

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of The Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): October 31, 2019

Square, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-37622
(Commission
File Number)

80-0429876
(IRS Employer
Identification No.)

1455 Market Street, Suite 600
San Francisco, CA 94103
(Address of principal executive offices, including zip code)

(415) 375-3176
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Class A common stock, \$0.000001 par value per share	SQ	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Item 2.01. Completion of Acquisition or Disposition of Assets.

On October 31, 2019, Square, Inc. (the “Company”) completed the previously announced sale of its Caviar business (the “Sale”) to a subsidiary of DoorDash, Inc. (“DoorDash”) in exchange for \$410 million in cash and DoorDash preferred stock.

DoorDash’s stockholders include certain entities affiliated with Sequoia Capital, which holds a greater than 15% ownership interest in DoorDash. Mr. Roelof Botha, a member of the Company’s board of directors (the “Board”), is also a director and stockholder of SC US (TTGP), Ltd., which in turn is the ultimate general partner of the entities affiliated with Sequoia Capital that own equity securities of DoorDash and the entities affiliated with Sequoia Capital that own equity securities of the Company. Due to this relationship, Mr. Botha recused himself from the negotiations and the Board and committee discussions regarding the Sale. The Company’s audit and risk committee reviewed and approved the Sale pursuant to its related person transactions policy.

Item 7.01. Regulation FD Disclosure.

On November 1, 2019, the Company issued a press release announcing the completion of the Sale. A copy of the press release is attached as Exhibit 99.1 hereto and is incorporated herein by reference. In connection with the completion of the Sale, in addition to the pro forma financial information described below, the Company is also disclosing selected unaudited quarterly condensed statements of operations data for the Caviar business for the six fiscal quarters from the quarterly period ended March 31, 2018 through the quarterly period ended June 30, 2019, which financial information is attached as Exhibit 99.2 hereto and is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits.

(b) *Pro forma financial information.*

The Company’s unaudited pro forma condensed consolidated statements of operations for the six months ended June 30, 2019 and the year ended December 31, 2018, unaudited pro forma condensed consolidated balance sheet as of June 30, 2019, and the related notes are attached hereto as Exhibit 99.3 and incorporated herein by reference.

(d) *Exhibits.*

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by Square, Inc. entitled “Square Completes Sale of Caviar to DoorDash” dated November 1, 2019.
99.2	Caviar business unaudited quarterly condensed statements of operations.
99.3	Square, Inc.’s unaudited pro forma condensed consolidated financial statements.
104	Cover Page Interactive Data File, formatted in inline XBRL.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SQUARE, INC.

Date: November 1, 2019

By: /s/ Sivan Whiteley

Sivan Whiteley

General Counsel and Corporate Secretary

Square Completes Sale of Caviar to DoorDash

San Francisco—November 1, 2019—Square, Inc. (NYSE: SQ) (the “Company”) today announced that it has completed its sale of Caviar to DoorDash, Inc. on October 31, 2019, for \$410 million in a mix of cash and DoorDash stock. In connection with the closing, Square is providing details on Caviar’s contribution to the Company’s previously announced guidance.

Caviar will be included in Square’s financial results through October 2019, but will no longer be included following the completion of the sale. Accordingly, Square is providing the following details on the amount Caviar had been projected to contribute at the time of the guidance provided in the Company’s second quarter 2019 Shareholder Letter.

	Full Year 2019	Remainder of 2019¹
Total net revenue	\$190 million	\$32 million
Adjusted Revenue	\$190 million	\$32 million
Adjusted EBITDA	\$(9) million	\$(1) million

¹ Represents forecasted Caviar contribution for November and December 2019 at the time of the guidance provided in the Company’s second quarter 2019 Shareholder Letter

Square is not otherwise updating or commenting on its previously announced guidance at this time. As a reminder, on November 6, 2019, Square will release financial results for the third quarter of 2019 and will discuss guidance for the full year of 2019 at that time.

