIONS RANKINGS

“Number of downloads” is primary component of ranking



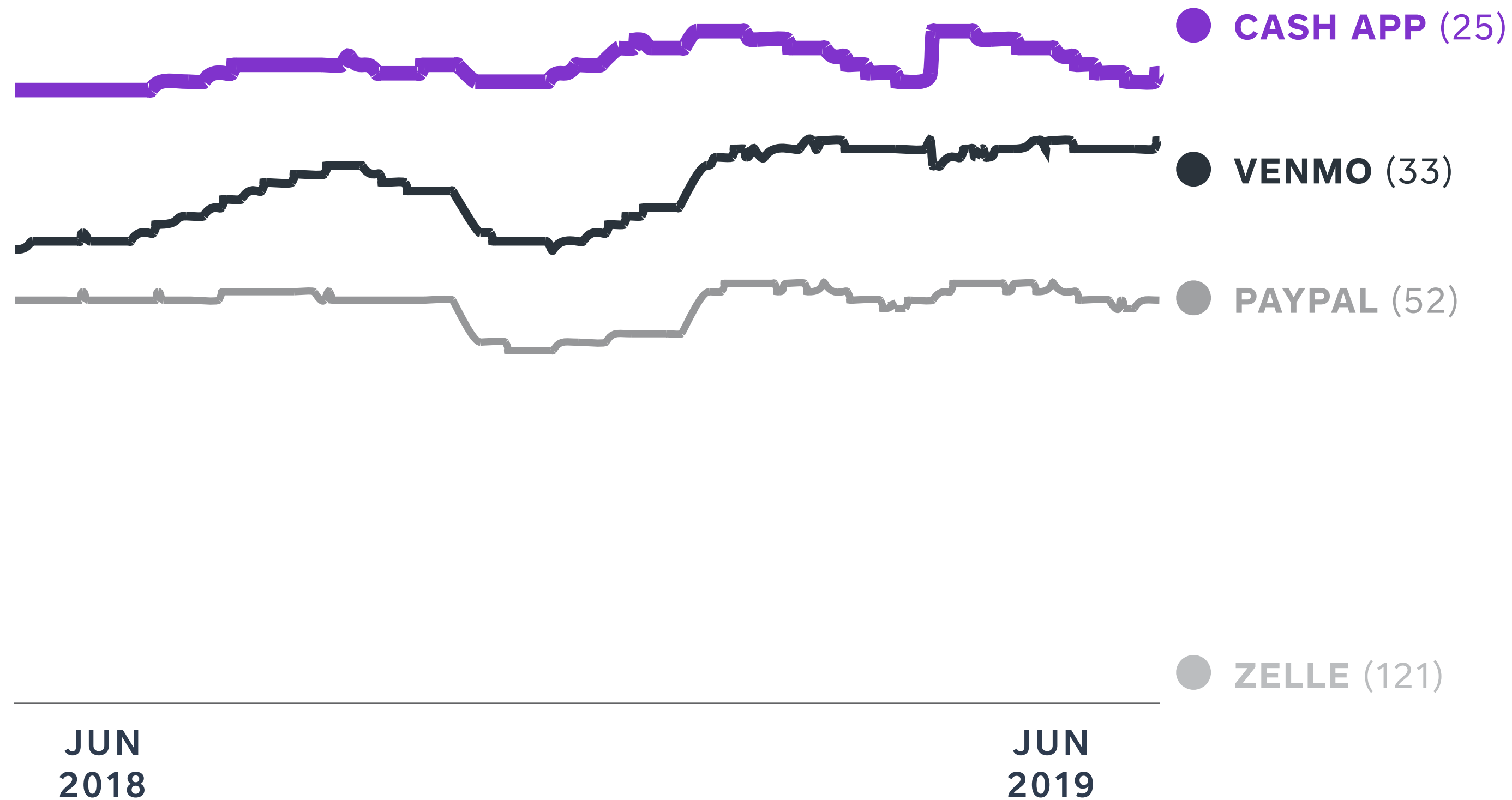
Source: App Annie as of June 30, 2019. Rankings calculated on a 90-day trailing average basis.

Strong growth in Cash App, underscoring its broad-based utility

Cash App has consistently been in the top 25 for U.S. App Store ranking in Overall iPhone Applications.

iOS APP STORE—FREE OVERALL RANKINGS

“Number of downloads” is primary component of ranking



\$135M

CASH APP REVENUE EX-BITCOIN IN 2Q19, UP FROM \$1M IN 2Q16

15M+

MONTHLY ACTIVE CASH APP CUSTOMERS IN DEC 2018

3.5M

CASH CARD ACTIVES AS OF JUNE 2019

Source: App Annie as of June 30, 2019. Rankings calculated on a 90-day trailing average basis. An active Cash App customer has at least one cash inflow or outflow during a defined time period. Cash App volume is the total dollar amount of peer-to-peer, Cash Card, and Cash for Business transactions.

A platform for developers to meet sellers' needs

E-COMMERCE

Integrate Square on websites, enabling sellers to manage offline and online businesses.



WIX
E-COMMERCE



MAGENTO
E-COMMERCE



WOOCOMMERCE
E-COMMERCE



GODADDY
E-COMMERCE

THIRD-PARTY APPS

Integrate Square with third-party apps and back-office solutions that bring additional functionality.



QUICKBOOKS
ACCOUNTING



TOUCHBISTRO
POINT OF SALE



POSTMATES
DELIVERY



MAILCHIMP
MARKETING

IN-HOUSE

Integrate Square into a seller's specialized POS to accept payments and access other services.



