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Alyssa Henry:

Today I'm going to cover the problem that Square is addressing and the multi-year transformation we've undertaken. You'll hear five key themes. First, sellers need an overwhelming number of tools in order to operate effectively. And none of them work well together. This is the problem we're solving. Second, we have a significant market opportunity with multiple vectors for growth. Third, we're building an integrated commerce ecosystem, spanning software, hardware, and financial services. Fourth, we're taking a differentiated platform based approach. Finally, we have a scalable multi-faceted growth engine with compelling unit economics. We've got a lot to cover. So let's get started. We're here because of our sellers. This is Meg Ray, a real Square seller that owns a multi-location confectionary and pâtisserie in the bay area. While the business may look simple on the surface, it's not. Running a business is hard. Businesses have a wide range of needs across commerce, customers, staff, and banking.

Buyer preferences have also changed with an expectation of omnichannel experiences, adding further complexity. This is the world that both small and large businesses have to operate in. It's crazy and completely overwhelming for sellers. The landscape is highly fragmented with a wide range of solutions and providers, and little of it works together out of the box. This forces sellers to manually integrate these solutions, which is time consuming and unreliable. As a result business owners underconsume technology. And in many cases have to resort to pen and paper or no solution at all. Industry offerings have generally coalesced around three approaches. The first approach is commodity payments, which is non-integrated, cumbersome, and a race to the bottom on pricing for acquirers. Next is niche software solutions for specific verticals like restaurants or retail or single capability, like eCommerce, HR services, or banking. These might work for one specific need, but often won't address the breadth of a seller's needs.

This approach also doesn't amortize customer acquisition costs across multiple capabilities, which can lead to lower ROI for the provider. The other common approach is an M and A roll up of niche solutions. Here, sales teams are often left a paper over the lack of product integration. The friction from disjointed solution can inhibit efficient cross sell, and ultimately retention of the seller. Square has taken a different approach. Square solution gives sellers a robust set of tools that are integrated out of the box. We're focused on four distinct capabilities that are critical and broadly applicable to all the businesses that we serve. Our commerce products help our sellers to never miss a sale whether they're buyers are in person or online. We have 14 different commerce products, some are broadly applicable across industries like Square point of sale and e-commerce APIs. Others like Square for retail, Square for restaurants, and appointments are purpose built for specific verticals.

Our customer's products enable sellers to attract, retain, engage, and grow their share of wallet, from both new and existing buyers. Buyers can earn and view rewards, give and get gift cards, send feedback on their experience and learn about new products, offers, or events. Our staff products enable sellers to schedule, manage, communicate, and pay their employees. There are more than a million employees using these products to communicate with their teammates, view their schedules, swap shifts or track the wages. Our banking products enable sellers to manage their cash flow with instant access to spend net sales, grow their business with funds from a loan, or easily set aside funds for upcoming expenses like taxes and a safer new goals, like a new location or even a well-deserved vacation. Finally, we extend our first party capabilities with hundreds of third party products built by developers and partners using our open platform.

Altogether, the Square solution is a deeply integrated set of products that address the four key capabilities that businesses need to succeed. In building our solution, we've taken a platform approach using a microservices architecture. I'm showing just a few of our microservices here for simplicity. Think of each microservice as a Lego block, each Lego block encapsulates specific business logic and associated data that can be reused to create new products.

When we launch a new product like Square for restaurants, we did not have to build everything from scratch. We used existing microservices, such as employees, items, and orders to move faster. Our platform based approach creates more leverage from our R and D investment as microservices are reused across many products. This is key to our strategy. We will continue to invest in building software to expand the capabilities of our platform in order to support our ecosystem ,global expansion, and growth up market. Our platform based approach also results in a more cohesive and integrated customer experience. Businesses' data and settings are automatically available across products, rather than having to be exported and imported by the seller for each new product. The reuse of microservices is the mechanism that drives the integration and cohesion of our ecosystem. For example, the customer's microservice is integrated across all of our point of sale products and Square online.