About Square

Square, Inc. (NYSE: SQ) revolutionized payments in 2009 with Square Reader, making it possible for anyone to accept card payments using a smartphone or tablet. Today, we build tools to empower businesses and individuals to participate in the economy. Sellers use Square to reach buyers online and in-person, manage their business, and access financing. And individuals use Cash App to spend, send, store, and invest money. Square has offices in the United States, Canada, Japan, Australia, Ireland, and the UK.

SAFE HARBOR STATEMENT

This press release contains forward-looking statements within the meaning of the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, statements regarding the future performance of the Company and its consolidated subsidiaries; the Company’s expected financial results for the fourth quarter and full fiscal year 2019 and the Company’s expectations regarding Caviar’s financial results in future periods. Such statements are subject to a number of known and unknown 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 press release. Investors are cautioned not to place undue reliance on these statements and reported results should not be considered as an indication of future performance.

Risks that contribute to the uncertain nature of the forward-looking statements include, among others, the Company's ability to deal with the substantial and increasingly intense competition in its industry; changes to the rules and practices of payment card networks and acquiring processors; the impact of acquisitions or divestitures, strategic investments or entries into new businesses, including the divestiture of Caviar; the ability to realize the expected benefits from the divestiture of Caviar in the expected time period, or at all; 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 Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2019 (the "Q2 10-Q"), which is on file with the SEC and available on the investor relations page of the Company's website. Except as required by law, the Company assumes no obligation to update any of the statements in this press release.

NON-GAAP FINANCIAL MEASURES

For a discussion of Non-GAAP financial measures and how the Company uses them, please see the Q2 10-Q.

As a reminder, Adjusted Revenue is total net revenue, less transaction-based costs and bitcoin costs, and excludes the effect of deferred revenue adjustment related to purchase accounting. None of those adjustments apply to our Caviar business. We therefore have not reconciled Caviar contribution to Adjusted Revenue for the periods presented above to Total Net Revenue because those metrics for our Caviar business are the same.

We have not reconciled Caviar contribution to Adjusted EBITDA for the periods presented above to its GAAP equivalent as a result of the uncertainty regarding, and the potential variability of, reconciling items such as share-based compensation expense and weighted-average fully diluted shares outstanding. Accordingly, a reconciliation of this non-GAAP guidance metric to its corresponding GAAP equivalent is not available without unreasonable effort. However, it is important to note that material changes to these reconciling items could have a significant effect on our Adjusted EBITDA guidance and future GAAP results.

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SQUARE, INC.

ADDITIONAL INFORMATION

CAVIAR UNAUDITED QUARTERLY CONDENSED STATEMENTS OF OPERATIONS

(In thousands)

OVERVIEW

On July 31, 2019, Square, Inc. (“Square” or the “Company”) entered into a definitive agreement (the “Agreement”) with DoorDash, Inc. (“DoorDash”) where DoorDash would acquire Square’s food ordering business, Caviar (“Caviar”), for an aggregate purchase price of \$410 million in the form of cash and DoorDash preferred stock, subject to certain closing conditions, including regulatory approvals. On October, 31, 2019, Square closed the sale of its Caviar business to DoorDash in accordance with the Agreement (the “Transaction”).

The following tables set forth selected Caviar unaudited quarterly condensed statements of operations data for the last six quarters. The information for each of these quarters has been derived from Square’s historical consolidated financial statements included in Square’s Quarterly Reports on Form 10-Q and, in the opinion of management, includes all adjustments, which consist only of normal recurring adjustments, necessary for the fair presentation of the results of operations for these periods. This data should be read in conjunction with Square’s Quarterly Reports on Form 10-Q. These quarterly operating results are not necessarily indicative of the results that Caviar may achieve in future periods.