HAMPTON JITNEY
TRANSPORTATION



LASER AWAY
HEALTH & BEAUTY



PHILZ COFFEE
COFFEEHOUSE



THE REALREAL
LUXURY FASHION

Our business model provides a compelling investment opportunity

TREMENDOUS SCALE

Millions of active sellers, nearly **\$95 billion** trailing four quarter GPV

SIGNIFICANT GROWTH

46% Adjusted Revenue year-over-year growth in Q2 2019

ATTRACTIVE COHORT ECONOMICS

Positive Adjusted Revenue retention rate and **3-to-4 quarter payback**

STRONG EBITDA GROWTH

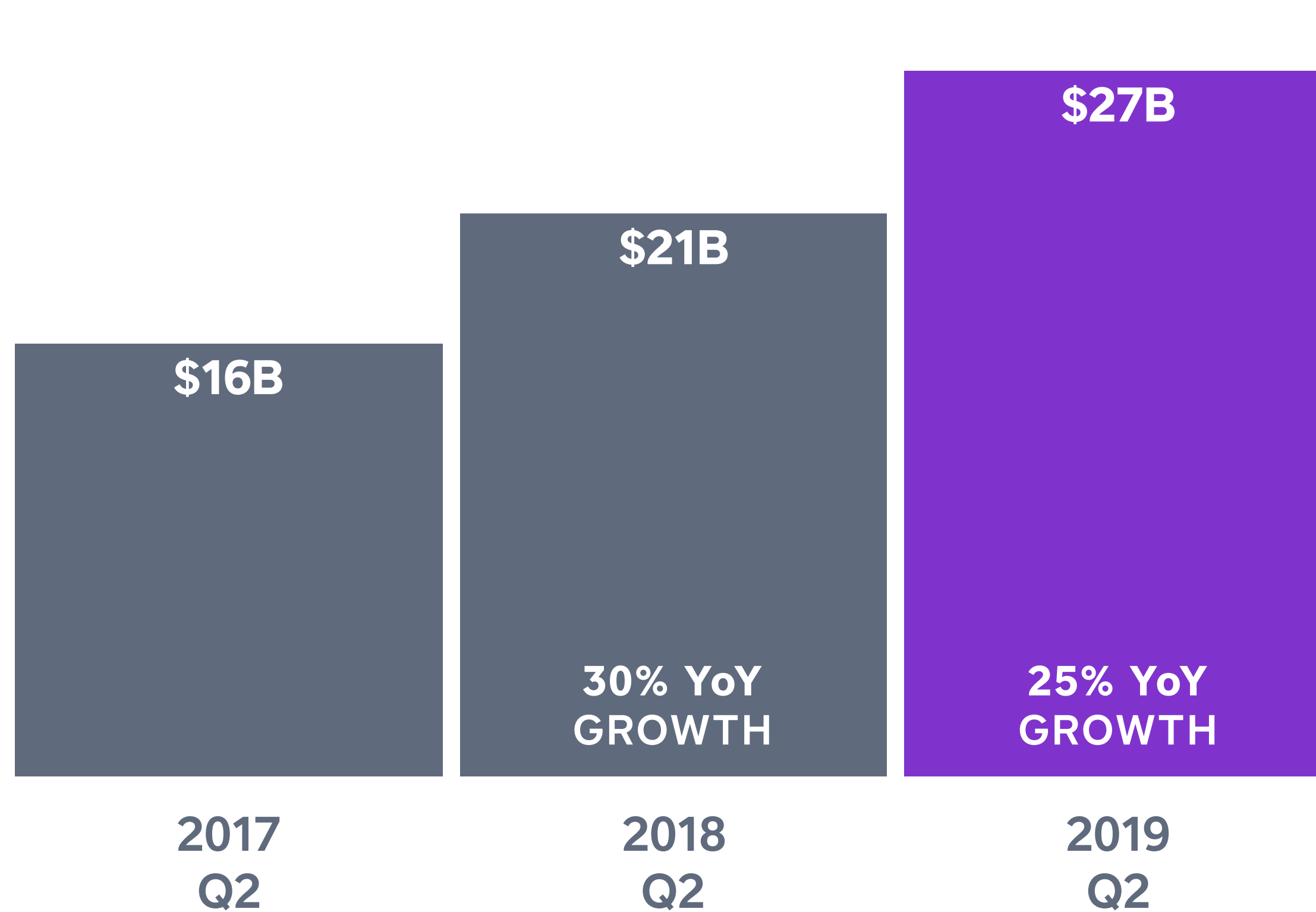
\$105 million in Adjusted EBITDA in Q2 2019, up **54%** year over year

Data points shown above are as of June 30, 2019. Active sellers defined as sellers with five or more payments in the last 12 months. See appendix for GAAP reconciliation of Adjusted Revenue and Adjusted EBITDA. Payback period measures the effectiveness of sales and marketing spend. Payback period equals the number of quarters for a cohort's cumulative Adjusted Revenue (excluding revenue from hardware, Gift Cards, and the acquisitions of Weebly and Zesty) to surpass our sales and marketing expense in the quarter in which we acquired the cohort. This measurement excludes both revenue and costs associated with Cash App. Adjusted Revenue retention rate is calculated as the year-over-year Adjusted Revenue growth of a quarterly cohort, averaged over the last four quarters (excluding revenue from hardware, Gift Cards, Cash App, and the acquisitions of Weebly and Zesty). A cohort represents the new sellers onboarded to Square during a given period.

