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Square, Inc. Class A (SQ-US)

Data Processing & Outsourced Services

- **We reiterate our Buy rating on SQ and view the recent pullback as a buying opportunity.**
- **Business Performance trends continue to accelerate driven by increasing new product revenue growth.**
- **SQ's growth in non-payment services is offsetting slowing growth in payment services.**
- **SQ continues to attract larger sellers to its ecosystem.**
- **SQ uses automation to drive improved customer service and greater operating efficiency.**
- **SQ uses its business process platform to go beyond the payment by leveraging its massive customer and payer databases.**
- **SQ is currently applying for a bank charter to increase its lending services and capabilities.**

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Company Note
Square, Inc. Class A (SQ-US)
Data Processing & Outsourced Services

Ivan Feinseth
 Director of Research
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Research Action:

Reiterate rating

Rating: Buy

Prior Rating: Buy

Price 04/24/2018: \$46.01

52 Week High /

Low: \$58.46

\$17.32

Key Data: (TTM as of Dec-17)

Excess Cash per Share: \$2.62

Annual Dividend: \$0.00

Dividend Yield: 0.00%

Avg. Volume (30 Day): 12.0M

Shares Outstanding: 398.2M

Float: 387.3M

Short Interest: 35.9M

SI % / Float 9.27%

Equity MV: \$18,322.3M

Sales TTM: \$2,214.3M

Beta: 1.83

EBITDAR: \$379.6M

NOPAT: \$12.8M

Total Invested Capital: \$1,251.5M

Return on Capital: 1.33%

Cost of Capital: 9.79%

 Economic Profit: **(\$81.1)M**

Market Value Added: \$12,238.2M

Current Operations Value: \$130.5M

Future Growth Value: \$13,359.2M

- **We reiterate our Buy rating on SQ and view the recent pullback as a buying opportunity.** SQ's strong product performance and customer retention rate continues to drive accelerating Business Performance. SQ continues to benefit from strength in its core payment business and its operating leverage. SQ's ongoing focus on automation and integration continues to drive its growing customer base as it offers services that go beyond just the payment. SQ's greater client onboarding automation process continues to help it increase the reach of its financial systems to more clients as it scales up its own operations, and further helps sellers with advanced CRM and business management tools. SQ's innovative capabilities will continue to drive the introduction of new products that will take it beyond the payment and continue to drive growth, increasing Return on Capital, greater Economic Profit, and growing shareholder value creation. We believe further upside in the shares exists from current levels.
- **Business Performance trends continue to accelerate driven by increasing new product revenue growth.** SQ continues to evolve as a business process platform by offering business management, marketing, lending, and CRM services to its clients, enabling SQ to drive growth and profitability by going beyond the payment. SQ continues to build a brand that's focused on providing business management solutions and not just payment solutions. SQ is using its large customer and payer databases to create new solutions to increase customer connectivity and marketing efforts for its merchant clients. SQ continues to use automation to drive increased customer service and greater operating efficiency.
- **SQ's growth in non-payment services is offsetting slowing growth in payment services.** SQ's increasing revenue from CRM and business management services including financing, food ordering, and instant funding services are more than offsetting any slowdown in traditional payment processes and are driving increasing operating margins. SQ continues to add value by offering a greater business operations integration platform. SQ continues to fend off competition by its first-mover advantage in the offering of many of its business management services.

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- **SQ continues to attract larger sellers to its ecosystem.** SQ has added larger merchants without having to give a significant fee reduction which is the custom as transaction volume increases. SQ is driving large customer wins through its ability to help larger merchants build sales with services such as loans, data analytics, faster funding, and better transaction management software. SQ's operating costs should continue to decline as it continues to increase its payment volume -- which should continue to drive increased profitability.
- **SQ uses automation to drive improved customer service and greater operating efficiency.** Automation continues to be SQ's core differentiator and competitive advantage. SQ uses machine learning and data science to reduce risk, make its services more automated, and increase self-service capabilities. Automation gives more clients faster access to SQ's ecosystem. Over 90% of SQ's sellers use a self-onboarding process and receive automatic approval to process payments. SQ uses machine learning and automation for transaction and lending risk management. Automation helps SQ manage risk in providing financing to small and underserved merchants. Further, SQ uses automation and machine learning to help sellers grow their businesses by using SQ's CRM tools to build marketing and loyalty programs.
- **SQ uses its business process platform to go beyond the payment by leveraging its massive customer and payer databases.** SQ's CRM product, Square Marketing, which can provide sellers a significant return on their marketing efforts, and Square Loyalty, its digital rewards program, have shown to improve customer frequency by over 70%. SQ can support the opportunities created by these products based on its two-sided network of over two million sellers and a directory of over 90 million cardholders linked to their email/mobile phone with whom SQ's merchants can connect. SQ employs a technology-focused approach that enables it to develop products and services to help its customers grow and expand their businesses by providing application-based services for SQ's sellers to manage their resources better. This includes providing financing and customer intelligence, managing employee schedules, and customer appointment and reservation scheduling. We believe this will continue to evolve as SQ's key growth driver.