When a buyer makes purchases online and in person, the seller has a unified view of that buyer, including what they purchased and when. This is possible because our products are using the same customer microservice. The customer's microservice is also integrated into Square marketing. Sellers can run targeted campaigns to their buyers based on prebuilt smart groups, such as including top spenders and frequent visitors or custom groups based on data like items purchased. Third party developers can also leverage the customer's microservice, building bespoke marketing solutions or custom reporting. Our open platform is agile and sophisticated and a differentiator for our business.

This has also led to wins with larger sellers, including SoFi Stadium. They were attracted by our omnichannel capabilities, beautiful hardware, fast checkout speed, and ability to build rich customer profiles from transactions across stadium revenue centers, including retail and concessions. What ultimately sealed the deal for SoFi Stadium was how our open platform enabled them to achieve their vision. Our platform enabled SoFi Stadium to build flexible solutions that helped them meet changes in consumer behavior. For example, ordering concessions online from your seat. It also enables integration into their business systems. Information on customers and inventory can connect directly with their CRM and ERP systems. All of this can translate to better operations and business performance. Imagine understanding which areas of the stadium are seeing slower or faster sales in real time, and being able to adjust inventory and staffing accordingly as a result, Square helped Super Bowl 56 at SoFi Stadium achieve the highest per capita game day sales for a full capacity Super Bowl in history. SoFi Stadium demonstrates how far Square has come from the little white reader at the farmer's market. This has been a multi-year transformative journey.

From hardware and payments to software, hardware, and integrated financial services, from a single product to a full ecosystem of products, from in person only to omnichannel, from solo entrepreneurs to multi-location businesses, and even premier venues like SoFi Stadium, and from us only to multinational. And the pace of our transformation has accelerated. In 2015, the majority of Square's gross profit came from sidecar sellers. These are sellers who enter an amount on the keypad, hit charge just as they would with a traditional payment terminal.

These sellers don't take full advantage of Square's capabilities. Roll forward to today and we've grown rapidly across software and integrated payments, banking, and international. These three areas collectively represented about 80% of gross profit in 2021. That's up from less than 30%, six years ago. We have grown these areas faster by reaching new segments with more robust and more specialized software and by graduating sidecar sellers to software products. The growth across these areas has been driven by sellers adopting more of Square's ecosystem. In 2021, 40% of gross profit came from sellers that use four or more monetized products. That's up from just 4%, six years ago. The faster growth from higher count categories demonstrates how our sellers are growing their ecosystem adoption. Now let's talk about what's behind our multi-year transformation. As Enrita showed, we continue to unlock significant new addressable markets.

I'm showing the same numbers and progression as she showed, but I've changed the visual to squares, not circles because well we're Square. There are several key drivers worth calling out. First, there's a secular shift towards software with integrated financial services. This segment has grown rapidly, nearly doubling its share of us payments volume in the last three years alone.

There's still plenty of runway as much of the payment industry offerings come from non-tech legacy players. Specifically, over 85% of US payments volumes are from traditional merchant acquires or banks.

Second, buyer and seller demand for omnichannel solutions have only accelerated over the last few years. Omnichannel commerce significantly increases operational complexity for businesses. Operating across channels requires integrating many traditionally siloed and manual processes. This is a tailwind for us because Square makes it easier for sellers to digitize and integrate their operations.

Finally, our ecosystem is greater than the sum of its parts due to integration and cohesion. Many of the individual monetized products in our ecosystem could be a standalone company. As you can see from this chart, combined they've made Square one of the largest and fastest growing SMB-focused commerce businesses.

Now, let's look at how we're prioritizing investments to continue to fuel this rapid growth. We are focused on three strategic priorities.

First, omnichannel software. We want to help sellers make the sale no matter where their buyers are.

Second, global expansion. While commerce is different around the globe, all sellers face similar challenges.

Third, growing upmarket. We already serve a growing number of larger sellers and expect that growth to continue.

Omnichannel isn't just about e-commerce. It's about connecting all channels in person and online, analog and digital.