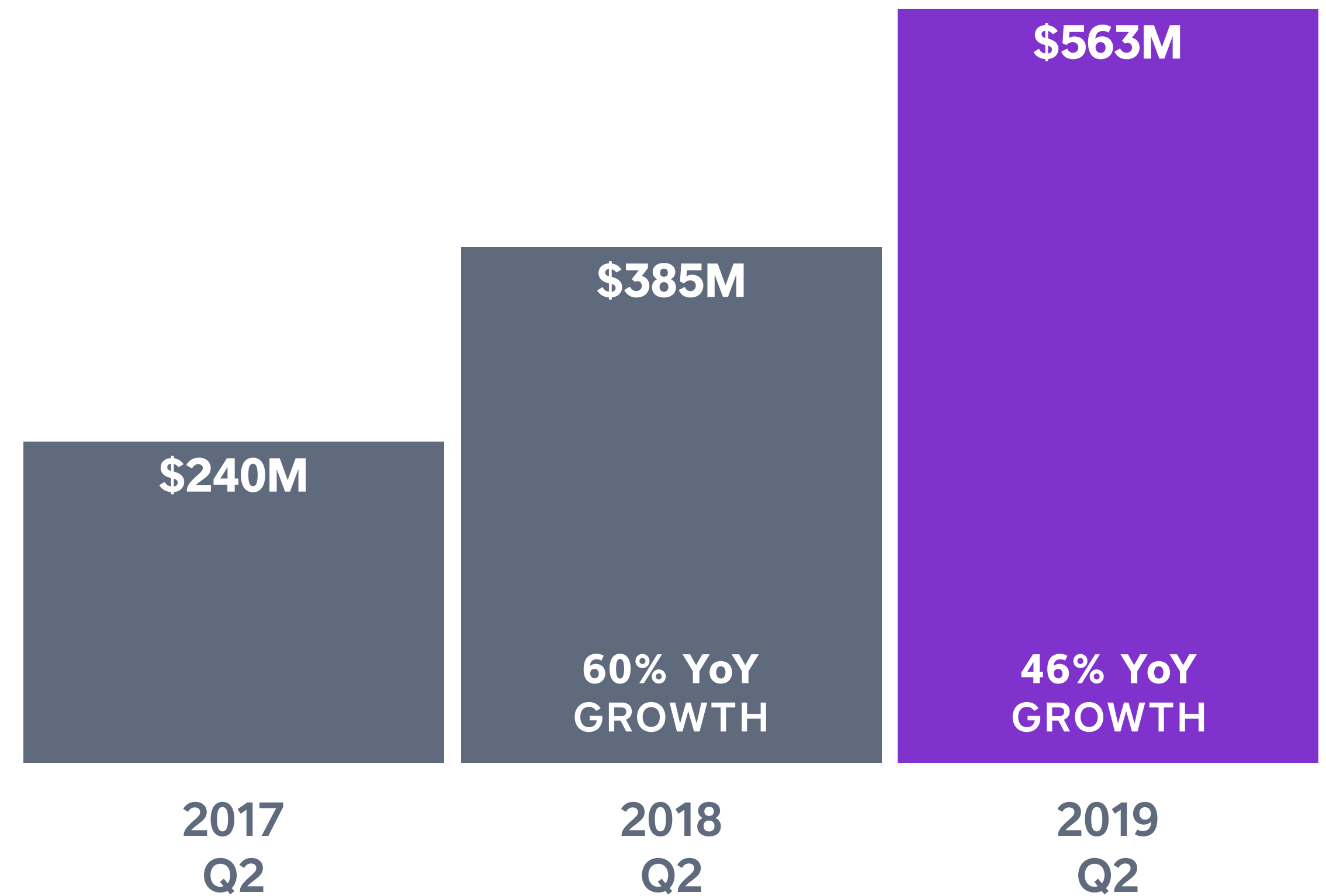
Financial Overview

Strong growth at scale

GROSS PAYMENT VOLUME (GPV)



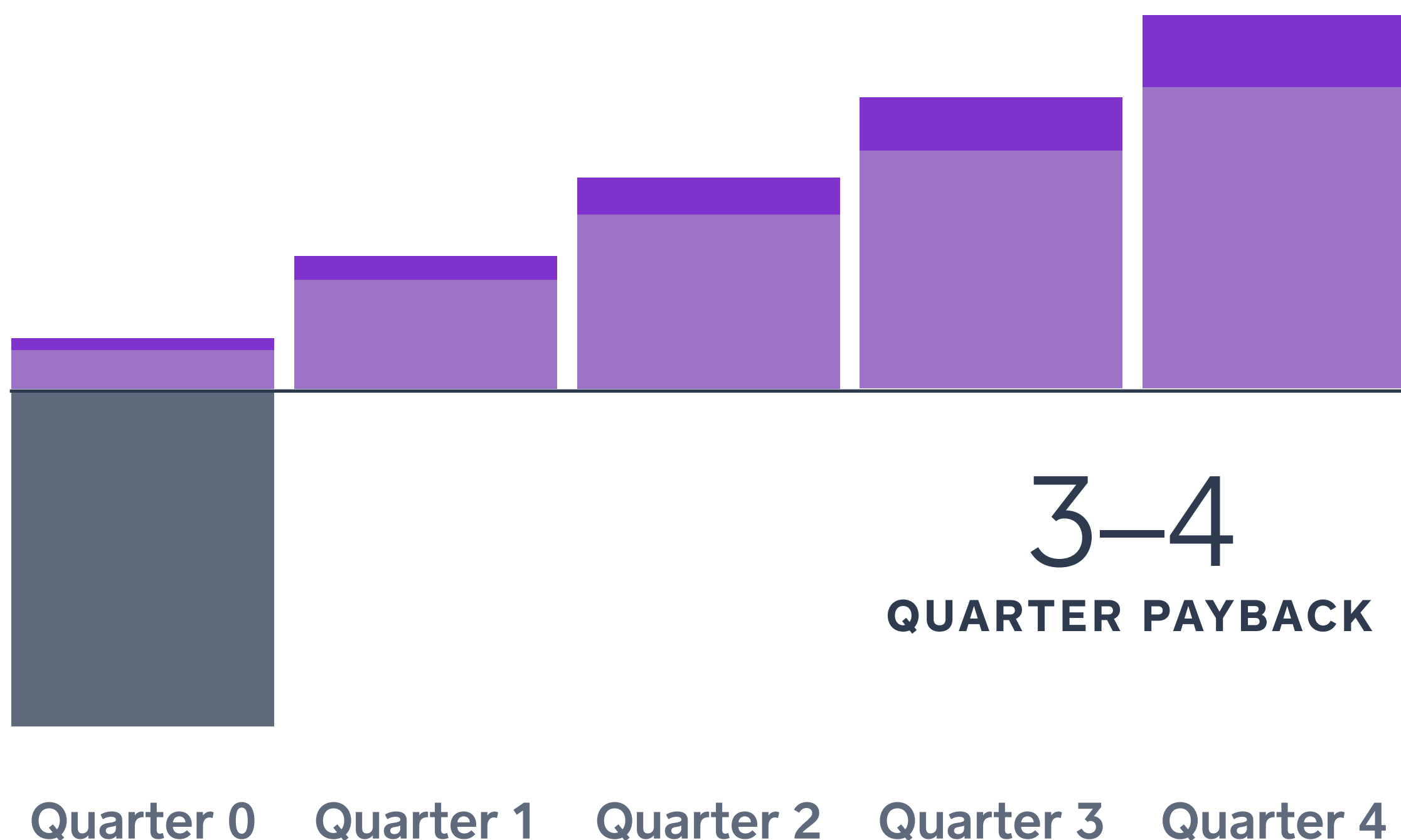
ADJUSTED REVENUE



A reconciliation of non-GAAP metrics used in this document to their nearest GAAP equivalents is provided in the appendix to this document.