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- **SQ is currently applying for a bank charter to increase its lending services and capabilities.** SQ has filed an application for an industrial loan company (ILC) charter. If granted, this would enable SQ to save money by eliminating its current loan origination partner, Celtic Bank, also an ILC, as well as reducing its payment processing fees. If successful, this should increase margins and profitability as well as enable SQ to expand its lending business. SQ is currently testing installment loans to consumers who are customers of its merchants. Becoming an ILC would allow SQ to take-in deposits to be used to fund its lending business. Currently, SQ sells off its loans. Deposit funding would increase SQ's lending flexibility by allowing it to carry or sell its loans and be less dependent on current market conditions for loan sales, enabling it to better time its sales on a more opportunistic and profitable level.

Investment Thesis

SQ continues to evolve from the pioneer of micro-merchant electronic transaction processing to a full-service, technologically-advanced POS platform. Before Square, micro and casual merchants were unable to accept electronic-based payments as merchant card services and traditional POS technology was too expensive, and banks were unwilling to underwrite the cost of electronic payment systems because of low volumes. SQ unlocked and developed a large, underserved market. Since inception in 2009, Square has grown its annual transaction volume to almost \$50 billion as of the end of 2016. Our buy rating is based on SQ's ability to drive growth through ongoing innovation within its advanced comprehensive commerce ecosystem and gain further market share as a mainstream merchant card service and business as a payment facilitation platform provider.

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Company Overview

Square, Inc. (SQ-US) is a technologically-advanced provider of business financial and marketing services. SQ provides electronic payment and point-of-sale (POS) services including fixed and mobile terminals and smartphone applications to accept payments, manage business operations and analyze business performance. SQ's POS and payment services include In-Person Payments, Online Payments, and Square Cash. SQ's business management services include Square Analytics, Square Appointments, Square App Marketplace, Square Gift Cards and Square Register. SQ's financial services include Square Capital, which loans money to its clients based on their payment volume and Square Payroll which manages employee schedules and hours worked. SQ earns revenue from both processing payments and its subscription and services-based product offerings.

Square provides value-added services to its customers and users by providing a comprehensive commerce ecosystem combining hardware, software, and payment services. SQ's payment solutions allow sellers to accept payments through all forms of media including swipe (magnetic strip), EMV (Europay, MasterCard, and Visa) chip-enabled cards, NFC (near field communications) and online through Square Invoices, Square Virtual Terminal or a seller's website. SQ's POS (point-of-sale) software and services help sellers manage employees, inventory, locations, orders, and payroll. SQ also provides a marketing platform to help sellers connect with its customers through promotional emails and other forms of electronic messaging.

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Square, Inc. Class A (SQ-US)
Data Processing & Outsourced Services
Financial Data

