UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-37622

Block, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**80-0429876**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

Address Not Applicable[1]
(Address of principal executive offices, including zip code)

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

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.0000001 par value per share	SQ	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

[1] We do not designate a headquarters location as we have adopted a distributed work model.

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. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2022, the number of shares of the registrant's Class A common stock outstanding was 537,419,565 and the number of shares of the registrant's Class B common stock outstanding was 60,651,533.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “appears,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue,” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about our future financial performance, the impact of the COVID-19 pandemic on our business, customers, and employees, our expectations regarding transaction and loan losses, the adequacy of our allowance for loan losses on loans held for investment, or increased delinquencies, and the impact of inaccurate estimates or inadequate reserves, our potential exposure as a participant in the Paycheck Protection Program ("PPP"), our anticipated growth and growth strategies and our ability to effectively manage that growth, our ability to invest in and develop our products and services to operate with changing technology, the expected benefits of our products to our customers and the impact of our products on our business, and our expectations regarding Gross Payment Volume ("GPV", as defined below in Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations), and revenue, including our expectations regarding the Cash App and Square ecosystems, our expectations regarding product launches, the expected impact of our recent acquisitions, including the integration of Afterpay Limited ("Afterpay") with our business and its impacts on the Square and Cash App ecosystems, our plans with respect to patents and other intellectual property, our expectations regarding litigation and regulatory matters and the adequacy of reserves for such matters, our expectations regarding share-based compensation, our expectations regarding the impacts of accounting guidance and the timing of our compliance therewith, our expectations regarding restricted cash, and the sufficiency of our cash and cash equivalents and cash generated from operations to meet our working capital and capital expenditure requirements.

We have based these forward-looking statements on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, prospects, business strategy, and financial needs. The outcome of the events described in these forward-looking statements is subject to known and unknown risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. We operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

All forward-looking statements are based on information and estimates available to us at the time of filing this Quarterly Report on Form 10-Q and are not guarantees of future performance. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law.

Part I—Financial Information

Item 1. Financial Statements

BLOCK, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	September 30, 2022	December 31, 2021
Assets	(Unaudited)	
Current assets:		
Cash and cash equivalents	$ 4,331,787	$ 4,443,669
Investments in short-term debt securities	1,052,973	869,283
Settlements receivable	1,761,694	1,171,612
Customer funds	2,983,658	2,830,995
Consumer receivables, net	1,252,127	—
Loans held for sale	462,980	517,940
Safeguarding asset related to bitcoin held for other parties	527,669	1,100,596
Other current assets	1,175,873	687,429
Total current assets	13,548,761	11,621,524
Property and equipment, net	316,378	282,140
Goodwill	11,557,984	519,276
Acquired intangible assets, net	2,030,876	257,049
Investments in long-term debt securities	802,880	1,526,430
Operating lease right-of-use assets	425,519	449,406
Other non-current assets	438,534	370,535
Total assets	$ 29,120,932	$ 15,026,360
Liabilities and Stockholders' Equity		
Current liabilities:		
Customers payable	$ 4,891,015	$ 3,979,624
Settlements payable	329,796	254,611
Accrued expenses and other current liabilities	968,495	638,854
Current portion of long-term debt (Note 15)	460,170	455
Safeguarding obligation liability related to bitcoin held for other parties	527,669	1,100,596
Operating lease liabilities, current	70,304	64,027
PPP Liquidity Facility advances	31,116	497,533
Total current liabilities	7,278,565	6,535,700
Deferred tax liabilities	159,498	15,236
Warehouse funding facilities	479,422	—
Long-term debt (Note 15)	4,107,245	4,559,208
Operating lease liabilities, non-current	369,798	395,017
Other non-current liabilities	196,466	207,610
Total liabilities	12,590,994	11,712,771
Commitments and contingencies (Note 20)		
Stockholders' equity:		
Preferred stock, $0.0000001 par value: 100,000,000 shares authorized at September 30, 2022 and December 31, 2021. None issued and outstanding at September 30, 2022 and December 31, 2021.	—	—
Class A common stock, $0.0000001 par value: 1,000,000,000 shares authorized at September 30, 2022 and December 31, 2021; 535,879,345 and 403,237,209 issued and outstanding at September 30, 2022 and December 31, 2021, respectively.	—	—
Class B common stock, $0.0000001 par value: 500,000,000 shares authorized at September 30, 2022 and December 31, 2021; 60,657,578 and 61,706,578 issued and outstanding at September 30, 2022 and December 31, 2021, respectively.	—	—
Additional paid-in capital	17,999,192	3,317,255
Accumulated other comprehensive loss	(1,046,639)	(16,435)
Accumulated deficit	(454,889)	(27,965)
Total stockholders' equity attributable to common stockholders	16,497,664	3,272,855
Noncontrolling interests	32,274	40,734
Total stockholders' equity	16,529,938	3,313,589
Total liabilities and stockholders' equity	$ 29,120,932	$ 15,026,360

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BLOCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue:				
Transaction-based revenue	$ 1,517,890	$ 1,297,040	$ 4,226,566	$ 3,484,245
Subscription and services-based revenue	1,191,511	694,770	3,245,924	1,937,629
Hardware revenue	43,388	37,255	128,765	109,769
Bitcoin revenue	1,762,752	1,815,662	5,279,430	8,051,026
Total net revenue	4,515,541	3,844,727	12,880,685	13,582,669
Cost of revenue:				
Transaction-based costs	901,990	751,794	2,493,988	1,958,423
Subscription and services-based costs	225,903	128,177	622,031	337,559
Hardware costs	76,002	51,150	223,160	153,035
Bitcoin costs	1,726,051	1,774,040	5,157,935	7,879,816
Amortization of acquired technology assets	18,506	6,351	51,874	16,056
Total cost of revenue	2,948,452	2,711,512	8,548,988	10,344,889
Gross profit	1,567,089	1,133,215	4,331,697	3,237,780
Operating expenses:				
Product development	548,037	360,729	1,531,088	992,498
Sales and marketing	485,838	409,073	1,518,227	1,132,411
General and administrative	395,437	267,348	1,235,306	683,969
Transaction, loan, and consumer receivable losses	147,586	62,306	395,433	130,874
Bitcoin impairment losses	1,619	6,000	37,580	71,126
Amortization of customer and other acquired intangible assets	37,361	4,763	103,414	11,176
Total operating expenses	1,615,878	1,110,219	4,821,048	3,022,054
Operating income (loss)	(48,789)	22,996	(489,351)	215,726
Interest expense, net	6,042	13,409	34,756	20,126
Other expense (income), net	(18,798)	12,011	(71,036)	(36,249)
Income (loss) before income tax	(36,033)	(2,424)	(453,071)	231,849
Provision (benefit) for income taxes	(17,289)	452	(17,687)	(7,961)
Net income (loss)	(18,744)	(2,876)	(435,384)	239,810
Less: Net loss attributable to noncontrolling interests	(4,033)	(2,960)	(8,460)	(3,303)
Net income (loss) attributable to common stockholders	$ (14,711)	$ 84	$ (426,924)	$ 243,113
Net income (loss) per share attributable to common stockholders:				
Basic	$ (0.02)	$ 0.00	$ (0.75)	$ 0.53
Diluted	$ (0.02)	$ 0.00	$ (0.75)	$ 0.48
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders:				
Basic	592,672	460,654	572,234	457,039
Diluted	592,672	504,120	572,234	520,204

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BLOCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss)	$ (18,744)	$ (2,876)	$ (435,384)	$ 239,810
Net foreign currency translation adjustments	(609,045)	(14,145)	(985,328)	(25,656)
Net unrealized loss on marketable debt securities	(7,678)	(1,104)	(44,876)	(5,083)
Total comprehensive income (loss)	$ (635,467)	$ (18,125)	$ (1,465,588)	$ 209,071

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BLOCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	2022	**2021**
Cash flows from operating activities:		
Net income (loss)	$ (435,384)	$ 239,810
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	249,616	95,707
Amortization of discounts and premiums and other non-cash adjustments	(371,298)	20,368
Non-cash lease expense	70,958	61,978
Share-based compensation	794,794	429,999
Gain on revaluation of equity investments	(43,914)	(41,007)
Transaction, loan, and consumer receivable losses	395,433	130,874
Bitcoin impairment losses	37,580	71,126
Change in deferred income taxes	(47,503)	(5,224)
Changes in operating assets and liabilities:		
Settlements receivable	(793,460)	(337,893)
Purchases and originations of loans	(4,684,598)	(2,285,306)
Proceeds from payments and forgiveness of loans	4,643,899	1,952,142
Customers payable	599,886	235,624
Settlements payable	75,185	10,440
Other assets and liabilities	(360,660)	74,838
Net cash provided by operating activities	130,534	653,476
Cash flows from investing activities:		
Purchase of marketable debt securities	(521,692)	(2,343,446)
Proceeds from maturities of marketable debt securities	769,276	609,377
Proceeds from sale of marketable debt securities	236,524	558,724
Purchase of marketable debt securities from customer funds	—	(488,851)
Proceeds from maturities of marketable debt securities from customer funds	73,000	456,481
Proceeds from sale of marketable debt securities from customer funds	316,576	10,000
Originations of consumer receivables	(12,286,091)	—
Principal repayments of consumer receivables	12,538,992	—
Purchase of property and equipment	(121,709)	(98,028)
Purchase of bitcoin investments	—	(170,000)
Purchase of other investments	(39,079)	(47,550)
Proceeds from sale of equity investments	—	420,644
Business combinations, net of cash acquired	539,453	(163,970)
Net cash provided by (used in) investing activities	1,505,250	(1,256,619)

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BLOCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS - Continued
(Unaudited)
(In thousands)

	Nine Months Ended September 30, 2022	
	2022	**2021**
Cash flows from financing activities:		
Proceeds from issuance of senior notes, net	—	1,971,828
Proceeds from PPP Liquidity Facility advances	—	681,542
Repayments of PPP Liquidity Facility advances	(466,417)	(419,978)
Payments to redeem convertible notes	(1,071,788)	—
Proceeds from warehouse facilities borrowings	711,455	—
Repayments of warehouse facilities borrowings	(310,729)	—
Proceeds from the exercise of stock options and purchases under the employee stock purchase plan	49,233	84,866
Payments for tax withholding related to vesting of restricted stock units	(4,734)	(312,406)
Other financing activities	—	(7,112)
Net increase in non-interest bearing deposits	58,909	—
Change in customer funds, restricted from use in the Company's operations	152,663	611,282
Net cash provided by (used in) financing activities	(881,408)	2,610,022
Effect of foreign exchange rate on cash and cash equivalents	(94,972)	(14,311)
Net increase in cash, cash equivalents, restricted cash, and customer funds	659,404	1,992,568
Cash, cash equivalents, restricted cash, and customer funds, beginning of the period	6,975,090	4,793,171
Cash, cash equivalents, restricted cash, and customer funds, end of the period	$ 7,634,494	$ 6,785,739
Reconciliation of cash, cash equivalents, restricted cash, and customer funds:		
Cash and cash equivalents	$ 4,331,787	$ 4,514,609
Short-term restricted cash	246,570	14,420
Long-term restricted cash	72,479	73,420
Customer funds cash and cash equivalents	2,983,658	2,183,290
Total	$ 7,634,494	$ 6,785,739

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

BLOCK, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(In thousands, except for number of shares)

	Class A and B common stock		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Noncontrolling interests	Total stockholders' equity
	Shares	Amount					
Balance at December 31, 2021	464,943,787	$ —	$ 3,317,255	$ (16,435)	$ (27,965)	$ 40,734	$ 3,313,589
Net loss	—	—	—	—	(204,199)	(3,164)	(207,363)
Shares issued in connection with employee stock plans	2,119,899	—	4,093	—	—	—	4,093
Change in other comprehensive income	—	—	—	234,792	—	—	234,792
Share-based compensation	—	—	279,354	—	—	—	279,354
Tax withholding related to vesting of restricted stock units	(16,003)	—	(2,456)	—	—	—	(2,456)
Issuance of common stock in connection with business combination	113,617,352	—	13,827,929	—	—	—	13,827,929
Issuance of common stock in conjunction with the conversion of convertible notes	19,865	—	454	—	—	—	454
Exercise of bond hedges in conjunction with the conversion of convertible notes	(1,188,754)	—	—	—	—	—	—
Balance at March 31, 2022	579,496,146	$ —	$ 17,426,629	$ 218,357	$ (232,164)	$ 37,570	$ 17,450,392
Net loss	—	—	—	—	(208,014)	(1,263)	(209,277)
Shares issued in connection with employee stock plans	2,866,242	—	39,024	—	—	—	39,024
Change in other comprehensive loss	—	—	—	(648,273)	—	—	(648,273)
Share-based compensation	—	—	261,342	—	—	—	261,342
Tax withholding related to vesting of restricted stock units	(14,101)	—	(1,797)	—	—	—	(1,797)
Issuance of common stock in conjunction with the conversion of convertible notes	182	—	—	—	—	—	—
Issuance of common stock in connection with the exercise of common stock warrants	3,021,235	—	—	—	—	—	—
Balance at June 30, 2022	585,369,704	$ —	$ 17,725,198	$ (429,916)	$ (440,178)	$ 36,307	$ 16,891,411
Net loss	—	—	—	—	(14,711)	(4,033)	(18,744)
Shares issued in connection with employee stock plans	3,315,379		6,116	—	—	—	6,116
Change in other comprehensive loss	—		—	(616,723)	—	—	(616,723)
Share-based compensation	—		268,359	—	—	—	268,359
Tax withholding related to vesting of restricted stock units	(7,525)		(481)	—	—	—	(481)
Issuance of common stock in connection with the exercise of common stock warrants	7,859,365	—	—	—	—	—	—
Balance at September 30, 2022	596,536,923	—	$ 17,999,192	$ (1,046,639)	$ (454,889)	$ 32,274	$ 16,529,938

	Class A and B common stock		Additional paid-in capital	Accumulated other comprehensive income	Accumulated deficit	Noncontrolling interests	Total stockholders' equity
	Shares	Amount					
Balance at December 31, 2020	456,184,776	$ —	$ 2,955,464	$ 23,328	$ (297,223)	$ —	$ 2,681,569
Cumulative adjustment due to adoption of ASU 2020-06	—	—	(502,708)	—	102,974	—	(399,734)
Net income	—	—	—	—	39,008	—	39,008
Shares issued in connection with employee stock plans	4,311,094	—	32,891	—	—	—	32,891
Change in other comprehensive loss	—	—	—	(13,129)	—	—	(13,129)
Share-based compensation	—	—	121,965	—	—	—	121,965
Tax withholding related to vesting of restricted stock units	(669,076)	—	(152,013)	—	—	—	(152,013)
Issuance of common stock in conjunction with the conversion of convertible notes	166,967	—	3,816	—	—	—	3,816
Exercise of bond hedges in conjunction with the conversion of convertible notes	(5,325,320)	—	—	—	—		—
Balance at March 31, 2021	454,668,441	$ —	$ 2,459,415	$ 10,199	$ (155,241)	$ —	$ 2,314,373
Net income	—	—	—	—	204,021	(343)	203,678
Shares issued in connection with employee stock plans	2,410,350	—	39,526	—	—	—	39,526
Change in other comprehensive loss	—	—	—	(2,361)	—	—	(2,361)
Share-based compensation	—	—	150,367	—	—	—	150,367
Tax withholding related to vesting of restricted stock units	(602,961)	—	(140,212)	—	—	—	(140,212)
Issuance of common stock in conjunction with the conversion of convertible notes	1,456,748		113,067	—	—		113,067
Exercise of bond hedges in conjunction with the conversion of convertible notes	(150,299)	—	—	—	—	—	—
Issuance of common stock in connection with business combination	41,138	—	10,071	—	—		10,071
Noncontrolling interests in connection with business combination	—	—	—	—	—	48,192	48,192
Balance at June 30, 2021	457,823,417	$ —	$ 2,632,234	$ 7,838	$ 48,780	$ 47,849	$ 2,736,701
Net income	—	—	—	—	84	(2,960)	(2,876)
Shares issued in connection with employee stock plans	3,065,151	—	12,711	—	—	—	12,711
Change in other comprehensive loss	—	—	—	(15,249)	—	—	(15,249)
Share-based compensation	—	—	168,585	—	—	—	168,585
Tax withholding related to vesting of restricted stock units	(82,374)	—	(20,181)	—	—	—	(20,181)
Issuance of common stock in conjunction with the conversion of convertible notes	1,371,519	—	106,359	—	—	—	106,359

Exercise of bond hedges in conjunction with the conversion of convertible notes	(1,275,365)	—	—	—	—	—	—
Issuance of common stock in connection with business combination	77,305	—	18,664	—	—	—	18,664
Balance at September 30, 2021	460,979,653	$ —	$ 2,918,372	$ (7,411)	$ 48,864	$ 44,889	$ 3,004,714

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

NOTE 1 - DESCRIPTION OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business

Block, Inc. (together with its subsidiaries, "Block" or the "Company") creates tools that empower businesses, sellers, and individuals to participate in the economy. Block is comprised of two reportable segments, Square and Cash App. Square is a cohesive commerce ecosystem that helps sellers start, run, and grow their businesses, including enabling sellers to accept card payments, provide reporting and analytics, and facilitating next-day settlement. Square's point-of-sale software and other business services help sellers manage inventory, locations, and employees; access financing; engage buyers; build a website or online store; and grow sales. Cash App is an ecosystem of financial products and services to help individuals manage their money by providing financial tools that allow individuals to store, send, receive, spend, and invest their money. Cash App seeks to redefine the world's relationship with money by making it more relatable, instantly available, and universally accessible.

On January 31, 2022, the Company completed the acquisition of Afterpay Limited ("Afterpay"), to strengthen its position to better deliver compelling financial products and services that expand access to more consumers and drive incremental revenue for merchants of all sizes. See Note 9, *Acquisitions* for further details.

Block was founded in 2009 and has offices globally. The Company does not designate a headquarters location as it adopted a distributed work model in 2021.

Basis of Presentation

The accompanying interim condensed consolidated financial statements of the Company are unaudited. These interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and the applicable rules and regulations of the Securities and Exchange Commission ("SEC") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The December 31, 2021 condensed consolidated balance sheet was derived from the audited financial statements as of that date, but does not include all of the information and footnotes required by U.S. GAAP for complete financial statements.

The accompanying unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments of a normal recurring nature considered necessary to state fairly the Company's consolidated financial position, results of operations, comprehensive income, and cash flows for the interim periods. The condensed consolidated financial statements include the financial statements of Block and its wholly-owned and majority-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Minority interests are recorded as a noncontrolling interest, which is reported as a component of stockholders' equity on the condensed consolidated balance sheets. The interim results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022, or for any other future annual or interim period.

The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the Consolidated Financial Statements and related notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Use of Estimates

The preparation of the Company's condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses, as well as related disclosure of contingent assets and liabilities. Actual results could differ from the Company's estimates. To the extent that there are material differences between these estimates and actual results, the Company's financial condition or operating results will be materially affected. The Company bases its estimates on current and past experience, to the extent that historical experience is predictive of future performance and other assumptions that the Company believes are reasonable under the circumstances. The Company evaluates these estimates on an ongoing basis.

Estimates, judgments, and assumptions in these condensed consolidated financial statements include, but are not limited to, those related to accrued transaction losses, contingencies, valuation of loans held for sale, valuation of goodwill and acquired intangible assets, determination of allowance for loan loss reserves for loans held for investment, determination of allowance for credit losses for consumer receivables, pre-acquisition contingencies associated with business combinations, allocation of acquired goodwill to segments, assessing the likelihood of adverse outcomes from claims and disputes, accrued royalties, income and other taxes, operating and financing lease right-of-use assets and related liabilities, and share-based compensation.

The Company's estimates of valuation of loans held for sale, allowance for credit losses associated with consumer receivables, and accrued transaction losses are based on historical experience, adjusted for market data relevant to the current economic environment. The Company will continue to update its estimates as developments occur and additional information is obtained. Refer to Note 5, *Fair Value Measurements* for further details on amortized cost over fair value of the loans, Note 6, *Consumer Receivables, net* for further details on consumer receivables, and Note 12, *Other Consolidated Balance Sheet Components (Current)* for further details on transaction losses.

Reclassification to Statement of Operations

Beginning in the second quarter of 2022, the Company reclassified its consolidated statements of operations to present the amortization of acquired technology assets and amortization of customer and other acquired intangible assets as separate line items. Previously, these expenses were classified within transaction-based costs and subscription and services-based costs in cost of revenue; and product development and general and administrative operating expenses, respectively. The condensed consolidated statements of operations for the three and nine months ended September 30, 2021 have been revised to reflect these reclassifications to the presentation. There were no changes to gross profit, total operating expenses, operating income (loss), income (loss) before income tax, or net income (loss) for the three or nine months ended September 30, 2021 as a result of these reclassifications.

Adjustment to Statement of Cash Flows

Beginning in the fourth quarter of 2021, the Company adjusted its consolidated statements of cash flows to present changes in customer funds and cash and cash equivalents associated with customers payable as financing activities. Previously, the changes in customer funds and customers payable were presented within operating activities on the Company's consolidated statements of cash flows. The adjustments result in customer funds and the portion of customer funds that is held in cash, cash equivalents, and restricted cash to be included in the beginning and ending period totals of cash, cash equivalents, restricted cash, and customer funds. The Company holds customer funds separate from its corporate funds and does not use customer funds for any corporate purposes.

The condensed consolidated statement of cash flows for the nine months ended September 30, 2021 has been revised to reflect these adjustments to the presentation. These changes have been concluded to be immaterial to the condensed consolidated financial statements and have no impact on previously reported condensed consolidated statements of operations and balance sheets. The adjusted presentation shows all changes associated with customer funds on the condensed consolidated statements of cash flows instead of in the notes to the condensed consolidated financial statements.

The following table presents the effects of the changes on the presentation of these cash flows to the previously reported condensed consolidated statement of cash flows (in thousands):

	Nine Months Ended September 30, 2021		
	As Previously Reported [i]	Adjustments	As Adjusted
Net cash provided by (used in):			
Operating activities [ii]	$ 672,776	$ (19,300)	$ 653,476
Investing activities	(1,256,619)	—	(1,256,619)
Financing activities [iii]	1,998,740	611,282	2,610,022
Effect of foreign exchange rate on cash and cash equivalents	(14,311)	—	(14,311)
Net increase in cash, cash equivalents, restricted cash, and customer funds	1,400,586	591,982	1,992,568
Cash, cash equivalents, restricted cash, and customer funds, beginning of the period	3,201,863	1,591,308	4,793,171
Cash, cash equivalents, restricted cash, and customer funds, end of the period	$ 4,602,449	$ 2,183,290	$ 6,785,739

[i] As reported in the Company's 2021 Form 10-Q filed with the SEC on November 4, 2021.

[ii] Financial statement lines impacted in operating activities were customer funds and customers payable.

[iii] Financial statement line impacted in financing activities was the addition of a new line called change in customer funds, restricted from use in the Company's operations.

Concentration of Credit Risk

For the three and nine months ended September 30, 2022 and September 30, 2021, the Company had no customer that accounted for greater than 10% of total net revenue.

The Company had two third-party payment processors that represented approximately 52% and 30% of settlements receivable as of both September 30, 2022 and December 31, 2021. All other third-party payment processors were insignificant.

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, marketable debt securities, settlements receivable, customer funds, consumer receivables, loans held for sale, and loans held for investment. The associated risk of concentration for cash and cash equivalents and restricted cash is mitigated by banking with creditworthy institutions. At certain times, amounts on deposit exceed federal deposit insurance limits. The associated risk of concentration for marketable debt securities is mitigated by holding a diversified portfolio of highly rated investments. Settlements receivable are amounts due from well-established payment processing companies and normally take one or two business days to settle which mitigates the associated risk of concentration. The associated risk of concentration for loans and consumer receivables is partially mitigated by credit evaluations that are performed prior to facilitating the offering of loans and receivables and ongoing performance monitoring of the Company’s loan customers. The risk associated with the Paycheck Protection Program ("PPP") loans is considered low due to government guarantees on those loans.

Sales and Marketing Expenses

Advertising costs are expensed as incurred and included in sales and marketing expenses on the condensed consolidated statements of operations. Total advertising costs were $91.6 million and $405.6 million for the three and nine months ended September 30, 2022, respectively, compared to $123.1 million and $296.4 million for the three and nine months ended September 30, 2021, respectively.

In addition, services, incentives, and other costs to acquire customers that are not directly related to a revenue generating transaction are recorded as sales and marketing expenses, as the Company considers these to be marketing costs to

encourage the usage of Cash App. These expenses include, but are not limited to, Cash App peer-to-peer processing costs and related transaction losses, card issuance costs, customer referral bonuses, and promotional giveaways. The Company recorded $212.3 million and $620.3 million for the three and nine months ended September 30, 2022, respectively, compared to $183.2 million and $555.9 million for the three and nine months ended September 30, 2021, respectively, for such expenses.

Significant Accounting Policies

In addition to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, our significant interim accounting policies include the impact of foreign currency, and the accounting policies adopted based upon the acquisition of Afterpay.

Foreign Currency

The functional currency for most subsidiaries outside of the United States is the local currency. For purposes of the Company's consolidated financial statements, the assets and liabilities of these subsidiaries, including goodwill and acquired intangible assets, are translated into U.S. dollars using the exchange rates at the balance sheet dates. Gains and losses resulting from these translations are reported as a component of accumulated other comprehensive income (loss) on the Company's condensed consolidated statements of comprehensive income. Revenue, expenses, and gains or losses are translated into U.S. dollars using average exchange rates for each period.

Gains and losses from the remeasurement of foreign currency transactions into the functional currency are recognized as a component of other expense (income), net on the condensed consolidated statements of operations.

Afterpay Revenue

Through Afterpay's buy now pay later ("BNPL") platform, the Company enables consumers to pay for purchases by splitting their purchase price into three to four installments over six to eight weeks. The Company generally pays the seller the full order value upfront, less a merchant fee, which consists of fixed and variable rates as contracted with the sellers. The Company also incurs other costs such as fees paid to third-party partners and processing fees to complete the consumer purchase transaction. The Company generally assumes non-repayment risk from the consumers. The Company initially recognizes a consumer receivable equal to net amounts paid to the seller plus any costs incurred to originate the consumer receivable. The Company recognizes the merchant fee less costs incurred to originate the consumer receivables as revenue using the effective interest method and is included within subscription and services-based revenue on the condensed consolidated statement of operations. The effective interest rate is determined based on estimated future cash receipts over the expected life of the consumer receivable, having consideration for the historical repayment pattern of the consumer receivables on a portfolio basis. The Company does not charge interest or fees to the consumers, other than late fees which are used by the Company as an incentive to encourage consumers to pay their outstanding balances as and when they fall due**.** Late fees are recognized and included within subscription and services-based revenue on the condensed consolidated statement of operations when chargeable to consumers and collectibility is reasonably assured based on, among other factors, consumer behavior and historical recovery experience. Late fees recorded from acquisition to September 30, 2022 were immaterial.

Consumer Receivables

The Company classifies consumer receivables as held for investment as the Company has the intent and ability to hold these investments for the foreseeable future or until maturity or payoff. These consumer receivables are reported at amortized cost, which includes the cost to originate the consumer receivables, adjusted for unearned merchant fees, origination costs, charge-offs, and the allowance for credit losses. Refer to Note 6, *Consumer Receivables, net* for more information.