Buyers want more flexibility in how they interact with businesses. They expect businesses to meet them on their terms, not the other way around. We as buyers now all expect Amazon hours, not banker hours. It's not just retail. Buyers expect this flexibility with restaurants and services businesses, too. Square helps sellers meet their buyers wherever and whenever they are. We offer products that enable commerce in person, over the phone, on the web, or via social and chat.

Now, let's hear the story of one of our omnichannel sellers, Graze on Main. Graze on Main is one of many new businesses started during COVID. The co-owners, Geza and Elyse, started making charcuterie boards at home for themselves and posting the pictures of what they'd made on social media. Folks started asking them where they got the beautiful charcuterie because they wanted to order some, too. That's when Geza and Elyse realized they were onto something and decided to start the business.

We have a product that handles everything for us. You just take all of your inventory and you enable them for online. Then it builds this website. Customers can navigate to our Square Online website. They can go in and select the size board that they'd like. As they are completed, we mark them off in Square.

That customer gets a text or an email, "Hey, your order's ready for pickup." When they show up to pick up the board and if they want to get some wine or crostinis, they can just tap their card. It saves to their profile so we can track what customers are buying and what customers like which product. It's a seamless process that's definitely a benefit to not only us, but definitely the customer as well.

This is a great example of how Square is helping sellers eliminate manual processes, serve their customers across multiple channels, and gain insights into their business.

We've made significant progress growing omnichannel. Gross profit from omnichannel and online-only sellers has grown more than six times over the last six years and now makes up nearly half of Square's gross profit. With the recent addition of Afterpay, we believe we can further accelerate omnichannel gross profit.

Our next priority is to go global. We've been working hard bring our full ecosystem products to all of our international markets and expanding into new markets as well.

We know that the breadth and integration of our ecosystem is our key differentiator internationally, as much or even more so than it is in the US. Sellers outside the US face the same challenges with solutions that don't work well together, and there are fewer software and integrated payment solutions available.

We had a rapid pace of launches in 2021, 91 product launches in one year alone. This was two-thirds of the launches in the prior 10 years combined. We'll continue to execute on global product parity and market expansion in the coming years.

We've achieved strong growth in our global markets. Markets outside the US represented 9% of gross profit in 2021 with a compound annual growth rate of more than 60% since 2015, 2 times faster than that of Square overall. With our increasing focus, go-to-market investment, and the addition of Afterpay, we believe we can drive further growth in international gross profit. Internationally, we've taken an intentional product-centric approach towards expansion, leveraging our capabilities to unlock and enter into new markets.

Now, some history on our global expansion. Square started with its initial launch in the US in 2010. We were blessed with a large home market and a simpler payments acceptance landscape, including the lack of EMV. We began our international expansion in 2012 with launches in Canada and Japan. We chose those markets because they were large magstripe markets.

Our next international market was Australia in 2016. As an EMV market, it required new hardware and an innovative solution for secure PIN entry on consumer mobile devices. We used this market to prove the viability of our solution to the card networks.

After we proved our solution on Australia, the industry approved our entry into Europe. We launched in the UK in 2017 and then began focusing on closing product parity gaps in all of our international markets.

In 2020, we launched in the Falkland Islands. The Falkland Islands, while a UK territory, is distinct from the UK from a payments, banking, and compliance perspective. This was not an obvious new market for many reasons; however, it aligned with our purpose of economic empowerment. Much of the island's revenue comes from tourists, who expect to pay with a card. However, banking and compliance issues made it difficult for local businesses to accept cards, which meant they missed out on sales. Further, the remote location made it almost impossible to install and maintain traditional point of sale and payment solutions. The Falkland Islands' government wanted to find a way to solve these issues. They reached out to Mastercard for help. Mastercard has relationships with a wide range of businesses, but recognized that Square was the best suited to help this underdeveloped market given the scalability and reach of our solution set. We took on the challenge and demonstrated what Square can do in both remote and emerging card markets. This is one component of what is needed for geographic expansion.

Expanding in Europe was more obvious. Over the last 12 months, we've launched in three new markets: France, Ireland, and Spain. This is the most rapid pace of geographic expansion in our history, reflecting not only the increase in our global product market fit, but more importantly, our ability to invest in the go-to-market costs that come with market expansion.