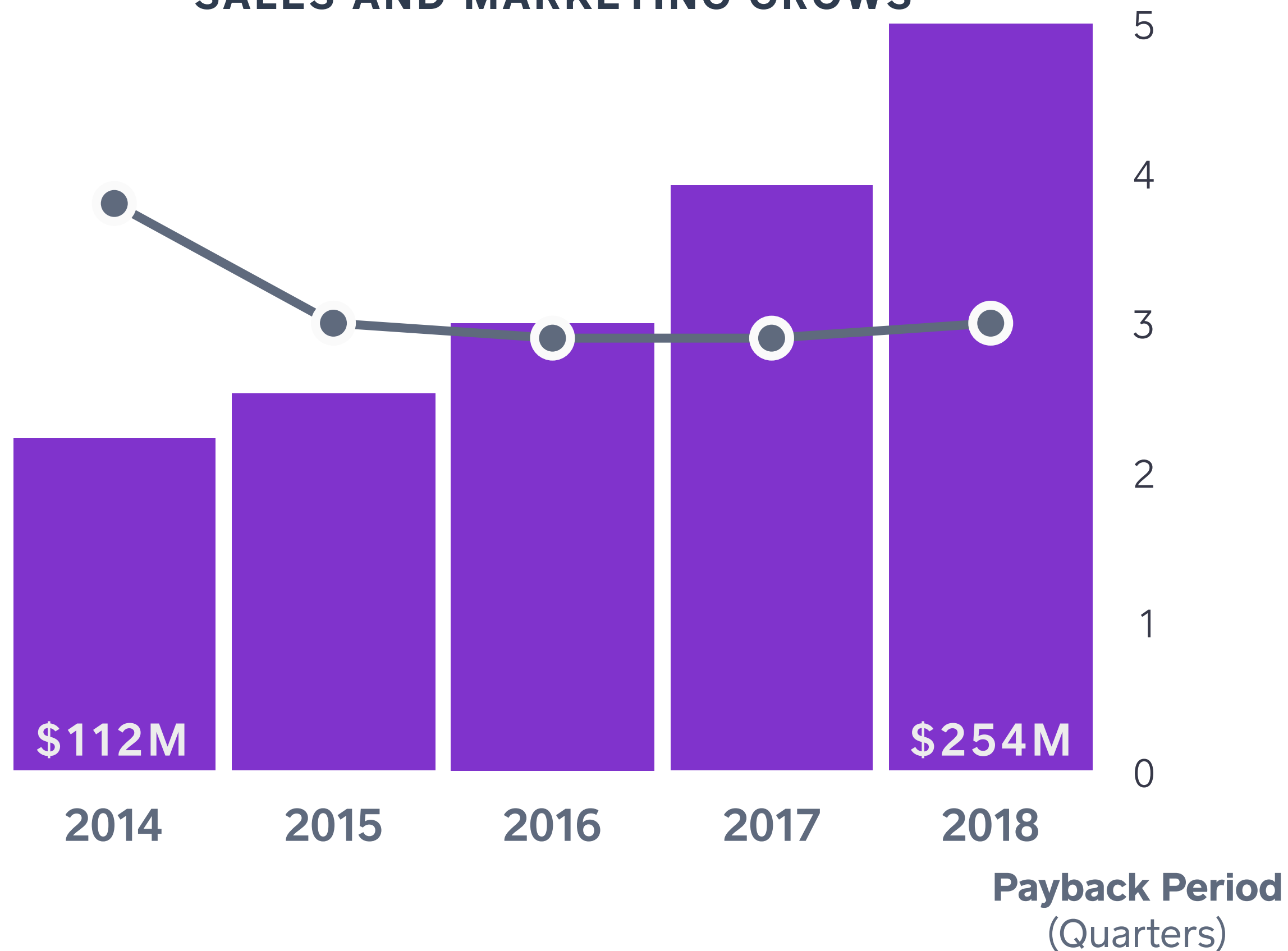
Attractive cohort economics highlights go-to-market efficiency

ILLUSTRATIVE COHORT WITH A THREE TO FOUR QUARTER PAYBACK PERIOD



3-4
QUARTER PAYBACK

STABLE PAYBACK PERIOD EVEN AS SALES AND MARKETING GROWS



- CUMULATIVE SUBSCRIPTION AND SERVICES-BASED REVENUE
- CUMULATIVE COHORT TRANSACTION-BASED PROFIT
- SALES AND MARKETING EXPENSE

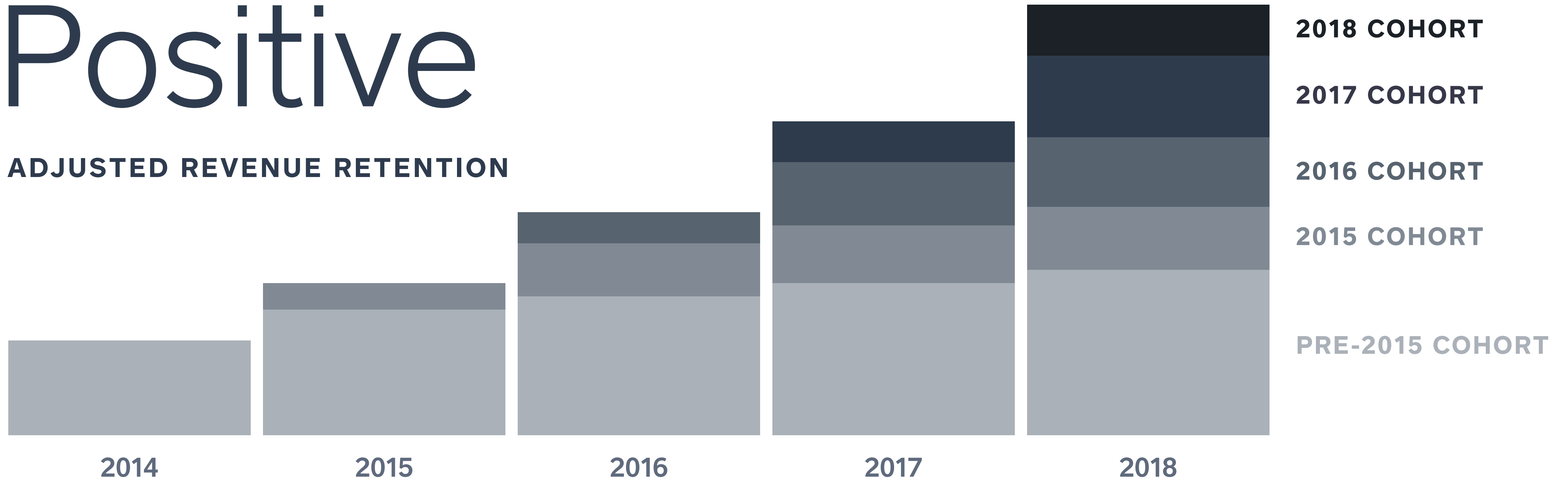
Sales and marketing shown above represents GAAP sales and marketing expenses, excluding Cash App marketing expenses. In 2014, overall sales and marketing expense totaled \$113 million on a GAAP basis. Payback period measures the effectiveness of sales and marketing spend. Payback period equals the number of quarters for a cohort's cumulative Adjusted Revenue (excluding revenue from hardware, Gift Cards, and the acquisitions of ex-Zesty) to surpass our sales and marketing expense in the quarter in which we acquired the cohort. This measurement excludes both revenue and costs associated with Cash App. The 2018 payback period represents a trailing four-quarter average as of Q3 2018. A cohort represents the new sellers onboarded to Square during a given period.