Allowance for Credit Losses Related to Consumer Receivables

The Company calculates an allowance for credit losses on the consumer receivables portfolio in accordance with ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The guidance requires an entity to assess impairment of its financial instruments based on the entity's current estimates of expected credit losses over the contractual term of its loans held for investment portfolio as of each balance sheet date.

Allowance for credit losses related to consumer receivables represents management's best estimate of the expected credit losses in the outstanding portfolio of consumer receivables, as of the balance sheet date. The Company determines the allowance for credit losses using both quantitative and qualitative methods that analyze portfolio performance, uses judgment regarding the quantitative components of the reserve, and considers all available information relevant to assessing collectibility. This includes but is not limited to historical loss and recovery experience, recent and historical trends in delinquencies, past-due receivables and charge-offs, consumer behavior and repayment speed, underwriting and collection management changes, changes in the legal and regulatory environment, changes in risk and underwriting standards, current and historical macroeconomic conditions such as changes in unemployment and GDP, and various other factors that may affect the consumers' ability to make future payments. When available information confirms that specific consumer receivables or portions thereof are uncollectible, identified amounts are charged off against the allowance for credit losses. Consumer receivables are charged off when management considers amounts to be uncollectible, which is generally determined by the number of days past due and is typically no later than 180 days past due.

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In July 2021, the FASB issued ASU No. 2021-05, *Lease (Topic 842): Lessors—Certain Leases with Variable Lease Payments* ("ASU 2021-05"), which amends the lease classification requirements for lessors with certain leases containing variable payments. In accordance with ASU 2021-05, a lessor should classify and account for a lease with variable lease payments that do not depend on an index or a rate as an operating lease if both of the following criteria are met: 1) the lease would have been classified as a sales-type lease or a direct financing lease; and 2) the lessor would have otherwise recognized a day-one loss. The amendments in ASU 2021-05 are effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company adopted this guidance effective January 1, 2022, and has applied the guidance prospectively. The adoption of this guidance did not have a material impact on the Company's financial statements and related disclosures.

In May 2021, the FASB issued ASU No. 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)* ("ASU 2021-04"), which provides guidance on modifications or exchanges of a freestanding equity-classified written call option that is not within the scope of another Topic. An entity should treat a modification of the terms or conditions or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange as an exchange of the original instrument for a new instrument, and provides further guidance on measuring the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange. ASU 2021-04 also provides guidance on the recognition of the effect of a modification or an exchange of a freestanding equity-classified written call option that remains equity classified after modification or exchange on the basis of the substance of the transaction, in the same manner as if cash had been paid as consideration. The amendments are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted. The Company adopted this guidance effective January 1, 2022, and has applied the guidance prospectively. The adoption of this guidance did not have a material impact on the Company's financial statements and related disclosures.

In March 2022, the SEC staff released Staff Accounting Bulletin No. 121 ("SAB 121"), which expressed the views of the SEC staff regarding the accounting for obligations to safeguard crypto-assets an entity holds for users of its crypto platform. This guidance requires entities that hold crypto-assets on behalf of platform users to recognize a liability to reflect the entity's obligation to safeguard the crypto-assets held for its platform users. The liability should be measured at initial recognition and each reporting date at the fair value of the crypto-assets that the entity is responsible for holding for its platform users. The entity should also recognize an asset at the same time that it recognizes the safeguarding liability, measured at initial recognition and each reporting date at the fair value of the crypto-assets held for its platform users, subject to adjustments to reflect any actual or potential safeguarding loss events. The entity should also describe the asset and the corresponding liability in the footnotes to the financial statements and consider including information regarding who (e.g., the company, its agent, or another third party) holds the cryptographic key information, maintains the internal recordkeeping of those assets, and is obligated to secure the assets and protect them from loss or theft. This guidance is effective from the first interim period after June 15, 2022 and should be applied retrospectively. The Company adopted this guidance effective June 30, 2022. Refer to Note 14, *Bitcoin Held for Other Parties* for more details.

Recently Issued Accounting Pronouncements Not Yet Adopted

In March 2022, the FASB issued ASU No. 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging—Portfolio Layer Method* ("ASU 2022-01") related to the portfolio layer method of hedge accounting. The amendments allow nonprepayable financial assets to be included in a closed portfolio hedge using the portfolio layer method. ASU 2022-01 also allows for multiple hedged layers to be designated for a single closed portfolio of financial assets or one or more beneficial interests secured by a portfolio of financial instruments The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption to have a material impact on the Company's financial statements.

In March 2022, the FASB issued ASU No. 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures* (“ASU 2022-02”) related to troubled debt restructuring and vintage disclosures for financing receivables. The amendments eliminate recognition and measurement guidance for troubled debt restructurings for creditors and requires entities to evaluate if the modification represents a new loan or a continuation of the existing loan. ASU 2022-02 also enhances disclosure requirements for certain loan refinancing and restructurings made to borrowers experiencing financial difficulty and requires disclosure of current period write-offs by year of origination for financing receivables. The amendments are effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption permitted. The Company does not expect the adoption to have a material impact on the Company’s financial statements.

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions* ("ASU 2022-03") related to equity securities. The amendments clarify that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. An entity is prohibited from recognizing a contractual sale restriction as a separate unit of account. ASU 2022-03 also requires specific disclosures related to equity securities that are subject to contractual restrictions, including the fair value of such equity securities, the nature and remaining duration of the corresponding restrictions, and any circumstances that could cause a lapse in the restrictions. The amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted. The Company does not expect the adoption to have a material impact on the Company's financial statements.

In September 2022, the FASB issued ASU No. 2022-04, *Liabilities—Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations* (“ASU 2022-04”), which requires buyers that use supplier finance programs in connection with the purchase of goods and services to make certain annual disclosures regarding the programs’ key terms and information about the obligations at the end of a reporting period, including a rollforward of those obligations. Only the amount outstanding at the end of the period must be disclosed in interim periods. The amendments do not affect the recognition, measurement or financial statement presentation of supplier finance program obligations. The amendments in ASU 2022-04 are effective retrospectively for fiscal years beginning after December 15, 2022, including interim periods in those fiscal years, except for the requirement to disclose rollforward information, which is effective prospectively for fiscal years beginning after December 15, 2023. Early adoption is permitted. The Company does not expect the adoption to have a material impact on the Company’s financial statements.

NOTE 2 - REVENUE

The following table presents the Company's net revenue disaggregated by revenue source (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue from contracts with customers:				
Transaction-based revenue	$ 1,517,890	$ 1,297,040	$ 4,226,566	$ 3,484,245
Subscription and services-based revenue	902,708	636,841	2,427,193	1,793,308
Hardware revenue	43,388	37,255	128,765	109,769
Bitcoin revenue	1,762,752	1,815,662	5,279,430	8,051,026
Revenue from other sources:				
Subscription and services-based revenue [(i)]	288,803	57,929	818,731	144,321
Total net revenue	$ 4,515,541	$ 3,844,727	$ 12,880,685	$ 13,582,669

[(i)] Subscription and services-based revenue from other sources relates to revenue generated from the Company's Square Loans and, for 2022 amounts, also includes revenue generated from consumer receivables originated through the BNPL platform, following the acquisition of Afterpay.

NOTE 3 - INVESTMENTS IN DEBT SECURITIES

The Company's short-term and long-term investments as of September 30, 2022 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term debt securities:				
U.S. agency securities	$ 78,790	$ 5	$ (2,175)	$ 76,620
Corporate bonds	365,001	13	(8,113)	356,901
Commercial paper	39,373	—	—	39,373
Municipal securities	8,238	—	(175)	8,063
Certificates of deposit	7,795	—	—	7,795
U.S. government securities	558,474	16	(8,557)	549,933
Foreign government securities	14,492	—	(204)	14,288
Total	$ 1,072,163	$ 34	$ (19,224)	$ 1,052,973
Long-term debt securities:				
U.S. agency securities	$ 72,106	$ —	$ (4,328)	$ 67,778
Corporate bonds	320,808	—	(13,226)	307,582
Municipal securities	12,772	—	(719)	12,053
U.S. government securities	429,208	68	(17,630)	411,646
Foreign government securities	4,014	—	(193)	3,821
Total	$ 838,908	$ 68	$ (36,096)	$ 802,880

The Company's short-term and long-term investments as of December 31, 2021 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term debt securities:				
U.S. agency securities	$ 73,986	$ 150	$ (8)	$ 74,128
Corporate bonds	293,460	128	(269)	293,319
Commercial paper	36,088	—	—	36,088
Municipal securities	5,543	5	—	5,548
Certificates of deposit	9,200	—	—	9,200
U.S. government securities	430,992	106	(255)	430,843
Foreign government securities	20,256	19	(118)	20,157
Total	$ 869,525	$ 408	$ (650)	$ 869,283
Long-term debt securities:				
U.S. agency securities	$ 154,454	$ 26	$ (1,160)	$ 153,320
Corporate bonds	667,699	80	(4,572)	663,207
Municipal securities	22,541	2	(126)	22,417
U.S. government securities	678,553	3	(4,080)	674,476
Foreign government securities	13,084	—	(74)	13,010
Total	$ 1,536,331	$ 111	$ (10,012)	$ 1,526,430

The amortized cost of investments classified as cash equivalents approximated the fair value due to the short-term nature of the investments.

The Company's gross unrealized losses and fair values for those investments that were in an unrealized loss position as of September 30, 2022 and December 31, 2021, aggregated by investment category and the length of time that individual securities have been in a continuous loss position, were as follows (in thousands):

	September 30, 2022					
	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Short-term debt securities:						
U.S. agency securities	$ 41,455	$ (1,197)	$ 33,935	$ (978)	$ 75,390	$ (2,175)
Corporate bonds	174,089	(3,617)	175,397	(4,496)	349,486	(8,113)
Municipal securities	5,043	(146)	3,020	(29)	8,063	(175)
U.S. government securities	362,415	(5,218)	167,695	(3,339)	530,110	(8,557)
Foreign government securities	7,924	(27)	6,364	(177)	14,288	(204)
Total	$ 590,926	$ (10,205)	$ 386,411	$ (9,019)	$ 977,337	$ (19,224)
Long-term debt securities:						
U.S. agency securities	$ 6,077	$ (361)	$ 61,700	$ (3,967)	$ 67,777	$ (4,328)
Corporate bonds	136,848	(4,155)	170,735	(9,071)	307,583	(13,226)
Municipal securities	10,853	(719)	—	—	10,853	(719)
U.S. government securities	242,369	(11,430)	94,409	(6,200)	336,778	(17,630)
Foreign government securities	861	(40)	2,960	(153)	3,821	(193)
Total	$ 397,008	$ (16,705)	$ 329,804	$ (19,391)	$ 726,812	$ (36,096)

	December 31, 2021					
	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Short-term debt securities:						
U.S. agency securities	$ 26,749	$ (8)	$ —	$ —	$ 26,749	$ (8)
Corporate bonds	241,792	(269)	311	—	242,103	(269)
U.S. government securities	347,380	(255)	—	—	347,380	(255)
Foreign government securities	12,734	(118)	—	—	12,734	(118)
Total	$ 628,655	$ (650)	$ 311	$ —	$ 628,966	$ (650)
Long-term debt securities:						
U.S. agency securities	$ 151,472	$ (1,160)	$ —	$ —	$ 151,472	$ (1,160)
Corporate bonds	627,467	(4,572)	—	—	627,467	(4,572)
Municipal securities	18,616	(126)	—	—	18,616	(126)
U.S. government securities	639,473	(4,080)	—	—	639,473	(4,080)
Foreign government securities	13,010	(74)	—	—	13,010	(74)
Total	$ 1,450,038	$ (10,012)	$ —	$ —	$ 1,450,038	$ (10,012)

The Company does not intend to sell nor anticipate that it will be required to sell these securities before recovery of the amortized cost basis. Unrealized losses on available-for-sale debt securities were determined not to be related to credit related losses, therefore, an allowance for credit losses is not required.

The contractual maturities of the Company's short-term and long-term investments as of September 30, 2022 were as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 1,072,163	$ 1,052,973
Due in one to five years	838,908	802,880
Total	$ 1,911,071	$ 1,855,853

NOTE 4 - CUSTOMER FUNDS

The following table presents the assets underlying customer funds (in thousands):

	September 30, 2022	December 31, 2021
Cash	$ 2,292,814	$ 242,243
Cash equivalents:		
Money market funds	439,093	2,126,579
Reverse repurchase agreement [(i)]	251,751	72,119
Short-term debt securities:		
U.S. agency securities	—	29,994
U.S. government securities	—	360,060
Total customer funds	$ 2,983,658	$ 2,830,995

[(i)] The Company has accounted for the reverse repurchase agreement with a third-party as an overnight lending arrangement, collateralized by the securities subject to the repurchase agreement. The Company classified the amounts due from the counterparty as cash equivalents due to the short-term nature.

The Company's investments within customer funds as of December 31, 2021 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Short-term debt securities:				
U.S. agency securities	$ 30,002	$ —	$ (8)	$ 29,994
U.S. government securities	360,251	—	(191)	360,060
Total	$ 390,253	$ —	$ (199)	$ 390,054

The amortized cost of investments classified as cash equivalents approximated the fair value due to the short-term nature of the investments.

The gross unrealized losses and fair values for those investments that were in an unrealized loss position as of December 31, 2021, aggregated by investment category and the length of time that individual securities have been in a continuous loss position were as follows (in thousands):

	Less than 12 Months		Greater than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
Short-term debt securities:						
U.S. agency securities	$ 29,994	$ (8)	$ —	$ —	$ 29,994	$ (8)
U.S. government securities	360,060	(191)	—	—	360,060	(191)
Total	$ 390,054	$ (199)	$ —	$ —	$ 390,054	$ (199)

The Company does not have any available-for-sale debt securities for which the Company has recorded credit related losses.

NOTE 5 - FAIR VALUE MEASUREMENTS

The Company measures its cash equivalents, customer funds, short-term and long-term marketable debt securities, and marketable equity investment at fair value. The Company classifies these investments within Level 1 or Level 2 of the fair value hierarchy because the Company values these investments using quoted market prices or alternative pricing sources and models utilizing market observable inputs. The Company measures its safeguarding obligation liability related to bitcoin held for other parties at the fair value of the bitcoin that the Company holds for other parties and classifies the liability within Level 2 because the Company uses observable market prices of the underlying bitcoin as an input for the valuation. The Company also classifies its safeguarding asset related to bitcoin held for other parties within Level 2, unless the asset's carrying amount is adjusted to reflect any actual or potential safeguarding loss events, in which case it would be classified within Level 3. The Company was not aware of any actual or possible safeguarding loss events as of September 30, 2022 or December 31, 2021.

The Company's assets and liabilities that are measured at fair value on a recurring basis were classified as follows (in thousands):

	September 30, 2022			December 31, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Cash equivalents:						
Money market funds	$ 1,218,293	$ —	$ —	$ 2,344,768	$ —	$ —
U.S. government securities	92,409	—	—	—	—	—
U.S. agency securities	—	—	—	—	22,999	—
Certificates of deposit	—	—	—	—	4,983	—
Commercial paper	—	139,420	—	—	—	—
Corporate bonds	—	2,468	—	—	790	—
Municipal securities	—	3,500	—	—	—	—
Customer funds:						
Money market funds	439,093	—	—	2,126,579	—	—
Reverse repurchase agreement	251,751	—	—	72,119	—	—
U.S. government securities	—	—	—	360,060	—	—
U.S. agency securities	—	—	—	—	29,994	—
Short-term debt securities:						
U.S. government securities	549,933	—	—	430,843		—
Corporate bonds	—	356,901	—	—	293,319	—
U.S. agency securities	—	76,620	—	—	74,128	—
Certificates of deposit	—	7,795	—	—	9,200	—
Commercial paper	—	39,373	—	—	36,088	—
Municipal securities	—	8,063	—	—	5,548	—
Foreign government securities	—	14,288	—	—	20,157	—
Long-term debt securities:						
U.S. government securities	411,646	—	—	674,476	—	—
Corporate bonds	—	307,582	—	—	663,207	—
U.S. agency securities	—	67,778	—	—	153,320	—
Municipal securities	—	12,053	—	—	22,417	—
Foreign government securities	—	3,821	—	—	13,010	—
Other:						
Investment in marketable equity security	12,760	—	—	—	—	—
Safeguarding asset related to bitcoin held for other parties	—	527,669	—	—	1,100,596	—
Safeguarding obligation liability related to bitcoin held for other parties	—	(527,669)	—	—	(1,100,596)	—
Total assets (liabilities) measured at fair value	$ 2,975,885	$ 1,039,662	$ —	$ 6,008,845	$ 1,349,160	$ —

The carrying amounts of certain financial instruments, including settlements receivable, consumer receivables, loans held for investment, accounts payable, customers payable, accrued expenses, and settlements payable, approximate their fair values due to their short-term nature. The carrying amounts of the Company's warehouse funding facilities approximate their fair values.

The Company estimates the fair value of its convertible notes and senior notes based on their last actively traded prices or significant other market observable inputs (Level 2). The estimated fair value and carrying value of the convertible notes and senior notes were as follows (in thousands):

	September 30, 2022		December 31, 2021	
	Carrying Value	Fair Value (Level 2)	Carrying Value	Fair Value (Level 2)
2031 Senior Notes	$ 987,818	$ 759,542	$ 986,774	$ 1,018,113
2026 Senior Notes	989,710	853,318	987,626	994,579
2027 Convertible Notes	568,200	411,735	567,208	614,286
2026 Convertible Notes	568,888	447,220	567,621	595,548
2025 Convertible Notes	992,629	910,558	990,361	1,477,302
2023 Convertible Notes	460,170	477,541	459,618	958,927
2022 Convertible Notes	—	—	455	3,192
Total	$ 4,567,415	$ 3,859,914	$ 4,559,663	$ 5,661,947

The estimated fair value and carrying value of loans held for sale and loans held for investment were as follows (in thousands):

	September 30, 2022		December 31, 2021	
	Carrying Value	Fair Value (Level 3)	Carrying Value	Fair Value (Level 3)
Loans held for sale	$ 462,980	$ 494,934	$ 517,940	$ 574,982
Loans held for investment	130,509	137,085	91,447	95,746
Total	$ 593,489	$ 632,019	$ 609,387	$ 670,728

As of September 30, 2022 and December 31, 2021, $32.4 million and $364.8 million of the carrying value of loans held for sale was attributable to loans under the PPP, respectively. The PPP was intended to provide relief to eligible businesses impacted by COVID-19, and to incentivize businesses to keep their workers on the payroll. These loans are guaranteed by the U.S. government and are eligible for forgiveness if the borrowers meet certain criteria. As the loans under the PPP qualify for forgiveness if certain criteria are met or are guaranteed by the U.S. government through the Small Business Administration ("SBA"), the related credit losses as of September 30, 2022 were immaterial.

If applicable, the Company will recognize transfers into and out of levels within the fair value hierarchy at the end of the reporting period in which the actual event or change in circumstance occurs. During the three and nine months ended September 30, 2022 and 2021, the Company did not have any transfers in or out of Level 1, Level 2, or Level 3 assets or liabilities.

NOTE 6 - CONSUMER RECEIVABLES, NET

Consumer receivables represent amounts due from consumers for outstanding installment payments on orders processed on the Company's BNPL platform. Further discussed in Note 1, *Description of Business and Summary of Significant Accounting Policies*, consumer receivables are classified as held for investment. These receivables are interest free and are generally due within 14 to 56 days. The Company evaluates the consumer receivables as a single homogeneous portfolio as it is comprised of a single product type, point-of-sale unsecured installment loans.

The Company closely monitors credit quality for consumer receivables to manage and evaluate its related exposure to credit risk. The criteria the Company monitors when assessing the credit quality and risk of its consumer receivables portfolio is primarily based on internal risk assessments, as they provide insight into customer risk profiles and are useful as indicators of potential future credit losses. Consumer receivables are internally rated as "Pass" rated or "Classified." Pass rated consumer receivables generally consist of consumer receivables that are current or up to 60 days past due. Classified consumer receivables generally comprise of consumer receivables that are 60 days or greater past due and have a higher risk of default. Internal risk ratings are reviewed and, generally, updated at least once a year. As of September 30, 2022, the

amortized cost of Pass rated consumer receivables was $1.3 billion and the amount of Classified consumer receivables was less than $0.1 billion.

The following table presents an aging analysis of the amortized cost of consumer receivables by delinquency status (in thousands):

	September 30, 2022
Non-delinquent loans	$ 1,152,509
1 - 60 days past due	159,759
61 - 90 days past due	21,385
90+ days past due	60,445
Total amortized cost	$ 1,394,098

The amount listed as 1 - 60 days past due in the above table includes $103.3 million of cash in transit, which reflects ongoing repayments from consumers that have been sent from consumers' bank accounts but have not yet been received at the Company's bank account as of the date of the financial statements. This cash in transit as of September 30, 2022 represents 7.4% of the total amortized cost of consumer receivables.

For consumer receivables, an allowance for credit losses is determined based on the probability of a default event occurring over the life of the receivables. When a consumer has not paid by the due date, it is an indication that credit risk has increased. As a result, the allowance for credit losses for that receivable is measured at an amount equal to the lifetime allowance for credit losses for increased credit risk. Lifetime allowance for credit losses is the expected credit losses that result from all possible default events over the expected life of the receivables. The allowance for credit losses on consumer receivables is a valuation account that is deducted from the carrying value of the consumer receivables.

Consumer receivables are charged off when they are over 180 days past due and the Company has no reasonable expectation of recovery. When consumer receivables are charged off, the Company recognizes the charge against the allowance for credit losses. While the Company expects collections at that point to be unlikely, the Company may recover amounts from the respective consumers. Any subsequent recoveries following charge-off are credited to transaction, loan, and consumer receivable losses on the condensed consolidated statements of operations in the period they were recovered. The amount of recoveries for the three and nine months ended September 30, 2022 were immaterial.

The following table summarizes activity in the allowance for credit losses subsequent to the acquisition of Afterpay (in thousands):

	Three Months Ended September 30, 2022	From Acquisition on January 31, 2022 to September 30, 2022
Allowance for credit losses, beginning of the period [(i)]	$ 121,579	$ 115,552
Provision for credit losses	53,021	146,014
Charge-offs and other adjustments	(28,516)	(116,624)
Foreign exchange effect	(4,113)	(2,971)
Allowance for credit losses, end of the period	$ 141,971	$ 141,971

[(i)] Consumer receivables acquired from Afterpay that reflect a more-than-insignificant deterioration of credit from origination are considered purchased credit deteriorated ("PCD") receivables. For PCD consumer receivables, the initial estimate of expected credit losses is recognized in the allowance for credit losses on the date of acquisition using the same methodology as other consumer receivables.

NOTE 7 - LOANS HELD FOR INVESTMENT

In April 2021, the Company began originating loans in the U.S. through its wholly-owned subsidiary bank, Square Financial Services. The Company sells the majority of the loans to institutional investors with a portion retained on its balance sheet. Loans retained by the Company are classified as held for investment as the Company has both the intent and ability to hold them for the foreseeable future, until maturity, or until payoff. The Company's intent and ability in the future may change based on changes in business strategies, the economic environment, and market conditions. As of September 30, 2022, the Company held $130.5 million as loans held for investment, net of allowance, included in other current assets on the condensed consolidated balance sheet. Refer to Note 12, *Other Consolidated Balance Sheet Components (Current)* for more details.

Loans held for investment are recorded at amortized cost, less an allowance for potential uncollectible amounts. Amortized cost basis represents principal amounts outstanding, net of unearned income, unamortized deferred fees and costs on originated loans, premiums or discounts on purchased loans, and charge-offs. The allowance for loan losses, and amount of charge-offs and recoveries recorded as of September 30, 2022 were all immaterial.

The Company considers loans that are greater than 60 days past due to be delinquent, and loans 90 days or more past due to be nonperforming. Loans that are 120 days or more past due are generally considered to be uncollectible and are charged off. When a loan is identified as nonperforming, recognition of income is discontinued. Loans are restored to performing status after total overdue unpaid amounts are repaid and the Company has reasonable assurance that performance under the terms of the loan will continue. As of September 30, 2022, the amount of loans that were identified as nonperforming loans was immaterial.

The Company closely monitors economic conditions and loan performance trends to assess and manage its exposure to credit risk. The criteria the Company monitors when assessing the credit quality and risk of its loan portfolio is primarily based on internal risk ratings, as they provide insight into borrower risk profiles and are useful as indicators of potential future credit losses. Loans are internally rated as "Pass" rated or "Classified." Pass rated loans generally consist of loans that are current or up to 60 days past due. Classified loans generally comprise of loans that are 60 days or greater past due and have a higher risk of default. Internal risk ratings are reviewed and, generally, updated at least once a year. As of September 30, 2022, the amortized cost of Pass rated loans was $137.0 million and the amount of Classified loans was immaterial.

NOTE 8 - PROPERTY AND EQUIPMENT, NET

The following table details property and equipment, less accumulated depreciation and amortization (in thousands):

	September 30, 2022	December 31, 2021
Leasehold improvements	$ 227,158	$ 208,228
Computer equipment	210,524	174,004
Capitalized software	182,835	116,827
Office furniture and equipment	45,350	42,393
Total	665,867	541,452
Less: Accumulated depreciation and amortization	(349,489)	(259,312)
Property and equipment, net	$ 316,378	$ 282,140

Depreciation and amortization expense on property and equipment was $32.9 million and $94.3 million for the three and nine months ended September 30, 2022, respectively, and $27.0 million and $68.4 million for the three and nine months ended September 30, 2021, respectively.

NOTE 9 - ACQUISITIONS

Afterpay

On January 31, 2022 (February 1, 2022 Australian Eastern Daylight Time), the Company completed the acquisition of Afterpay, a global BNPL platform. In connection with the acquisition, the Company issued 113,617,352 shares of the Company's Class A common stock. The shares issued included a deemed vested component of outstanding employee awards, based on the ratio of time served in relation to the vesting term of each award, with the unvested portion being replaced with Block's unvested replacement awards, with the same terms. The aggregate fair value of the shares issued was $13.8 billion based on the closing price of the Company's Class A common stock on the acquisition date, of which $66.3 million was attributed to acceleration of various share-based arrangements and was accounted for as an expense immediately post-acquisition, included as a component of general and administrative expenses in the consolidated statement of operations. As of the completion of the acquisition, certain convertible notes with an outstanding principal amount of AU $1.5 billion (U.S. $1.1 billion based on the closing exchange rate on the acquisition date) remained outstanding, and were redeemed on March 4, 2022.

The acquisition meets the criteria to be accounted for as a business combination in accordance with ASC 805, *Business Combinations* ("ASC 805"). This method requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and that the difference between the fair value of the consideration paid for the acquired entity and the fair value of the net assets acquired be recorded as goodwill, which is not amortized but is tested at least annually for impairment.