As we look ahead, we're excited about future expansion opportunities, both within as well as outside of Europe.

Our third strategic priority is growing upmarket. We're focused on serving larger retail, restaurants, and services-based businesses. This also enables us to address multiple vertical sellers, including breweries, stadiums, airports, and festivals.

Larger sellers are now over half of our gross profit. Mid-market plus sellers, those with more than $500,000 annualized GPV, is our fastest growing segment. It's grown 19 times since 2015. Larger sellers use more software and adopt more of our ecosystem. These sellers have more complex businesses, often using multiple channels and products to reach customers. They also typically have employees and many have multiple locations. To serve them, we built vertical-specific software and deeply integrated them with the rest of our ecosystem. I'll highlight how our commerce capabilities are combined with our staff, customers, and banking capabilities to serve these sellers across the platform.

Though I'm showing our capabilities in the context of a specific vertical, each of these capabilities are broadly applicable across all verticals we serve.

With retail, we're focused on finished good retailers. This includes clothing, jewelry, home and garden, and specialty markets. We have a purpose-built point of sale with an integrated online store and inventory, order, and fulfillment management in real time across both in person and online and across first and third-party channels.

With Afterpay integrated into our solutions, we can also help sellers grow their businesses. Afterpay can help sellers attract new buyers, drive an increase in repeat purchases, and increase average order values.

We can also help sellers attract new buyers through integrations with third-party sites such as TikTok. We help all sellers, including retailers, build a 360-degree view of their customers, including a full buying history across in-person and online channels, as well as across concepts for multi-concept businesses. We connect contact information collected online or at the point of sale with purchase history to enable targeted email and text messaging campaigns. We can then connect campaigns to subsequent purchases to demonstrate clear ROI for each campaign. Over the last two years, Square Marketing helped sellers generate approximately $15 in sales for every $1 spent on Square Marketing. We focus on helping sellers increase their sales, because their growth drives our growth.

Square Loans can also help retailers as well as other types of businesses grow. Sellers borrow money to buy inventory, equipment, or open a new location. We underwrite and extend offers based on data from a seller's usage of Square, and take repayment by holding back a percentage of their future processing receipts. This enables us to profitably lend to businesses that many banks won't lend to, further supporting our purpose of economic empowerment. We have also been able to grow our lending business with little to know additional customer acquisition cost through efficient cross sell.

With Restaurants, we're focused on a broad range of food and beverage businesses, including food trucks, bars, quick service, and full service restaurants and ghost kitchens. We've also built integrated software for selling and fulfilling orders across multiple channels. As with retail, we've integrated third party channels to help drive new customer acquisition and streamline operations with integrated order management. Restaurants can avoid the third party marketplace fees when orders are placed via their own Square online order page, while still leveraging integrated third party services to deliver the order. With Cash App Pay integrated into our solutions, consumers can seamlessly pay with their Cash App account and score sellers. This provides customers more choice in payment and reduces checkout friction. This is one example of a growing number of connections between Square and Cash App.

Our staffing solutions allow employers of all types, including restaurants, to easily schedule, manage, communicate with and pay their staff. Now more than ever, sellers are looking for automated solutions to help optimize, recognize and support their staff. Sellers can use our tools to engage with team members, groups, or their entire workforce through an in-app chat and notifications. This replaces the use of personal messaging services like SMS group chats or WhatsApp, and unifies communication and key workflows like shift and task management. Our full service payroll with automated tax filings and employee benefits is mobile friendly and easy to use for both sellers and their employees. Square Payroll also provides eligible team members with early access to a portion of their earned wages before the pay period is over with no cost or cash flow impact to the seller.

When a team member clocks out, they can view their hours worked and wages earned either online or through the Square Team app. Team members can then access these funds by tapping a button and choosing how much of their wages they want to access. They can transfer up to 50% of their earned wages, or up to $200 per pay period. They can have their money sent instantly for free to Cash App, or for a fee to a linked debit card or supported direct deposit bank account. The Kebab Shop is a quick service restaurant with locations across California and Texas. They're using a broad range of our ecosystem. They use 20 different products, spanning software, hardware, and integrated financial services. Let's hear from them about how they are leveraging Square's ecosystem to grow their business.