Report Basis Reported Period Ending	LTM 0	LTM 12/31/2013	LTM 12/31/2014	LTM 12/31/2015	LTM 12/31/2016	LTM 12/31/2017	LTM 12/31/2018	NTM Average	5 Yr Average	3 Yr Average	Current Trend
Net Sales Revenue	\$0.0	\$0.0	\$850.2	\$1,267.1	\$1,708.7	\$2,214.3	\$1,345.7	\$1,208.1	\$1,730.0	\$1,780.0	
Sales Growth	0.00%	0.00%	0.00%	49.04%	34.85%	29.59%	-39.22%	22.70%	37.83%	-4.82%	
Sales Growth Trend	0.00%	0.00%	0.00%	29.42%	40.53%	31.69%	-11.70%	20.33%	33.88%	10.00%	
Operating Cash Flow (EBITDAR)	\$1.6	\$6.1	\$55.7	\$127.2	\$241.1	\$379.6	\$185.2	\$161.9	\$249.3	\$282.4	
EBITDAR Margin	0.00%	0.00%	6.55%	10.04%	14.11%	17.14%	13.76%	9.57%	13.76%	15.45%	
EBITDAR Growth	0.00%	282.00%	810.74%	128.46%	89.61%	57.43%	-51.21%	273.65%	91.83%	3.11%	
Net Operating Profit Before Tax (NOPBT)	\$0.0	\$0.0	(\$119.0)	(\$110.7)	(\$69.7)	\$12.8	(\$54.9)	(\$57.3)	(\$55.9)	(\$21.1)	
NOPBT Margin	0.00%	0.00%	-13.99%	-8.73%	-4.08%	0.58%	-4.08%	-5.25%	-4.08%	-1.75%	
NOPBT Growth	0.00%	0.00%	0.00%	6.98%	37.00%	118.32%	-529.84%	0.00%	54.10%	-205.76%	
Cash Operating Income Tax	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$11.5)	\$0.0	\$0.0	(\$5.8)	
Economic Tax Effective Rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	21.00%	0.00%	0.00%	10.50%	
Net Operating Profit After Tax (NOPAT)	\$0.0	\$0.0	(\$119.0)	(\$110.7)	(\$69.7)	\$12.8	(\$43.4)	(\$57.3)	(\$55.9)	(\$15.3)	
NOPAT Margin	0.00%	0.00%	-13.99%	-8.73%	-4.08%	0.58%	-3.22%	-5.25%	-4.08%	-1.32%	
NOPAT Growth	0.00%	0.00%	0.00%	6.98%	37.00%	118.32%	-439.57%	0.00%	54.10%	-160.63%	
Cash & Equivalents	\$0.0	\$185.4	\$251.6	\$499.0	\$576.0	\$1,133.3	\$1,000.7	\$529.1	\$736.1	\$1,067.0	
Total Assets	\$0.0	\$318.3	\$541.9	\$894.8	\$1,211.4	\$2,187.3	\$1,931.3	\$1,030.7	\$1,431.1	\$2,059.3	
Non - Interest Bearing Liabilities (NIBLs)	\$0.0	\$156.0	\$238.2	\$384.1	\$623.6	\$1,027.6	\$907.4	\$485.9	\$678.4	\$967.5	
Net Assets	\$0.0	\$162.3	\$303.7	\$510.7	\$587.7	\$1,159.6	\$1,024.0	\$544.8	\$752.7	\$1,091.8	
Economic Asset Adjustments	\$0.0	\$0.0	\$120.7	\$117.2	\$106.1	\$91.8	\$81.1	\$87.2	\$105.0	\$86.5	
Net Operating Assets	\$0.0	\$162.3	\$424.4	\$627.9	\$693.8	\$1,251.5	\$1,105.1	\$632.0	\$857.7	\$1,178.3	
Debt & Debt Equivalents	\$0.0	\$0.0	\$150.1	\$110.1	\$99.4	\$449.0	\$396.4	\$161.7	\$219.5	\$422.7	
Equity & Equivalents	\$0.0	\$162.3	\$273.7	\$508.0	\$576.2	\$786.3	\$694.3	\$461.3	\$623.5	\$740.3	
Total Capital - Financing Sources	\$0.0	\$162.3	\$423.8	\$618.2	\$675.5	\$1,235.3	\$1,090.8	\$623.0	\$843.0	\$1,163.0	
Capital Adjustments	\$0.0	\$0.0	\$0.6	\$7.1	\$6.7	\$1.4	\$1.3	\$3.2	\$5.1	\$1.4	
Net Capital Financing Sources	\$0.0	\$162.3	\$424.4	\$625.2	\$682.2	\$1,236.8	\$1,092.0	\$626.2	\$848.1	\$1,164.4	
Net Working Capital	\$0.0	(\$54.6)	\$21.7	(\$45.2)	(\$17.0)	\$25.7	\$22.7	(\$13.9)	(\$12.2)	\$24.2	