In the first quarter of 2022, the Company prepared an initial determination of the fair value of the assets acquired and liabilities assumed as of the acquisition date using preliminary information. Subsequently, the Company recognized measurement period adjustments to the assets and liabilities assumed resulting from tax provision adjustments related to Afterpay's fiscal year ended June 30, 2021 corporate income tax return filings, which impacted the historical tax attributes of certain Afterpay entities. The Company also adjusted the value of the deferred consideration liability assumed through the acquisition. The net effect of these adjustments on the preliminary purchase price allocation resulted in a decrease in deferred tax liabilities assumed of $23.6 million, an increase in current liabilities assumed of $10.3 million, and a net decrease in goodwill of $13.3 million. There was no impact to the condensed consolidated statements of operations as a result of these adjustments. The Company is still in the process of completing the determination of the fair value of certain assumed contingent consideration from Afterpay, the allocation of goodwill and certain intangible assets acquired to various operating units, and the evaluation of contingencies and tax effects related to the acquisition. Accordingly, the preliminary values reflected in the table below are subject to change. Refer to Note 12, *Other Consolidated Balance Sheet Components (Current)* for further details on the deferred consideration assumed from Afterpay.

The table below summarizes the consideration paid for Afterpay and the assessment of the fair value of the assets acquired and liabilities assumed at the closing date (in thousands, except share data):

Consideration:		
Stock (113,617,352 shares of Class A common stock, excluding value accounted as post-combination expense of $66,337)	$	13,827,929
Cash paid to settle tax withholding in connection with replacement awards		8,693
Total	$	13,836,622
Recognized amounts of identifiable assets acquired and liabilities assumed:		
Current assets (inclusive of cash, cash equivalents, and restricted cash acquired)	$	653,709
Consumer receivables		1,245,508
Intangible customer assets		1,378,000
Intangible technology assets		239,000
Intangible trade name		408,000
Other non-current assets		74,232
Long-term debt - current [(i)]		(1,058,065)
Current liabilities		(404,770)
Warehouse funding facilities [(ii)]		(107,996)
Deferred tax liabilities		(211,377)
Other non-current liabilities		(55,374)
Total identifiable net assets acquired		2,160,867
Goodwill		11,675,755
Total	$	13,836,622

[(i)] Long-term debt - current is comprised of the aforementioned Afterpay convertible notes, which were redeemed in cash at face value on March 4, 2022.

[(ii)] Refer to Note 15, *Indebtedness* for further details.

Goodwill from the acquisition was primarily attributable to the value of expected synergies created by incorporating Afterpay's BNPL platform, its business, and operations into the Company's Cash App and Square ecosystems and the value of the assembled workforce. The goodwill has no amortizable basis for income tax purposes. The acquisition resulted in the recognition of $131.0 million of deferred tax assets in Australia; however, the realization of such deferred tax assets depends primarily on the Company's ability, post-acquisition, to generate taxable income in future periods of which there is not sufficient positive evidence of such income as of September 30, 2022. Accordingly, a valuation allowance of $131.0 million was recorded against the acquired Australian deferred tax assets. Additionally, the other non-current liabilities include an estimate of $34.0 million in unrecognized tax benefits as of the date of acquisition.

Pro Forma Financial Information

The following table summarizes the unaudited pro forma consolidated financial information of the Company as if the Afterpay acquisition had occurred on January 1, 2021. Pro forma adjustments have been made to reflect, among other things, the incremental intangible asset amortization to be incurred based on the preliminary values of each identifiable

intangible asset, stock-based compensation expense related to replacement equity awards, and the tax effects of such adjustments for the respective periods.

The unaudited pro forma financial results are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net revenue	$ 4,515,541	$ 4,044,781	$ 12,945,438	$ 14,174,515
Net loss	$ (15,774)	$ (31,225)	$ (333,947)	$ (112,046)

The unaudited pro forma financial information is not intended to present or be indicative of what the results of operations or financial position would have been had the events actually occurred on the dates indicated, nor is it meant to be indicative of future results of operations or financial position for any future period or as of any future date. The unaudited pro forma financial information does not give effect to the potential impact of current financial conditions, or any anticipated revenue enhancements, cost savings, or operating synergies that may result from the acquisition.

Pro forma net loss for the nine months ended September 30, 2022 excludes $42.4 million of transaction costs directly attributable to the acquisition, as well as $66.3 million of incremental stock-based compensation expense incurred by Block, that were included in the determination of the net loss during the nine months ended September 30, 2022. Pro forma net loss for the nine months ended September 30, 2021 includes $117.3 million of transaction costs directly attributable to the acquisition incurred by both Afterpay and Block, and $66.3 million of incremental stock-based compensation expense. Pro forma net loss for the three months ended September 30, 2022 had no adjustments. Pro forma net loss for the three months ended September 30, 2021 excludes $26.9 million of transaction costs directly attributable to the acquisition incurred by both Afterpay and Block.

Other Acquisitions

There were no acquisitions in the three months ended September 30, 2022. During the nine months ended September 30, 2022, the Company completed certain acquisitions for a total consideration of $46.0 million, which resulted in the recognition of additional intangible assets and goodwill. These acquisitions were not material and therefore pro forma financial information has not been presented. None of the goodwill generated from the acquisitions or the acquired intangible assets are expected to be deductible for tax purposes.

NOTE 10 - GOODWILL

Goodwill is recorded when the consideration paid for an acquisition of a business exceeds the fair value of identifiable net tangible and intangible assets acquired.

The change in carrying value of goodwill in the period was as follows (in thousands):

Carrying value of goodwill, beginning of the year	$ 519,276
Acquisitions	11,718,209
Foreign currency translation adjustments	(679,501)
Carrying value of goodwill, end of the period	$ 11,557,984

The Company performs an annual goodwill impairment test on December 31 of each year and more frequently if events and circumstances indicate that the asset might be impaired.

As defined further in Note 21, *Segment and Geographical Information,* the Company has two reportable segments, Square and Cash App. Goodwill arising from the acquisition of Afterpay has been equally allocated to Square and Cash App as management has concluded that the BNPL platform will contribute equally to each of these segments.

The change in carrying value of goodwill allocated to the reportable segments in the period was as follows (in thousands):

	Cash App	Square	Corporate and Other	Total
Carrying value of goodwill, beginning of the year	$ 128,334	$ 193,057	$ 197,885	$ 519,276
Acquisitions	5,860,305	5,857,904	—	11,718,209
Foreign currency translation adjustments	(340,431)	(339,070)	—	(679,501)
Carrying value of goodwill, end of the period	$ 5,648,208	$ 5,711,891	$ 197,885	$ 11,557,984

NOTE 11 - ACQUIRED INTANGIBLE ASSETS

The following tables present the detail of acquired intangible assets as of the periods presented (in thousands):

	Balance at September 30, 2022			
	Weighted Average Estimated Useful Life	Cost	Accumulated Amortization	Net
Technology assets	5 years	$ 395,057	$ (116,148)	$ 278,909
Customer assets	15 years	1,434,803	(84,786)	1,350,017
Trade name	9 years	440,509	(47,151)	393,358
Other	9 years	13,701	(5,109)	8,592
Total		$ 2,284,070	$ (253,194)	$ 2,030,876

	Balance at December 31, 2021			
	Weighted Average Estimated Useful Life	Cost	Accumulated Amortization	Net
Technology assets	5 years	$ 164,977	$ (65,619)	$ 99,358
Customer assets	15 years	128,316	(19,244)	109,072
Trade name	9 years	53,051	(14,169)	38,882
Other	9 years	13,743	(4,006)	9,737
Total		$ 360,087	$ (103,038)	$ 257,049

All intangible assets are amortized over their estimated useful lives.

The changes to the carrying value of intangible assets were as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Acquired intangible assets, net, beginning of the period	$ 2,148,078	$ 262,196	$ 257,049	$ 137,612
Acquisitions	—	18,100	2,028,490	159,100
Amortization expense	(55,867)	(11,140)	(155,288)	(27,258)
Foreign currency translation adjustments	(61,335)	(464)	(99,375)	(762)
Acquired intangible assets, net, end of the period	$ 2,030,876	$ 268,692	$ 2,030,876	$ 268,692

The estimated future amortization expense of intangible assets in future periods as of September 30, 2022 was as follows (in thousands):

Remainder of 2022	$	54,684
2023		218,629
2024		215,168
2025		208,340
2026		194,274
Thereafter		1,139,781
Total	$	2,030,876

NOTE 12 - OTHER CONSOLIDATED BALANCE SHEET COMPONENTS (CURRENT)

Other Current Assets

The following table presents the detail of other current assets (in thousands):

		September 30, 2022		December 31, 2021
Inventory, net	$	102,962	$	77,058
Restricted cash		246,570		18,778
Processing costs receivable		285,006		228,914
Prepaid expenses		118,756		63,341
Accounts receivable, net		128,386		89,702
Loans held for investment, net of allowance for loan losses [(i)]		130,509		91,447
Other		163,684		118,189
Total	$	1,175,873	$	687,429

[(i)] Refer to Note 7, *Loans Held for Investment* for further details.

Accrued Expenses and Other Current Liabilities

The following table presents the detail of accrued expenses and other current liabilities (in thousands):

		September 30, 2022		December 31, 2021
Accrued expenses	$	372,038	$	254,900
Accounts payable		116,119		82,173
Customer deposits		118,754		59,844
Pagantis deferred consideration [(i)]		49,836		—
Accrued transaction losses [(ii)]		61,012		55,167
Accrued royalties		51,441		53,616
Deferred revenue, current		47,197		48,462
Other		152,098		84,692
Total	$	968,495	$	638,854

[(i)] On March 9, 2021, prior to acquisition by the Company, Afterpay completed the acquisition of Pagantis SAU and PMT Technology SLA (collectively, "Pagantis"). Pursuant to the acquisition agreement, Afterpay issued a convertible note to the sellers for deferred and contingent consideration. Under the terms of the note, upon a change in control of Afterpay, Afterpay had the option to redeem the convertible note for cash consideration, which Afterpay exercised. The settlement amount consists of two components: a fixed amount based on the principal amount of the note adjusted for the impact of the acquisition of Afterpay, and an additional amount that is contingent on the underlying equity value of Pagantis exceeding certain agreed upon thresholds. Under the terms of the note, absent a bilateral agreement on value between the Company and the note holder, the Company and note holder were each required to use an independent valuation expert to establish the underlying value of the Pagantis business as of the time of the change in control of Afterpay. Because the difference between the two valuations was more than a specified threshold, a third valuation expert has been jointly selected by the first two experts, with support from the Company and the note holder. The third expert is required to determine a value that falls within the range of the values established by the first two experts. The third expert is expected to deliver their valuation in the fourth quarter of 2022. Absent any manifest error, the third expert's valuation will be final, and settlement of the note will occur on that basis, having regard to the formula for calculation of the settlement value as per the note terms. As of September 30, 2022, the Company determined that based on the estimated underlying value of Pagantis, the contingent consideration had no value and accordingly, has accrued the fixed amount payable, adjusted for the period-end foreign exchange spot rate. The ultimate settlement value may differ materially from the accrued amounts.

[(ii)] The Company is exposed to potential credit losses related to transactions processed by sellers that are subsequently subject to chargebacks when the Company is unable to collect from the sellers, primarily due to seller insolvency. Generally, the Company estimates the potential loss rates based on historical experience that is continuously adjusted for new information and incorporates, where applicable, reasonable and supportable forecasts about future expectations.

The following table summarizes the activities of the Company's reserve for transaction losses (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Accrued transaction losses, beginning of the period	$ 61,835	$ 48,480	$ 55,167	$ 70,557
Provision for transaction losses	19,724	17,364	68,743	38,406
Charge-offs to accrued transaction losses	(20,547)	(18,107)	(62,898)	(61,226)
Accrued transaction losses, end of the period	$ 61,012	$ 47,737	$ 61,012	$ 47,737

In addition to amounts reflected in the table above, the Company recognized additional provision for transaction losses that was realized and written-off within the same period. The Company recorded $100.9 million and $312.6 million for the three and nine months ended September 30, 2022, respectively, compared to $89.8 million and $252.2 million for the three and nine months ended September 30, 2021, respectively, for such losses.

NOTE 13 - OTHER CONSOLIDATED BALANCE SHEET COMPONENTS (NON-CURRENT)

Other Non-Current Assets

The following table presents the detail of other non-current assets (in thousands):

	September 30, 2022	December 31, 2021
Investment in non-marketable equity securities [(i)]	$ 162,607	$ 81,919
Investment in bitcoin, net [(ii)]	111,294	149,000
Restricted cash	72,479	71,702
Other	92,154	67,914
Total	$ 438,534	$ 370,535

[(i)] Investment in non-marketable equity securities represents the Company's investments in equity of non-public entities. These investments are measured using the measurement alternative and are therefore carried at cost, less impairment, adjusted for observable price changes from orderly transactions for identical or similar investments of the same issuer. Adjustments are recorded within other expense (income), net on the condensed consolidated statements of operations. During the nine months ended September 30, 2022, the Company recorded an unrealized gain of $59.8 million, arising from the revaluation of a non-marketable investment, resulting in a cumulative unrealized gain of $78.8 million as of September 30, 2022. Unrealized losses were immaterial as of September 30, 2022.

[(ii)] The Company invested an aggregate $220.0 million in bitcoin in 2020 and 2021, with no additional investments made during the nine months ended September 30, 2022. Investment in bitcoin is accounted for as an indefinite-lived intangible asset, and does not include any bitcoin held for other parties, which is further described in Note 14, *Bitcoin Held for Other Parties*. Investment in bitcoin is subject to impairment losses if the fair value of bitcoin decreases below the carrying value during the assessed period. Impairment losses cannot be recovered for any subsequent increase in fair value until the sale of the asset. The Company recorded an impairment charge on its investment in bitcoin of $1.6 million and $37.6 million in the three and nine months ended September 30, 2022, respectively, due to the observed market price of bitcoin decreasing below the carrying value during the periods. As of September 30, 2022, the cumulative impairment charges to date were $108.7 million and the fair value of the investment in bitcoin was $156.0 million based on observable market prices, which was $44.7 million in excess of the Company's carrying value of $111.3 million after impairment charges.

NOTE 14 - BITCOIN HELD FOR OTHER PARTIES

The Company allows its Cash App customers to store their bitcoin in the Company’s digital wallets free of charge. The Company also holds an immaterial amount of bitcoin from select trading partners to facilitate bitcoin transactions for customers on Cash App. Other than bitcoin, the Company does not hold or store any other types of crypto-assets for customers or trading partners. The Company holds the cryptographic key information and maintains the internal recordkeeping of the bitcoin held for other parties. The Company's contractual arrangements state that its customers and trading partners retain legal ownership of the bitcoin; have the right to sell, pledge, or transfer the bitcoin; and also benefit from the rewards and bear the risks associated with the ownership, including as a result of any bitcoin price fluctuations. The customer also bears the risk of loss as a result of fraud or theft, unless the loss was caused by the Company’s gross negligence or the Company’s willful misconduct. The Company occasionally engages third-party custodians to store and safeguard bitcoin on the Company's behalf. As of September 30, 2022, an immaterial amount of the bitcoin was held by third-party custodians on the Company's behalf.

Upon the adoption of SAB 121, the Company recorded a bitcoin safeguarding obligation liability and a corresponding bitcoin safeguarding asset based on the fair value of the bitcoin held for other parties at each reporting date. The Company was not aware of any actual or possible safeguarding loss events as of September 30, 2022 or December 31, 2021, and accordingly, the bitcoin safeguarding obligation liability and the associated bitcoin safeguarding asset were recorded at the same value. The balance sheet as of December 31, 2021 has been revised to reflect the adoption of SAB 121. The adoption of SAB 121 had no impact on previously reported consolidated statements of operations, statements of cash flows, or statements of stockholders' equity.

The following table summarizes the Company's bitcoin held for other parties (in thousands, except number of bitcoin):

	September 30, 2022	December 31, 2021
Approximate number of bitcoin held for customers	25,976	23,360
Approximate number of bitcoin held for trading partners	1,188	458
Total approximate number of bitcoin held for other parties	27,164	23,818
Safeguarding obligation liability related to bitcoin held for customers	$ 504,588	$ 1,079,412
Safeguarding obligation liability related to bitcoin held for trading partners	23,081	21,184
Safeguarding obligation liability related to bitcoin held for other parties	$ 527,669	$ 1,100,596
Safeguarding asset related to bitcoin held for other parties	$ 527,669	$ 1,100,596

NOTE 15 - INDEBTEDNESS

Revolving Credit Facility

In May 2020, the Company entered into a revolving credit agreement with certain lenders, which provided a $500.0 million senior unsecured revolving credit facility (the "2020 Credit Facility") maturing in May 2023. On May 28, 2020, the Company amended the credit agreement for the 2020 Credit Facility (the "Credit Agreement") to permit the Company's wholly-owned subsidiary, Square Capital, LLC ("Square Capital"), to incur indebtedness in an aggregate principal amount of up to $500.0 million pursuant to the Paycheck Protection Program Liquidity Facility ("PPPLF") authorized under the Federal Reserve Act of 1913. In connection with its convertible debt offerings in November 2020, the Company entered into a second amendment to the Credit Agreement on November 9, 2020 to permit convertible debt in an aggregate principal amount not to exceed $3.6 billion. On January 28, 2021, the Company entered into a third amendment to the Credit Agreement to increase the amount of indebtedness that Square Capital is permitted to incur pursuant to the PPPLF from an aggregate principal amount of up to $500.0 million to an aggregate principal amount of up to $1.0 billion. On May 25, 2021, the Company entered into a fourth amendment to the Credit Agreement to, among other things, extend the maturity date of the loans advanced to May 1, 2024. On January 28, 2022, the Company entered into a fifth amendment to the Credit Agreement to permit certain existing obligations of Afterpay and its subsidiaries to remain outstanding as of and after the completion of the Afterpay acquisition. On February 23, 2022, the Company entered into a sixth amendment to the Credit Agreement to, among other things, provide for a new tranche of unsecured revolving loan commitments in an aggregate principal amount of up to $100.0 million (the "Tranche B Loans). The Credit Agreement also contains a financial covenant that requires the Company to maintain a quarterly minimum liquidity amount (consisting of the sum of Unrestricted Cash and Cash Equivalents plus Marketable Securities, each as defined in the Credit Agreement) of at least $250.0 million, tested on a quarterly basis. The Company is obligated to pay customary fees for a credit facility of this size and type including a commitment fee of 0.15% per annum on the undrawn portion available under the 2020 Credit Facility. To date, no funds have been drawn and no letters of credit have been issued under the 2020 Credit Facility. As of September 30, 2022, $600.0 million remained available for draw. The Company incurred immaterial unused commitment fees during the three and nine months ended September 30, 2022 and 2021, respectively. As of September 30, 2022, the Company was in compliance with all financial covenants associated with the 2020 Credit Facility.

Loans under the 2020 Credit Facility, excluding the Tranche B Loans, bear interest at the Company's option of (i) a base rate based on the highest of the prime rate, the federal funds rate plus 0.50%, and the adjusted LIBOR rate plus 1.00%, in each case, plus a margin ranging from 0.25% to 0.75% or (ii) an adjusted LIBOR rate plus a margin ranging from 1.25% to 1.75%. The Credit Agreement includes provisions allowing the Company to replace or update LIBOR with a replacement rate. The margin is determined based on the Company's total leverage ratio, as defined in the Credit Agreement. The Tranche B Loans bear interest at the Company's option of (i) an annual rate based on the forward-looking term rate based on the Secured Overnight Financing Rate ("Term SOFR") or (ii) a base rate. Tranche B Loans based on Term SOFR shall bear interest at a rate equal to Term SOFR plus a margin of between 1.25% and 1.75%, depending on the Company's total net leverage ratio. Tranche B Loans based on the base rate shall bear interest at a rate based on the highest of the prime rate, the federal funds rate plus 0.50%, and Term SOFR with a tenor of one-month plus 1.00%, in each case, plus a margin ranging from 0.25% to 0.75%, depending on the Company's total net leverage ratio. The Credit Agreement also contains customary

affirmative and negative covenants typical for a financing of this type that, among other things, restricts the Company and certain of its subsidiaries' ability to incur additional indebtedness, create liens, merge or consolidate or make certain dispositions, pay dividends and make distributions, enter into restrictive agreements, enter into agreements with affiliates, and make certain investments and acquisitions.

Warehouse Funding Facilities

Following the acquisition of Afterpay, the Company assumed Afterpay's existing warehouse funding facilities. The Company has financing arrangements with financial institutions in Australia, New Zealand, the United States, and the United Kingdom (collectively, the "Warehouse Facilities"). The Warehouse Facilities have been arranged utilizing wholly-owned and consolidated entities formed for the sole purpose of financing the origination of consumer receivables to partly fund the Company's BNPL platform. Borrowings under the Warehouse Facilities are secured against the respective consumer receivables.

These Warehouse Facilities have maturity dates ranging from December 2023 to December 2024. As of September 30, 2022, the aggregate commitment amount of the Warehouse Facilities, using the respective exchange rates at period-end, was $1.7 billion on a revolving basis, of which $0.5 billion was drawn and $1.2 billion remained available. All facilities contain portfolio parameters based on performance of the underlying consumer receivables, which each respective region has satisfied as of September 30, 2022. None of the Warehouse Facilities contain corporate financial covenants.

All Warehouse Facilities are on a variable rate basis which aligns closely to the weighted average life of the consumer receivables they finance. Borrowings under these facilities bear interest at (i) a base rate aligned to either the local risk free rate, such as Term SOFR and the Sterling Overnight Index Average ("SONIA") or similar, and (ii) a margin which is set for the term of the availability period. In addition, each facility requires payment of immaterial commitment fees.

The table below summarizes the amounts drawn on these facilities by year of maturity (in thousands):

	September 30, 2022
2023	$ 120,000
2024	359,422
Total funding debt, net of deferred debt issuance costs	$ 479,422

Paycheck Protection Program Liquidity Facility

On June 2, 2020, Square Capital was approved to borrow under the PPPLF with the Federal Reserve Bank of San Francisco ("First PPPLF Agreement"), at an annual interest rate of 0.35%. The PPPLF extends credit to eligible financial institutions that have originated or purchased PPP loans. Advances under the PPPLF are non-recourse and are secured by a pledge of PPP loans held by Square Capital. The maturity date of any PPPLF loan will be the maturity date of the PPP loans pledged to secure such PPPLF loan. The maturity date of any PPPLF loan will be accelerated on and to the extent of (i) the date of any loan forgiveness reimbursement by the SBA for any PPP loan securing such PPPLF loan; or (ii) the date of purchase by the SBA from Square Capital of any PPP loan securing such PPPLF loan to realize on the SBA's guarantee of such PPP loan. The maturity date of all PPPLF loans shall be accelerated upon the occurrence of certain events of default by Square Capital, including but not limited to the failure to comply with a requirement of the PPPLF agreement or any representation, warranty, or covenant of Square Capital under the PPPLF agreement being inaccurate on or as of the date it is deemed to be made or on any date on which an PPPLF loan remains outstanding. The Company can also at its option prepay the advances in full or in part without penalty. Square Capital also shall prepay PPPLF loans so that the amount of any PPPLF loans outstanding does not exceed the outstanding amount of PPP loans pledged to secure such PPPLF loans.

On January 29, 2021, Square Capital entered into a second PPPLF agreement with the Federal Reserve Bank of San Francisco ("Second PPPLF Agreement") to secure additional credit collateralized by loans from the subsequent rounds of the PPP program in an aggregate principal amount of up to $1.0 billion under both PPPLF agreements. As of September 30, 2022, $31.1 million of PPPLF advances were outstanding. These advances are generally collateralized by the same value of PPP loans. Any differences between the amounts are generally due to the timing of PPP loan repayment or forgiveness, and repayment of PPPLF advances.

Senior Unsecured Notes due in 2026 and 2031

On May 20, 2021, the Company issued an aggregate principal amount of $2.0 billion senior unsecured notes comprised of $1.0 billion of senior unsecured notes due 2026 ("2026 Senior Notes") and $1.0 billion senior unsecured notes due 2031 ("2031 Senior Notes" and, together with the 2026 Senior Notes, the “Senior Notes”). The 2026 Senior Notes mature on June 1, 2026, unless earlier redeemed or repurchased, and bear interest at a rate of 2.75% payable semi-annually on June 1 and December 1 of each year. The 2031 Senior Notes mature on June 1, 2031, unless earlier redeemed or repurchased, and bear interest at a rate of 3.50% payable semi-annually on June 1 and December 1 of each year. The Senior Notes are subject to optional redemption provisions. At any time prior to May 1, 2026, in the case of the 2026 Senior Notes, and March 1, 2031, in the case of the 2031 Senior Notes, the Company may redeem the applicable series in whole or part at a price equal to 100% of the principal amount of the notes to be redeemed plus an applicable premium and accrued and unpaid interest, if any, to but excluding the redemption date. The applicable premium for any note is the greater of: (i) 1.0% of the principal amount of such note, and (ii) the excess, if any, of (a) the present value at the redemption date of all scheduled payments of interest plus principal on such note (excluding accrued but unpaid interest, if any, to, but excluding, the redemption date) computed using a discount rate equal to the Treasury Rate as of such redemption date plus 50 basis points, over (b) the principal amount of such note. At any time on or after May 1, 2026, in the case of the 2026 Senior Notes, and March 1, 2031, in the case of the 2031 Senior Notes, the Company may redeem the notes of the applicable series in whole or part at a price of 100% of the principal amount of the notes to be redeemed plus accrued and unpaid interest, if any, to but excluding the redemption date. If the Company experiences a change of control triggering event (as defined in the applicable indenture governing the applicable Senior Notes), the Company must offer to repurchase each series of Senior Notes at a repurchase price equal to 101% of the principal amount of the applicable notes to be repurchased, plus accrued and unpaid interest, if any, to, but excluding, the applicable repurchase date. In the event of default, the trustee or holders of at least 25% in aggregate principal amount of the applicable series of outstanding Senior Notes under the applicable indenture may declare all of the notes of the applicable series to be due and immediately payable. If the event of default is the result of specified events of bankruptcy, insolvency or reorganization, all of the notes of the applicable series will become due without any declaration or action by the trustee or holders. If there is a default in the payment of interest, the Company shall pay the defaulted interest plus, to the extent lawful, interest payable on the defaulted interest at the rate provided in the Senior Notes.

Debt issuance costs related to the 2026 Senior Notes and 2031 Senior Notes were comprised of discounts and commissions payable to the initial purchasers of $22.5 million and third-party offering costs of $5.7 million. Issuance costs are amortized to interest expense using the effective interest method at an effective interest rate of 3.06% and 3.69% for each of the respective terms of the 2026 Senior Notes and 2031 Senior Notes, respectively.