Attractive cohort economics has driven revenue growth

Adjusted Revenue by Annual Seller Cohort

Positive

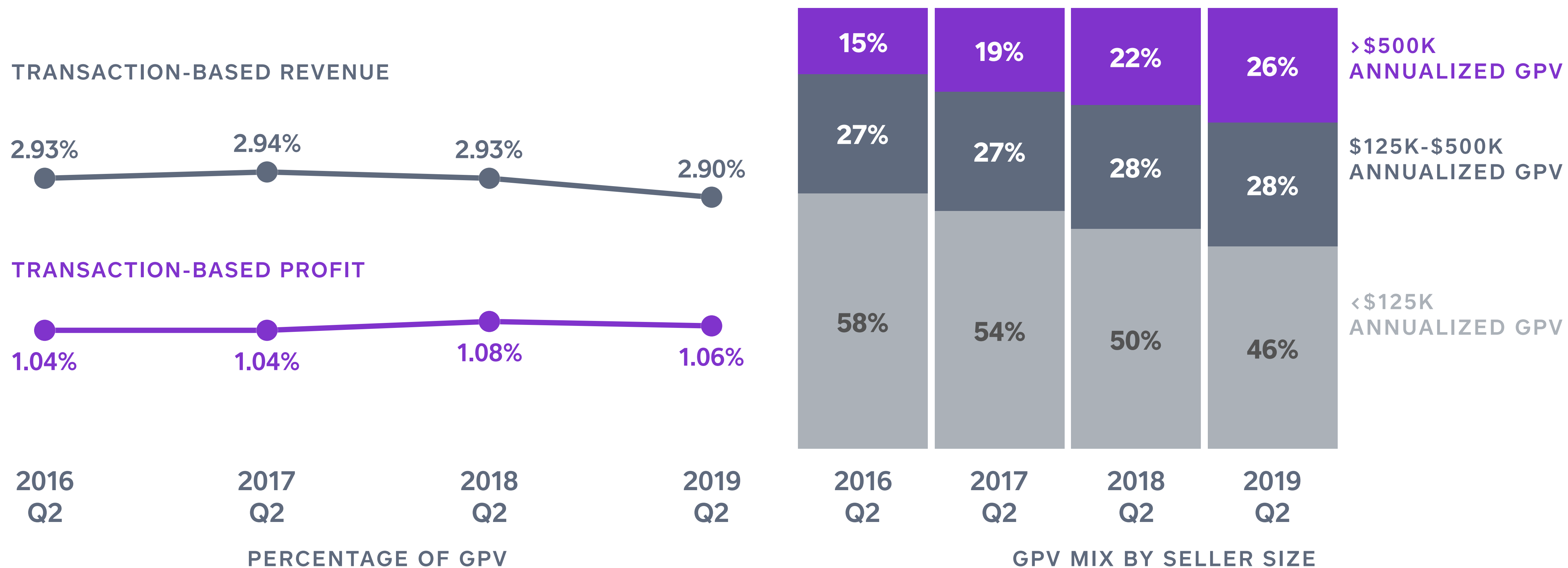
ADJUSTED REVENUE RETENTION



Adjusted Revenue retention rate is calculated as the year-over-year Adjusted Revenue growth of a quarterly cohort, averaged over the last four quarters (excluding revenue from hardware, Gift Cards, Cash App, and the acquisitions of Weebly and Zesty). A cohort represents the new sellers onboarded to Square during a given period.

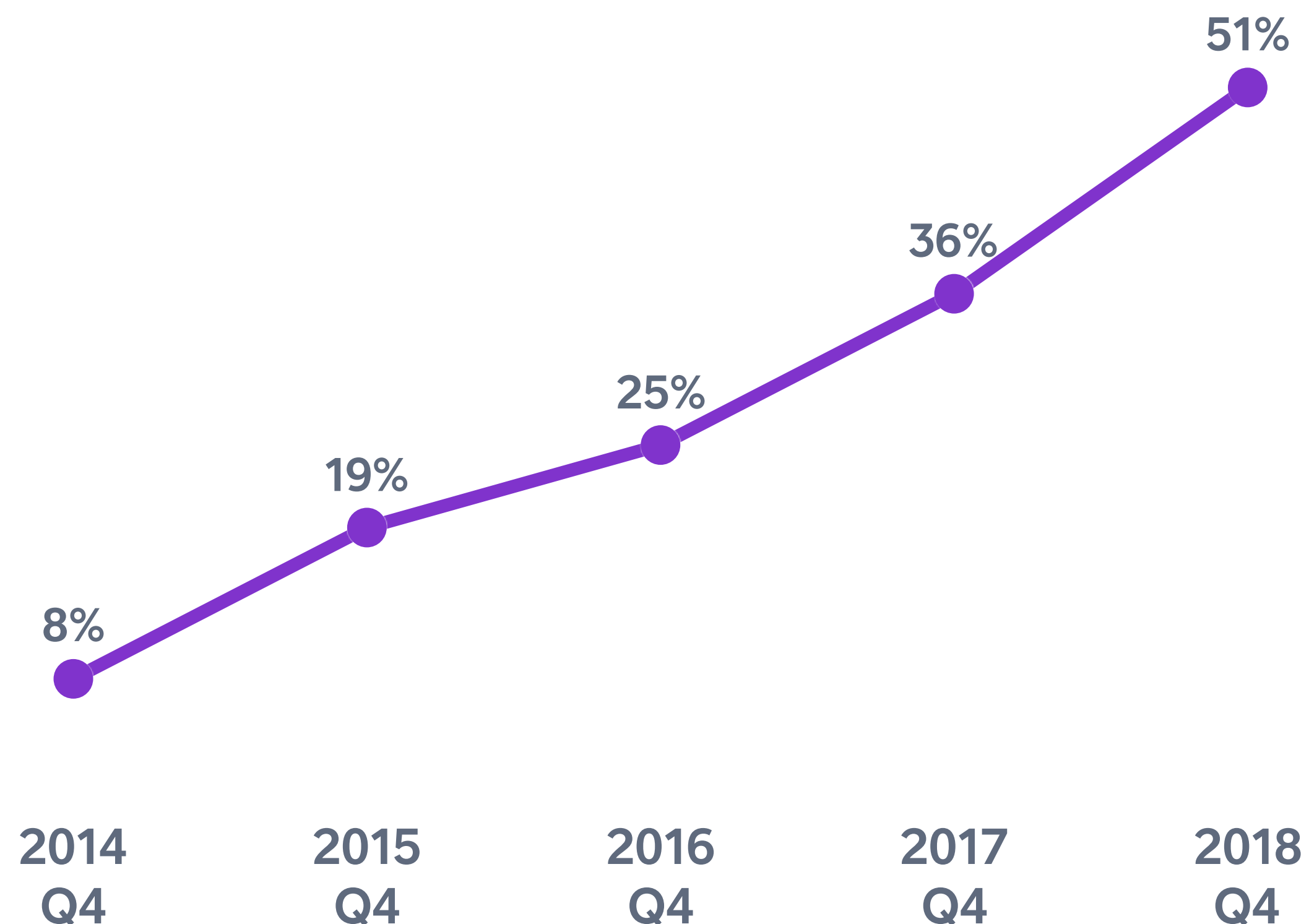
Bringing our solutions to larger sellers