	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	March 31, 2019	June 30, 2019
Revenue:						
Subscription and services-based revenue	\$ 27,469	\$36,927	\$ 39,583	\$ 44,283	\$ 46,530	\$43,390
Total net revenue	27,469	36,927	39,583	44,283	46,530	43,390
Cost of revenue:						
Subscription and services-based costs	21,223	27,569	29,820	33,549	35,061	30,063
Amortization of acquired technology	—	—	—	—	29	31
Total cost of revenue	21,223	27,569	29,820	33,549	35,090	30,094
Gross profit	6,246	9,358	9,763	10,734	11,440	13,296
Operating expenses:						
Product development	3,095	2,759	3,709	4,100	4,711	5,413
Sales and marketing	4,165	3,883	3,428	4,533	5,229	5,593
General and administrative	6,338	3,983	7,540	8,976	8,108	8,908
Total operating expenses	13,598	10,625	14,677	17,609	18,048	19,914
Operating loss	(7,352)	(1,267)	(4,914)	(6,875)	(6,608)	(6,618)
Loss before income tax	\$ (7,352)	\$ (1,267)	\$ (4,914)	\$ (6,875)	\$ (6,608)	\$ (6,618)
Reconciliation of loss before income tax to Adjusted EBITDA						
Share-based compensation expense	\$ 1,734	\$ 1,837	\$ 2,254	\$ 2,293	\$ 2,592	\$ 3,483
Depreciation and amortization	387	539	547	659	657	644
Other (income) expense, net	152	(83)	(50)	96	18	336
Adjusted EBITDA	\$ (5,079)	\$ 1,026	\$ (2,163)	\$ (3,827)	\$ (3,341)	\$ (2,155)

SQUARE, INC.'S UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**BASIS OF PRESENTATION**

The following Unaudited Pro Forma Condensed Consolidated Financial Statements of Square were derived from its historical consolidated financial statements and are being presented to give effect to the following:

- (i) the disposition of the Caviar business's financial results to reflect the continuing operations of Square; and
- (ii) the components of the consideration received and the resulting gain from the Transaction.

The Unaudited Pro Forma Condensed Consolidated Financial Statements of Square are based on currently available information and assumptions that Square's management believe are reasonable, that reflect the impact of events directly attributable to the Transaction that are factually supportable, and for purposes of the Unaudited Pro Forma Condensed Consolidated Statements of Operations, that are expected to have a continuing impact on Square.

The Unaudited Pro Forma Condensed Consolidated Statements of Operations for the six months ended June 30, 2019 and for the year ended December 31, 2018 reflect Square's results as if the Transaction had occurred on January 1, 2018. The Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2019 gives effect to the Transaction as if it had occurred on that date.

The Unaudited Pro Forma Condensed Consolidated Financial Statements are not intended to be a complete presentation of Square's balance sheet or statement of operations had the Transaction occurred as of and for the periods indicated. In addition, the Unaudited Pro Forma Condensed Consolidated Financial Statements are provided for illustrative and informational purposes only, and are not necessarily indicative of Square's historical or future results of operations or balance sheet had the Transaction been completed on the dates assumed.

The Unaudited Pro Forma Condensed Consolidated Financial Statements should be read in conjunction with:

- Square's audited consolidated financial statements, the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Square's Annual Report on Form 10-K for the year ended December 31, 2018; and
- Square's unaudited Condensed Consolidated financial statements, the accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in Square's Quarterly Report on Form 10-Q for the six months ended June 30, 2019.

SQUARE, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except share and per share amounts)

