Block, Inc. Third Quarter 2026 Earnings Call - Prepared Remarks

Matt Ross, Head of Investor Relations

Thank you all for joining today's call.

We have Jack and Amrita with us today along with Owen Jennings, our Business Lead, and Juan Hernandez, Head of Credit and Underwriting. Today's discussion includes forward-looking statements regarding our strategy, guidance, and long-term goals. Actual results may differ materially due to risks and uncertainties described in materials filed and furnished with the SEC and should not be considered an indication of future performance. These statements speak only as of today, and we undertake no obligation to update them except as required by law. Reconciliations of any non-GAAP financial measures that we discuss to the most directly comparable GAAP measures are available in our shareholder letter. Further, any discussion of our lending and banking products refer to products offered through Square Financial Services or our bank partners.

As we did last quarter, throughout the call I will ask questions based on topics our shareholders asked us to explore. With that, over to you Jack.

Jack Dorsey, Block Head

Thank you all for joining us. We had a strong third quarter, exceeding our guidance and raising our outlook for the year. We had a strong quarter in Cash App, and we continued to accelerate in Square, with U.S. GPV growth more than doubling over the past 2 years as we've expanded distribution and accelerated product velocity.

In my letter this quarter, I focused on the intelligence capabilities we're building for our customers across Square Kiosk, Squaremates, and Moneybot. I also shared more about the path we're going down to make our company an intelligence, and how we plan to enable others to do the same. Buzz is an environment for building and collaborating that brings all of our ideas together into one surface. We're now beginning to bring Buzz and the related tools we've built for Block to other companies through Builderlab, our new ecosystem. We're excited to share more about Builderlab at our November 10th event and I hope you'll tune in.

We're also building new ways for people to interact with intelligence. We believe voice is the most natural interface to interact with intelligence, and a few weeks ago we shared Dessa, our full-duplex speech model. It captures the emotion, nuance, and natural cadence of conversation. I encourage you all to listen to the samples we've shared two weeks ago.

We're transforming our company from one that creates traditional financial products into one that streams intelligence as people need it. Thank you for your support along the way, and thank you for investing in our future.

With that, I'll turn it over to Amrita.

Amrita Ahuja, Chief Operating Officer and Chief Financial Officer

Thanks, Jack.

We delivered another strong quarter, outperforming all our guided metrics. A few of the highlights: Gross profit grew 22% year over year to $3.24 billion. Adjusted Operating Income grew 92% year over year to $923 million, or a record 29% margin, and Adjusted Diluted EPS more than doubled, growing 109% year over year to $1.13, also a quarterly record for us.

Square GPV growth accelerated to 14% year over year in the third quarter, our strongest growth rate since the first quarter of 2023. Our go to market strategies are working, and through September we've launched new products and features at a faster pace than we have in the past 2 years combined. We've also ramped investments across each distribution channel this year: Year-to-date through August, self-onboarding new volume added grew at its fastest rate in over a decade, field sales won up-market sellers in the U.S. and internationally, and we have more than 400 ISO partners expanding the number of sellers we can reach. Square gross profit grew 14% year over year, in line with GPV growth, driven by volume growth, increased software adoption, and Square Loans growth. We expect gross profit to grow roughly in line with GPV in the fourth quarter.

Cash App gross profit grew 27% year over year in the third quarter. Monthly transacting actives grew 4% year over year to 60 million in September, with Neighborhoods a key contributor. We have conviction in our actives growth strategies and expect to grow actives by at least low single digits in 2027, with Neighborhoods, Cash App Families, product innovation like Tags, and go to market investments all contributing to our growth expectations. We continue to be focused on deepening engagement as we grow actives. Cash App Commerce Enablement gross profit grew 27% year over year, driven by higher BNPL adoption on Cash App Card. Financial Solutions gross profit grew 36% year over year on Borrow origination growth and strong returns.

Cash App Consumer Lending origination volume grew 40% year over year to $19.0 billion, with Afterpay Post-Purchase origination volume more than tripling year over year, and Pre-Purchase origination volume more than tripling quarter over quarter. Returns on our lending products continued to be strong in the third quarter. Variable profit margins were consistent with the prior year period even on a much larger base. In our investor slides this quarter, we shared monthly cohorted returns for mature Borrow customers. This is an important metric we use to evaluate our performance, and as you can see, we observed consistent, strong returns as we've dramatically grown originations. We also shared target unit economics for Cash App's Consumer Lending products. While changes to our product mix have driven shifts in aggregate risk loss rates, what we optimize for is variable profit returns and product unit economics. And

the products that are scaling originations the fastest, and therefore growing in our mix, have the strongest targeted variable profit margins and returns.

We delivered record Adjusted Operating Income this quarter while continuing to invest in the long term growth of our business. Margins expanded more than 10 percentage points year over year, and we grew Adjusted Operating Income 92% even as we leaned into investments across go to market, Neighborhoods, and AI. Our core go to market motions continue to deliver strong ROI across Cash App and Square as we scale investments, and we're excited to keep investing to sustain long term growth. Annualized GPV of sellers on Neighborhoods increased nearly 5x from June to September and we expect to continue to grow Neighborhoods further. We're also leaning into investments in AI and expect to generate our first AI revenue in the fourth quarter as we begin to externalize Block's AI capabilities and interfaces across Builderlab and Buzz.

We're raising our 2026 guidance across gross profit, Adjusted Operating Income, and Adjusted Diluted EPS, flowing through Q3 outperformance and raising our expectations for the fourth quarter. For the full year, we now expect gross profit of $12.626 billion, up 22% year over year, Adjusted Operating Income of $3.519 billion, or a 28% margin. We also expect Adjusted Diluted EPS of $4.15, up 75% year over year. For the fourth quarter, we expect year-over-year gross profit growth of over 15%, Adjusted Operating Income margin of 30%, and year-over-year Adjusted Diluted EPS growth of 77%.

In past years we've given some early visibility into our preliminary expectations for the following year on our third quarter earnings call. This year we wanted to provide deeper insight into our growth and margin expectations for next year.

A year ago, we initially guided to achieving Rule of 40 in 2026, with 17% gross profit growth and 23% Adjusted Operating Income Margin. Our updated guidance reflects meaningful outperformance compared to those initial expectations, implying Rule of 50 with 22% gross profit growth and 28% Adjusted Operating Income margin. In 2027 we expect to sustain the momentum we've observed in 2026, with at least 15% year over year gross profit growth and Adjusted Operating Income margins of 32%, or 30% year over year Adjusted Operating Income growth.

This growth and margin expansion is a strong demonstration of our commitment to delivering durable profitable growth at scale. As always, we strive to outperform our preliminary growth expectations. Our 2026 and 2027 gross profit outlook is 5% ahead of our Investor Day expectations. And our 2026 and 2027 adjusted operating income outlook are both one year ahead of schedule compared to our Investor Day expectations.

Given the strong incremental margins and high-return investment opportunities we see, we plan to reinvest profit upside in long term strategic growth initiatives, like Neighborhoods and Builderlab, which we believe will shape Block for the next decade. We'll seek fast feedback loops and scale these new growth vectors with the same discipline and rigor we apply to our

core growth investments. We'll share more about our financial expectations for 2027 on our Q4 earnings call in February.

Our path forward is clear. We're moving faster, delivering more for our customers, and connecting our ecosystems, while delivering margin expansion and profitable growth.

With that, I'd like to open up the call to Q&A.