CONSISTENT TAKE RATES AND PROFIT MARGINS... ... EVEN AS DEMAND DRIVES MIX TOWARDS LARGER SELLERS



Driving meaningful vectors of growth with our more recent products

PRODUCTS LAUNCHED IN THE LAST FIVE YEARS
AS A PERCENTAGE OF ADJUSTED REVENUE



> \$5B

GPV PROCESSED ON
SQUARE INVOICES OVER
THE PAST FOUR QUARTERS

1 in 2

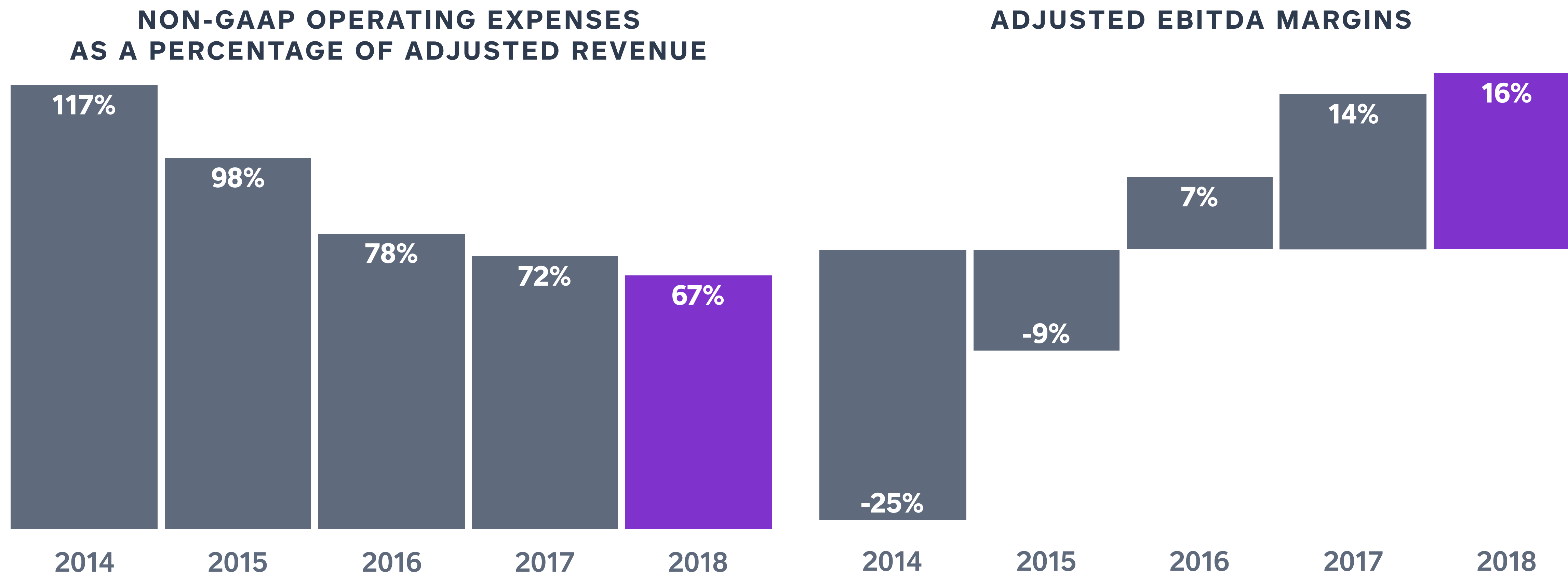
OF LARGER SELLERS TAKE
ON 2+ PRODUCTS

\$1.9B

SQUARE CAPITAL LOAN
VOLUME OVER THE PAST
FOUR QUARTERS

Products launched in the last five years shown as a percentage of Adjusted Revenue. This includes products launched since 2014, including revenue from the acquisitions of Caviar, Zesty, and Weebly, and excluding hardware revenue. Square Capital loan volume over the past four quarters as of June 30, 2019.

Investing for growth while driving operating leverage



A reconciliation of non-GAAP metrics used in this document to their nearest GAAP equivalents is provided in the appendix to this document.
Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by Adjusted Revenue.

Seller Case Studies



RIFLE PAPER CO.
WINTER PARK, FLORIDA

Square enables Rifle Paper Co. to easily manage its multichannel retail business through one platform as it continues to grow.

Rifle Paper Co. uses Build with Square, Square for Retail, and Analytics.



BUSHWICK COMMUNITY DARKROOM
BROOKLYN, NEW YORK

Lucia has moved her darkroom twice to accommodate the strong growth, and Square Capital helped her expand the space by 50%.

Bushwick Community Darkroom uses Square Capital, Square Payroll, and Analytics.



RUSTICA
MINNEAPOLIS, MN

Rustica Bakery has been using Square managed payments and Point of Sale for five years and now pays its employees with Square Payroll across its three locations.

Rustica Bakery uses our contactless and chip reader, Square Stand, Square Payroll, and the Quickbooks API integration.



square.com/investors

Appendix

GAAP RECONCILIATION

Adjusted Revenue—Reconciliation to GAAP Total Net Revenue

Adjusted Revenue is a non-GAAP financial measure that reflects our total net revenue less transaction-based costs and less bitcoin costs, adjusted to eliminate the effect of activity with Starbucks, and adds back the impact of the acquired deferred revenue adjustment related to purchase accounting.

During the fourth quarter of 2016, Starbucks completed its transition to another payments solutions provider and has ceased using our payments solutions altogether, and we believe that providing Adjusted Revenue metrics that exclude the impact of our agreement with Starbucks is useful to investors. We also believe it is useful to subtract transaction-based costs and bitcoin costs from total net revenue to derive Adjusted Revenue as this is a primary metric used by management to measure our business performance and it affords greater comparability to other payment solution providers. We also deduct bitcoin costs because we consider our role in the bitcoin transactions to be facilitating customer access to bitcoin. We recognize acquired deferred revenue that was written down for purchase accounting since we believe that it is correlated with ordinary and ongoing operations of the acquired company and facilitates analysis of revenue growth and business trends.