	Six Months Ended June 30, 2019		
	Square Historical	Transaction Adjustments	Pro Forma Square
Revenue:			
Transaction based revenue	\$ 1,432,272	\$ —	\$ 1,432,272
Starbucks transaction-based revenue	—	—	—
Subscription and services-based revenue	470,240	(89,920)(a)	380,320
Hardware revenue	40,472	—	40,472
Bitcoin revenue	190,613	—	190,613
Total net revenue	2,133,597	(89,920)	2,043,677
Cost of revenue:			
Transaction based cost	899,418	—	899,418
Starbucks Transaction-based costs	—	—	—
Subscription and services-based costs	120,642	(65,124)(a)	55,518
Hardware costs	60,209	—	60,209
Bitcoin costs	187,634	—	187,634
Amortization of acquired technology	3,095	(60)(a)	3,035
Total cost of revenue	1,270,998	(65,184)	1,205,814
Gross profit	862,599	(24,736)	837,863
Operating expenses:			
Product development	328,551	(10,124)(a)	318,427
Sales and marketing	290,134	(10,822)(a)	279,312
General and administrative	202,106	(17,016)(a)	185,090
Transaction, loan advances losses	62,105	(60)(b)	62,045
Amortization of acquired customer assets	2,588	—	2,588
Total operating expenses	885,484	(38,022)	847,462
Operating loss	(22,885)	13,286	(9,599)
Interest expense, net	(9,824)	—	(9,824)
Other income, net	(12,529)	—	(12,529)
Loss before income tax	(45,238)	13,286	(31,952)
Benefit for income taxes	347	34(c)	381
Net loss	\$ (44,891)	\$ 13,320	\$ (31,571)
Net loss per share:			
Basic	\$ (0.11)		\$ (0.07)
Diluted	\$ (0.11)		\$ (0.07)
Weighted-average shares used to compute net loss per share:			
Basic	421,297		421,297
Diluted	421,297		421,297
Net loss:	(44,891)	13,320	(31,571)
Net foreign currency translation adjustments	527	—	527
Net unrealized gain on revaluation of intercompany loans	75	—	75
Net unrealized gain on marketable securities	4,525	—	4,525
Total Comprehensive Income	(39,764)	13,320	(26,444)

See the accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

SQUARE, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except share and per share amounts)

	Year Ended December 31, 2018		
	Square Historical	Transaction Adjustments	Pro Forma Square
Revenue:			
Transaction based revenue	\$ 2,471,451	\$ —	\$ 2,471,451
Starbucks transaction-based revenue	—	—	—
Subscription and services-based revenue	591,706	(148,262)(a)	443,444
Hardware revenue	68,503	—	68,503
Bitcoin revenue	166,517	—	166,517
Total net revenue	3,298,177	(148,262)	3,149,915
Cost of revenue:			
Transaction based cost	1,558,562	—	1,558,562
Starbucks Transaction-based costs	—	—	—
Subscription and services-based costs	169,884	(112,161)(a)	57,723
Hardware costs	94,114	—	94,114
Bitcoin costs	164,827	—	164,827
Amortization of acquired technology	7,090	—	7,090
Total cost of revenue	1,994,477	(112,161)	1,882,316
Gross profit	1,303,700	(36,101)	1,267,599
Operating expenses:			
Product development	497,479	(13,663)(a)	483,816
Sales and marketing	411,151	(16,009)(a)	395,142
General and administrative	339,245	(26,837)(a)	312,408
Transaction, loan advances losses	88,077	—	88,077
Amortization of acquired customer assets	4,362	—	4,362
Total operating expenses	1,340,314	(56,509)	1,283,805
Operating loss	(36,614)	20,408	(16,206)
Interest expense, net	(17,982)	—	(17,982)
Other income, net	18,469	—	18,469
Loss before income tax	(36,127)	20,408	(15,719)
Provision for income taxes	(2,326)	68(c)	(2,258)
Net loss	\$ (38,453)	\$ 20,476	\$ (17,977)
Net loss per share:			
Basic	\$ (0.09)		\$ (0.04)
Diluted	\$ (0.09)		\$ (0.04)
Weighted-average shares used to compute net loss per share:			
Basic	405,731		405,731
Diluted	405,731		405,731
Net loss:	(38,453)	20,476	(17,977)
Net foreign currency translation adjustments	(4,496)	—	(4,496)
Net unrealized gain on revaluation of intercompany loans	303	—	303
Net unrealized loss on marketable securities	(542)	—	(542)
Total Comprehensive Income	(43,188)	20,476	(22,712)

See the accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

SQUARE, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

(In thousands, except share and per share amounts)