Cost of Net Working Capital	\$0.0	\$0.0	(\$0.1)	(\$0.9)	(\$2.8)	\$0.4	\$0.4	(\$0.7)	(\$1.1)	\$0.4	
% of Revenue	0.00%	0.00%	-0.02%	-0.07%	-0.16%	0.02%	0.03%	-0.05%	-0.07%	0.02%	
Operational Capital	\$0.0	(\$2.9)	\$204.1	\$151.6	\$170.7	\$207.6	\$183.3	\$146.2	\$176.6	\$195.4	
Cost of Operational Capital	\$0.0	\$0.0	\$0.9	\$14.0	\$14.6	\$18.5	\$16.3	\$9.6	\$15.7	\$17.4	
% of Revenue	0.00%	0.00%	0.10%	1.10%	0.85%	0.84%	1.21%	0.58%	0.93%	1.03%	
Productive Capital	\$0.0	(\$1.7)	\$254.7	\$235.1	\$247.2	\$280.2	\$247.4	\$203.1	\$254.2	\$263.8	
Cost of Productive Capital	\$0.0	\$0.0	\$1.1	\$19.3	\$21.8	\$25.8	\$22.8	\$13.6	\$22.3	\$24.3	
% of Revenue	0.00%	0.00%	0.13%	1.52%	1.28%	1.17%	1.69%	0.82%	1.32%	1.43%	
Total Operating Capital	\$0.0	(\$23.2)	\$215.2	\$192.3	\$203.2	\$228.9	\$202.1	\$163.3	\$208.1	\$215.5	
Cost of Total Operating Capital	\$0.0	\$0.0	\$0.9	\$16.0	\$17.9	\$21.1	\$18.7	\$11.2	\$18.4	\$19.9	
% of Revenue	0.00%	0.00%	0.10%	1.26%	1.05%	0.95%	1.39%	0.67%	1.09%	1.17%	
Non - Operating Capital	\$0.0	\$185.4	\$209.1	\$435.6	\$490.6	\$1,022.6	\$903.0	\$468.7	\$649.6	\$962.8	
Cost of Non - Operating Capital	\$0.0	\$0.0	\$1.8	\$25.4	\$42.0	\$74.0	\$65.4	\$28.6	\$47.1	\$69.7	
% of Revenue	0.00%	0.00%	0.21%	2.00%	2.46%	3.34%	4.86%	1.60%	2.60%	4.10%	
Total Capital	\$0.0	\$162.3	\$424.4	\$627.9	\$693.8	\$1,251.5	\$1,105.1	\$632.0	\$857.7	\$1,178.3	
Cost of Total Capital	\$0.0	\$0.0	\$2.6	\$41.4	\$59.9	\$95.2	\$84.0	\$39.8	\$65.5	\$89.6	
% of Revenue	0.00%	0.00%	0.31%	3.27%	3.50%	4.30%	6.25%	2.27%	3.69%	5.27%	
Cost of Capital (WACC)	0.00%	0.00%	0.89%	7.86%	9.06%	9.79%	9.79%	5.52%	8.90%	9.79%	
Capital Structure											
Debt & Debt Equivalents	\$0.0	\$0.0	\$150.1	\$110.1	\$99.4	\$449.0	\$396.4	\$161.7	\$219.5	\$422.7	
Debt & Debt Equivalents % of Market Value	0.00%	0.00%	22.57%	21.32%	4.20%	4.60%	4.60%	5.91%	5.20%	4.60%	
Preferred Equity	\$0.0	\$366.2	\$514.9	\$0.0	\$0.0	\$0.0	\$0.0	\$176.2	\$0.0	\$0.0	
Preferred Equity % of Market Value	0.00%	100.00%	77.43%	0.00%	0.00%	0.00%	0.00%	6.44%	0.00%	0.00%	
Market Value of Common Equity	\$0.0	\$0.0	\$0.0	\$406.4	\$2,266.7	\$9,321.1	\$8,230.4	\$2,398.8	\$3,998.1	\$8,775.7	
Common Equity % of Market Value	0.00%	0.00%	0.00%	78.68%	95.80%	95.40%	95.40%	87.65%	94.80%	95.40%	
Total Economic Market Value (MV)	\$0.0	\$366.2	\$665.1	\$516.6	\$2,366.1	\$9,770.0	\$8,626.9	\$2,736.8	\$4,217.6	\$9,198.5	
Total %	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	
Excess Cash	\$0.0	\$185.4	\$209.1	\$435.6	\$490.6	\$1,022.6	\$903.0	\$468.7	\$649.6	\$962.8	
Economic Enterprise Value	\$0.0	\$180.8	\$455.9	\$80.9	\$1,875.5	\$8,747.4	\$7,723.9	\$2,268.1	\$3,568.0	\$8,235.7	
Average Capital	\$0.0	\$0.0	\$293.3	\$524.8	\$653.7	\$959.5	\$1,164.4	\$486.3	\$712.7	\$1,061.9	
Capital Δ	\$0.0	\$162.3	\$262.1	\$200.9	\$57.0	\$554.5	(\$144.7)	\$247.4	\$270.8	\$204.9	