Adjusted Revenue has limitations as a financial measure, should be considered as supplemental in nature, and is not meant as a substitute for the related financial information prepared in accordance with GAAP. The following table presents a reconciliation of total net revenue to Adjusted Revenue for each of the periods indicated:

	Three Months Ended								
	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019
	(in thousands) (unaudited)								
TOTAL NET REVENUE	\$551,505	\$585,159	\$616,035	\$668,603	\$814,938	\$882,108	\$932,528	\$959,359	\$1,174,238
LESS: TRANSACTION-BASED COSTS	311,092	328,043	333,377	327,911	395,349	414,456	420,846	409,069	490,349
LESS: BITCOIN COSTS	—	—	—	33,872	36,596	42,408	51,951	64,696	122,938
ADD: DEFERRED REVENUE ADJUSTMENT RELATED TO PURCHASE ACCOUNTING	—	—	—	—	2,440	5,892	4,521	3,456	1,849
ADJUSTED REVENUE	\$240,413	\$257,116	\$282,658	\$306,820	\$385,433	\$431,136	\$464,252	\$489,050	\$562,800

Adjusted Revenue—Reconciliation to GAAP Total Net Revenue

	Twelve Months Ended			
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018
	(in thousands) (unaudited)			
TOTAL NET REVENUE	\$1,267,118	\$1,708,721	\$2,214,253	\$3,298,177
LESS: STARBUCKS TRANSACTION-BASED REVENUE	142,283	78,903	—	—
LESS: TRANSACTION-BASED COSTS	672,667	943,200	1,230,290	1,558,562
LESS: BITCOIN COSTS	—	—	—	164,827
ADD: DEFERRED REVENUE ADJUSTMENT RELATED TO PURCHASE ACCOUNTING	—	—	—	12,853
ADJUSTED REVENUE	\$452,168	\$686,618	\$983,963	\$1,587,641

Adjusted EBITDA—Reconciliation to GAAP Net Income (Loss)

Adjusted EBITDA is a non-GAAP financial measure that represents our net income (loss), adjusted to eliminate the effect of Starbucks transaction-based revenue and Starbucks transaction-based costs, before interest income and expense, provision or benefit for income taxes, depreciation, amortization, share-based compensation expense, other income and expense, the litigation settlement with Robert E. Morley in 2016, the gain or loss on disposal of property and equipment, and impairment of intangible assets. We also exclude certain costs associated with acquisitions that are not normal recurring operating expenses, including amounts paid to redeem acquirees' unvested stock-based compensation awards, and legal, accounting, and due diligence costs, and we add back the impact of the acquired deferred revenue and deferred cost adjustment, which was written down to fair value in purchase accounting. We have included Adjusted EBITDA in this document because it is a key measure used by our management to evaluate our operating performance, generate future operating plans, and make strategic decisions, including those relating to operating expenses and the allocation of internal resources. Accordingly, we believe that Adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. In addition, it provides a useful measure for period-to-period comparisons of our business, as it removes the effect of certain non-cash items and certain variable charges. We also make these adjustments for non-GAAP operating expenses, as applicable.

Adjusted EBITDA has limitations as a financial measure, and should be considered as supplemental in nature to, and is not meant as a substitute for, the related financial information prepared in accordance with GAAP. The following presents a reconciliation of net income (loss) to Adjusted EBITDA for each of the periods indicated.

	Three Months Ended								
	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019
	(in thousands) (unaudited)								
NET INCOME (LOSS)	(\$15,962)	(\$16,098)	(\$15,663)	(\$23,986)	(\$5,906)	\$19,643	(\$28,204)	(\$38,151)	(\$6,740)
SHARE-BASED COMPENSATION EXPENSE	39,593	40,048	44,525	46,824	52,119	58,913	59,025	61,088	79,466
DEPRECIATION AND AMORTIZATION	9,125	9,085	9,632	10,160	12,328	15,835	22,638	18,971	18,783
INTEREST EXPENSE, NET	3,494	3,080	2,483	2,112	3,470	7,224	5,176	4,681	5,143
OTHER (INCOME) AND EXPENSE, NET	(228)	(1,226)	356	707	(815)	(37,800)	19,439	11,299	1,230
PROVISION (BENEFIT) FOR INCOME TAXES	472	(647)	(185)	175	604	1,066	481	129	(476)
LOSS (GAIN) ON DISPOSAL OF PROPERTY & EQUIPMENT	2	62	36	(98)	73	806	(1,005)	19	281
ACQUISITION RELATED AND OTHER COSTS	—	—	—	—	4,363	345	—	782	6,133
DEFERRED REVENUE ADJUSTMENT	—	—	—	—	2,440	5,892	4,521	3,456	1,849
DEFERRED COSTS ADJUSTMENT	—	—	—	—	(354)	(927)	(761)	(577)	(365)
ADJUSTED EBITDA	\$36,496	\$34,304	\$41,184	\$35,894	\$68,322	\$70,997	\$81,310	\$61,697	\$105,304

Adjusted EBITDA—Reconciliation to GAAP Net Income (Loss)

	Twelve Months Ended			
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018
	(in thousands) (unaudited)			
NET LOSS	(\$179,817)	(\$171,590)	(\$62,813)	(\$38,453)
STARBUCKS TRANSACTION-BASED REVENUE	(142,283)	(78,903)	—	—
STARBUCKS TRANSACTION-BASED COSTS	165,438	69,761	—	—
SHARE-BASED COMPENSATION EXPENSE	82,292	138,786	155,836	216,881
DEPRECIATION AND AMORTIZATION	27,626	37,745	37,279	60,961
LITIGATION SETTLEMENT EXPENSE	—	48,000	—	—
INTEREST (INCOME) AND EXPENSE	1,163	(533)	10,053	17,982
OTHER (INCOME) AND EXPENSE	450	(247)	(1,595)	(18,469)
PROVISION FOR INCOME TAXES	3,746	1,917	149	2,326
LOSS (GAIN) ON SALE OF PROPERTY AND EQUIPMENT	270	(49)	100	(224)
ACQUISITION RELATED AND OTHER COSTS	—	—	—	4,708
DEFERRED REVENUE ADJUSTMENT	—	—	—	12,853
DEFERRED COSTS ADJUSTMENT	—	—	—	(2,042)
ADJUSTED EBITDA	(\$41,115)	\$44,887	\$139,009	\$256,523