So the Kebab Shop is a fast, casual, Mediterranean brand that actually started in East Village, San Diego in 2008. We joked around in the early days that we could make this as mainstream as burgers and pizza. In the beginning, it was kind of just funny. But now when you have 27 restaurants in all these different cities, we think that this dream can slowly start becoming a reality. Having all of our systems communicate with each other is more than essential. I think it was 2013, we decided to make the transition to Square to have a digital cloud based point of sale. The goal was to really make everything easier for everyone from the customer to our team members.

What we've seen in this past year throughout this crisis that we're all in is how important it is to offer customers the opportunity to order online and to order for contactless curbside delivery. That number has gone from 10% to close to 45% of our sales.

We've always tried to have some type of delivery function that we controlled. With Square on demand delivery, we are able to achieve that. It's almost like a lifesaver. As a restaurant, financially, you're not paying these high fees to these third party companies anymore. So the financial gain is the operational gain, because now we control the menu. And then the other thing is when a customer comes into your restaurant, you make them food, they eat the food and they leave. But what happens after that?

Being a business owner, you always want to know how your stores are doing. And what Square does is it gives you the real time data.

When a new store opens and it's like 11 o'clock and it's about to get to lunch rush, and he's like, "Oh, okay. They have $500," and he's always pulling it up on his phone.

What we do is rely on the reports that we have in the dashboard. We're lucky in the sense that we have data that we can pull from different stores that are in different markets. We're trying to decide how we're going to grow, where we're going to grow. The sales performance of the existing stores, the information that we pull from Square, always feeds into those decisions that we're making.

It's just amazing to just see customers still coming into our restaurant, still surprised by the experience. And that simple affection that we see from the neighborhood, that is the motivating factor for us to keep growing and really see how far we can take the Kebab Shop.

Such a great growth story, and they're still growing. Since filming this, they've added five more locations for a total of 32. It really shows the operational value and data insights that come from using an integrated and cohesive ecosystem. For professional and field services sellers, we offer integrated software that works in store, on the go, and online to support their end to end workflows. This includes estimates, contracts, invoices, and reminders. Sellers using invoices get their money fast, with about 25% of invoices paid on the same day they're sent. Sellers using our integrated contract software have a 50% higher win rate on chargeback transactions. Square checking and savings helps all sellers manage their cash flow. With checking, sellers can instantly access and spend money from their Square sales. With savings, sellers can automatically set aside a portion of every sale to save for goals, taxes, or rainy days. We see our larger sellers storing over 15% of their GPV in a Square savings account, on average.

We're also building for health and beauty sellers who run their business through their calendar. Online booking tools help sellers never miss a sale, while reducing staff distractions and costs for scheduling. Automated reminders and no-show protection help sellers ensure their clients show up as scheduled

Integrated messaging also helps buyers and sellers communicate and share photos of their expectations or work. Our loyalty software can also help sellers of all types, including health and beauty sellers, retain customers, drive traffic and increase share of wallet. In 2021, Square Loyalty drove 145 million unique visits and 3.6 billion of sales to Square sellers. When a buyer enrolls in a Square seller's loyalty program, they'll receive a welcome SMS message, including a link to download or open Cash App. From the Cash App activity tab, they can click on the business to view their progress towards reward as well as available rewards. Since the inception of linking Loyalty and Cash App, over 12 million cash app actives, or 40% of all loyalty users have used loyalty at a Square seller.

My Salon Suite is one of our beauty sellers. They have over 200 owned and franchised locations. They offer beauty entrepreneurs across the country the ability to rent a private customizable space for their business as an alternative to renting a seat in a salon. Let's hear why they chose Square.

Being in the beauty industry, it's not a hobby, it's our lifestyle. We love what we do. When I was able to meet with My Salon Suite, I knew instantly that this was the group that I wanted to work with because they put their members first. We have over 5,600 entrepreneurs in the beauty industry. We offer an opportunity to beauty industry and other service providers to rent space and make it their own.

