

**BUSINESS & FINANCIAL OVERVIEW**

## Square Stock Slides After a Strong Earnings Report

Shares of digital payments company Square (SQ) were down 6% to \$74.55 in after-hours trading Wednesday after the company reported stronger-than-expected fourth-quarter financial results while offering a first-quarter outlook that may have disappointed investors.

The Jack Dorsey-run company reported quarterly adjusted revenue—which excludes transaction- and bitcoin-related costs—of \$464 million and a net loss of 7 cents per share. Those numbers both beat Street estimates and the company's guidance.

Looking ahead, the company told investors to expect first-quarter adjusted revenue of \$472 to \$482 million, representing 55% year-over-year growth at the midpoint. Wall Street is looking for \$474 million, according to FactSet.

“Square’s quarter represented again another successful effort in investing in strong revenue growth with strong product attributes, particularly among newer products,” wrote Jefferies analyst John Hecht, who has a Hold rating and a \$64 price target on the stock. “Still, we believe the value of the stock reflects ongoing success of the newer endeavors without overly accounting for risk.”

For the first quarter, Square projected adjusted earnings before interest, taxes, depreciation and amortization at \$47 to \$51 million, with net loss per share seen coming in at 10 to 12 cents and adjusted EPS projected at 6 to 8 cents. FactSet’s average non-GAAP EPS estimate for the quarter is 12 cents.

For the year, Square expects adjusted revenues of \$2.22 to \$2.25 billion, at the midpoint representing 41% year-over-year growth. Wall Street expects revenue of \$2.25 billion.

Adjusted Ebitda was estimated at \$405 to \$415 million, while net loss per share was projected at between 5 cents to a penny and adjusted EPS was estimated at 74 to 78 cents, ahead of Wall Street’s estimate of 78 cents.

“The first quarter is typically our slowest in terms of sequential revenue growth due to seasonality,” management said in a statement. “Additionally, our operating expense base will increase in the first quarter as we invest in growth opportunities.”

Shares of Square were up 41% in 2019 as of Wednesday’s close, well ahead of the S&P 500, and 73% over the last 12 months. The stock was trading right around FactSet’s average share price target.

This story was first published on Feb. 27, 2019. It was updated to reflect share price movement and fix a miscalculation of estimated full-year revenue growth for 2019.