Convertible Notes due in 2026 and 2027

On November 13, 2020, the Company issued an aggregate principal amount of $1.15 billion of convertible senior notes comprised of $575.0 million of convertible senior notes due 2026 ("2026 Convertible Notes") and $575.0 million of convertible senior notes due 2027 ("2027 Convertible Notes"). The 2026 Convertible Notes mature on May 1, 2026, unless earlier converted or repurchased, and bear a zero rate of interest. The 2027 Convertible Notes mature on November 1, 2027, unless earlier converted or repurchased, and bear interest at a rate of 0.25% payable semi-annually on May 1 and November 1 of each year. Both the 2026 Convertible Notes and 2027 Convertible Notes are convertible at an initial conversion rate of 3.3430 shares of the Company's Class A common stock per $1,000 principal amount, which is equivalent to an initial conversion price of approximately $299.13 per share of Class A common stock. Holders may convert their relevant series of notes at any time prior to the close of business on the business day immediately preceding February 1, 2026 and August 1, 2027 for the 2026 Convertible Notes and 2027 Convertible Notes, respectively, only under the following circumstances: (i) during any calendar quarter, commencing after the calendar quarter ending on March 31, 2021 (and only during such calendar quarter), if the last reported sale price of the Company’s Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the 2026 Convertible Notes and 2027 Convertible Notes) per $1,000 principal amount of 2026 Convertible Notes and 2027 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company’s Class A common stock and the conversion rate on each such trading day; (iii) if the Company calls any or all of the 2026 Convertible Notes and 2027 Convertible Notes for redemption, such relevant series of notes called for redemption may be converted at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (iv) upon the occurrence of specified corporate events, including

certain distributions, the occurrence of a fundamental change (as defined in the indenture governing the 2026 Convertible Notes and 2027 Convertible Notes) or a transaction resulting in the Company's Class A common stock converting into other securities or property or assets. In addition, upon occurrence of the specified corporate events prior to the maturity date, the Company would increase the conversion rate for a holder who elects to convert their relevant series of notes in connection with such an event in certain circumstances. On or after February 1, 2026 in the case of the 2026 Convertible Notes, and on or after August 1, 2027 in the case of the 2027 Convertible Notes, up until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder of the relevant series of notes may convert all or any portion of its 2026 Convertible Notes or 2027 Convertible Notes regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its Class A common stock, or a combination of cash and shares of its Class A common stock, at the Company's election. The circumstances required to allow the holders to convert their 2026 Convertible Notes and 2027 Convertible Notes were not met during the nine months ended September 30, 2022. On or after November 5, 2023 for the 2026 Convertible Notes, and on or after November 5, 2024 for the 2027 Convertible Notes, the Company may redeem all or a portion of each series of convertible notes for cash at its option, if the last reported sale price of the Company's Class A common stock has been at least 130% of the conversion price for the relevant series of notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2026 Convertible Notes and 2027 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

In accounting for the issuance of the 2026 Convertible Notes and 2027 Convertible Notes, prior to the adoption of ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity* ("ASU 2020-06"), the Company separated the relevant series of convertible notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was $198.0 million and was determined by deducting the fair value of the liability component from the par value of the 2026 Convertible Notes and the 2027 Convertible Notes. The equity component was not remeasured as long as it continued to meet the conditions for equity classification. The excess of the principal amount of the liability component over its carrying amount ("debt discount") was amortized to interest expense at an effective interest rate of 3.35% and 3.66% for the 2026 Convertible Notes and 2027 Convertible Notes, respectively. Upon adoption of ASU 2020-06 on January 1, 2021, the Company reversed the separation of the debt and equity components and accounted for the 2026 Convertible Notes and 2027 Convertible Notes wholly as debt. The Company also reversed the amortization of the debt discount, with a cumulative adjustment to retained earnings on the adoption date.

Debt issuance costs related to the 2026 Convertible Notes and 2027 Convertible Notes were comprised of discounts and commissions payable to the initial purchasers of $17.5 million and third-party offering costs of $1.0 million. Prior to the adoption of ASU 2020-06, the Company allocated the total amount incurred to the liability and equity components of the 2026 Convertible Notes and 2027 Convertible Notes based on their relative values. Issuance costs attributable to the liability component were $15.4 million and were amortized to interest expense using the effective interest method. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity. Upon adoption of ASU 2020-06 on January 1, 2021, the Company reversed the allocation of the issuance costs to the equity component and accounted for the entire amount as debt issuance cost that will be amortized as interest expense at an effective interest rate of 0.49% and 0.30% for each of the respective terms of the 2026 Convertible Notes and 2027 Convertible Notes, respectively, with a cumulative adjustment to retained earnings on the adoption date.

Upon adoption of ASU 2020-06, the difference between the estimated fair value and the carrying value upon conversion is accounted for as a reduction to the related debt issuance costs, with the remainder recognized as additional paid in capital to reflect the par value of the shares issued. As of September 30, 2022, no principal had converted on either the 2026 Convertible Notes or 2027 Convertible Notes.

As of September 30, 2022, the if-converted value of the 2026 Convertible Notes and 2027 Convertible Notes did not exceed the outstanding principal amount.

Convertible Notes due in 2025

On March 5, 2020, the Company issued an aggregate principal amount of $1.0 billion of convertible senior notes ("2025 Convertible Notes"). The 2025 Convertible Notes mature on March 1, 2025, unless earlier converted or repurchased, and bear interest at a rate of 0.1250% payable semi-annually on March 1 and September 1 of each year. The 2025 Convertible Notes are convertible at an initial conversion rate of 8.2641 shares of the Company's Class A common stock per $1,000 principal amount of 2025 Convertible Notes, which is equivalent to an initial conversion price of approximately $121.01 per share of Class A common stock. Holders may convert their 2025 Convertible Notes at any time prior to the close of business on the business day immediately preceding December 1, 2024 only under the following circumstances: (i) during any calendar quarter, commencing after the calendar quarter ending on June 30, 2020 (and only during such calendar quarter), if the last reported sale price of the Company's Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the 2025 Convertible Notes) per $1,000 principal amount of 2025 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's Class A common stock and the conversion rate on each such trading day; (iii) if the Company calls any or all of the 2025 Convertible Notes for redemption, such 2025 Convertible Notes called for redemption may be converted at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or (iv) upon the occurrence of specified corporate events, including certain distributions, the occurrence of a fundamental change (as defined in the indenture governing the 2025 Convertible Notes) or a transaction resulting in the Company's Class A common stock converting into other securities or property or assets. In addition, upon occurrence of the specified corporate events prior to the maturity date, the Company would increase the conversion rate for a holder who elects to convert their 2025 Convertible Notes in connection with such an event in certain circumstances. On or after December 1, 2024, up until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert all or any portion of its 2025 Convertible Notes regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its Class A common stock, or a combination of cash and shares of its Class A common stock, at the Company's election. The Company may redeem for cash all or any part of the 2025 Convertible Notes, at its option, on or after March 5, 2023, if the last reported sale price of the Company's Class A common stock has been at least 130% of the conversion price for the 2025 Convertible Notes then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such period) ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2025 Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The circumstances to allow the holders to convert their 2025 Convertible Notes were met in the first quarter of 2021 and continued to be met through March 31, 2022. The circumstances were not met in the second and third quarters of 2022. As of September 30, 2022, certain holders of the 2025 Convertible Notes had converted an immaterial aggregate principal amount of their 2025 Convertible Notes. The Company has settled the conversions through the issuance of an immaterial amount of shares of the Company's Class A common stock.

In accounting for the issuance of the 2025 Convertible Notes, prior to the adoption of ASU 2020-06, the Company separated the 2025 Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was $154.6 million and was determined by deducting the fair value of the liability component from the par value of the 2025 Convertible Notes. The equity component was not remeasured as long as it continued to meet the conditions for equity classification. The debt discount was amortized to interest expense over the term of the 2025 Convertible Notes at an effective interest rate of 3.81% over the contractual terms of the 2025 Convertible Notes. Upon adoption of ASU 2020-06 on January 1, 2021, the Company reversed the separation of the debt and equity components and accounted for the 2025 Convertible Notes wholly as debt. The Company also reversed the amortization of the debt discount, with a cumulative adjustment to retained earnings on the adoption date.

Debt issuance costs related to the 2025 Convertible Notes were comprised of discounts and commissions payable to the initial purchasers of $14.3 million and third-party offering costs of $0.9 million. Prior to the adoption of ASU 2020-06, the Company allocated the total amount incurred to the liability and equity components of the 2025 Convertible Notes based on their relative values. Issuance costs attributable to the liability component were $12.8 million and will be amortized to interest expense using the effective interest method over the contractual term. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity. Upon adoption of ASU 2020-06 on January 1,

2021, the Company reversed the allocation of the issuance costs to the equity component and accounted for the entire amount as debt issuance cost that will be amortized as interest expense over the remaining term at an effective interest rate of 0.43% for the 2025 Convertible Notes with a cumulative adjustment to retained earnings on the adoption date.

Upon adoption of ASU 2020-06, the difference between the estimated fair value and the carrying value upon conversion is accounted for as a reduction to the related debt issuance costs, with the remainder recognized as additional paid in capital to reflect the par value of the shares issued.

As of September 30, 2022, the if-converted value of the 2025 Convertible Notes did not exceed the outstanding principal amount.

Convertible Notes due in 2023

On May 25, 2018, the Company issued an aggregate principal amount of $862.5 million of convertible senior notes ("2023 Convertible Notes"). The 2023 Convertible Notes mature on May 15, 2023, unless earlier converted or repurchased, and bear interest at a rate of 0.50% payable semi-annually on May 15 and November 15 of each year. The 2023 Convertible Notes are convertible at an initial conversion rate of 12.8456 shares of the Company's Class A common stock per $1,000 principal amount of 2023 Convertible Notes, which is equivalent to an initial conversion price of approximately $77.85 per share of Class A common stock. Holders may convert their 2023 Convertible Notes at any time prior to the close of business on the business day immediately preceding February 15, 2023 only under the following circumstances: (i) during any calendar quarter (and only during such calendar quarter), if the last reported sale price of the Company’s Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day; (ii) during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the indenture governing the 2023 Convertible Notes) per $1,000 principal amount of 2023 Convertible Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company’s Class A common stock and the conversion rate on each such trading day; or (iii) upon the occurrence of specified corporate events, including certain distributions, the occurrence of a fundamental change (as defined in the indenture governing the 2023 Convertible Notes) or a transaction resulting in the Company’s Class A common stock converting into other securities or property or assets. On or after February 15, 2023, up until the close of business on the second scheduled trading day immediately preceding the maturity date, a holder may convert all or any portion of its 2023 Convertible Notes regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of its Class A common stock, or a combination of cash and shares of its Class A common stock, at the Company’s election. The circumstances to allow the holders to convert their 2023 Convertible Notes were met in the fourth quarter of 2020 and continued to be met through the first half of 2022. The circumstances were not met in the third quarter of 2022. As of September 30, 2022, certain holders of the 2023 Convertible Notes had converted an aggregate principal amount of $401.9 million of their 2023 Convertible Notes. The Company has settled the conversions through the issuance of 5.2 million shares of the Company's Class A common stock.

In accounting for the issuance of the 2023 Convertible Notes, prior to the adoption of ASU 2020-06, the Company separated the 2023 Convertible Notes into liability and equity components. The carrying amount of the liability component was calculated by measuring the fair value of a similar debt instrument that does not have an associated convertible feature. The carrying amount of the equity component representing the conversion option was $155.3 million and was determined by deducting the fair value of the liability component from the par value of the 2023 Convertible Notes. The equity component was not remeasured as long as it continued to meet the conditions for equity classification. The debt discount was amortized to interest expense over the term of the 2023 Convertible Notes at an effective interest rate of 4.69% over the contractual terms of the 2023 Convertible Notes. Upon adoption of ASU 2020-06 on January 1, 2021, the Company reversed the separation of the debt and equity components and accounted for the 2023 Convertible Notes wholly as debt. The Company also reversed the amortization of the debt discount, with a cumulative adjustment to retained earnings on the adoption date.

Debt issuance costs related to the 2023 Convertible Notes comprised of discounts and commissions payable to the initial purchasers of $6.0 million and third-party offering costs of $0.8 million. Prior to the adoption of ASU 2020-06, the Company allocated the total amount incurred to the liability and equity components of the 2023 Convertible Notes based on their relative values. Issuance costs attributable to the liability component were $5.6 million and will be amortized to interest expense using the effective interest method over the contractual term. Issuance costs attributable to the equity component were netted with the equity component in stockholders’ equity. Upon adoption of ASU 2020-06 on January 1, 2021, the Company reversed the allocation of the issuance costs to the equity component and accounted for the entire amount as debt

issuance cost that will be amortized as interest expense over the remaining term at an effective interest rate of 0.66% for the 2023 Convertible Notes with a cumulative adjustment to retained earnings on the adoption date.

Upon adoption of ASU 2020-06, the difference between the estimated fair value and the carrying value upon conversion is accounted for as a reduction to the related debt issuance costs, with the remainder recognized as additional paid in capital to reflect the par value of the shares issued.

As of September 30, 2022, the if-converted value of the 2023 Convertible Notes did not exceed the outstanding principal amount.

Convertible Notes due in 2022

On March 6, 2017, the Company issued an aggregate principal amount of $440.0 million of convertible senior notes ("2022 Convertible Notes"). As of the maturity date on March 1, 2022, holders of the 2022 Convertible Notes had converted the full aggregate principal amount of $440.0 million of the 2022 Convertible Notes, of which $0.5 million was converted in 2022. The conversions that occurred during 2022 were settled entirely in shares of the Company's Class A common stock.

Notes

The 2022 Convertible Notes, 2023 Convertible Notes, 2025 Convertible Notes, 2026 Convertible Notes, and 2027 Convertible Notes (collectively, the "Convertible Notes"), together with the Senior Notes, are collectively referred to as the "Notes."

The net carrying amount of the Notes as of September 30, 2022 were as follows (in thousands):

	Principal Outstanding	Unamortized Debt Issuance Costs	Net Carrying Value
2031 Senior Notes	$ 1,000,000	$ (12,182)	$ 987,818
2026 Senior Notes	1,000,000	(10,290)	989,710
2027 Convertible Notes	575,000	(6,800)	568,200
2026 Convertible Notes	575,000	(6,112)	568,888
2025 Convertible Notes	1,000,000	(7,371)	992,629
2023 Convertible Notes [(i)]	460,630	(460)	460,170
Total	$ 4,610,630	$ (43,215)	$ 4,567,415

[(i)] Net carrying value disclosed as current portion of long-term debt within total current liabilities on the condensed consolidated balance sheet.

The net carrying amount of the Notes as of December 31, 2021 were as follows (in thousands):

	Principal Outstanding	Unamortized Debt Issuance Costs	Net Carrying Value
2031 Senior Notes	$ 1,000,000	$ (13,226)	$ 986,774
2026 Senior Notes	1,000,000	(12,374)	987,626
2027 Convertible Notes	575,000	(7,792)	567,208
2026 Convertible Notes	575,000	(7,379)	567,621
2025 Convertible Notes	1,000,000	(9,639)	990,361
2023 Convertible Notes	460,630	(1,012)	459,618
2022 Convertible Notes [(i)]	455	—	455
Total	$ 4,611,085	$ (51,422)	$ 4,559,663

[(i)] Net carrying value disclosed as current portion of long-term debt within total current liabilities on the condensed consolidated balance sheet.

The Company recognized interest expense on the Notes as follows (in thousands, except for percentages):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Contractual interest expense	16,846	$ 17,047	50,012	$ 27,272
Amortization of debt issuance costs [(i)]	2,766	2,868	8,208	7,005
Total	$ 19,612	$ 19,915	$ 58,220	$ 34,277

[(i)] Upon adoption of ASU 2020-06, the debt discount associated with the equity component on convertible debt outstanding was reversed which resulted in a decrease in the amount of non-cash interest expense to be recognized going forward.

Convertible Note Hedge and Warrant Transactions

In connection with the offering of the 2027 Convertible Notes, the Company entered into convertible note hedge transactions ("2027 Convertible Note Hedges") with certain financial institution counterparties ("2027 Note Hedge Counterparties") whereby the Company has the option to purchase a total of approximately 1.9 million shares of its Class A common stock at a price of approximately $299.13 per share. The total cost of the 2027 convertible note hedge transactions was $104.3 million. In addition, the Company sold warrants ("2027 Warrants") to the 2027 Note Hedge Counterparties whereby the 2027 Note Hedge Counterparties have the option to purchase a total of 1.9 million shares of the Company's Class A common stock at a price of approximately $414.18 per share for the 2027 Warrants. The Company received $68.0 million in cash proceeds from the sale of the 2027 Warrants. Taken together, the purchase of the 2027 Convertible Note Hedges and sale of the 2027 Warrants are intended to reduce dilution from the conversion of the 2027 Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the converted 2027 Convertible Notes, as the case may be, and to effectively increase the overall conversion price from approximately $299.13 per share to approximately $414.18 per share for the 2027 Warrants. As these instruments are considered indexed to the Company's own stock and are considered equity classified, the 2027 Convertible Note Hedges and 2027 Warrants are recorded in stockholders' equity, are not accounted for as derivatives, and are not remeasured each reporting period. The net costs incurred in connection with the 2027 Convertible Note Hedges and 2027 warrant transactions were recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets.

In connection with the offering of the 2026 Convertible Notes, the Company entered into convertible note hedge transactions ("2026 Convertible Note Hedges") with certain financial institution counterparties ("2026 Note Hedge Counterparties") whereby the Company has the option to purchase a total of approximately 1.9 million shares of its Class A common stock at a price of approximately $299.13 per share. The total cost of the 2026 Convertible Note Hedges was $84.6 million. In addition, the Company sold warrants ("2026 Warrants") to the 2026 Note Hedge Counterparties whereby the 2026 Note Hedge Counterparties have the option to purchase a total of 1.9 million shares of the Company's Class A common stock at a price of approximately $368.16 per share for the 2026 Warrants. The Company received $64.6 million in cash proceeds from the sale of the 2026 Warrants. Taken together, the purchase of the 2026 Convertible Note Hedges and sale of the 2026 Warrants are intended to reduce dilution from the conversion of the 2026 Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the converted 2026 Convertible Notes, as the case may be, and to effectively increase the overall conversion price from approximately $299.13 per share to approximately $368.16 per share for the 2026 Warrants. As these instruments are considered indexed to the Company's own stock and are considered equity classified, the 2026 Convertible Note Hedges and 2026 Warrants are recorded in stockholders' equity, are not accounted for as derivatives, and are not remeasured each reporting period. The net costs incurred in connection with the 2026 Convertible Note Hedges and 2026 Warrants were recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets.

In connection with the offering of the 2025 Convertible Notes, the Company entered into convertible note hedge transactions ("2025 Convertible Note Hedges") with certain financial institution counterparties ("2025 Note Hedge Counterparties") whereby the Company has the option to purchase a total of approximately 8.3 million shares of its Class A common stock at a price of approximately $121.01 per share. The total cost of the 2025 Convertible Note Hedges was $149.2 million. In addition, the Company sold warrants ("2025 Warrants") to the 2025 Note Hedge Counterparties whereby the 2025 Note Hedge Counterparties have the option to purchase a total of 8.26 million shares of the Company's Class A common stock at a price of approximately $161.34 per share. The Company received $99.5 million in cash proceeds from the sale of the 2025 Warrants. Taken together, the purchase of the 2025 Convertible Note Hedges and sale of the 2025 Warrants are intended to reduce dilution from the conversion of the 2025 Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the converted 2025 Convertible Notes, as the case may be, and to effectively increase the overall conversion price from approximately $121.01 per share to approximately $161.34 per share. As these instruments are considered indexed to the Company's own stock and are considered equity classified, the 2025 Convertible Note Hedges and 2025 Warrants are recorded in stockholders' equity, are not accounted for as derivatives, and are not remeasured each reporting period. The net costs incurred in connection with the 2025 Convertible Note Hedges and 2025 Warrants were recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets.

In connection with the offering of the 2023 Convertible Notes, the Company entered into convertible note hedge transactions ("2023 Convertible Note Hedges") with certain financial institution counterparties ("2023 Note Hedge Counterparties") whereby the Company has the option to purchase a total of approximately 11.1 million shares of its Class A common stock at a price of approximately $77.85 per share. The total cost of the 2023 Convertible Note Hedges was $172.6 million. In addition, the Company sold warrants ("2023 Warrants") to the 2023 Note Hedge Counterparties whereby the 2023 Note Hedge Counterparties have the option to purchase a total of 11.1 million shares of the Company's Class A common stock at a price of approximately $109.26 per share. The Company received $112.1 million in cash proceeds from the sale of the 2023 Warrants. Taken together, the purchase of the 2023 Convertible Note Hedges and sale of the 2023 Warrants are intended to reduce dilution from the conversion of the 2023 Convertible Notes and/or offset any cash payments the Company is required to make in excess of the principal amount of the converted 2023 Convertible Notes, as the case may be, and to effectively increase the overall conversion price from approximately $77.85 per share to approximately $109.26 per share. As these instruments are considered indexed to the Company's own stock and are considered equity classified, the 2023 Convertible Note Hedges and 2023 Warrants are recorded in stockholders' equity, are not accounted for as derivatives, and are not remeasured each reporting period. The net costs incurred in connection with the 2023 Convertible Note Hedges and 2023 Warrants were recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets. The Company also exercised a pro-rata portion of the 2023 Convertible Note Hedges to offset the shares of the Company's Class A common stock issued to settle the conversion of the 2023 Convertible Notes. The Company has received 3.0 million shares of the Company's Class A common stock from the 2023 Note Hedge Counterparties, of which 1.0 million shares were received in the nine months ended September 30, 2022.

In connection with the offering of the 2022 Convertible Notes, the Company entered into convertible note hedge transactions ("2022 Convertible Note Hedges") with certain financial institution counterparties ("2022 Note Hedge Counterparties") whereby the Company had the option to purchase a total of approximately 19.2 million shares of its Class A common stock at a price of approximately $22.95 per share. The total cost of the 2022 convertible note hedge transactions was $92.1 million. In addition, the Company sold warrants ("2022 Warrants") to the 2022 Note Hedge Counterparties whereby the 2022 Note Hedge Counterparties had the option to purchase a total of 19.2 million shares of the Company's Class A common stock at a price of approximately $31.18 per share. The Company received $57.2 million in cash proceeds from the sale of the 2022 Warrants. Taken together, the purchase of the 2022 Convertible Note Hedges and sale of the 2022 Warrants were intended to reduce dilution from the conversion of the 2022 Convertible Notes and/or offset any cash payments the Company was required to make in excess of the principal amount of the converted 2022 Convertible Notes, as the case may be, and to effectively increase the overall conversion price from approximately $22.95 per share to approximately $31.18 per share. As these instruments were considered indexed to the Company's own stock and were considered equity classified, the 2022 Convertible Note Hedges and 2022 Warrants were recorded in stockholders' equity, were not accounted for as derivatives, and were not remeasured each reporting period. The net costs incurred in connection with the 2022 Convertible Note Hedges and 2022 Warrants were recorded as a reduction to additional paid-in capital on the condensed consolidated balance sheets. The Company exercised all of the 2022 Convertible Note Hedges to offset the shares of the Company's Class A common stock issued to settle the conversion of the 2022 Convertible Notes discussed above. The 2022 Convertible Note Hedges were net share settled, and as of the 2022 Convertible Notes maturity date on March 1, 2022, the Company had received 15.0 million shares of the Company's Class A common stock from the 2022 Note Hedge Counterparties, of which 0.2 million shares were received in 2022.

NOTE 16 - INCOME TAXES

The Company recorded an income tax benefit of $17.3 million and $17.7 million for the three and nine months ended September 30, 2022, respectively, compared to an income tax expense of $0.5 million and an income tax benefit of $8.0 million for the three and nine months ended September 30, 2021, respectively. The difference between income before income tax at the U.S. federal statutory rate and the income tax benefit recorded for the three and nine months ended September 30, 2022 is primarily due to a change in the valuation allowance in the U.S. and certain foreign jurisdictions.

The difference between the income tax benefit for the three and nine months ended September 30, 2022 and the income tax expense for the three months ended September 30, 2021 and the income tax benefit for the nine months ended September 30, 2021 primarily relates to a current year loss of an entity with sufficient deferred tax liabilities available to realize it in future periods, a decrease in excess share-based compensation deductions, and a change in the valuation allowance in certain jurisdictions.

The Company is subject to income taxes in the U.S. and certain foreign tax jurisdictions. The tax provision for the three and nine months ended September 30, 2022 and September 30, 2021 is calculated on a jurisdictional basis. The Company estimated the worldwide income tax provision using the estimated annual effective income tax rate expected to be applicable for the full year. The Company's effective tax rate may be subject to fluctuations during the year as new information is obtained, which may affect the assumptions used to estimate the annual effective tax rate, including factors such as the mix of forecasted pre-tax earnings in the various jurisdictions in which the Company operates, changes in valuation allowances against deferred tax assets, the recognition and de-recognition of tax benefits related to uncertain tax positions, and changes in or the interpretation of tax laws in jurisdictions where the Company conducts business.

As of September 30, 2022, the Company retained a full valuation allowance on its net deferred tax assets in certain jurisdictions. The realization of the Company's deferred tax assets depends primarily on its ability to generate taxable income in future periods. The amount of deferred tax assets considered realizable in future periods may change as management continues to reassess the underlying factors it uses in estimating future taxable income.

NOTE 17 - STOCKHOLDERS' EQUITY

Preferred Stock

As of September 30, 2022, the Company is authorized to issue 100,000,000 shares of preferred stock, each with a par value of 0.0000001 per share. No shares of preferred stock were outstanding as of September 30, 2022.

Common Stock

The Company has two classes of authorized common stock outstanding: Class A common stock and Class B common stock. Class A common stock and Class B common stock are referred to as "common stock" throughout these Notes to the Condensed Consolidated Financial Statements, unless otherwise noted. Holders of shares of Class A common stock are entitled to one vote per share, while holders of shares of Class B common stock are entitled to ten votes per share. Shares of the Company's Class B common stock are convertible into an equivalent number of shares of its Class A common stock and generally convert into shares of its Class A common stock upon transfer. The holders of Class A common stock and Class B common stock have no preemptive or other subscription rights and there are no redemption or sinking fund provisions with respect to such shares. As of September 30, 2022, the Company was authorized to issue 1,000,000,000 shares of Class A common stock and 500,000,000 shares of Class B common stock, each with a par value of 0.0000001 per share. As of September 30, 2022, there were 535,879,345 shares of Class A common stock and 60,657,578 shares of Class B common stock outstanding. Following the Company's initial public offering in 2015, all new stock options and stock-based awards are granted in Class A common stock.

Warrants

In conjunction with the 2022 Convertible Notes offering, the Company sold the 2022 Warrants whereby the counterparties have the option to purchase a total of approximately 19.2 million shares of the Company's Class A common stock at a price of $31.18 per share. The 2022 Warrants expired evenly over a 60 trading day period starting on June 1, 2022 and ending on August 25, 2022. During the three and nine months ended September 30, 2022, warrants were exercised for 7.9 million and 10.9 million shares, respectively.

In conjunction with the 2023 Convertible Notes offering, the Company sold the 2023 Warrants whereby the counterparties have the option to purchase a total of approximately 11.1 million shares of the Company's Class A common stock at a price of $109.26 per share. The 2023 Warrants expire evenly over a 60 trading day period starting on August 15, 2023. None of the warrants were exercised as of September 30, 2022.

In conjunction with the 2025 Convertible Notes offering, the Company sold the 2025 Warrants whereby the counterparties have the option to purchase a total of approximately 8.3 million shares of the Company's Class A common stock at a price of $161.34 per share. The 2025 Warrants expire evenly over a 60 trading day period starting on June 1, 2025. None of the warrants were exercised as of September 30, 2022.

In conjunction with the 2026 Convertible Notes offering, the Company sold the 2026 Warrants whereby the counterparties have the option to purchase a total of approximately 1.9 million shares of the Company's Class A common stock at a price of $368.16 per share. The 2026 Warrants expire evenly over a 60 trading day period starting on August 1, 2026. None of the warrants were exercised as of September 30, 2022.

In conjunction with the 2027 Convertible Notes offering, the Company sold the 2027 Warrants whereby the counterparties have the option to purchase a total of approximately 1.9 million shares of the Company's Class A common stock at a price of $414.18 per share. The 2027 Warrants expire evenly over a 60 trading day period starting on February 1, 2028. None of the warrants were exercised as of September 30, 2022.

