

payment volume, we believe GPV is a key indicator of our ability to generate revenue. In the 12 months ended September 30, 2015, over two million sellers accepted five or more payments using Square, accounting for approximately 97% of our GPV.

The foundation of our business model is the millions of sellers processing payments with Square. We estimate that, to date, nearly half of our sellers have found us and signed up, rather than us having found them, adding efficiency to our sales and marketing efforts. We measure the effectiveness of our spending by evaluating the "payback period," which we view as the number of quarters it takes for a quarterly cohort of sellers' cumulative transaction revenue net of transaction costs to surpass our sales and marketing spending in the quarter in which we acquired that cohort. We define a quarterly cohort of sellers as the group of sellers that are approved to accept card payments with Square in a given quarter. On average, our payback period has been four to five quarters.

Revenue from our sellers has grown consistently over time, resulting in strong dollar-based retention rates. Transaction revenue net of transaction costs for each of our 18 quarterly seller cohorts (dating back to the second quarter of 2010) has grown year over year in every quarter since the first quarter of 2012. Over the past four quarters, retention of transaction revenue net of transaction costs for our cohorts has, on average, exceeded 110% year over year.

The size and strength of our payments and POS business have allowed us to develop a deep understanding of our sellers' business performance and to build a cohesive commerce ecosystem. As such, we are well positioned to provide financial services and marketing services to sellers efficiently and intelligently. For example, one of our financial services, Square Capital, uses our deep understanding of our sellers' businesses to proactively underwrite and extend cash advances to them. Although Square Capital is still in its early stages, we have already advanced over \$300 million across

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over 50,000 advances since launching it in May 2014. Square Capital demonstrates how our services can rapidly reach significant scale through a combination of strong demand and our direct, ongoing interactions with our sellers. Although Square Capital currently does not contribute a significant amount of revenue to our business relative to our payments and POS services, our software and data product revenue, including revenue derived from Square Capital, has grown quickly, and we expect these products will contribute a larger portion of our total revenue over time. Marketing services, such as Square Customer Engagement, give sellers easy-to-use tools to help them close the loop between communication with a buyer and ultimately a new sale. We currently see more than 1.6 million monthly feedback communications sent by buyers to sellers through digital receipts. Together, our financial services and marketing services provide sellers with access to capital and access to customers, making it easier for them to accomplish their goals.

We are making commerce easy for buyers too. Buyers can now use payment cards at millions of sellers whom we believe previously only accepted cash or checks. Digital receipts give buyers a way to connect directly with their favorite businesses and enable loyalty programs to reward them for their continued business. We provide readers that accept the latest and most secure forms of payment, including EMV and NFC, which enables payment via Apple Pay and Android Pay.² We introduced Square Cash as a fast and easy way to make digital payments for both peer-to-peer transactions, such as splitting the bill at dinner, and business services, such as paying a contractor or accountant. Our buyer network strengthens our ecosystem by building meaningful connections between sellers and buyers.

We have grown rapidly since our founding. For the nine months ended September 30, 2015, our total net revenue grew to \$892.8 million, up 49% from the nine months ended September 30, 2014. In 2014, our total net revenue grew to \$850.2 million, up 54% from the prior year. For the nine months ended September 30, 2015, our Adjusted Revenue grew to \$317.6 million, up 63% from the nine months ended September 30, 2014. In 2014, our Adjusted Revenue grew to \$276.3 million, up 73% from the prior year. Adjusted Revenue is a non-GAAP financial measure that we define as our total net revenue less transaction costs, adjusted to eliminate the effect of activity under our payment processing agreement with Starbucks. In the third quarter of 2012, we signed an agreement to process credit and debit card payment transactions for all Starbucks-owned stores in the United States. This relationship helped us to achieve more significant scale and to build greater awareness with prospective sellers, strengthened our board of directors by adding Starbucks CEO Howard Schultz to our board for a 12 month period, and included an equity investment by Starbucks in our Series D preferred stock financing on the same terms and conditions as all other sales of our Series D preferred stock by us in that financing. However, the terms of the agreement were unprofitable for us. The agreement was amended in August 2015 to eliminate the exclusivity provision in order to permit Starbucks to begin transitioning to another payment processor starting October 1, 2015. Under the amendment, Starbucks also agreed to pay increased processing rates to us for as long as they continue to process transactions with us. The amendment permits Starbucks to terminate the agreement ahead of the original expiration date in the third quarter of 2016. Starbucks has announced that it will transition to another payment