Non-GAAP Operating Expenses—Reconciliation to GAAP

	Three Months Ended								
	Jun 30, 2017	Sep 30, 2017	Dec 31, 2017	Mar 31, 2018	Jun 30, 2018	Sep 30, 2018	Dec 31, 2018	Mar 31, 2019	Jun 30, 2019
	(in thousands) (unaudited)								
OPERATING EXPENSES	(\$219,653)	(\$233,507)	(\$252,839)	(\$276,162)	(\$318,463)	(\$362,527)	(\$383,162)	(\$418,796)	(\$466,688)
SHARE-BASED COMPENSATION	39,575	40,019	44,495	46,793	52,089	58,895	59,007	61,067	79,437
DEPRECIATION AND AMORTIZATION	7,400	7,498	8,115	8,580	10,242	13,215	20,754	17,236	16,873
LOSS (GAIN) ON DISPOSAL OF PROPERTY AND EQUIPMENT	2	62	36	(98)	73	806	(1,005)	19	281
ACQUISITION RELATED AND OTHER COSTS	—	—	—	—	4,363	345	—	782	6,133
NON-GAAP OPERATING EXPENSES	(\$172,676)	(\$185,928)	(\$200,193)	(\$220,887)	(\$251,696)	(\$289,266)	(\$304,406)	(\$339,692)	(\$363,964)
PRODUCT DEVELOPMENT	(\$78,126)	(\$82,547)	(\$92,633)	(\$105,095)	(\$114,800)	(\$135,773)	(\$141,811)	(\$153,559)	(\$174,201)
SHARE-BASED COMPENSATION	25,136	25,254	28,564	30,482	33,806	39,525	40,788	42,649	56,144
DEPRECIATION AND AMORTIZATION	3,436	4,586	5,221	5,473	5,974	7,831	14,029	11,142	11,478
LOSS (GAIN) ON DISPOSAL OF PROPERTY AND EQUIPMENT	—	—	—	—	—	712	(986)	(71)	—
NON-GAAP PRODUCT DEVELOPMENT	(\$49,554)	(\$52,707)	(\$58,848)	(\$69,140)	(\$75,020)	(\$87,705)	(\$87,980)	(\$99,839)	(\$106,579)
SALES AND MARKETING	(\$59,916)	(\$66,533)	(\$76,821)	(\$77,266)	(\$98,243)	(\$116,337)	(\$119,305)	(\$133,713)	(\$156,421)
SHARE-BASED COMPENSATION	4,355	4,579	4,699	4,961	5,634	6,108	6,094	6,202	7,833
DEPRECIATION AND AMORTIZATION	98	650	590	609	952	1,608	1,238	1,078	1,085
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	2	62	36	4	76	91	68	151	194
NON-GAAP SALES AND MARKETING	(\$55,461)	(\$61,242)	(\$71,496)	(\$71,692)	(\$91,581)	(\$108,530)	(\$111,905)	(\$126,282)	(\$147,309)
GENERAL AND ADMINISTRATIVE	(\$62,988)	(\$64,312)	(\$66,318)	(\$75,501)	(\$82,772)	(\$85,527)	(\$95,445)	(\$101,598)	(\$100,508)
SHARE-BASED COMPENSATION	10,084	10,186	11,232	11,350	12,649	13,262	12,125	12,216	15,460
DEPRECIATION AND AMORTIZATION	3,644	2,040	2,070	2,229	2,644	2,482	3,360	2,931	3,016
LOSS (GAIN) ON DISPOSAL OF PROPERTY AND EQUIPMENT	—	—	—	(102)	(3)	3	(87)	(61)	87
ACQUISITION RELATED AND OTHER COSTS	—	—	—	—	4,363	345	—	782	6,133
NON-GAAP GENERAL AND ADMINISTRATIVE	(\$49,260)	(\$52,086)	(\$53,016)	(\$62,024)	(\$63,119)	(\$69,435)	(\$80,047)	(\$85,730)	(\$75,812)

Non-GAAP Operating Expenses—Reconciliation to GAAP

	Twelve Months Ended			
	Dec 31, 2015	Dec 31, 2016	Dec 31, 2017	Dec 31, 2018
	(in thousands) (unaudited)			
OPERATING EXPENSES	(\$544,488)	(\$746,491)	(\$893,512)	(\$1,340,314)
SHARE-BASED COMPENSATION	82,292	138,786	155,759	216,784
DEPRECIATION AND AMORTIZATION	20,804	27,536	30,544	52,791
LITIGATION SETTLEMENT EXPENSE	—	48,000	—	—
LOSS (GAIN) ON DISPOSAL OF PROPERTY AND EQUIPMENT	270	(49)	100	(224)
ACQUISITION RELATED AND OTHER COSTS	—	—	—	4,708
NON-GAAP OPERATING EXPENSES	(\$441,122)	(\$532,218)	(\$707,109)	(\$1,066,255)
PRODUCT DEVELOPMENT	(\$199,638)	(\$268,537)	(\$321,888)	(\$497,479)
SHARE-BASED COMPENSATION	54,738	91,404	98,310	144,601
DEPRECIATION AND AMORTIZATION	11,347	13,190	16,955	33,307
LOSS (GAIN) ON DISPOSAL OF PROPERTY AND EQUIPMENT	—	—	—	(274)
NON-GAAP PRODUCT DEVELOPMENT	(\$133,553)	(\$163,943)	(\$206,623)	(\$319,845)
SALES AND MARKETING	(\$145,618)	(\$173,876)	(\$253,170)	(\$411,151)
SHARE-BASED COMPENSATION	7,360	14,122	17,568	22,797
DEPRECIATION AND AMORTIZATION	10	30	1,415	4,407
LOSS ON DISPOSAL OF PROPERTY AND EQUIPMENT	53	73	158	239
NON-GAAP SALES AND MARKETING	(\$138,195)	(\$159,651)	(\$234,029)	(\$383,708)
GENERAL AND ADMINISTRATIVE	(\$143,466)	(\$251,993)	(\$250,553)	(\$339,245)
SHARE-BASED COMPENSATION	20,194	33,260	39,881	49,386
DEPRECIATION AND AMORTIZATION	7,690	13,466	11,291	10,715
LITIGATION SETTLEMENT EXPENSE	—	48,000	—	—
(GAIN) ON DISPOSAL OF PROPERTY AND EQUIPMENT	217	(122)	(58)	(189)
ACQUISITION RELATED AND OTHER COSTS	—	—	—	4,708
NON-GAAP GENERAL AND ADMINISTRATIVE	(\$115,365)	(\$157,389)	(\$199,439)	(\$274,625)