Conversion of Convertible Notes and Exercise of Convertible Note Hedges

In connection with the conversion of the 2022 Convertible Notes, the Company issued an aggregate 16.5 million shares of Class A common stock as of the maturity date on March 1, 2022, of which an immaterial number of shares were issued in 2022. The Company also exercised all of the 2022 Convertible Note Hedges and received 15.0 million shares of Class A common stock from the 2022 Note Hedge Counterparties to offset the shares issued, which is inclusive of 0.2 million shares that were received in 2022.

In connection with the conversion of the 2023 Convertible Notes, the Company has issued an aggregate 5.2 million shares of Class A common stock as of September 30, 2022, of which an immaterial number of shares were issued in the nine months ended September 30, 2022. The Company also exercised a pro-rata portion of the 2023 Convertible Note Hedges and received 3.0 million shares of Class A common stock from the 2023 Note Hedge Counterparties to offset the shares issued as of September 30, 2022, which is inclusive of 1.0 million shares that were received in the nine months ended September 30, 2022.

Stock Plans

The Company maintains two share-based employee compensation plans: the 2009 Stock Plan ("2009 Plan") and the 2015 Equity Incentive Plan ("2015 Plan"). The 2015 Plan serves as the successor to the 2009 Plan. The 2015 Plan became effective as of November 17, 2015. Outstanding awards under the 2009 Plan continue to be subject to the terms and conditions of the 2009 Plan. Since November 17, 2015, no additional awards have been nor will be granted in the future under the 2009 Plan.

Under the 2015 Plan, shares of the Company's Class A common stock are reserved for the issuance of incentive and nonstatutory stock options ("ISOs" and "NSOs", respectively), restricted stock awards ("RSAs"), restricted stock units ("RSUs"), performance shares, and stock bonuses to qualified employees, directors, and consultants. The awards must be granted at a price per share not less than the fair market value at the date of grant. Initially, 30,000,000 shares were reserved under the 2015 Plan and any shares subject to options or other similar awards granted under the 2009 Plan that expire, are

forfeited, are repurchased by the Company, or otherwise terminate unexercised, will become available under the 2015 Plan. The number of shares available for issuance under the 2015 Plan has been and will be increased on the first day of each fiscal year, in an amount equal to the least of (i) 40,000,000 shares, (ii) 5% of the outstanding shares on the last day of the immediately preceding fiscal year, or (iii) such number of shares determined by the administrator of the Plan. The administrator consists of the board of directors who then delegates the responsibilities to the compensation committee. As of September 30, 2022, the total number of shares subject to stock options, RSAs, and RSUs outstanding under the 2015 Plan was 26,214,639, and 124,801,371 shares were available for future issuance. As of September 30, 2022, the total number of shares subject to stock options, RSAs, and RSUs outstanding under the 2009 Plan was 4,400,536.

A summary of stock option activity for the nine months ended September 30, 2022 is as follows (in thousands, except share and per share data):

	Number of Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding, beginning of the year	8,916,100	$ 26.09	3.89	$ 1,226,105
Granted	796,719	94.61		
Exercised	(2,173,106)	7.96		
Forfeited	(85,258)	103.84		
Expired	(12,124)	$ 194.03		
Outstanding, end of the period	7,442,331	$ 37.56	4.02	$ 253,390
Exercisable, end of the period	6,222,745	$ 24.65	3.22	$ 250,015

Restricted Stock Activity

Activity related to RSAs and RSUs during the nine months ended September 30, 2022 is set forth below:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested, beginning of the year	13,221,953	$ 137.86
Granted	18,062,856	98.19
Vested	(5,753,971)	115.57
Forfeited	(2,357,994)	124.96
Unvested, end of the period	23,172,844	$ 113.78

Share-Based Compensation

The fair value of stock options and employee stock purchase plan rights are estimated on the date of grant using the Black-Scholes-Merton option valuation model. The fair value of RSAs and RSUs is determined by the closing price of the Company's common stock on each grant date.

The following table summarizes the effects of share-based compensation on the Company's condensed consolidated statements of operations (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cost of revenue	$ 104	$ 99	$ 352	$ 310
Product development	184,569	121,209	508,781	314,265
Sales and marketing	28,744	16,023	75,133	40,680
General and administrative	49,316	27,680	210,528	74,744
Total	$ 262,733	$ 165,011	$ 794,794	$ 429,999

The Company recorded $16.0 million and $41.9 million of share-based compensation expense related to the Company's 2015 Employee Stock Purchase Plan during the three and nine months ended September 30, 2022, respectively, compared to $7.6 million and 24.4 million during three and nine months ended September 30, 2021, respectively, which are included in the table above. The total share-based compensation expense for the nine months ended September 30, 2022 also includes $66.3 million related to the acceleration of various share-based arrangements associated with the acquisition of Afterpay.

The Company capitalized $5.6 million and $13.2 million of share-based compensation expense related to capitalized software costs during the three and nine months ended September 30, 2022, respectively, compared to $3.6 million and $11.0 million during the three and nine months ended September 30, 2021, respectively.

As of September 30, 2022, there was $2.6 billion of total unrecognized compensation cost related to outstanding stock options and restricted stock awards that are expected to be recognized over a weighted-average period of 2.93 years.

NOTE 18 - NET INCOME (LOSS) PER SHARE

Basic net income (loss) per share is computed by dividing the net income (loss) by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income by the weighted-average number of shares of common stock outstanding adjusted for the dilutive effect of all potential shares of common stock. In periods when the Company reported a net loss, diluted net loss per share is the same as basic net loss per share because the effects of potentially dilutive items were anti-dilutive.

The following table presents the calculation of basic and diluted net income (loss) per share (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net income (loss)	$ (18,744)	$ (2,876)	$ (435,384)	$ 239,810
Less: Net loss attributable to noncontrolling interests	(4,033)	(2,960)	(8,460)	(3,303)
Net income (loss) attributable to common stockholders	$ (14,711)	$ 84	$ (426,924)	$ 243,113
Denominator:				
Basic shares:				
Weighted-average shares used to compute basic net income (loss) per share	592,672	460,654	572,234	457,039
Diluted shares:				
Stock options, restricted stock, and employee stock purchase plan	—	17,180	—	18,991
Convertible notes	—	—	—	18,727
Common stock warrants	—	26,286	—	25,447
Weighted-average shares used to compute diluted net income (loss) per share	592,672	504,120	572,234	520,204
Net income (loss) per share attributable to common stockholders:				
Basic	$ (0.02)	$ 0.00	$ (0.75)	$ 0.53
Diluted	$ (0.02)	$ 0.00	$ (0.75)	$ 0.48

The following potential common shares were excluded from the calculation of diluted net income (loss) per share because their effect would have been anti-dilutive for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Stock options, restricted stock, and employee stock purchase plan	35,272	7,652	30,338	7,161
Convertible notes	18,025	20,884	18,030	3,845
Common stock warrants	27,929	16,075	37,241	16,914
Total anti-dilutive securities	81,226	44,611	85,609	27,920

NOTE 19 - RELATED PARTY TRANSACTIONS

In July 2019, the Company entered into an operating lease agreement to lease certain office space located in St. Louis, Missouri, from an affiliate of one of the Company's co-founders and current member of its board of directors, Mr. Jim McKelvey. The lease commencement date varies by floor beginning in May 2020. The term of the agreement is 15.5 years with total future minimum lease payments over the term of approximately $42.7 million. As of September 30, 2022, the Company had recorded right-of-use assets of $20.1 million and associated lease liabilities of $32.7 million related to this lease arrangement.

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Litigation and Regulatory Matters

The Company is currently subject to, and may in the future be involved in, various litigation matters, legal claims, investigations, and regulatory proceedings.

The Company received Civil Investigative Demands ("CIDs") from the Consumer Financial Protection Bureau ("CFPB"), as well as from Attorneys General from multiple states, seeking the production of information related to, among other things, Cash App's handling of customer complaints and disputes. The Company is cooperating with the CFPB and the state Attorneys General in connection with these CIDs. The Company has accrued a liability for an estimated amount in connection with these CIDs in accordance with ASC 450-20, *Contingencies: Loss Contingencies.* The accrued amount was not material as of September 30, 2022. Given the status of these matters, it is not possible to reliably determine the range of potential liability in excess of the accrued amounts that could result from these investigations. The Company regularly assesses the likelihood of adverse outcomes resulting from litigation and regulatory proceedings and adjusts the financial statements based on such assessments. The eventual outcome of these matters may differ materially from the estimates the Company has currently accrued in the financial statements.

On December 16, 2021, H&R Block, Inc. and HRB Innovations, Inc. (collectively, "HRB") filed a complaint for trademark infringement against the Company in the United States District Court for the Western District of Missouri. HRB alleges that the Company's rebranding to Block, Inc. and use of a green square logo in connection with the Company's Cash App Taxes product infringe HRB's trademarks and are likely to cause consumer confusion. HRB demands that the Company stop using the Block name and associated branding, and further demands that the Company stop using the green square Cash App logo. A preliminary injunction granted by the trial court on April 28, 2022 preventing the Company from using its Block, Inc. name in connection with Cash App Taxes was stayed by the appellate court on June 8, 2022 for the duration of the Company's appeal of the preliminary injunction. The Company continues to believe this lawsuit is without merit and intends to vigorously defend itself in this matter.

In addition, the Company is subject to various legal matters, investigations, claims, and disputes arising in the ordinary course of business. The Company cannot at this time fairly estimate a reasonable range of exposure, if any, of the potential liability with respect to these matters. Although occasional adverse decisions or settlements may occur, the Company does not believe that the final disposition of any of these other matters will have a material adverse effect on its results of operations, financial position, or liquidity. The Company cannot give any assurance regarding the ultimate outcome of these matters, and their resolution could be material to the Company's operating results for any particular period.

Other Contingencies

The Company is under examination, or may be subject to examination, by several tax authorities. These examinations may lead to proposed adjustments to the Company's taxes or net operating losses with respect to years under examination, as well as subsequent periods. The Company regularly assesses the likelihood of adverse outcomes resulting from tax examinations to determine the adequacy of the Company's provision for direct and indirect taxes. The Company continues to monitor the progress of ongoing discussions with tax authorities and the effect, if any, on the Company's provision for direct and indirect taxes.

Management believes that an adequate provision has been made for any adjustments that may result from tax examinations. However, the outcome of tax audits cannot be predicted with certainty. If any issues addressed in the Company's tax audits are resolved in a manner not consistent with the Company's expectations, the Company could be required to adjust the Company's provision for direct and indirect taxes in the period such resolution occurs.

NOTE 21 - SEGMENT AND GEOGRAPHICAL INFORMATION

The Company reports its segments to reflect the manner in which the Company's chief operating decision maker ("CODM") reviews and assesses performance. Accordingly, the Company has two reportable segments, Square and Cash App. The results of Afterpay have been equally allocated to the Cash App and Square segments as management has concluded that Afterpay's BNPL platform will contribute equally to both the Cash App and Square platforms. Further, Afterpay does not have a segment manager who reports to the CODM. Rather, the operations of Afterpay are managed by the segment managers of Cash App and Square, who are responsible for allocating resources and evaluating the performance of Afterpay. Products and services that are not assigned to a specific reportable segment, including but not limited to TIDAL, TBD, and Spiral, are aggregated and presented within a general corporate and other category. Square and Cash App are defined as follows:

- Cash App includes the financial tools available to individuals within the mobile Cash App, including peer-to-peer payments, bitcoin and stock investments. Cash App also includes Cash App Card which is linked to customer stored balances that customers can use to pay for purchases or withdraw funds from an ATM.

- Square includes managed payment services, software solutions, hardware, and financial services offered to sellers, excluding those that involve Cash App.

The primary financial measures used by the CODM to evaluate performance and allocate resources are revenue and gross profit. The CODM does not evaluate performance or allocate resources based on segment asset data, and therefore such information is not included.

The following tables present information on the reportable segments revenue and segment gross profit (in thousands):

	Three Months Ended September 30, 2022				Nine Months Ended September 30, 2022			
	Cash App	Square	Corporate and Other [i]	Total	Cash App	Square	Corporate and Other [i]	Total
Revenue:								
Transaction-based revenue	$ 118,459	$ 1,399,431	$ —	$ 1,517,890	$ 343,768	$ 3,882,798		$ 4,226,566
Subscription and services-based revenue	803,673	331,703	56,135	1,191,511	2,146,163	932,188	167,573	3,245,924
Hardware revenue	—	43,388	—	43,388	—	128,765		128,765
Bitcoin revenue	1,762,752	—	—	1,762,752	5,279,430			5,279,430
Segment revenue (ii)	$ 2,684,884	$ 1,774,522	$ 56,135	$ 4,515,541	$ 7,769,361	$ 4,943,751	$ 167,573	$ 12,880,685
Segment gross profit (iii)	$ 774,470	$ 782,968	$ 9,651	$ 1,567,089	$ 2,103,023	$ 2,199,628	$ 29,046	$ 4,331,697

	Three Months Ended September 30, 2021				Nine Months Ended September 30, 2021			
	Cash App	Square	Corporate and Other [i]	Total	Cash App	Square	Corporate and Other [i]	Total
Revenue:								
Transaction-based revenue	$ 103,192	$ 1,193,848	$ —	$ 1,297,040	$ 306,101	$ 3,178,144	$ —	$ 3,484,245
Subscription and services-based revenue	474,779	162,341	57,650	694,770	1,406,313	434,673	96,643	1,937,629
Hardware revenue	—	37,255	—	37,255	—	109,769	—	109,769
Bitcoin revenue	1,815,662	—	—	1,815,662	8,051,026	—	—	8,051,026
Segment revenue	$ 2,393,633	$ 1,393,444	$ 57,650	$ 3,844,727	$ 9,763,440	$ 3,722,586	$ 96,643	$ 13,582,669
Segment gross profit	$ 511,717	$ 606,225	$ 15,273	$ 1,133,215	$ 1,553,255	$ 1,659,378	$ 25,147	$ 3,237,780

[i] Corporate and other represents results related to products and services that are not assigned to a specific reportable segment.

[ii] The revenue for both Cash App and Square for the three and nine months ended September 30, 2022 includes $105.0 million and $273.9 million each, respectively, from Afterpay post-acquisition results following the closing of the acquisition.

[iii] The gross profit for both Cash App and Square for the three and nine months ended September 30, 2022 includes $74.9 million and $195.8 million each, respectively, from Afterpay post-acquisition results following the closing of the acquisition.

The following table provides a reconciliation of total segment gross profit to the Company's income (loss) before applicable income taxes (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Total segment gross profit	$ 1,567,089	$ 1,133,215	$ 4,331,697	$ 3,237,780
Less: Product development	548,037	360,729	1,531,088	992,498
Less: Sales and marketing	485,838	409,073	1,518,227	1,132,411
Less: General and administrative	395,437	267,348	1,235,306	683,969
Less: Transaction, loan, and consumer receivable losses	147,586	62,306	395,433	130,874
Less: Bitcoin impairment losses	1,619	6,000	37,580	71,126
Less: Amortization of customer and other intangible assets	37,361	4,763	103,414	11,176
Less: Interest expense, net	6,042	13,409	34,756	20,126
Less: Other expense (income), net	(18,798)	12,011	(71,036)	(36,249)
Income (loss) before applicable income taxes	$ (36,033)	$ (2,424)	$ (453,071)	$ 231,849

Revenue

Revenue by geography is based on the addresses of the sellers or customers. The following table details revenue by geographic area (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
United States	$ 4,195,291	$ 3,679,609	$ 12,007,976	$ 13,179,547
International	320,250	165,118	872,709	403,122
Total	$ 4,515,541	$ 3,844,727	$ 12,880,685	$ 13,582,669

No individual country from the international markets contributed more than 10% of total revenue for the three and nine months ended September 30, 2022 and 2021.

Long-Lived Assets

The following table details long-lived assets by geography (in thousands):

	September 30, 2022	December 31, 2021
United States	$ 8,105,759	$ 1,426,103
Australia	4,523,768	26,680
Other international	1,701,230	55,088
Total	$ 14,330,757	$ 1,507,871

Assets by reportable segment were not included, as this information is not reviewed by the CODM to make operating decisions or allocate resources, and is reviewed on a consolidated basis.

NOTE 22 - SUPPLEMENTAL CASH FLOW INFORMATION

The supplemental disclosures of cash flow information consist of the following (in thousands):

	Nine Months Ended September 30,	
	2022	2021
Supplemental cash flow data:		
Cash paid for interest	$ 42,836	$ 4,770
Cash paid for income taxes	18,629	9,071
Supplemental disclosures of non-cash investing and financing activities:		
Right-of-use assets obtained in exchange for operating lease obligations	37,939	40,712
Purchases of property and equipment in accounts payable and accrued expenses	11,835	21,746
Deferred purchase consideration related to business combinations	14,377	54,132
Fair value of common stock issued related to business combinations	(13,827,929)	(28,735)
Fair value of common stock issued to settle the conversion of convertible notes	(2,551)	(742,174)
Fair value of common stock shares received to settle convertible note hedges	133,144	1,623,095
Fair value of common stock issued in connection with the exercise of common stock warrants	(806,446)	—
Bitcoin lent to third-party borrowers	5,934	(5,994)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis in conjunction with the information set forth within the condensed consolidated financial statements and the notes thereto included elsewhere in this Quarterly Report on Form 10-Q, as well as our Annual Report on Form 10-K. The statements in this discussion regarding our expectations of our future performance, liquidity and capital resources, our plans, estimates, beliefs and expectations that involve risks and uncertainties, and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under "Risk Factors" and elsewhere in this Quarterly Report on Form 10-Q. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

On December 1, 2021, we changed our name as a corporate entity from Square to Block. We started Block with the Square ecosystem in February 2009 to enable businesses (also referred to as sellers) to accept card payments, an important capability that was previously inaccessible to many businesses. However, sellers need many solutions to thrive, and we have expanded to provide them additional products and services and to give them access to a cohesive ecosystem of tools to help them manage and grow their businesses. Similarly, with Cash App, we have built an ecosystem of financial services to help individuals manage their money. We also added TIDAL and TBD as businesses to contribute to our purpose of economic empowerment. TIDAL, a global music and entertainment platform, focuses on putting both the artist experience and fan experience at the center of decisions, providing artists direct access to their audience, and allowing fans deeper connections to their favorite artists through original, exclusive, and curated content and events. TBD, a bitcoin-focused business, was established to build an open developer platform with the goal of making it easy to create non-custodial, permissionless, and decentralized financial services. In January 2022, we completed the acquisition of Afterpay Limited ("Afterpay"), a buy now pay later ("BNPL") platform that facilitates commerce between retail merchants and consumers by allowing its retail merchant clients to offer their customers the ability to buy goods and services on a BNPL basis.

Square is a cohesive commerce ecosystem that helps sellers start, run, and grow their businesses, and consists of over 30 distinct software, hardware, and financial services products. We monetize the majority of these products through a combination of transaction, subscription, and service fees. Our suite of cloud-based software solutions are integrated to create a seamless experience and enable a holistic view of sales, customers, employees, and locations. With our offerings, a seller can accept payments in person via swipe, dip, or tap of a card, or online via Square Invoices, Square Virtual Terminal, or the seller's website. We also provide hardware to facilitate commerce for sellers, which includes magstripe readers, contactless and chip readers, Square Stand, Square Register, Square Terminal, and third-party peripherals. Square Banking consists of a suite of products for our U.S. sellers, including Square Savings, Square Checking, and Square Loans (formerly known as Square Capital). Square Checking is offered through a partner bank, and Square Savings and Square Loans are offered through our wholly-owned subsidiary Square Financial Services, Inc. ("Square Financial Services" or "SFS"). Square Financial Services offers banking services including certain loan and deposit products. In addition to the United States, we also offer Square Loans in Australia, Canada, and the United Kingdom. Square Savings allows sellers to automatically set aside funds from daily sales into savings accounts that earn interest. Square Checking provides sellers with an FDIC-insured account allowing them instant access to their sales and the ability to use those funds for business expenses using their Square Debit Card, withdraw from an ATM, transfer via ACH, or pay employees via Square Payroll. Square Loans offers sellers access to business loans based on the seller's payment processing history. We recognize revenue upon the sale of the loans to third-party investors or over time as the sellers pay down the outstanding amounts for the loans that we hold as available for sale or for investment. We have grown rapidly to serve millions of sellers that represent a diverse set of industries including services, food-related business, and retail businesses; and sizes, ranging from a single vendor at a farmers' market to multi-location businesses. Square sellers also span geographies, including the United States, Canada, Japan, Australia, the United Kingdom, Ireland, France, and Spain.

Our Cash App ecosystem provides financial tools for individuals to store, send, receive, spend, and invest money. With Cash App, customers can fund their account with a bank account or debit card, send and receive peer-to-peer payments, add physical cash at participating retailers, deposit mobile checks, and receive direct deposit payments. Customers can make purchases with their Cash App Card, a Visa prepaid card that is linked to the balance stored in Cash App. Additionally, customers can use Cash App Pay, a checkout option which allows customers to pay using their Cash App account. With Cash Boost, customers receive instant discounts when they make Cash App Card purchases or in-app purchases at designated merchants. Customers can also use their stored funds to buy and sell bitcoin and equity investments within Cash App. Cash

App Borrow offers customers a short-term loan to send, spend, or invest across the ecosystem. The Cash App ecosystem also includes a tax filing product for individuals, providing a seamless, mobile-first solution for individuals to file their taxes for free.

With the acquisition of Afterpay, we added a BNPL platform to our offerings. Through the use of this BNPL platform, consumers can generally split their purchase price across three to four installments, due over six to eight weeks, without paying fees (if payments are made on time). Afterpay provides consumers with the ability to get desired items now but pay for them later and can simultaneously help merchants increase sales and order values. The Company pays BNPL sellers the full order value upfront, less a merchant fee, and assumes the risk of non-payment from the end-customer. Apart from capped late payment fees, consumers do not incur additional fees. Afterpay also provides an online shop directory, which allows consumers to search by product category for stores that offer Afterpay as a payment option, and offers an Afterpay in-store card for in-person transactions at a merchant's point of sale. The BNPL platform is being integrated into the Cash App and Square ecosystems, strengthening the connection between these ecosystems, expanding access to more sellers and customers, increasing Square's omnichannel platform, and helping drive more commerce between our sellers and customers. Customers will be able to manage their installments and repayments directly within Cash App, potentially driving increased engagement, while the commerce discovery functionality will be integrated with Cash App to help drive lead generation for merchants and customer engagement. As discussed in Note 21, *Segment and Geographical Information* within Notes to the Condensed Consolidated Financial Statements, the financial results of Afterpay have been equally allocated to the Cash App and Square segments. Afterpay results are included in our financial statements from the date of acquisition, January 31, 2022.

Results of Operations

Revenue (in thousands, except for percentages)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	$ Change	% Change	2022	2021	$ Change	% Change
Transaction-based revenue	$ 1,517,890	$ 1,297,040	$ 220,850	17 %	$ 4,226,566	$ 3,484,245	$ 742,321	21 %
Subscription and services-based revenue	1,191,511	694,770	496,741	71 %	3,245,924	1,937,629	1,308,295	68 %
Hardware revenue	43,388	37,255	6,133	16 %	128,765	109,769	18,996	17 %
Bitcoin revenue	1,762,752	1,815,662	(52,910)	(3)%	5,279,430	8,051,026	(2,771,596)	(34)%
Total net revenue	$ 4,515,541	$ 3,844,727	$ 670,814	17 %	$ 12,880,685	$ 13,582,669	$ (701,984)	(5)%

Total net revenue for the three months ended September 30, 2022 increased by $670.8 million, or 17%, compared to the three months ended September 30, 2021. Total net revenue for the nine months ended September 30, 2022 decreased by $702.0 million, or 5%, compared to the nine months ended September 30, 2021. Bitcoin revenue decreased by $52.9 million and $2.8 billion for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021, respectively. Excluding bitcoin revenue, total net revenue increased by $723.7 million, or 36%, and $2.1 billion, or 37% in the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021, respectively. Revenue from the BNPL platform, which is attributable to Afterpay and includes fees generated from consumer receivables, late fees, and certain affiliate and advertising fees from the platform, was 5% of total net revenue in the three months ended September 30, 2022, and 4% from the date of acquisition through September 30, 2022.

Transaction-based revenue for the three and nine months ended September 30, 2022 increased by $220.9 million, or 17%, and $742.3 million, or 21%, compared to the three and nine months ended September 30, 2021, respectively. This increase was consistent with the increase in Gross Payment Volume ("GPV" as defined below in *Key Operating Metrics and Non-GAAP Financial Measures*) of 20% and 24% for the three and nine months ended September 30, 2022 compared to the three and nine months ended September 30, 2021, respectively. The increase in transaction-based revenue was driven by:

- continued improvements in both card-present and card-not-present volumes as a result of growth from in-person and online channels, as well as growth in our international markets; and
- growth in Cash App Business GPV, primarily driven by peer-to-peer transactions received by business accounts and peer-to-peer payments sent from a credit card.

Subscription and services-based revenue for the three and nine months ended September 30, 2022 increased by $496.7 million, or 71% and $1.3 billion, or 68%, compared to the three and nine months ended September 30, 2021, respectively. This increase was driven by:

- revenue generated from the BNPL platform following the acquisition of Afterpay in the first quarter of 2022, which contributed $209.9 million during the three months ended September 30, 2022, and $547.8 million from the date of acquisition through September 30, 2022;
- an increase in Cash App subscription and services-based revenue primarily due to increased Cash App Card usage and Cash App Instant Deposit volumes, as well as fees we charge customers who opt to use the faster bitcoin withdrawal options to move their bitcoin out of Cash App; and
- growth in seller banking products, including the increased origination volumes of Square Loans, as well as software subscriptions.

Subscription and services-based revenue also includes revenue generated from music streaming services following the acquisition of TIDAL in the second quarter of 2021.

Hardware revenue for the three and nine months ended September 30, 2022 increased by $6.1 million, or 16% and $19.0 million, or 17%, compared to the three and nine months ended September 30, 2021, respectively. This increase was primarily a result of an overall increase in sales of hardware across many of our product offerings including Square Terminal and Square Reader for contactless and chip.

Bitcoin revenue for the three and nine months ended September 30, 2022 decreased by $52.9 million, or 3% and $2.8 billion, or 34%, compared to the three and nine months ended September 30, 2021 respectively. As bitcoin revenue is the total sale amount of bitcoin to customers, the amount of bitcoin revenue recognized will fluctuate depending on customer demand as well as changes in the market price of bitcoin. This decrease in the three and nine months ended September 30, 2022 was driven by the market price of bitcoin and reduced customer demand compared to the three and nine months ended September 30, 2021, respectively. While bitcoin revenue contributed 39% and 41% of the total net revenue in the three and nine months ended September 30, 2022, gross profit generated from bitcoin transactions was only 2% and 3% of the total gross profit in the three and nine months ended September 30, 2022, respectively, compared to 4% and 5% of total gross profit in the three and nine months ended September 30, 2021 respectively.