Source: Company Data, Financial statements and Tigress Research

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Company Report – Research Update

Square, Inc. Class A (SQ-US)

Data Processing & Outsourced Services

Financial Analysis

Report Basis	LTM	LTM	LTM	LTM	LTM	LTM	LTM	NTM	5 Yr	3 Yr	Current
Reported Period Ending	0	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018		Average	Average	Trend
Return on Market Value (NOPAT / MV)	0.00%	0.00%	-17.89%	-21.42%	-2.95%	0.13%	0.12%		-8.42%	-8.08%	0.12%
Return on Enterprise Value (NOPAT / EV)	0.00%	0.01%	-26.09%	-136.71%	-3.72%	0.15%	0.13%		-33.27%	-46.76%	0.14%
Return on Capital (NOPAT / Average Capital)	0.00%	0.00%	-40.55%	-21.08%	-10.66%	1.33%	1.18%		-14.19%	-10.14%	1.25%
Cost of Capital (WACC)	0.00%	0.00%	0.89%	7.86%	9.06%	9.79%	9.79%		5.52%	8.90%	9.79%
Economic Return Spread	0.00%	0.00%	-41.44%	-28.95%	-19.72%	-8.46%	-7.47%		-19.71%	-19.04%	-7.96%
Capital Charge	\$0.0	\$0.0	\$2.6	\$41.3	\$59.2	\$93.9	\$82.9		\$39.4	\$64.8	\$88.4
Economic Profit (EP)	\$0.0	\$0.0	(\$121.6)	(\$151.9)	(\$128.9)	(\$81.1)	(\$71.6)		(\$96.7)	(\$120.7)	(\$76.4)
Economic Profit Improvement (EPI)	\$0.0	\$0.0	(\$121.6)	(\$30.4)	\$23.0	\$47.8	\$9.5		(\$16.2)	\$13.5	\$28.7
EP Growth	0.00%	0.00%	0.00%	-24.98%	15.13%	37.08%	11.70%		5.45%	9.08%	24.39%
Economic Profit Margin on Sales	0.00%	0.00%	-14.30%	-11.99%	-7.55%	-3.66%	-5.32%		-7.50%	-7.73%	-4.49%
Economic Profit Per Share	\$0.00	\$0.00	(\$0.37)	(\$0.45)	(\$0.38)	(\$0.21)	(\$0.19)		(\$0.28)	(\$0.35)	(\$0.20)
GAAP Earnings Per Share	\$0.00	\$0.00	(\$0.46)	(\$0.64)	(\$0.50)	(\$0.16)	\$0.45		(\$0.35)	(\$0.43)	\$0.15
Excess Cash Per Share	\$0.00	\$0.56	\$0.63	\$1.30	\$1.38	\$2.62	\$2.32		\$1.30	\$1.77	\$2.47
Performance Drivers											
Sales Growth	0.00%	0.00%	0.00%	49.04%	34.85%	29.59%	-39.22%		22.70%	37.83%	-4.82%
Sales Growth Trend (ROC Sales Growth)	0.00%	0.00%	0.00%	29.42%	40.53%	31.69%	-11.70%		20.33%	33.88%	10.00%
EBITDAR Margin	0.00%	0.00%	6.55%	10.04%	14.11%	17.14%	13.76%		9.57%	13.76%	15.45%
EBITDAR Growth	0.00%	282.00%	810.74%	128.46%	89.61%	57.43%	-51.21%		273.65%	91.83%	3.11%
NOPBT Margin	0.00%	0.00%	-13.99%	-8.73%	-4.08%	0.58%	-4.08%		-5.25%	-4.08%	-1.75%
NOPBT Growth	0.00%	0.00%	-991423.70%	6.98%	37.00%	118.32%	-529.84%		-198252.28%	54.10%	-205.76%
NOPAT Margin	0.00%	0.00%	-13.99%	-8.73%	-4.08%	0.58%	-3.22%		-5.25%	-4.08%	-1.32%
NOPAT Growth	0.00%	0.00%	-991423.70%	6.98%	37.00%	118.32%	-439.57%		-198252.28%	54.10%	-160.63%