We supply Square to our members. And the convenience of the technology allows the member to concentrate on their craft. And that's bottom line why they're here.

When we created our relationship with Square, our vision and our values aligned, and that's economic empowerment for the entrepreneur. That was the first thing I saw that made me realize that we were partnering with the right company.

Awesome.

I love the alignment on purpose. And when our sellers grow, we grow. You should now have a better understanding of the breadth, depth and reach of our ecosystem. Next, I'll take you through how we're driving ecosystem adoption and growth. It all starts with remarkable products. We then supplement our product-led growth with marketing and sales. Finally, we amplify growth through cross-sell of additional products. This can increase monetization and retention, improving ROI of our acquisition spend. Collectively these three levers intersect, forming multiple growth loops that can reinforce each other.

Our remarkable products have driven acquisition growth through positive word of mouth and efficient self-serve onboarding. Customer satisfaction is reflected through strong product ratings on mobile app stores and Amazon, as well as in our net promoter surveys. Our NPS scores are consistently in the 50-to-60 range. This compares to average scores in the 40s for software and financial services.

When our customers have great experiences, they're more likely to become promoters who share their positive experiences with other businesses who then discover and adopt Square. This creates an efficient growth loop for acquisition. The app stores and Amazon also serve as efficient channels for discovery, social proof and distribution.

We've been evolving our go-to-market investment to support our strategic priorities. We've increased our spend on awareness marketing in order to shift perceptions of Square's capabilities beyond in person card payments. We've also increased our international spend as we go global.

Finally, we're increasing our spend on sales as we grow up market. As an example, here's a video from the awareness campaign for our recent launch in Spain. It introduces Square to the market in a locally relevant way, highlighting up market sellers and capabilities across key verticals.

(singing)

I really love watching our local ads. It's so cool to see both the similarities and the differences in each new market. Our investment in brand and awareness marketing is working. Over the last few years, we've seen lifts in our awareness and perception across all markets and across products. However, there is still significant room to continue to improve awareness of Square and our products. Higher awareness helps us widen the acquisition funnel, driving more website traffic and leads to sales.

Sales is an increasingly growing portion of our acquisition spend. We've grown sales as a percentage of our acquisition spend to 14% in 2021, up from 10% in 2017. However, sales investment was still less than 4% of gross profit in 2021. We see a meaningful opportunity to drive further growth by investing in sales efforts to support our upmarket and vertical strategy.

Historically, our sales force has been primarily generalists, working all verticals and selling all products. We're in the process of verticalizing our sales force starting with inbound sales earlier this year. This will help the team increase industry knowledge and focus on how our ecosystem of products map to a specific industry.

Once we bring a seller into the Square ecosystem, we drive cross-sell and retention primarily via automated channels such as in-app notifications, dashboard, and emails. Our automated channels are powered by machine learning algorithms to enhance targeting and personalization. These cross-sell activities come at little to no incremental cost. Our existing cohorts have adopted more products over time, and newer cohorts are using more products relative to older cohorts.

That said, we know that many larger sellers have been using Square for years, and they don't know about all the products we've added. Decision makers at larger sellers often don't see the messages in our automated channels. So we've continued to invest in outreach to larger sellers. We're using machine learning algorithms just as we do in our automated channels to target and personalize our phone-based outreach.

As we cross-sell and increase product adoption across our ecosystem, we have also improved retention of our sellers. Specifically, retention improves five times for micro sellers using four or more products versus a single product. Fr mid-market sellers, we see a 15 times improvement.

Additionally, you can see retention improves with larger sellers. Retention of mid-market sellers is over 10 times that of micro sellers. The output of this growth engine is a strong track record of attractive returns on our acquisition spend. Each cohort is like an annuity stream with ROI continuing to grow over time. Our cohorts have generated over 3X return on investment over four years, and cohorts continue to grow further into double-digit ROI over time.

In summary, Square has an increasingly global ecosystem of remarkable products, which span multiple verticals and is coupled with an efficient growth engine. This differentiates us and provides a long runway for sustainable growth. We're building a business that is big, purposeful and enduring by helping sellers around the world do the same. Thank you.