Cost of Revenue (in thousands, except for percentages)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	$ Change	% Change	2022	2021	$ Change	% Change
Transaction-based costs	$ 901,990	$ 751,794	$ 150,196	20 %	$ 2,493,988	$ 1,958,423	$ 535,565	27 %
Subscription and services-based costs	225,903	128,177	97,726	76 %	622,031	337,559	284,472	84 %
Hardware costs	76,002	51,150	24,852	49 %	223,160	153,035	70,125	46 %
Bitcoin costs	1,726,051	1,774,040	(47,989)	(3)%	5,157,935	7,879,816	(2,721,881)	(35)%
Amortization of acquired technology assets	18,506	6,351	12,155	191 %	51,874	16,056	35,818	223 %
Total cost of revenue	$ 2,948,452	$ 2,711,512	$ 236,940	9 %	$ 8,548,988	$ 10,344,889	$ (1,795,901)	(17)%

Total cost of revenue for the three months ended September 30, 2022 increased by $236.9 million, or 9%, compared to the three months ended September 30, 2021. Total cost of revenue decreased by $1.8 billion, or 17%, compared to the nine months ended September 30, 2021. Bitcoin costs of revenue decreased by $48.0 million and $2.7 billion in the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021, respectively. Excluding bitcoin costs of revenue, total cost of revenue increased by approximately $284.9 million, or 30%, and $926.0 million, or 38%, in the three and nine months ended September 30, 2022, compared to the three and nine months ended September 30, 2021.

Transaction-based costs for the three and nine months ended September 30, 2022 increased by $150.2 million, or 20%, and $535.6 million, or 27%, compared to the three and nine months ended September 30, 2021, respectively, while GPV grew by 20% and 24% in the same periods. Transaction-based costs during the three and nine months ended September 30, 2022 were affected by a decrease in the percentage of debit card transactions, which have a lower cost per transaction, as the proportion of these debit card transactions are returning to levels comparable with pre-pandemic levels.

Subscription and services-based costs for the three and nine months ended September 30, 2022 increased by $97.7 million, or 76%, and 284.5 million, or 84%, compared to the three and nine months ended September 30, 2021, respectively. The increase in the three and nine months ended September 30, 2022 was driven by:

- BNPL costs of revenue following the acquisition of Afterpay in the first quarter of 2022. The costs of revenues associated with the BNPL platform were $60.2 million for the three months ended September 30, 2022, and $156.2 million from the date of acquisition through September 30, 2022;
- growth in Cash App Card and Instant Deposit activity; and
- an increase in costs related to music streaming services following the acquisition of TIDAL in the second quarter of 2021.

Hardware costs for the three and nine months ended September 30, 2022 increased by $24.9 million, or 49%, and $70.1 million, or 46% compared to the three and nine months ended September 30, 2021, respectively. The increase was due to the increased sales of hardware, as further discussed in hardware revenue above, as well as increased purchase price variances and inbound shipping rates due to supply chain disruptions.

Bitcoin costs for the three and nine months ended September 30, 2022 decreased by $48.0 million, or 3%, and $2.7 billion, or 35% compared to the three and nine months ended September 30, 2021, respectively. Bitcoin costs are comprised of the total amount we pay to purchase bitcoin, which fluctuates in line with bitcoin revenue.

Amortization of acquired technology assets increased by $12.2 million and $35.8 million in the three and nine months ended September 30, 2022, respectively, compared to the three and nine months ended September 30, 2021, respectively. The increase was driven by amortization related to the acquired technology assets from the acquisition of Afterpay of $11.8 million and $31.9 million in the three and nine months ended September 30, 2022, respectively.

Operating Expenses (in thousands, except for percentages)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	$ Change	% Change	2022	2021	$ Change	% Change
Product development	$ 548,037	$ 360,729	$ 187,308	52 %	$ 1,531,088	$ 992,498	$ 538,590	54 %
% of total net revenue	*12 %*	*9 %*			*12 %*	*7 %*		
Sales and marketing	$ 485,838	$ 409,073	$ 76,765	19 %	$ 1,518,227	$ 1,132,411	$ 385,816	34 %
% of total net revenue	*11 %*	*11 %*			*12 %*	*8 %*		
General and administrative	$ 395,437	$ 267,348	$ 128,089	48 %	$ 1,235,306	$ 683,969	$ 551,337	81 %
% of total net revenue	*9 %*	*7 %*			*10 %*	*5 %*		
Transaction, loan, and consumer receivable losses	$ 147,586	$ 62,306	$ 85,280	137 %	$ 395,433	$ 130,874	$ 264,559	202 %
% of total net revenue	*3 %*	*2 %*			*3 %*	*1 %*		
Bitcoin impairment losses	$ 1,619	$ 6,000	$ (4,381)	(73)%	$ 37,580	$ 71,126	$ (33,546)	(47)%
% of total net revenue	*— %*	*— %*			*— %*	*1 %*		
Amortization of customer and other acquired intangible assets	$ 37,361	$ 4,763	$ 32,598	NM [(i)]	$ 103,414	$ 11,176	$ 92,238	NM [(i)]
% of total net revenue	*1 %*	*— %*			*1 %*	*— %*		
Total operating expenses	$ 1,615,878	$ 1,110,219	$ 505,659	46 %	$ 4,821,048	$ 3,022,054	$ 1,798,994	60 %

[(i)] Not meaningful ("NM")

Product development expenses for the three and nine months ended September 30, 2022 increased by $187.3 million, or 52%, and $538.6 million, or 54%, compared to the three and nine months ended September 30, 2021, respectively, due primarily to the following:

- an increase of $137.5 million and $425.2 million in personnel costs for the three and nine months ended September 30, 2022, respectively, related to an increase in headcount among our engineering, data science, and design teams, as we continue to improve and diversify our products. The increase was additionally driven by employees added from the acquisition of Afterpay in the first quarter of 2022. The increase in product development personnel costs also includes an increase in share-based compensation expense of $63.4 million and $194.5 million for the three and nine months ended September 30, 2022, respectively;

- an increase of $30.2 million and $88.5 million in software and data center costs, consulting, and certain Cash App crypto networks operating costs for the three and nine months ended September 30, 2022, respectively, as a result of increased capacity needs and expansion of our cloud-based services.

Sales and marketing expenses for the three and nine months ended September 30, 2022 increased by $76.8 million or 19%, and $385.8 million or 34%, compared to the three and nine months ended September 30, 2021, respectively, primarily due to the following:

- an increase of $44.1 million and $123.6 million in sales and marketing personnel costs for the three and nine months ended September 30, 2022, respectively, to enable growth initiatives. The increase in personnel related costs

includes an increase in share-based compensation expense of $12.7 million and $34.5 million for the three and nine months ended September 30, 2022, respectively;

- an increase in Cash App marketing costs for the three and nine months ended September 30, 2022 of $25.1 million and $64.4 million, respectively. For the three and nine months ended September 30, 2022, Cash App peer-to-peer processing costs, related transaction losses, and card issuance costs increased by $37.7 million and $73.3 million; and

- an increase in sales and marketing expenses due to the acquisitions of Afterpay and TIDAL, which were completed in the first quarter of 2022 and second quarter of 2021, respectively.

General and administrative expenses for the three and nine months ended September 30, 2022 increased by $128.1 million, or 48%, and $551.3 million, or 81%, compared to the three and nine months ended September 30, 2021, respectively, primarily due to the following:

- an increase of $110.7 million and $390.2 million in general and administrative personnel costs for the three and nine months ended September 30, 2022, respectively, mainly as a result of additions to our customer support, human resources, finance, and legal personnel as we continue to add resources and skills to support our long-term growth. The increase was also a result of employees added from the acquisition of Afterpay in the first quarter of 2022. The increase in general and administrative personnel costs includes an increase in share-based compensation expense of $21.6 million and $135.8 million for the three and nine months ended September 30, 2022, respectively;

- acquisition-related integration and other expenses related to Afterpay of $7.4 million and $66.3 million for the three and nine months ended September 30, 2022, as well as a $66.3 million one-time charge related to the acceleration of various stock compensation arrangements in connection with the Afterpay acquisition during the three months ended March 31, 2022, which was additional to ongoing share-based compensation expense for Afterpay employees; and

- an increase in software, subscription costs and other professional fees, and other administrative expenses.

Transaction, loan, and consumer receivable losses for the three and nine months ended September 30, 2022 increased by $85.3 million, or 137%, and $264.6 million, or 202%, compared to the three and nine months ended September 30, 2021, respectively, primarily due to the following:

- an increase in the allowance for credit losses related to consumer receivables of $144.9 million from January 31, 2022, the date of the acquisition of Afterpay to September 30, 2022, which includes an increase of $51.9 million in the allowance during the three months ended September 30, 2022;

- an increase in transaction losses for the three and nine months ended September 30, 2022 of $5.3 million and $69.8 million compared to the three and nine months ended September 30, 2021, respectively. The increase in transaction losses in the three and nine months ended September 30, 2022 was primarily due to growth in Square GPV; and

- an increase in loan losses for the three and nine months ended September 30, 2022 of $29.4 million and $51.2 million compared to the three and nine months ended September 30, 2021, respectively. The increase in loan losses in the three and nine months ended September 30, 2022 was due to increased loan volumes.

We recorded impairment charges of $1.6 million and $37.6 million on our investment in bitcoin during the three and nine months ended September 30, 2022, respectively, due to the observed market price of bitcoin decreasing below the carrying value during the respective periods. As of September 30, 2022, the cumulative impairment charges to date were $108.7 million and the fair value of our investment in bitcoin was $156.0 million based on observable market prices, which was $44.7 million in excess of our carrying value of $111.3 million after impairment charges. Any gains or losses on our investment in bitcoin will only be considered realized upon the sale of such bitcoin investment.

Amortization of customer and other acquired intangible assets increased $32.6 million and $92.2 million for the three and nine months ended September 30, 2022, respectively, primarily as a result of the intangible assets from the Afterpay acquisition, which increased the amortization of intangibles by $33.3 million and $90.4 million for the three and nine months ended September 30, 2022. Refer to Note 11, *Acquired Intangible Assets* within Notes to the Condensed Consolidated Financial Statements for more details.

Interest Expense, Net, and Other Expense (Income), Net (in thousands, except for percentages)

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	**2021**	**$ Change**	**% Change**	**2022**	**2021**	**$ Change**	**% Change**
Interest expense, net	$ 6,042	$ 13,409	$ (7,367)	(55)%	$ 34,756	$ 20,126	$ 14,630	73 %
Other expense (income), net	$ (18,798)	$ 12,011	$ (30,809)	(257)%	$ (71,036)	$ (36,249)	$ (34,787)	96 %

Interest expense, net, for the three months ended September 30, 2022 decreased by $7.4 million compared to the three months ended September 30, 2021. The decrease of net interest expense in the three months ended September 30, 2022 was primarily due to an increase in interest income received as a result of higher interest rates on our investments, which partially offset interest expense in the period. Net interest expense for the nine months ended September 30, 2022 increased by $14.6 million compared to the nine months ended September 30, 2021. The increase in the nine months ended September 30, 2022 was primarily due to interest expense related to our 2026 Senior Notes and 2031 Senior Notes, which were issued in May 2021. Refer to Note 15, *Indebtedness* within Notes to the Condensed Consolidated Financial Statements for further details. The increase for the nine months ended September 30, 2022 was partially offset by increased interest income as a result of higher interest rates discussed above.

Net other income during the three months ended September 30, 2022 of $18.8 million was primarily due to gains from the revaluation of intercompany loans. Comparatively, net other expense for the three months ended September 30, 2021 of $12.0 million was primarily driven by losses from the revaluation of non-marketable investments and amortization of investments in marketable debt securities. Net other income in the nine months ended September 30, 2022 of $71.0 million was primarily due to an unrealized gain of $59.8 million recorded during the first quarter of 2022, arising from the revaluation of a non-marketable investment, as well as gains from the revaluation of intercompany loans. Net other income for the nine months ended September 30, 2021 of $36.2 million was primarily due to a $44.4 million mark to market net gain of our equity investment in DoorDash, arising from the revaluation of this investment. We completed the sale of our investment in DoorDash in June 2021, and as a result this investment did not impact our results in subsequent periods.

Segment Results

The Company has two reportable segments, Square and Cash App. The results of Afterpay have been equally allocated to the Square and Cash App segments as management has determined that Afterpay's BNPL platform will contribute equally to both the Square and Cash App platforms. Refer to Note 21, *Segment and Geographical Information* within Notes to the Condensed Consolidated Financial Statements for more details.

Square Results

The following tables provide a summary of the revenue and gross profit for our Square segment for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	$ Change	% Change	2022	2021	$ Change	% Change
Net revenue	$ 1,774,522	$ 1,393,444	$ 381,078	27 %	$ 4,943,751	$ 3,722,586	1,221,165	33 %
Cost of revenue	991,554	787,219	204,335	26 %	2,744,123	2,063,208	680,915	33 %
Gross profit	$ 782,968	$ 606,225	$ 176,743	29 %	$ 2,199,628	$ 1,659,378	$ 540,250	33 %

Revenue

Revenue for the Square segment for the three and nine months ended September 30, 2022 increased by $381.1 million, or 27%, and $1.2 billion, or 33%, compared to the three and nine months ended September 30, 2021, respectively. The increase was primarily due to:

- growth in Square GPV and continued improvements in both card-present volumes and growth in higher-priced card-not-present transactions;
- an increase in subscription and services-based revenue, which was primarily due to the growth in seller banking products, including the increased origination volumes of Square Loans, and software subscriptions; and
- revenue generated from the BNPL platform following the acquisition of Afterpay.

Cost of Revenue

Cost of revenue for the Square segment for the three and nine months ended September 30, 2022 increased by $204.3 million, or 26%, and $680.9 million, or 33%, compared to the three and nine months ended September 30, 2021, respectively. Transaction-based costs during the three and nine months ended September 30, 2022 were affected by a decrease in the percentage of debit card transactions, which have a lower cost per transaction, as the proportion of these debit card transactions are returning to levels comparable with pre-pandemic levels.

Cash App Results

The following tables provide a summary of the revenue and gross profit for our Cash App segment for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022	2021	$ Change	% Change	2022	2021	$ Change	% Change
Net revenue	$ 2,684,884	$ 2,393,633	$ 291,251	12 %	$ 7,769,361	$ 9,763,440	$ (1,994,079)	(20)%
Cost of revenue	1,910,414	1,881,916	28,498	2 %	5,666,338	8,210,185	(2,543,847)	(31)%
Gross profit	$ 774,470	$ 511,717	$ 262,753	51 %	$ 2,103,023	$ 1,553,255	$ 549,768	35 %

Revenue

Revenue for the Cash App segment for the three months ended September 30, 2022 increased by $291.3 million, or 12%, compared to the three months ended September 30, 2021. The increase was due to growth in Cash App Instant Deposit, Cash App Card, and peer-to-peer transactions received by Cash App Business accounts. Revenue for the Cash App segment for the nine months ended September 30, 2022 decreased by $2.0 billion, or 20%, compared to the nine months ended September 30, 2021. The primary driver was a decrease in bitcoin revenue, slightly offset by growth in Cash App Instant Deposit, Cash App Card, and peer-to-peer transactions received by Cash App Business accounts. Bitcoin revenue has and will fluctuate depending on customer demand, as well as changes in the market price of bitcoin. The decrease in bitcoin revenue in the nine months ended September 30, 2022 was driven primarily by reduced customer demand and by the market price of bitcoin during the nine months ended September 30, 2022, compared to the nine months ended September 30, 2021. While bitcoin contributed 39% and 41% of the total net revenue for the three and nine months ended September 30, 2022, respectively, gross profit generated from bitcoin was 2% and 3% of the total gross profit, respectively.

Excluding $1.8 billion and $5.3 billion in bitcoin revenue for the three and nine months ended September 30, 2022, Cash App revenue increased by $344.2 million, or 60%, and $777.5 million, or 45%, in the three and nine months ended September 30, 2022, compared to the three and nine months ended September 30, 2021, respectively, due to growth in the number of active Cash App accounts, an increase in the number of business accounts, an increase of transaction fees related to Cash App Card and instant deposit, and revenue generated from the BNPL platform following the acquisition of Afterpay.

Cost of Revenue

Cost of revenue for the Cash App segment for the three months ended September 30, 2022 increased by $28.5 million, or 2%, compared to the three months ended September 30, 2021. The increase was due to growth in Cash App Instant Deposit, Cash App Card, and peer-to-peer transactions received by Cash App Business accounts. Cost of revenue for the Cash App segment for the nine months ended September 30, 2022 decreased by $2.5 billion, or 31%, compared to the nine months ended September 30, 2021. The primary driver was a decrease in bitcoin revenue and the associated costs of such revenue, as discussed further above. Excluding $1.7 billion and $5.2 billion in bitcoin cost of revenue in the three and nine months ended September 30, 2022, Cash App cost of revenue increased by approximately $76.5 million, or 71%, and $178.0 million, or 54%, in the three and nine months ended September 30, 2022, compared to the three and nine months ended September 30, 2021, respectively, due to growth in Cash App Card, Cash App Instant Deposit, and Cash App Business GPV.

Key Operating Metrics and Non-GAAP Financial Measures

We collect and analyze operating and financial data to evaluate the health of our business, allocate our resources, and assess our performance. In addition to total net revenue, net income (loss), and other results under generally accepted accounting principles ("GAAP"), the following tables set forth key operating metrics and non-GAAP financial measures we use to evaluate our business. We believe these metrics and measures are useful to facilitate period-to-period comparisons of our business, and to facilitate comparisons of our performance to that of other payment solution providers.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Gross Payment Volume ("GPV") (in millions)	$ 54,373	$ 45,426	$ 150,376	$ 121,392
Adjusted EBITDA (in thousands)	$ 327,360	$ 233,406	$ 710,063	$ 829,475
Adjusted Net Income Per Share:				
Basic	$ 0.44	$ 0.28	$ 0.83	$ 1.21
Diluted	$ 0.42	$ 0.25	$ 0.78	$ 1.06

Gross Payment Volume (GPV)

We define GPV as the total dollar amount of all card payments processed by sellers using Square, net of refunds, and ACH transfers. Additionally, GPV includes Cash App Business GPV, which is comprised of Cash App activity related to peer-to-peer transactions received by business accounts, Cash App Pay, and peer-to-peer payments sent from a credit card. GPV does not include BNPL transactions.

Adjusted EBITDA and Adjusted Net Income Per Share ("Adjusted EPS")

Adjusted EBITDA and Adjusted EPS are non-GAAP financial measures that represent our net income (loss) and net income (loss) per share, adjusted to eliminate the effect of items as described below. We have included these non-GAAP financial measures in this Quarterly Report on Form 10-Q because they are key measures used by our management to evaluate our operating performance, generate future operating plans, and make strategic decisions, including those relating to operating expenses and the allocation of internal resources. Accordingly, we believe these measures provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. In addition, they provide useful measures for period-to-period comparisons of our business, as they remove the effect of certain non-cash items and certain variable charges.

- We believe it is useful to exclude certain non-cash charges, such as amortization of intangible assets, and share-based compensation expenses, from our non-GAAP financial measures because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations.

- Subsequent to the adoption of ASU 2020-06 on January 1, 2021, we recognize non-cash interest expense related to amortization of debt issuance costs on convertible notes and senior notes. We believe that excluding this expense from our non-GAAP measures is useful to investors because such incremental non-cash interest expense does not represent a current or future cash outflow for the Company and is therefore not indicative of our continuing operations or meaningful when comparing current results to past results. Additionally, for purposes of calculating diluted Adjusted EPS we add back cash interest expense on convertible notes, as if converted at the beginning of the period, if the impact is dilutive.

- We exclude gain or loss on the disposal of property and equipment, gain or loss on revaluation of equity investments, and bitcoin impairment losses on our investment in bitcoin, as applicable, from non-GAAP financial measures because we do not believe that these items are reflective of our ongoing business operations.

- To aid in comparability of our results across periods and with peer companies that may not have similar expenses, we also exclude certain transaction and integration costs associated with business combinations, and various other costs that are not normal operating expenses. Transaction costs include amounts paid to redeem acquirees' unvested share-based compensation awards, and legal, accounting, valuation, and due diligence costs. Integration costs include advisory and other professional services or consulting fees necessary to integrate acquired businesses. Other costs that are not reflective of our core business operating expenses may include contingent losses, litigation and regulatory charges. We also add back the impact of the acquired deferred revenue and deferred cost adjustment, which was written down to fair value in purchase accounting.

In addition to the items above, Adjusted EBITDA as a non-GAAP financial measure also excludes depreciation and amortization, other cash interest income and expense, and other income and expense.

Beginning in the first quarter of 2022, we have included the tax impact of the non-GAAP adjustments in determining the Adjusted EPS. We determined the adjusted provision (benefit) for income taxes by calculating the estimated annual effective tax rate based on adjusted pre-tax income and applying it to Adjusted Net Income before income taxes. The prior period Adjusted EPS presentation has also been revised to conform with our new calculation and presentation.

Non-GAAP financial measures have limitations, should be considered as supplemental in nature, and are not meant as a substitute for the related financial information prepared in accordance with GAAP. These limitations include the following:

- share-based compensation expense has been, and will continue to be for the foreseeable future, a significant recurring expense in our business and an important part of our compensation strategy;

- the intangible assets being amortized may have to be replaced in the future, and the non-GAAP financial measures do not reflect cash capital expenditure requirements for such replacements or for new capital expenditures or other capital commitments; and

- non-GAAP measures do not reflect changes in, or cash requirements for, our working capital needs.

In addition to the limitations above, Adjusted EBITDA as a non-GAAP financial measure does not reflect the effect of depreciation and amortization expense and related cash capital requirements, income taxes that may represent a reduction in cash available to us, and the effect of foreign currency exchange gains or losses, which is included in other income and expense.

Other companies, including companies in our industry, may calculate the non-GAAP financial measures differently or not at all, which reduces their usefulness as comparative measures.

Because of these limitations, you should consider the non-GAAP financial measures alongside other financial performance measures, including net income (loss) and our other financial results presented in accordance with GAAP.

The following table presents a reconciliation of net income (loss) to Adjusted EBITDA for each of the periods indicated (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss) attributable to common stockholders	$ (14,711)	$ 84	$ (426,924)	$ 243,113
Net loss attributable to noncontrolling interests	(4,033)	(2,960)	(8,460)	(3,303)
Net income (loss)	(18,744)	(2,876)	(435,384)	239,810
Share-based compensation expense	262,733	165,011	794,794	429,999
Depreciation and amortization	88,721	38,110	249,616	95,705
Acquisition-related, integration and other costs	23,470	308	116,602	14,626
Interest expense, net	6,042	13,409	34,756	20,126
Other expense (income), net	(18,798)	12,011	(71,036)	(36,249)
Bitcoin impairment losses	1,619	6,000	37,580	71,126
Provision (benefit) for income taxes	(17,289)	452	(17,687)	(7,961)
Loss (gain) on disposal of property and equipment	(447)	877	635	1,866
Acquired deferred revenue adjustment	88	159	309	606
Acquired deferred cost adjustment	(35)	(55)	(122)	(179)
Adjusted EBITDA	$ 327,360	$ 233,406	$ 710,063	$ 829,475

The following table presents a reconciliation of net income (loss) to Adjusted Net Income and Adjusted EPS for each of the periods indicated, with revisions to the prior period to include the tax effect of non-GAAP net income adjustments as described above (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income (loss) attributable to common stockholders	$ (14,711)	$ 84	$ (426,924)	$ 243,113
Net loss attributable to noncontrolling interests	(4,033)	(2,960)	(8,460)	(3,303)
Net income (loss)	(18,744)	(2,876)	(435,384)	239,810
Share-based compensation expense	262,733	165,011	794,794	429,999
Acquisition-related, integration and other costs	23,470	308	116,602	14,626
Amortization of intangible assets	55,867	11,140	155,288	27,258
Amortization of debt discount and issuance costs	3,851	2,868	11,307	7,005
Loss (gain) on revaluation of equity investments	712	6,836	(43,914)	(41,008)
Bitcoin impairment losses	1,619	6,000	37,580	71,126
Loss (gain) on disposal of property and equipment	(447)	877	635	1,866
Acquired deferred revenue adjustment	88	159	309	606
Acquired deferred cost adjustment	(35)	(55)	(122)	(179)
Tax effect of non-GAAP net income adjustments	(65,940)	(60,912)	(162,000)	(198,896)
Adjusted Net Income - basic	$ 263,174	$ 129,356	$ 475,095	$ 552,213
Cash interest expense on convertible notes	1,263	1,494	3,751	4,833
Adjusted Net Income - diluted	$ 264,437	$ 130,850	$ 478,846	$ 557,046
Weighted-average shares used to compute Adjusted Net Income Per Share:				
Basic	592,672	460,654	572,234	457,039
Diluted	622,974	525,003	611,227	524,048
Adjusted Net Income Per Share:				
Basic	$ 0.44	$ 0.28	$ 0.83	$ 1.21
Diluted	$ 0.42	$ 0.25	$ 0.78	$ 1.06

Diluted Adjusted Net Income Per Share is computed by dividing Adjusted Net Income by the weighted-average number of shares of common stock outstanding adjusted for the dilutive effect of all potential shares of common stock. In periods when we reported an Adjusted Net Loss, diluted Adjusted Net Income Per Share is the same as basic Adjusted Net Income Per Share because the effects of potentially dilutive items were anti-dilutive.

The following table presents a reconciliation of the tax effect of non-GAAP net income adjustments to our provision (benefit) for income taxes (in thousands, except effective tax rate):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Provision (benefit) for income taxes, as reported	$ (17,289)	$ 452	$ (17,687)	$ (7,961)
Tax effect of non-GAAP net income adjustments	65,940	60,912	162,000	198,896
Adjusted provision for income taxes, non-GAAP	$ 48,651	$ 61,364	$ 144,313	$ 190,935
Non-GAAP effective tax rate	15%	32%	23%	25%

We determined the adjusted provision for income taxes by calculating the estimated annual effective tax rate based on adjusted pre-tax income and applying it to Adjusted Net Income before income taxes.

Liquidity and Capital Resources

Liquidity Sources

As of September 30, 2022, we had approximately $7.1 billion in available funds, including an undrawn amount of $600.0 million available under our revolving credit facility. Additionally, we had $1.2 billion available under our warehouse funding facilities. Refer to Note 15, *Indebtedness* within Notes to the Condensed Consolidated Financial Statements for more details. We intend to continue focusing on our long-term business initiatives and believe that our available funds are sufficient to meet our liquidity needs for the foreseeable future. As of September 30, 2022, we were in compliance with all covenants associated with our revolving credit facility and senior notes. None of our warehouse funding facilities contain financial covenants.

The following table summarizes our cash, cash equivalents, restricted cash, customer funds, and investments in marketable debt securities (in thousands):

	September 30, 2022	December 31, 2021
Cash and cash equivalents	$ 4,331,787	$ 4,443,669
Short-term restricted cash	246,570	18,778
Long-term restricted cash	72,479	71,702
Customer funds cash and cash equivalents	2,983,658	2,440,941
Cash, cash equivalents, restricted cash, and customer funds	7,634,494	6,975,090
Investments in short-term debt securities	1,052,973	869,283
Investments in long-term debt securities	802,880	1,526,430
Cash, cash equivalents, restricted cash, customer funds, and investments in marketable debt securities	$ 9,490,347	$ 9,370,803

Our principal sources of liquidity are our cash and cash equivalents, including cash from operations, and investments in marketable debt securities. As of September 30, 2022, we had $9.5 billion of cash and cash equivalents, restricted cash, customer funds cash and cash equivalents, and investments in marketable debt securities. Cash and cash equivalents related to customer funds are separate from our corporate funds and are not used for any corporate purposes. These funds are not used for our liquidity, but rather to meet the obligations set aside for customers. Investments in marketable debt securities were held primarily in U.S. government and agency securities, corporate bonds, commercial paper, and money market funds. We consider all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Our investments in marketable debt securities are classified as available-for-sale. Excluding customer funds, the balance of cash and cash equivalents, restricted cash, and investments in marketable debt securities as of September 30, 2022 was $6.5 billion. From time to time, we have raised capital by issuing equity, equity-linked, or debt securities such as our convertible notes and senior notes. We did not have any off-balance sheet arrangements during the periods presented.