	As of June 30, 2019		
	Square Historical	Transaction Adjustments	Pro Forma Square
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 617,282	\$ 310,000(d)	\$ 927,282
Short-term investments	572,206	—	572,206
Restricted cash	31,148	—	31,148
Settlements receivable	1,506,194	—	1,506,194
Customer refunds	484,945	—	484,945
Loans held for sale	136,511	—	136,511
Other current assets	180,360	—	180,360
Total current assets	3,528,646	310,000	3,838,646
Property and equipment net	130,747	(877)(a)	129,870
Goodwill	270,161	(4,167)(a)	265,994
Acquired intangible assets, net	84,216	(7,715)(a)	76,501
Long-term investments	460,827	100,000(d)	560,827
Restricted cash	14,433	—	14,433
Other non-current assets	57,167	—	57,167
Operating lease right-of use asset	107,809	(429)(a)	107,380
Total assets	\$ 4,654,006	\$ 396,812	\$ 5,050,818
LIABILITIES AND EQUITY			
Current liabilities:			
Customers payable	1,802,128	—	1,802,128
Settlements payable	290,652	—	290,652
Accrued transaction losses	39,630	—	39,630
Accrued expenses	106,351	25,179(e)	131,530
Operating leases current	24,955	(259)(a)	24,696
Other current liabilities	111,878	—	111,878
Total current liabilities	2,375,594	24,920	2,400,514
Long-term debt	919,026	—	919,026
Other non-current liabilities	67,649	—	67,649
Operating leases non-current	107,265	(193)(a)	107,072
Total liabilities	3,469,534	24,727	3,494,261
Stockholders' equity:			
Preferred stock, \$0.0000001 par value: 100,000,000 shares authorized at June 30, 2019 and December 31, 2018. None issued and outstanding at June 30, 2019 and December 31, 2018	—	—	—
Class A common stock, \$0.0000001 par value: 1,000,000,000 shares authorized at June 30, 2019 and December 31, 2018; 341,709,651 and 323,546,864 issued and outstanding at June 30, 2019 and December 31, 2018, respectively	—	—	—
Class B common stock, \$0.0000001 par value: 500,000,000 shares authorized at June 30, 2019 and December 31, 2018; 84,508,342 and 93,501,142 issued and outstanding at June 30, 2019 and December 31, 2018, respectively	—	—	—
Additional paid-in capital	2,116,063	520(f)	2,116,583
Accumulated other comprehensive loss	(926)	—	(926)
Accumulated deficit	(930,665)	371,565(g)	(559,100)
Total stockholders' equity	\$ 1,184,472	\$ 372,085	\$ 1,556,557

See the accompanying Notes to the Unaudited Pro Forma Condensed Consolidated Financial Statements

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For purposes of presenting the Pro Forma Square column on a continuing operations basis, the Unaudited Pro Forma Condensed Consolidated Statements of Operations for the six months ended June 30, 2019 and for the year ended December 31, 2018, and the Unaudited Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2019 include the following pro forma adjustments:

- (a) Represents the operations, assets, liabilities and equity of the Caviar business (excluding corporate overhead expenses not specifically related to Caviar).

Unaudited Pro Forma Condensed Consolidated Statements of Operations

- (b) Represents the removal of all nonrecurring transaction costs which were incurred and are included in Square's historical results of operations for the six months ended June 30, 2019. These costs were primarily related to legal fees, third-party consulting and contractor fees, and other incremental costs directly related to Transaction activities that are not expected to have a continuing impact on Square's results of operations following the Transaction. There were no nonrecurring costs related to the Transaction included in Square's historical results for the year ended December 31, 2018.
- (c) Represents the adjustments related to the tax impact of the Transaction adjustments, as well as the adjustments needed to reflect Pro Forma Square Net earnings.

Unaudited Pro Forma Condensed Consolidated Balance Sheet

- (d) Represents consideration Square received upon completion of the Transaction.
- (e) The amount reflected in Accrued expenses of \$25.2 million reflects the estimated costs and other contractual obligations associated with the Transaction.
- (f) The amount reflected in Additional paid-in capital of \$0.5 million reflects the estimated impact of share-based compensation costs to complete the Transaction.
- (g) The estimated gain on the Transaction of \$371.6 million is reflected in the Accumulated deficit amount of \$559.1 million. The estimated net gain on disposition has not been reflected in the Unaudited Pro Forma Condensed Consolidated Statements of Operations.

The actual net gain on the Transaction will be recorded during the fourth quarter of 2019.