Economic Profit Margin on Sales (EP / Sales)	0.00%	0.00%	-14.30%	-11.99%	-7.55%	-3.66%	-5.32%		-7.50%	-7.73%	-4.49%
Economic Profit Growth	0.00%	0.00%	0.00%	-24.98%	15.13%	37.08%	11.70%		5.45%	9.08%	24.39%
Economic Return Spread (ROC-WACC)	0.00%	0.00%	-41.44%	-28.95%	-19.72%	-8.46%	-8.61%		-19.71%	-19.04%	-8.53%
Economic Return Ratio (ROC / WACC)	0.00%	0.00%	-4572.01%	-268.11%	-117.71%	13.60%	12.01%		-988.85%	-124.07%	12.80%
Economic Profit Momentum (ΔEP/Capital)	0.00%	0.01%	-28.65%	-4.86%	3.37%	3.87%	0.87%		-5.25%	0.79%	2.37%
Economic Profit Momentum Margin (ΔEP/Sales)	0.00%	0.00%	-14.30%	-2.40%	1.34%	2.16%	0.71%		-2.64%	0.37%	1.43%
Capital Growth	0.00%	0.00%	0.00%	47.34%	9.11%	81.28%	-11.70%		27.55%	45.91%	34.79%
Capital Turns	0.00X	0.00X	2.00X	2.03X	2.50X	1.79X	1.23X		1.67X	2.11X	1.51X
EVC Acceleration Margin	0.00%	0.00%	0.00%	-3.57%	1.81%	2.80%	0.43%		-1.21%	1.12%	1.66%
EVC Acceleration Spread	0.00%	0.00%	0.00%	-10.35%	4.38%	7.31%	0.99%		-1.39%	2.77%	4.02%
Risk Factors											
Free Cash Flow (NOPAT - Δ Capital)	\$0.0	(\$162.3)	(\$381.0)	(\$311.5)	(\$126.7)	(\$541.7)	\$101.3		(\$304.7)	(\$326.7)	(\$220.2)
Free Cash Flow Rate (FCF / Capital)	0.00%	-99.99%	-89.79%	-49.83%	-18.57%	-43.80%	9.28%		-60.40%	-37.40%	-17.26%
Free Cash Flow Yield (FCF / MV)	0.00%	-44.32%	-57.29%	-60.31%	-5.35%	-5.55%	1.17%		-34.56%	-23.74%	-2.19%
Total Debt / Total Capital	0.00%	0.00%	35.37%	17.61%	14.56%	36.30%	36.30%		20.77%	22.83%	36.30%
Total Debt / EBITDAR	0.00%	0.00%	269.66%	86.60%	41.21%	118.27%	214.04%		103.15%	82.03%	166.16%
Excess Cash	\$0.0	\$185.4	\$209.1	\$435.6	\$490.6	\$1,022.6	\$0.0		\$468.7	\$649.6	\$511.3
Financial Leverage ((Total Debt - Excess Cash) /	0.00%	-50.64%	-8.88%	-63.01%	-16.53%	-5.87%	4.60%		-28.99%	-28.47%	-0.64%
Pension Leverage (Net Pension Liability / MV)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%
Equity Risk Index (S&P 500 = 1.00)	1.74	1.61	1.52	1.57	1.55	1.56	1.56		1.56	1.56	1.56
Stock Price Volatility	0.00	0.00	0.00	7.77	7.00	6.76	6.76		4.31	7.18	6.76
Sales Index (NL Sales)	0.00	0.00	6.75	7.14	7.44	7.70	7.20		5.81	7.43	7.45
Market Value Index (NL Market Value)	0.00	5.90	6.50	6.25	7.77	9.19	9.06		7.12	7.73	9.12
Size Index (NL Sales: MV)	0.00	2.95	6.62	6.70	7.61	8.44	8.13		6.46	7.58	8.29
Beta	2.10	1.91	1.78	1.85	1.83	1.83	1.83		1.84	1.84	1.83
TFP Adjusted Beta	1.74	1.61	1.52	1.57	1.55	1.56	1.56		1.56	1.56	1.56
Stock Price Volatility	0.00	0.00	0.00	7.77	7.00	6.76	6.76		4.31	7.18	6.76
Valuation Measures											