We purchased an aggregate $220.0 million in bitcoin in 2020 and 2021, with no purchases in the three and nine months ended September 30, 2022. We believe cryptocurrency is an instrument of economic empowerment that aligns with our corporate purpose. We expect to hold these investments for the long term but will continue to reassess our investment in bitcoin relative to our balance sheet. As bitcoin is considered an indefinite-lived intangible asset, under the accounting policy for such assets, we are required to recognize any decreases in market prices below carrying value as an impairment charge, with any mark up in value or reversal of impairment prohibited if the market price of bitcoin subsequently increases. We recorded an impairment charge on its investment in bitcoin of $1.6 million and $37.6 million in the three and nine months ended September 30, 2022, respectively, due to the observed market price of bitcoin decreasing below the carrying value during the periods. As of September 30, 2022, the cumulative impairment charges to date were $108.7 million and the fair value of our investment in bitcoin was $156.0 million based on observable market prices, which was $44.7 million in excess of the Company's carrying value of $111.3 million after impairment charges.

In September 2020, we announced our intent to invest $100.0 million in supporting underserved communities, particularly, racial and ethnic minority groups who have been disproportionately affected by COVID-19. This initiative further deepens our commitment toward economic empowerment to help broaden such communities' access to financial services. As of September 30, 2022, we have invested $31.6 million in aggregate towards this initiative, of which $5.3 million and $9.7 million was invested in the three and nine months ended September 30, 2022, respectively.

Our principal commitments consist of convertible notes, senior notes, revolving credit facility, warehouse funding facilities, operating leases, capital leases, and purchase commitments.

Senior Notes and Convertible Notes

As of September 30, 2022, we held over $4.6 billion in aggregate principal amount of debt, comprised of $460.6 million in aggregate principal amount of convertible senior notes that mature on May 15, 2023 ("2023 Convertible Notes"), $1.0 billion in aggregate amount of convertible senior notes that mature on March 1, 2025 ("2025 Convertible Notes"), $575.0 million in aggregate amount of convertible senior notes that mature on May 1, 2026 ("2026 Convertible Notes"), and $575.0 million in aggregate amount of convertible senior notes that mature on November 1, 2027 ("2027 Convertible Notes," and together with the 2023 Convertible Notes, 2025 Convertible Notes, and 2026 Convertible Notes, the “Convertible Notes”). Additionally, on May 20, 2021, we issued $1.0 billion in aggregate principal amount of outstanding senior unsecured notes that mature on June 1, 2026 ("2026 Senior Notes") and $1.0 billion in aggregate principal amount of outstanding senior unsecured notes that mature on June 1, 2031 ("2031 Senior Notes" and, together with the 2026 Senior Notes, the “Senior Notes” and, together with the Convertible Notes, the “Notes”). The 2023 Convertible Notes bear interest at a rate of 0.50% payable semi-annually on May 15 and November 15 of each year, the 2025 Convertible Notes bear interest at a rate of 0.125% payable semi-annually on March 1 and September 1 of each year, the 2026 Convertible Notes bear no interest, and the 2027 Convertible Notes bear interest at a rate of 0.25% payable semi-annually on May 1 and November 1 of each year. These Convertible Notes can be converted or repurchased prior to maturity if certain conditions are met. The 2026 Senior Notes bear interest a rate of 2.75% payable semi-annually on June 1 and December 1, while the 2031 Senior Notes bear interest at a rate of 3.50% payable semi-annually on June 1 and December 1 of each year. These Senior Notes can be redeemed or repurchased prior to maturity if certain conditions are met.

On January 31, 2022, we closed the acquisition of Afterpay and assumed Afterpay's outstanding convertible notes of $1.1 billion, which we redeemed in cash on March 4, 2022 at face value. Refer to Note 9, *Acquisitions* within Notes to the Condensed Consolidated Financial Statements for further details.

Revolving Credit Facility

We have entered into a revolving credit agreement with certain lenders, as subsequently amended, which provides a $500.0 million senior unsecured revolving credit facility (the "2020 Credit Facility") maturing in May 2024. On February 23, 2022, the Company entered into a sixth amendment to the Credit Agreement to, among other things, provide for a new tranche of unsecured revolving loan commitments in an aggregate principal amount of up to $100.0 million (the "Tranche B Loans"). Loans under the 2020 Credit Facility, excluding the Tranche B Loans, bear interest at our option of (i) a base rate based on the highest of the prime rate, the federal funds rate plus 0.50%, and the adjusted LIBOR rate plus 1.00%, in each case, plus a margin ranging from 0.25% to 0.75% or (ii) an adjusted LIBOR rate plus a margin ranging from 1.25% to 1.75%. The margin is determined based on our total net leverage ratio, as defined in the agreement. The Tranche B Loans bear interest at the Company's option of (i) an annual rate based on the forward-looking term rate based on the Secured Overnight Financing Rate ("Term SOFR") or (ii) a base rate. Tranche B Loans based on Term SOFR shall bear interest at a rate equal to Term SOFR plus a margin of between 1.25% and 1.75%, depending on the Company's total net leverage ratio. Tranche B Loans based on the base rate shall bear interest at a rate based on the highest of the prime rate, the federal funds rate plus 0.50%, and Term SOFR with a tenor of one-month plus 1.00%, in each case, plus a margin ranging from 0.25% to 0.75%, depending on the Company's total net leverage ratio. We are obligated to pay other customary fees for a credit facility of this size and type including an unused commitment fee of 0.15%. To date, no funds have been drawn and no letters of credit have been issued under the 2020 Credit Facility. Refer to Note 15, *Indebtedness* within Notes to the Condensed Consolidated Financial Statements for more details on these transactions.

Warehouse Funding Facilities

Following the acquisition of Afterpay, we assumed Afterpay's existing warehouse funding facilities ("Warehouse Facilities") with an aggregate commitment amount of $1.7 billion on a revolving basis, of which $0.5 billion was drawn and $1.2 billion remained available as of September 30, 2022. The Warehouse Facilities have been arranged utilizing wholly-owned and consolidated entities formed for the sole purpose of financing the origination of consumer receivables to partly fund our BNPL platform. Borrowings under the Warehouse Facilities are secured against the respective consumer receivables. Refer to Note 15, *Indebtedness* within Notes to the Condensed Consolidated Financial Statements for more details.

Cash, Restricted Cash, and Working Capital

We believe that our existing cash and cash equivalents, investment in marketable debt securities, and availability under our line of credit will be sufficient to meet our working capital needs, including any expenditures related to strategic transactions and investment commitments that we may from time to time enter into, and planned capital expenditures for at least the next 12 months. From time to time, we may seek to raise additional capital through equity, equity-linked, and debt financing arrangements. We cannot provide assurance that any additional financing will be available to us on acceptable terms or at all.

When we were last rated in 2021, we received a non-investment grade rating by S&P Global Ratings (BB), Fitch Ratings, Inc. (BB), and Moody's Corporation (Ba2). We expect that these credit rating agencies will continue to monitor our performance, including our capital structure and results of operations. Our liquidity, access to capital, and borrowing costs could be adversely impacted by declines in our credit rating.

Short-term restricted cash of $246.6 million as of September 30, 2022 primarily includes cash held by the wholly-owned consolidated entities used in the Warehouse Facilities funding arrangements, that will be used to pay the borrowings under the Warehouse Facilities or will be distributed to us. It also includes pledged cash deposited into savings accounts at the financial institutions that process our sellers' payments transactions and as collateral pursuant to agreements with third-party originating banks for certain loan products. We use the restricted cash to secure letters of credit with these financial institutions to provide collateral for liabilities arising from cash flow timing differences in the processing of these payments. We have recorded this amount as a current asset on our condensed consolidated balance sheets given the short-term nature of these cash flow timing differences and that there is no minimum time frame during which the cash must remain restricted. Additionally, this balance includes certain amounts held as collateral pursuant to multi-year lease agreements, which we expect to become unrestricted within the next year.

Long-term restricted cash of $72.5 million as of September 30, 2022 is primarily related to a reserve deposit to satisfy the capital and liquidity requirements associated with the banking operations of SFS mandated by the FDIC, as well as cash deposited into money market funds that is used as collateral pursuant to multi-year lease agreements. We have recorded these amounts as non-current assets on our condensed consolidated balance sheets as we are required to establish and maintain the reserve deposit at all times to support the ongoing liquidity obligations of SFS, and due to certain lease terms extending beyond one year.

We experience significant day-to-day fluctuations in our cash and cash equivalents due to fluctuations in settlements receivable, and customers payable, and hence working capital. These fluctuations are primarily due to:

- *Timing of period end.* For periods that end on a weekend or a bank holiday, our cash and cash equivalents, settlements receivable, and customers payable balances typically will be higher than for periods ending on a weekday, as we settle to our sellers for payment processing activity on business days; and

- *Fluctuations in daily GPV.* When daily GPV increases, our cash and cash equivalents, settlements receivable, and customers payable amounts increase. Typically our settlements receivable and customers payable balances at period end represent one to four days of receivables and disbursements to be made in the subsequent period. Customers payable, excluding amounts attributable to Cash App stored funds, and settlements receivable balances typically move in tandem, as pay-out and pay-in largely occur on the same business day. However, customers payable balances will be greater in amount than settlements receivable balances due to the fact that a subset of funds are held due to unlinked bank accounts, risk holds, and chargebacks. Also customer funds obligations, which are included in

customers payable, may cause customers payable to trend differently than settlements receivable. Holidays and day-of-week may also cause significant volatility in daily GPV amounts.

Safeguarding Obligation Liability and Safeguarding Asset Related to Bitcoin Held for Other Parties

As detailed in Note 14, *Bitcoin Held for Other Parties* within Notes to the Condensed Consolidated Financial Statements, upon the adoption of SAB 121, we recorded a safeguarding obligation liability and a corresponding safeguarding asset related to the bitcoin held for other parties. As of September 30, 2022, the safeguarding obligation liability related to bitcoin held for other parties was $527.7 million. We have taken steps to mitigate the potential risk of loss for the bitcoin held for other parties, including holding insurance coverage specifically for certain bitcoin incidents and using secure cold storage to store the vast majority of bitcoin. SAB 121 also asks us to consider the legal ownership of the bitcoin held for other parties, including whether the bitcoin held for other parties would be available to satisfy general creditor claims in the event of Block's bankruptcy. The legal rights of people with respect to crypto-assets held on their behalf by a custodian, such as us, upon the custodian's bankruptcy have not yet been settled by courts and are highly fact dependent. Our contractual arrangements state that our customers and trading partners retain legal ownership of the bitcoin custodied by us on their behalf; they have the right to sell, pledge, or transfer the bitcoin; and they also benefit from the rewards and bear the risks associated with the ownership, including as a result of any bitcoin price fluctuations. We have been monitoring and will continue to actively monitor legal and regulatory developments and may consider further steps, as appropriate, to support this contractual position so that in the event of Block's bankruptcy, the bitcoin custodied by us should not be deemed to be part of Block's bankruptcy estate. We do not expect potential future cash flows associated with the bitcoin safeguarding obligation liability.

Cash Flow Activities

Beginning in the fourth quarter of 2021, the Company adjusted its consolidated statements of cash flows to present changes in customer funds and cash and cash equivalents associated with customers payable as financing activities. Previously, the total changes in customer funds and customers payable were presented within operating activities within the Company's condensed consolidated statements of cash flows. The adjustment also resulted in the portion of customer funds that is held in cash and cash equivalents, restricted cash, and customer funds to be included in the beginning and ending period totals of cash, cash equivalents, restricted cash, and customer funds. The condensed consolidated statement of cash flows for the nine months ended September 30, 2021 has been revised to reflect these adjustments to the presentation. Refer to Note 1, *Description of the Business and Summary of Significant Accounting Policies* within Notes to the Condensed Consolidated Financial Statements for further details.

The following table summarizes our cash flow activities (in thousands):

	Nine Months Ended September 30,	
	2022	**2021**
Net cash provided by operating activities	$ 130,534	$ 653,476
Net cash provided by (used in) investing activities	1,505,250	(1,256,619)
Net cash provided by (used in) financing activities	(881,408)	2,610,022
Effect of foreign exchange rate on cash and cash equivalents	(94,972)	(14,311)
Net increase in cash, cash equivalents, restricted cash, and customer funds	$ 659,404	$ 1,992,568

Cash Flows from Operating Activities

Cash provided by operating activities consisted of our net income (loss) adjusted for certain non-cash items, including share-based compensation expense, depreciation and amortization, non-cash interest and other expense, transaction, loan, and consumer receivable losses, bitcoin impairment losses, deferred income taxes, non-cash lease expense, gain on sale of asset group, gain or loss on revaluation of equity investments, as well as the effect of changes in operating assets and liabilities, including working capital.

For the nine months ended September 30, 2022, cash provided by operating activities was $130.5 million. Net loss of $435.4 million was adjusted for the add back of net non-cash expenses of $1.1 billion, consisting primarily of share-based compensation; transaction, loan, and consumer receivable losses; depreciation and amortization; bitcoin impairment losses; and non-cash lease expense, all of which contributed positively to operating activities. This was partially offset by the foreign exchange impact on consumer receivables and certain intercompany loans, gains on revaluation of equity investments, and the change in deferred income taxes. Additionally, there were net outflows from the repayment and forgiveness of PPP loan, as well as changes in other assets and liabilities of $479.0 million, primarily due to the timing of period end.

For the nine months ended September 30, 2021, cash provided by operating activities was $653.5 million. Net income of $239.8 million was adjusted for the add back of net non-cash expenses of $763.8 million, consisting primarily of share-based compensation, transaction and loan losses, depreciation and amortization, bitcoin impairment losses, and non-cash lease expense, all of which contributed positively to operating activities. This was partially offset by net outflow of PPP loans facilitated of $184.6 million, as well as a net outflow from changes in other assets and liabilities of $165.6 million, primarily due to the timing of period end.

Cash Flows from Investing Activities

Cash flows provided by, or used in, investing activities primarily relate to capital expenditures to support our growth, investments in marketable debt securities, bitcoin, and business acquisitions.

For the nine months ended September 30, 2022, cash provided by investing activities was $1.5 billion, primarily due to the net proceeds from the sales and maturities of marketable securities including investments from customer funds of $1.4 billion, the net cash acquired through acquisitions during the period including Afterpay of $539.5 million, and a net inflow related to consumer receivables of $252.9 million. These were partially offset by the purchases of marketable debt securities, property and equipment, and other investments of $521.7 million, $121.7 million, and $39.1 million, respectively.

For the nine months ended September 30, 2021, cash used in investing activities was $1.3 billion, primarily due to the net investments of marketable securities including investments from customer funds of $1.2 billion. Cash used in investing activities was also impacted by purchases of bitcoin and other investments of $217.6 million, business acquisitions, net of cash acquired of $164.0 million, and the purchase of property and equipment of $98.0 million, all of which was partially offset by the proceeds from sale of equity investments of $420.6 million.

Cash Flows from Financing Activities

For the nine months ended September 30, 2022, cash used in financing activities was $881.4 million primarily as a result of the payment to redeem convertible notes assumed upon the acquisition of Afterpay of $1.1 billion, repayments of the PPPLF advances of $466.4 million, partially offset by net proceeds from Warehouse Facilities borrowings of $400.7 million, a change in customer funds of $152.7 million.

For the nine months ended September 30, 2021, cash provided by financing activities was $2.6 billion as a result of $2.0 billion in net proceeds from the 2031 Senior Notes and 2026 Senior Notes offerings, the change in customer funds of $611.3 million, as well as proceeds of the PPPLF advances, net of repayments, of $261.6 million, partially offset by payments for employee tax withholding related to vesting of restricted stock units of $312.4 million.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our financial statements, which have been prepared in accordance with GAAP. GAAP requires us to make certain estimates and judgments that affect the amounts reported in our financial statements. We base our estimates on historical experience, anticipated future trends, and other assumptions we believe to be reasonable under the circumstances. Because these accounting policies require significant judgment, our actual results may differ materially from our estimates.

As disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, we believe accounting policies and the assumptions and estimates associated with transaction, loan, and consumer receivable losses could potentially have a material effect on our condensed consolidated financial statements and is therefore a critical accounting policy and estimate.

Additionally, we consider accounting for business combinations under ASC 805, *Business Combinations,* to also be a critical accounting policy and estimate as it requires management to make significant estimates and assumptions, including the valuation of intangible assets acquired, determination of fair values of liabilities assumed including pre-acquisition contingencies, and valuation of contingent consideration, where applicable. Although we believe that the assumptions and estimates we have made have been reasonable and appropriate, they are based in part on historical experience and information obtained from the management of the acquired companies and are inherently uncertain. Unanticipated events and circumstances may occur that may affect the accuracy or validity of such assumptions, estimates or actual results.

Recent Accounting Pronouncements

See “Recent Accounting Pronouncements” described in Note 1, *Description of Business and Summary of Significant Accounting Policies* within Notes to the Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the United States and globally, and we are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is described below.

Equity Price Risk

Marketable Equity Investments

Our marketable equity investments are investments held in publicly-traded companies and are measured using quoted prices in active markets which could result in volatility in our financial results in future periods. As of September 30, 2022, our marketable equity investments were immaterial. Adjustments are recorded in other (expense) income, net on the condensed consolidated statements of operations and establish a new carrying value for the investment. A hypothetical 10% increase or decrease in the fair value of our marketable equity investments would not have a material effect on our financial results.

Non-Marketable Equity Investments

Our non-marketable equity investments are investments in privately-held companies that we hold for purposes other than trading. These investments are inherently risky because there is no established market for these securities and the markets for the technologies or products these companies are developing are typically in the early stages. As such, we could lose our entire investment in these companies. Adjustments are recorded in other expense (income), net on the condensed consolidated statements of operations and establish a new carrying value for the investment. As of September 30, 2022, the aggregate carrying value of our non-marketable equity investments included in other non-current assets was $162.6 million. A hypothetical 10% increase or decrease in the carrying value of our non-marketable equity investments would not have a material effect on our financial results.

Bitcoin Market Price Risk

As of September 30, 2022, we had made cumulative investments in bitcoin of $220.0 million. Our investment in bitcoin is accounted for as an indefinite-lived intangible asset, and thus, is subject to impairment losses if the fair value of bitcoin decreases below the carrying value during the assessed reporting period. Impairment losses cannot be recovered for any subsequent increase in fair value until the sale of the asset. We recorded an impairment charge on our investment in bitcoin of $1.6 million and $37.6 million in the three and nine months ended September 30, 2022, respectively, due to the observed market price of bitcoin decreasing below the carrying value during the period. As of September 30, 2022, the cumulative impairment charges to date were $108.7 million and the fair value of the investment in bitcoin was $156.0 million based on observable market prices, which was $44.7 million in excess of our carrying value of $111.3 million after impairment charges. Any decreases to the carrying value of bitcoin investments are recorded in operating expenses on the condensed consolidated statements of operations. A hypothetical 10% increase or decrease in the market price of bitcoin would not have a material effect on our financial results.

Interest Rate Sensitivity

Our cash and cash equivalents, and marketable debt securities as of September 30, 2022 were held primarily in cash deposits, money market funds, U.S. government and agency securities, commercial paper, and corporate bonds. The fair value of our cash, cash equivalents, and marketable debt securities would not be significantly affected by either an increase or decrease in interest rates due mainly to the short-term nature of a majority of these instruments. Additionally, we have the ability to hold these instruments until maturity if necessary to reduce our risk. Our Warehouse Facilities borrowings and any future borrowings incurred under the 2020 Credit Facility both accrue interest at variable rates based on formulas tied to certain market rates at the time of incurrence. A hypothetical 10% increase or decrease in interest rates would not have a material effect on our financial results.

Foreign Currency Risk

Our consolidated financial statements are presented in U.S. dollars. Most of our revenue is earned in U.S. dollars and, subsequent to the acquisition of Afterpay, a significant portion is earned in Australian Dollars. Our foreign operations are denominated in the currencies of the countries in which our operations are located, and may be subject to fluctuations due to changes in foreign currency exchange rates in the Japanese Yen, Canadian Dollar, Australian Dollar, Euro, British Pound, Chinese Yuan, Swedish Krona, Singapore Dollar, Polish Zloty, and Brazilian Real. Our results of operations and cash flows are, therefore, subject to fluctuations in foreign currency exchange rates and may cause us to recognize transaction gains and losses on our financial statements.

During the three and nine months ended September 30, 2022, the change in the relative value of the U.S. dollar against foreign currencies resulted in increases in net foreign currency translation adjustments of $609.0 million and $985.3 million, respectively, which are recorded on our condensed consolidated statements of comprehensive income. This was primarily the result of assets that do not meet the definition of financial instruments, including goodwill and intangible assets denominated in foreign currencies. In the first quarter of 2022, we entered into foreign currency derivative contracts to provide an economic hedge of our foreign currency risk associated with the repayment of foreign denominated debt held by a non-U.S. subsidiary. We had no foreign currency derivative contracts in the second or third quarters of 2022. A hypothetical 10% increase or decrease in current exchange rates on our financial instruments would not have a material effect on our financial results.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q (the "Evaluation Date"). The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II—Other Information

Item 1. Legal Proceedings

We are currently a party to, and may in the future be involved in, various litigation matters (including intellectual property litigation), legal claims, and government investigations. For information regarding legal proceedings in which we are involved, see "Litigation and Regulatory Matters" in Note 20, *Commitments and Contingencies* within Notes to the Condensed Consolidated Financial Statements, which is incorporated herein by reference.

In addition, from time to time, we are involved in various other legal matters, investigations, claims, and disputes arising in the ordinary course of business. We cannot at this time fairly estimate a reasonable range of exposure, if any, of the potential liability with respect to these other matters. While we do not believe, at this time, that any ultimate liability resulting from any of these other matters will have a material adverse effect on our results of operations, financial position, or liquidity, we cannot give any assurance regarding the ultimate outcome of these other matters, and their resolution could be material to our operating results for any particular period.

Item 1A. Risk Factors

Investing in our securities involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our condensed consolidated financial statements and related notes, before making any investment decision with respect to our securities. The risks and uncertainties described below may not be the only ones we face. If any of the risks actually occur, our business could be materially and adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.

The following description of risk factors includes any material changes to, and supersedes the description of, risk factors associated with the Company's business previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 under the heading "Risk Factors."

Risk Factors Summary

Our business operations are subject to numerous risks and uncertainties, including those outside of our control, that could cause our actual results to be harmed, including risks regarding the following:

Risks related to our business and our industry:

- our ability to retain existing sellers and customers, attract new sellers and customers, and increase sales to both new and existing sellers and customers;
- our investments in our business and ability to maintain profitability;
- our ability to maintain, protect, and enhance our brands;
- our efforts to expand our product portfolio and market reach;
- our ability to develop products and services to address the rapidly evolving market for payments and financial services;
- competition in our industry;
- any acquisitions, strategic investments, new businesses, joint ventures, divestitures and other transactions that we may undertake;
- the successful integration of our business with Afterpay;
- additional risks of our majority interest in TIDAL;
- expanding our business globally;
- additional risks of BNPL lending;
- additional risks of Square Banking relating to the structure of bank partnerships, and FDIC and other regulatory obligations;
- additional risks of Square Loans related to the availability of capital, seller payments, interest rate, deposit insurance premiums, and general macroeconomic conditions; and
- our participation in government relief programs set up in response to the COVID-19 pandemic.

Operational risks:

- real or perceived improper or unauthorized use of, disclosure of, or access to sensitive data;
- real or perceived security breaches or incidents or human error in administering our software, hardware, and systems;
- systems failures, interruptions, delays in service, catastrophic events, and resulting interruptions in the availability of our products or services or those of our sellers;
- any failure to safeguard the bitcoin we hold on behalf of ourselves and other parties;
- our risk management efforts;
- our dependence on payment card networks and acquiring processors;
- our reliance on third parties and their systems for a variety of services, including the processing of transaction data and settlement of funds;
- our dependence on key management and any failure to attract, motivate, and retain our employees;
- our operational, financial, and other internal controls and systems;
- any shortage, price increases, tariffs, changes, delay or discontinuation of our key components;
- our ability to accurately forecast demand for our products and adequately manage our product inventory;
- the integration of our services with a variety of operating systems and the interoperation of our hardware that enables merchants to accept payment cards with third-party mobile devices utilizing such operating systems; and
- difficulties estimating the amount payable under TIDAL's license agreements.

Economic, financial, and tax risks:

- a deterioration of general macroeconomic conditions;
- the continuing effects of the COVID-19 pandemic;
- any inability to secure financing on favorable terms, or at all, or covenants in our existing credit agreement, the indentures, or future agreements;
- our ability to service our convertible notes and our senior notes;
- counterparty risk with respect to our convertible note hedge transactions;
- our bitcoin investments being subject to volatile market prices, impairment, and other risks of loss;
- foreign exchange rates risks; and
- any greater-than-anticipated tax liabilities or significant valuation allowances on our deferred tax assets.

Legal, regulatory, and compliance risks:

- extensive regulation and oversight in a variety of areas of our business;
- complex and evolving regulations and oversight related to privacy, data protection and information security;
- litigation, including intellectual property claims, government investigations or inquiries, and regulatory matters or disputes;
- obligations and restrictions as a licensed money transmitter;
- regulatory scrutiny or changes in the BNPL space;
- regulation and scrutiny of our subsidiary Cash App Investing, which is a broker-dealer registered with the SEC and a member of FINRA, including net capital and other regulatory capital requirements;
- changes to our business practices imposed by FINRA based on our ownership of Cash App Investing;
- regulation and scrutiny of our subsidiary Square Financial Services, which is a Utah state-chartered industrial bank, including the requirement that we serve as a source of financial strength to it;
- supervision and regulation of Square Financial Services, including the Dodd-Frank Act and its related regulations;
- any inability to protect our intellectual property rights;
- assertions by third parties of infringement of intellectual property rights by us; and
- increased scrutiny from investors, regulators, and other stakeholders relating to environmental, social, and governance issues.

Risks related to ownership of our common stock:

- the dual class structure of our common stock;
- volatility of the market price of our Class A common stock;
- the dual-listing of our Class A common stock on the NYSE and our CDIs on the Australian Securities Exchange;
- our convertible note hedge and warrant transactions;
- anti-takeover provisions contained in our amended and restated certificate of incorporation, our amended and restated bylaws, and provisions of Delaware law; and
- exclusive forum provisions in our bylaws.

Risks Related to Our Business and Our Industry

Our growth rate has slowed at times and may slow or decline in the future, and our growth rates in each of our reporting segments may vary. Future revenue growth depends on our ability to retain existing sellers and customers, attract new sellers and customers, and increase sales to both new and existing sellers and customers.

