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Square Exploring 2014 IPO With Banks

By Douglas MacMillan

Technology entrepreneur Jack Dorsey is trying to pull off two high-profile initial public offerings in the span of one year.

Square Inc., the payments startup with a square credit-card reader that plugs into [Apple](#) and Android-based mobile devices, has held discussions with banks, including [Goldman Sachs Group](#) Inc. and [Morgan Stanley](#), about a 2014 IPO, said a person familiar with the matter. No bank has been hired and the timing of a deal could change, the person cautioned.



Bloomberg News

The public offering would come on the heels of Twitter Inc., which is expected to start trading shares Thursday. Square Chief Executive Officer Dorsey co-founded both San Francisco companies and remains chairman of the microblogging website.

A spokesman for Square declined comment. A Morgan Stanley spokeswoman declined to comment, as did a Goldman

spokesman.

Square is growing nearly as fast as its soon-to-be-public sibling, with sales approaching \$1 billion in 2014, according to an internal projection people familiar with the matter shared with the Wall Street Journal. That revenue represents what Square takes from the roughly \$30 billion in total transactions it expects to process next year, before it passes much of that amount on to partnering credit card companies.

Sales will be about \$550 million this year on total payment volume of around \$20 billion, these people said. Roughly 70% to 80% of Square's revenue gets kicked back to credit card companies, putting the company's net revenue closer to \$110 million to \$165 million.

Though Dorsey has said publicly the company does not turn a profit, he's internally discussed a plan that would make Square profitable in 2015, according to one person familiar with the matter.

The startup has recently taken steps to expand revenue lines and bolster its management bench with public-company veterans such as Chief Financial Officer Sarah Friar, who was hired from Salesforce.com Inc. last year. Prior to that, Friar was a managing director at Goldman Sachs for 11 years.

[David Vinjar](#), a former Goldman Sachs CFO, joined Square's board last week to replace Starbucks Chairman and CEO Howard Schultz, who left after one year as a director.

Earlier this year, Square poached Gokul Rajaram, a former [Facebook](http://Facebook.com) Inc. advertising executive, to oversee its growing portfolio of point-of-sale services for local merchants. In addition to its card readers, which plug into smartphones and tablets and let vendors quickly process payments for a flat rate, Square has developed mobile "wallet" software that lets customers pay without using a credit card.

Goldman Sachs was picked to lead Twitter's IPO, beating out other underwriters Morgan Stanley and J.P Morgan for the coveted upper-left position on the deal that typically comes with higher fees and more prestige. Morgan Stanley has taken some of the blame for Facebook's botched 2012 IPO that sent shares tumbling to less than half their value in its first four months as a public company.

Square raised about \$200 million last year from Rizvi Traverse Management, in a deal valuing the company at \$3.25 billion. It's taken more than \$340 million from a diverse group of investors that includes Kleiner Perkins Caufield & Byers, Khosla Ventures, Sequoia Capital and Visa as well as big-name angel backers such as Yahoo CEO Marissa Mayer and entrepreneur Richard

Branson.

Almost a billionaire on paper, Dorsey will have a chance to cash out some of large stakes in Twitter and Square in the coming years. His 4.9% stake in Twitter could be worth more than \$700 million, based on the range at which the company is expected to price this week's offering. PrivCo, a New York-based research firm, estimates Dorsey's stake in Square at about 26 percent – or \$845 million based on the most recent financing's valuation.

– *Rolfe Winkler contributed to this article.*

Corrections & Amplifications: Jack Dorsey's 4.9% stake in Twitter could be worth more than \$700 million. An earlier version of this article incorrectly said his stake could be worth more than \$70 million.

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