Total Economic Market Value (MV)	\$0.0	\$366.2	\$665.1	\$516.6	\$2,366.1	\$9,770.0	\$8,626.9		\$2,736.8	\$4,217.6	\$9,198.5
Economic Enterprise Value	\$0.0	\$180.8	\$455.9	\$80.9	\$1,875.5	\$8,747.4	\$7,729.9		\$2,268.1	\$3,568.0	\$8,235.7
Equity Market Value	\$0.0	\$0.0	\$0.0	\$406.4	\$2,266.7	\$9,321.1	\$8,230.4		\$2,398.8	\$3,998.1	\$8,775.7
Total Capital	\$0.0	\$162.3	\$424.4	\$627.9	\$693.8	\$1,251.5	\$1,105.1		\$632.0	\$857.7	\$1,178.3
Market Value Created MVC (MV - Capital)	\$0.0	\$203.9	\$240.7	(\$111.3)	\$1,672.2	\$8,518.5	\$7,521.8		\$2,104.8	\$3,359.8	\$8,020.2
MVC Margin (MVC / Sales)	0.00%	0.00%	28.31%	-8.79%	97.87%	384.71%	558.95%		174.23%	194.21%	450.58%
MVC Spread (MVC / Capital)	0.00%	125.64%	56.72%	-17.73%	241.02%	680.67%	680.67%		333.05%	391.71%	680.67%
Current EVC Value (EP / WACC)	\$0.0	\$0.0	(\$13,704.3)	(\$1,931.9)	(\$1,423.3)	(\$829.0)	(\$732.0)		(\$1,752.2)	(\$1,355.3)	(\$780.5)
Current Operations Value COV	\$0.0	\$0.0	(\$13,411.0)	(\$1,407.0)	(\$769.5)	\$130.5	\$432.4		(\$1,265.9)	(\$642.6)	\$281.4
Current Operations Value Per Share	\$0.00	\$0.00	(\$40.40)	(\$4.20)	(\$2.25)	\$0.34	\$1.26		(\$3.68)	(\$1.83)	\$0.78
Future Growth Value (MVC - EVA Value)	\$0.0	\$366.2	\$14,076.1	\$1,923.6	\$3,135.6	\$9,639.6	\$8,194.5		\$4,002.7	\$4,860.2	\$8,917.0
Future Growth Value Reliance (FGV / MV)	0.00%	100.00%	2116.54%	372.38%	132.52%	98.66%	94.99%		146.25%	115.24%	96.94%
Share Price	\$0.00	\$0.00	\$0.00	\$13.09	\$13.63	\$34.67	\$34.67		\$12.28	\$20.46	\$34.67
Dividend Yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%				
Total Shareholder Return (TTM)	0.00%	0.00%	0.00%	0.00%	4.13%	154.37%	0.00%		-64.59%	66.67%	69.42%
MV to IC Ratio	0.00X	2.26X	1.57X	0.82X	3.41X	7.81X	7.81X		4.33X	4.92X	7.81X
EV / EBITDAR Multiple	0.00X	29.57X	8.19X	0.64X	7.78X	23.04X	41.70X		14.01X	14.31X	29.16X
EV / NOPBIT Multiple	0.00X	15062.58X	-3.83X	-0.73X	-26.90X	685.04X	-140.72X		-39.58X	-63.87X	-391.08X
EV / NOPAT Multiple	0.00X	15062.58X	-3.83X	-0.73X	-26.90X	685.04X	-178.13X		-39.58X	-63.87X	-391.08X
EV / EP Multiple	0.00X	15062.58X	-3.75X	-0.53X	-14.55X	-107.82X	-107.82X		-23.45X	-29.57X	-107.82X
Future Growth Value (% of MV)	0.00%	100.00%	2116.54%	372.38%	132.52%	98.66%	94.99%		146.25%	115.24%	96.94%
Current Operations Value (% of MV)	0.00%	0.00%	-2016.54%	-272.38%	-32.52%	1.34%	5.01%		-46.25%	-15.24%	3.06%
Market Value (COV + FGV %)	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%		100.00%	100.00%	100.00%
Basic Shares Outstanding	332.0	332.0	332.0	334.9	341.6	379.3	344.0		344.0	351.9	361.7

Source: Company Data, Financial statements and Tigress Research

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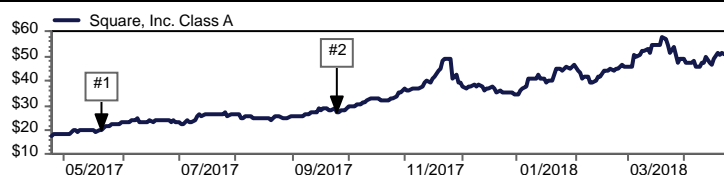
Company Report – Research Update

Square, Inc. Class A (SQ-US)

Data Processing & Outsourced Services

Ratings History

Square, Inc. Class A (SQ-US)				
Item #	Date	Research Action	Rating	Price
#2	09/25/2017	Reiterate Rating	Buy	\$27.45
#1	05/19/2017	Initiation of Coverage	Buy	\$19.91



Tigress Research Methodology Overview

We employ proprietary quantitative valuation models combined with dynamic fundamental analysis based on the principles of Economic Profit to formulate timely and insightful investment ratings, analysis, strategies, and recommendations.

We make key adjustments to reported financial data eliminating GAAP-based accounting distortions and measuring all companies on a cash operating basis.

Our proprietary research framework is a multi-factor model that scores and ranks companies based on their risk-adjusted ability to create Economic Profit relative to their current market value focusing on three key components:

Business Performance: Measuring economic profitability, growth and operating efficiency.

Risk: Measuring business sustainability, volatility, strength, and consistency.

Valuation: Linking business performance to market value. Measuring value created relative to capital employed and enterprise multiples of economic profit and cash flow.

We score and rank 24 key measurements of performance, risk, and value into relative market and industry investment recommendations.

For more information on our research methodology, please review the *Tigress Investment Research Guide to Company Valuation and Analysis*.

Glossary of Key Terms and Measures

Excess Cash per Share:	Excess Cash per Share is the amount of excess cash divided by basic shares outstanding. Excess Cash consists of all cash and short-term securities less operating cash needed to run the business. Operating Cash is 5% of TTM net sales revenue.
EBITDAR:	Earnings Before Interest, Taxes, Depreciation, Amortization, and Restructuring and Rent Costs. This is especially important when comparing companies that use a significant amount of leased assets like restaurants and retailers.
NOPAT:	Net Operating Profit after Tax represents a company's after-tax cash operating profit excluding financing costs.
Total Invested Capital:	Total Invested Capital the total cash investment that shareholders and debt holders have made during the life of the company.
Return on Capital:	Return on Capital equals NOPAT divided by Total Invested Capital. It is a key measure of operating efficiency. ROC quantifies how well a company generates cash flow relative to the capital invested in its business.
Cost of Capital:	Is the proportionately weighted cost of each category of capital – common equity, preferred equity and debt.
Economic Profit:	Economic Profit is the net operating income after tax less the opportunity cost of the total capital invested. It is the most important driver of shareholder value.
Current Operations Value:	Current Operations Value is the portion of market value based on the discounted present value of the current earnings stream assuming it remains constant forever.
Future Growth Value:	Future Growth Value is the portion of market value based on un-earned Economic Profit

For more information on the key terms and measures, please review the *Tigress Investment Research Guide to Company Valuation and Analysis*.

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Company Report – Research Update

April 25, 2018
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Rating:	Meaning:	Rating Distribution (04/24/2018)				
		Companies Under Coverage		Relationship Companies Under Coverage*		
		#	%	#	%	
Strong Buy:	Expect significant price gains in the price of the stock relative to its industry peer group and general market over the next 12 months.	16	14%	1	15%	
Buy:	Expect out-performance for the price of the stock relative to its industry peer group and general market over the next 12 months.	50	43%	5	70%	
Neutral:	Expect little or no outperformance opportunity over the next 12 months.	46	39%	1	15%	
Underperform:	Expect underperformance for the price of the stock relative to its industry peer group and general market over the next 12 months.	5	4%	0	0%	
Sell:	Expect price decline or significant relative market and industry underperformance over the next 12 months.	0	0%	0	0%	
Not Rated	No Current Research Rating	NA	NA	65	NA	
		Total	117	100%	72	100%

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Square, Inc. Class A (SQ-US)	14
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