Our rate of revenue growth has slowed at times and may decline in the future, and it may slow or decline more quickly than we expect for a variety of reasons, including the risks described in this Quarterly Report on Form 10-Q. Additionally, our rate of revenue growth may vary between our reporting segments. For example, in recent periods our Cash App segment revenue has grown at a high rate, which has varied and may continue to vary from the growth rate of our Square segment. Our sellers and customers have no obligation to continue to use our services, and we cannot assure you that they will. We generally do not have long-term contracts with our sellers and customers, and the difficulty and costs associated with switching to a competitor may not be significant for many of the services we offer. Our sellers' activity with us may decrease for a variety of reasons, including sellers' level of satisfaction with our products and services, our pricing and the pricing and quality of competing products or services, the effects of global economic conditions, or reductions in the aggregate spending of our sellers' customers. Growth in transacting actives on Cash App and customers' level of engagement with our products and services on Cash App are essential to our success and long-term financial performance. However, the growth rate of transacting actives has fluctuated over time, and it may slow or decline in the future. A number of factors have affected and could potentially negatively affect Cash App customer growth and engagement, including our ability to introduce new products and services that are compelling to our customers, the impact on our network of other customers choosing whether to use Cash App, technical or other problems that affect customer experience, failure to provide sufficient customer support,

fraud and scams targeting Cash App customers, and harm to our reputation and brand. Further, certain events or programs, such as government stimulus programs may correlate with periods of significant growth, but such growth may not be sustainable. Additionally, the growth rate of Cash App revenue may be distorted by the prices of bitcoin, as bitcoin revenue may increase or decrease due to changes in the price of, and demand for, bitcoin and may not correlate to customer or engagement growth rates.

The growth of our business depends in part on our existing sellers and customers expanding their use of our products and services. If we are unable to encourage broader use of our products and services within each ecosystem by our existing sellers and customers, our growth may slow or stop, and our business may be materially and adversely affected. The growth of our business also depends on our ability to attract new sellers and customers, to encourage sellers and customers to use our products and services, and to introduce successful new products and services. We have invested and will continue to invest in our business in order to offer better or new features, products, and services and to adjust our product offerings to changing economic conditions, but if those features, products, services, and changes fail to be successful on the expected timeline or at all, our growth may slow or decline.

We have generated significant net losses in the past, and we intend to continue to invest substantially in our business. Thus, we may not be able to maintain profitability.

During the nine months ended September 30, 2022 and September 30, 2021, we generated a net loss of $435.4 million and net income of $239.8 million, respectively. As of September 30, 2022, we had an accumulated deficit of $1,046.6 million.

We intend to continue to make significant investments in our business, including with respect to our employee base; sales and marketing; development of new products, services, and features; acquisitions; infrastructure; expansion of international operations; and general administration, including legal, finance, and other compliance expenses related to our business. If the costs associated with acquiring and supporting new or larger sellers, attracting and supporting new Cash App customers, or with developing and supporting our products and services materially increase in the future, including the fees we pay to third parties to advertise our products and services, our expenses may rise significantly. In addition, increases in our seller base could cause us to incur increased losses because costs associated with new sellers are generally incurred up front, while revenue is recognized in future periods as our products and services are used by our sellers. Moreover, businesses we acquire may have different profitability than us, which may affect our overall profitability, particularly until we are able to realize expected synergies. For example, prior to its acquisition, Afterpay historically generated net losses. If we are unable to generate adequate revenue growth and manage our expenses, we may incur significant losses and may not maintain profitability on a consistent basis.

From time to time, we have made and may make decisions that will have a negative effect on our short-term operating results if we believe those decisions will improve our operating results over the long term. These decisions may not be consistent with the expectations of investors and may not produce the long-term benefits that we expect, in which case our business may be materially and adversely affected.

Our business depends on our ability to maintain, protect, and enhance our brands.

Having a strong and trusted brand has contributed significantly to the success of our business. We believe that maintaining, promoting, and enhancing the Square brand, the Cash App brand, the TIDAL brand, and our other brands, in a cost-effective manner is critical to achieving widespread acceptance of our products and services and expanding our base of customers. Maintaining and promoting our brands will depend largely on our ability to continue to provide useful, reliable, secure, and innovative products and services, as well as our ability to maintain trust and be a technology leader. We may introduce, or make changes to, features, products, services, privacy practices, or terms of service that customers do not like, which may materially and adversely affect our brands. Our brand promotion activities may not generate customer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses we incur in building our brands. If we fail to successfully promote and maintain our brands or if we incur excessive expenses in this effort, our business could be materially and adversely affected.

The introduction and promotion of new products and services, as well as the promotion of existing products and services, may be partly dependent on our visibility on third-party advertising platforms, such as Google, Twitter, or Facebook. Changes in the way these platforms operate or changes in their advertising prices, data use practices or other terms could make the maintenance and promotion of our products and services and our brands more expensive or more difficult. If we are unable to market and promote our brands on third-party platforms effectively, our ability to acquire new customers would be materially harmed. We also use retail partners to sell hardware and acquire sellers for Square. Our ability to acquire new

sellers could be materially harmed if we are unable to enter into or maintain these partnerships on terms that are commercially reasonable to us, or at all.

Harm to our brands can arise from many sources, including failure by us or our partners and service providers to satisfy expectations of service and quality; inadequate protection or misuse of sensitive information; fraud committed by third parties using our products or applications; compliance failures and claims; litigation and other claims; errors caused by us or our partners; and misconduct by our partners, service providers, or other counterparties. We have also been from time to time in the past, and may in the future be, the target of incomplete, inaccurate, and misleading or false statements about our company and our business that could damage our brands and deter customers from adopting our services or our products. Any negative publicity about the industries we operate in or our company, the quality and reliability of our products and services, our risk management processes, changes to our products and services, our ability to effectively manage and resolve customer complaints, our privacy, data protection, and information security practices, litigation, regulatory activity, policy positions, and the experience of our customers with us, our products or services could adversely affect our reputation and the confidence in and use of our products and services. If we do not successfully maintain, protect or enhance our brands, our business could be materially and adversely affected.

Our efforts to expand our product portfolio and market reach, including through acquisitions, may not succeed and may reduce our revenue growth and profitability.

While we have grown the proportion of revenue from newer products and services from each of the Cash App and Square segments and we intend to continue to broaden the scope of products and services we offer, we may not be successful in maintaining or growing our current revenue streams, or deriving any significant new revenue streams from these products and services. Failure to successfully broaden the scope of products and services that are attractive may inhibit our growth and harm our business. Furthermore, we expect to continue to expand our markets in the future, and we may have limited or no experience in such newer markets. We cannot assure you that any of our products or services will be widely accepted in any market or that they will continue to grow in revenue or contribute to our profitability. Our offerings may present new and difficult technological, operational, regulatory, risks, and other challenges, and if we experience service disruptions, failures, or other issues, our business may be materially and adversely affected. For example, our Cash App products are intended to make investing in certain assets, such as bitcoin, stocks, and exchange-traded funds, more accessible. However, as a result, our customers who use these products may experience losses or other financial impacts due to, among other things, market fluctuations in the prices of bitcoin and stocks. If our customers are adversely affected by such risks, they may cease using the product or Cash App altogether and our business, brand, and reputation may be adversely affected. Moreover, our customers could attempt to seek compensation from us for their financial investment losses, and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address. Our expansion into newer markets may not lead to growth and may require significant investment of financial resources and of management time and attention, and we may not be able to recoup our investments in a timely manner or at all. If any of this were to occur, it could damage our reputation, limit our growth, and materially and adversely affect our business.

Our long-term success depends on our ability to develop products and services to address the rapidly evolving market for payments and financial services, and, if we are not able to implement successful enhancements and new features for our products and services, our business could be materially and adversely affected.

Rapid and significant technological changes continue to confront the industries in which we operate, including developments in omnichannel commerce, proximity payment devices (including contactless payments via NFC technology), digital banking, mobile financial apps, as well as developments in cryptocurrencies and in tokenization, which replaces sensitive data (e.g., payment card information) with symbols (tokens) to keep the data safe in the event that sensitive data is stolen or viewed by unauthorized third parties.

These new and evolving services and technologies may be superior to, impair, or render obsolete the products and services we currently offer or the technologies we currently use to provide them. Incorporating new technologies into our products and services may require substantial expenditures and take considerable time, and we may not be successful in realizing a return on these development efforts in a timely manner or at all. Our ability to develop new products and services may be inhibited by industry-wide standards, payment card networks, existing and future laws and regulations, resistance to change from our customers, which includes our sellers and their customers, or third parties' intellectual property rights. Our success will depend on our ability to develop new technologies and to adapt to technological changes and evolving industry standards. If we are unable to provide enhancements and new features for our products and services or to develop new products and services that achieve market acceptance or that keep pace with rapid technological developments and evolving industry standards, our business would be materially and adversely affected.

We often rely, not only on our own initiatives and innovations, but also on third parties, including some of our competitors, for the development of and access to new technologies and development of a robust market for these new products and technologies. Failure to accurately predict or to respond effectively to developments in our industry may significantly impair our business.

In addition, because our products and services are designed to operate with a variety of systems, infrastructures, and devices, we need to continuously modify and enhance our products and services to keep pace with changes in technologies. Moreover, our success may depend on our ability to provide products and services that are tailored to specific needs and requirements of our customers. Any failure of our products and services to continue to operate effectively with third-party infrastructures and technologies could reduce the demand for our products and services, result in dissatisfaction of our customers, and materially and adversely affect our business.

Substantial and increasingly intense competition in our industry may harm our business.

We compete in markets characterized by vigorous competition, changing technology, evolving industry standards, changing customer needs, and frequent introductions of new products and services. We expect competition to intensify in the future as existing and new competitors introduce new services or enhance existing services. For example, companies not traditionally associated with the payments industry have introduced products or services that are or may become competitive with our business. We compete against many companies to attract customers across our products and services, and some of these companies have greater financial resources and substantially larger bases of customers than we do, which may provide them with significant competitive advantages. These companies may devote greater resources to the development, promotion, and sale of products and services, may achieve economies of scale due to the size of their customer bases, and may more effectively introduce their own innovative products and services that adversely impact our growth. Mergers and acquisitions by, and collaborations between, these companies may lead to even larger competitors with more resources. For example, a number of competitors offer BNPL services similar to Afterpay's. Existing competitors and new entrants in the BNPL space have engaged in, and may continue to engage in, aggressive consumer acquisition campaigns, may develop superior technology offerings, or consolidate with other entities and achieve benefits of scale. Such competitive pressures may materially erode Afterpay's existing market share and may hinder expansion into new markets.

Certain sellers have long-standing exclusive, or nearly exclusive, relationships with our competitors to accept payment cards and other services that compete with what we offer. These relationships can make it difficult or cost-prohibitive for us to conduct material amounts of business with them. Competing services tied to established brands may engender greater confidence in the safety and efficacy of their services. If we are unable to differentiate ourselves from and successfully compete with our competitors, our business will be materially and adversely affected.

We may also face pricing pressures from competitors. Some competitors may offer lower prices by cross-subsidizing certain services that we also provide through other products they offer. Such competition may result in the need for us to alter our pricing and could reduce our gross profit. Also, sellers may demand more customized and favorable pricing from us, and competitive pressures may require us to agree to such pricing, reducing our gross profit. We currently negotiate pricing discounts and other incentive arrangements with certain large sellers to increase acceptance and usage of our products and services. If we continue this practice and if an increasing proportion of our sellers are large sellers, we may have to increase the discounts or incentives we provide, which could also reduce our gross profit.

Acquisitions, strategic investments, new businesses, joint ventures, divestitures, and other transactions we enter into could fail to achieve strategic objectives, disrupt our ongoing operations or result in operating difficulties, liabilities and expenses, harm our business, and negatively impact our results of operations.

In pursuing our business strategy, we routinely conduct discussions and evaluate opportunities for possible acquisitions, strategic investments, new businesses, joint ventures, divestitures, and other transactions. We have in the past acquired or invested in, and we continue to seek to acquire or invest, in businesses, technologies, or other assets that we believe could complement or expand our business, including acquisitions of new lines of business that are adjacent to or outside of our existing ecosystems. As we grow, the pace and scale of our acquisitions may increase and may include larger acquisitions than we have done historically. The identification, evaluation, and negotiation of potential acquisition or strategic investment transactions may divert the attention of management and entail various expenses, whether or not such transactions are ultimately completed. There can be no assurance that we will be successful in identifying, negotiating, and consummating favorable transaction opportunities. In addition to transaction and opportunity costs, these transactions involve large challenges and risks, whether or not such transactions are completed, any of which could harm our business and negatively impact our results of operations, including risks that:

- the transaction may not advance our business strategy or may harm our growth or profitability;
- we may not be able to secure required regulatory approvals or otherwise satisfy closing conditions for a proposed transaction in a timely manner, or at all;
- the transaction may subject us to additional regulatory burdens that affect our business in potentially unanticipated and significantly negative ways;
- we may not realize a satisfactory return on our investment or increase our revenue;
- we may experience difficulty, and may not be successful in, integrating technologies, IT or business enterprise systems, culture, or management or other personnel of the acquired business;
- we may incur significant acquisition costs and transition costs, including in connection with the assumption of ongoing expenses of the acquired business;
- we may not realize the expected benefits or synergies from the transaction in the expected time period, or at all;
- we may be unable to retain key personnel;
- acquired businesses or businesses that we invest in may not have adequate controls, processes, and procedures to ensure compliance with laws and regulations, including with respect to data privacy, data protection, and information security, and our due diligence process may not identify compliance issues or other liabilities. Moreover, acquired businesses' technology stacks may add complexity, resource constraints, and legacy technological challenges that make it difficult and time consuming to achieve such adequate controls, processes, and procedures.
- we may fail to identify or assess the magnitude of certain liabilities, shortcomings, or other circumstances prior to acquiring or investing in a business, which could result in additional financial, legal, regulatory, or tax exposure and may subject us to additional controls, policies, procedures, liabilities, litigation, costs of compliance or remediation, or other adverse effects on our business, operating results, or financial condition;
- we may have difficulty entering into new market segments or new geographic territories;
- we may be unable to retain the customers, vendors, and partners of acquired businesses;
- there may be lawsuits or regulatory actions resulting from the transaction;
- there may be risks associated with undetected security weaknesses, cyberattacks, or security breaches or incidents at companies that we acquire or with which we may combine or partner;
- there may be local and foreign regulations applicable to the international activities of our business and the businesses we acquire; and
- acquisitions could result in dilutive issuances of equity securities or the incurrence of debt.

We have in the past, and may in the future, also choose to divest certain businesses or product lines. If we decide to sell assets or a business, we may have difficulty obtaining terms acceptable to us in a timely manner, or at all. Additionally, we may experience difficulty separating out portions of, or entire, businesses, incur loss of revenue or experience negative impact on margins, or we may not achieve the desired strategic and financial benefits. Such potential transactions may also delay achievement of our strategic objectives, cause us to incur additional expenses, disrupt customer or employee relationships, and expose us to unanticipated or ongoing obligations and liabilities, including as a result of our indemnification obligations. Further, during the pendency of a divestiture, we may be subject to risks such as a decline in the business to be divested, loss of employees, customers, or suppliers and the risk that the transaction may not close, any of which would have a material adverse effect on the business to be divested and our retained business. If a divestiture is not completed for any reason, we may not be able to find another buyer on the same terms, and we may have incurred significant costs without the corresponding benefit.

Joint ventures and minority investments inherently involve a lesser degree of control over business operations, thereby potentially increasing the financial, legal, operational, regulatory, and/or compliance risks associated with the joint

venture or minority investment. In addition, we may be dependent on joint venture partners, controlling shareholders, management, or other persons or entities who control them and who may have business interests, strategies, or goals that are inconsistent with ours. Business decisions or other actions or omissions of the joint venture partners, controlling shareholders, management, or other persons or entities who control them may adversely affect the value of our investment, result in litigation or regulatory action against us, and may otherwise damage our reputation and brand.

The failure to integrate our business and Afterpay successfully in the expected time frame would adversely affect our future results.

The success of our acquisition of Afterpay depends, in large part, on our ability to realize the anticipated benefits from combining our business with Afterpay. Our ability to realize these anticipated benefits depends on the successful integration of our business with Afterpay, which will be complex and time-consuming. There can be no assurance that the integration of Afterpay will be accomplished effectively or in a timely manner.

Difficulties that may be encountered in the integration process include the following:

- challenges and difficulties associated with managing the larger, more complex, combined company;
- conforming standards, controls, procedures and policies, and compensation structures between the companies;
- integrating personnel from the two companies while maintaining focus on developing, producing and delivering consistent, high quality products and services;
- loss of key employees;
- consolidating corporate and administrative infrastructures;
- coordinating geographically dispersed organizations;
- addressing possible differences in business backgrounds, corporate cultures and management philosophies;
- potential unknown liabilities and unforeseen expenses;
- our ability to deliver on our strategy, including the ability of the transaction to accelerate growth and to strengthen the integration between our Square and Cash App ecosystems; and
- the diversion of management's attention caused by integrating the companies' operations.

Our acquisition of a majority interest in TIDAL represents a new line of business for us and subjects us to new risks and uncertainties.

In 2021, we acquired a majority interest in TIDAL which represented a new line of business for us. We continue to rely on the existing TIDAL executive team, as our management team has less experience in the music industry. TIDAL's business is dependent on the various rights holders. We cannot provide assurances that we or TIDAL will be able to maintain or expand arrangements with partners and other third parties on acceptable terms, if at all. Further, the music industry is highly concentrated, which means we rely on a small number of entities that may take adverse actions or take advantage of their market power to pursue arduous financial or other terms that may adversely affect us or may restrict our ability to innovate and improve our streaming service. Our streaming service also competes for listeners on the basis of the presence and visibility of our app, which is distributed via app stores operated by Apple and Google. We face significant competition for listeners from these companies, which also promote their own music and content. In addition, our competitors' streaming products may be pre-loaded or integrated into consumer electronics products or automobiles more broadly than our streaming product, which makes such competitors more visible to consumers. If we are unable to compete successfully for listeners against other media providers, then our TIDAL business may suffer.

We expect that operation of the TIDAL business will require continued investment in operating expenses, headcount, and executive time and attention, none of which will ensure that we will be successful. If we fail to successfully operate and grow our TIDAL business, we will not realize the benefits anticipated when we acquired a majority interest in the business, and any such failure could result in adverse effects on our business and financial results, including substantial impairment charges.

Expanding our business globally subjects us to new challenges and risks.

We offer our services and products in multiple countries and plan to continue expanding our business further globally. Our acquisition of Afterpay expanded our global presence. Expansion, whether in our existing or new global markets, will require additional resources and new or expanded controls, and offering our services and products in new geographic regions often requires substantial expenditures and takes considerable time. We may not be successful enough in these new geographies to recoup our investments in a timely manner or at all. Such expansion, and the ongoing operation of our global business, also subjects our business to substantial risks, including:

- difficulty in attracting sellers and customers, or a lack of acceptance of our products and services in foreign markets;
- failure to anticipate competitive conditions and competition with service providers or other market-players that have greater experience in the foreign markets than we do;
- failure to conform with applicable business customs, including translation into foreign languages, cultural context, and associated expenses;
- increased costs and difficulty in protecting intellectual property and sensitive data;
- changes to the way we do business as compared with our current operations;
- inability to support and integrate with local third-party service providers;
- difficulties in staffing and managing foreign operations in an environment of diverse cultures, laws, and customs, challenges caused by distance, language, and cultural differences, and the increased travel, infrastructure, and legal and compliance costs associated with global operations;
- difficulties in recruiting and retaining qualified employees and maintaining our company culture;
- difficulty in gaining acceptance from industry self-regulatory bodies;
- compliance with multiple complex, potentially conflicting and changing governmental laws and regulations, including with respect to payments, privacy, data protection, information security, and tax;
- compliance with U.S. and foreign anti-corruption, anti-bribery, and anti-money laundering laws;
- enactment of tariffs, sanctions, fines, or other trade restrictions;
- exchange rate risk;
- increased exposure to public health issues such as pandemics, and related industry and governmental actions to address these issues; and
- regional economic and political instability and other geopolitical risks.

As a result of these risks, our efforts to expand our global operations may not be successful, which could limit our ability to grow our business.

BNPL lending subjects us to increased risks related to defaults in consumer repayments of borrowings and risks related to wholesale funding sources.

Revenue generated from BNPL services depends on our ability to recoup the purchase value of the goods that consumers have purchased using our BNPL services. Although we rely on technology to assess consumers' repayment capability for each BNPL transaction, there can be no guarantee that such processes will always accurately predict repayments. Miscalculation of consumers' repayment ability or a material increase in repayment failures may adversely impact our results of operations, profitability and prospects.

Afterpay partly funds its BNPL services through receivables financing arrangements with financial institutions in Australia, New Zealand, the United States and the United Kingdom (collectively the "Warehouse Facilities"). Afterpay uses the Warehouse Facilities to support the funding of purchases by consumers. The terms of the Warehouse Facilities contain covenants that may be triggered in certain situations (such as non-repayments on consumer borrowings exceeding certain monetary thresholds or key management resigning), which may negatively impact Afterpay's ability to obtain additional funding under the Warehouse Facilities. If certain events of default occur under the Warehouse Facilities, Afterpay may not be able to draw future funding from those Warehouse Facilities or the debt outstanding under the Warehouse Facilities may be accelerated and our business and financial results could be adversely impacted.

Square Banking subjects us to risks related to bank partnerships and FDIC and other regulatory obligations.

We have partnered, on a non-exclusive basis, with Sutton Bank, an Ohio-chartered, Member FDIC bank, to offer FDIC-insured, business checking accounts for our sellers. The bank is subject to oversight both by the Federal Deposit Insurance Corporation ("FDIC") and the State of Ohio. Under the terms of our program agreement with Sutton Bank, checking accounts for our sellers are opened and maintained by Sutton Bank. We act as the service provider to, among other things, facilitate communication between our sellers and Sutton Bank. We believe our business checking account program, including applicable records maintained by us and Sutton Bank, complies with all applicable requirements for each participating seller's deposits to be covered by FDIC insurance, up to the applicable maximum deposit insurance amount. However, if the FDIC were to disagree, the FDIC may not recognize sellers' claims as covered by deposit insurance in the event Sutton Bank fails and enters receivership proceedings under the Federal Deposit Insurance Act ("FDIA"). If the FDIC were to determine that our checking account program is not covered by deposit insurance, or if Sutton Bank were to actually fail and enter receivership proceedings under the FDIA, participating sellers may withdraw their funds, which could adversely affect our brand, and our business. Due to the fact that we are a service-provider to our bank partner, we are subject to audit standards for third-party vendors in accordance with FDIC guidance and examinations by the FDIC.

Square Savings offers our sellers FDIC-insured, interest bearing savings accounts at Square Financial Services. The deposits held at Square Financial Services are insured by the FDIC up to legal limits. As a FDIC-insured institution, Square Financial Services is assessed a quarterly deposit insurance premium, calculated based on its average consolidated total assets. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. If there are additional bank or financial institution failures, we may be required to pay higher FDIC premiums. Any future additional assessments, increases or required prepayments in FDIC insurance premiums could reduce our profitability and negatively impact our business.

We intend to continue to explore other products, models, and structures for Square Banking. Some of those models or structures may require, or be deemed to require, additional data, procedures, partnerships, licenses, regulatory approvals, or capabilities that we have not yet obtained or developed. The licenses required in connection with our lending program and other activities related to the Square Banking program subject us to reporting requirements, bonding requirements, and inspection by applicable state regulatory agencies. Should we fail to expand and evolve Square Banking in a successful manner, or should these new products, models or structures, or new regulations or interpretations of existing regulations, impose requirements on us that are cumbersome or that we cannot satisfy, our business may be materially and adversely affected.

Square Loans are subject to additional risks related to availability of capital, seller payments, interest rate, deposit insurance premiums, and general macroeconomic conditions.

Square Loans is our commercial lending program. Square Financial Services, as the originator of the loans provided by Square Loans in the U.S., is subject to risks in addition to those described elsewhere in this Quarterly Report on Form 10-Q. Maintaining and growing our Square Loans business is dependent on institutional third-party investors purchasing the eligible business loans originated by us. If such third parties fail to continue to purchase such business loans or reduce the amount of future loans they purchase, then we may need to reduce originations, or we would need to fund the purchase of additional business loans from our own resources. We then may have to reduce the scale of Square Financial Services, which could have a direct impact on our ability to grow. Additionally, Square Financial Services has certain customary repurchase obligations in its loan purchase and servicing agreements with such institutional third-party investors for breaches of certain eligibility representations and warranties. If third parties reduce the price they are willing to pay for these business loans or reduce the servicing fees they pay us in exchange for servicing the business loans on their behalf, then the financial performance of Square Financial Services would be harmed.

The business loans provided by Square Loans are generally unsecured obligations of our sellers, and they are not guaranteed or insured in any way. Adverse changes in macroeconomic conditions or the credit quality of our sellers could

cause some sellers who utilize Square Loans to cease operating or to experience a decline in their payment processing volume, thereby rendering them unable to make payment on the business loan and/or extend the repayment period beyond the contractual repayment terms on the business loan. To the extent a seller breaches a contractual obligation, such as the requirement to make minimum payments or other breach, the seller would be liable for an accelerated business loan repayment, where our recourse is to the business and not to any individual or other asset. In addition, because the servicing fees we receive from third-party investors depend on the collectability of the business loans, if there is an increase in sellers who utilize Square Loans who are unable to make repayment of business loans, we will be unable to collect our entire servicing fee for such loans. While our exposure to loans that we sell to third parties is more limited, if the sellers who utilize Square Loans are unable to repay their loans, the risk of loss in our owned loan portfolio will increase and our business may be adversely affected.

In addition, adverse changes in macroeconomic conditions may lead to a decrease in the number of sellers eligible for Square Loans and may strain our ability to correctly identify such sellers or manage the risk of non-payment or fraud as servicer of the business loans. If we fail to correctly predict the likelihood of timely repayment or correctly price such business loans, our business may be materially and adversely affected.

Square Financial Services' profitability depends, in part, on its net interest income. Net interest income is the difference between interest income earned on interest-bearing assets, such as loans and securities, and interest expense paid on interest-bearing liabilities, such as deposits and borrowed funds. Changes in interest rates and monetary policy can impact the demand for new loans, the credit profile of our borrowers, the yields earned on loans and securities, and the rates paid on deposits and borrowings. The impact of any sudden and substantial move in interest rates and/or increased competition may have an adverse effect on our business, financial condition and results of operations, as our net interest income may be adversely affected.

Our participation in government relief programs set up in response to the COVID-19 pandemic, such as facilitating loans to businesses under the Paycheck Protection Program may subject us to new risks and uncertainties.

As a participant in the Paycheck Protection Program ("PPP") administered by the Small Business Administration ("SBA") and enacted in March 2020 in response to the COVID-19 pandemic, Square Capital provided small businesses two-year or five-year PPP loans. Square Capital approved and funded the last remaining PPP loan applications in May 2021 upon exhaustion of the funds in the program. While the vast majority of Square Capital's PPP loans have been forgiven or guaranteed at this point, Square Capital's documentation, review, underwriting, and servicing processes could be subject to further scrutiny by the SBA. We also may become subject to litigation arising as a result of our participation in the PPP, which could result in significant financial liability or could adversely affect our reputation. There can be no assurance that Square Capital will be successful in mitigating all of the risks associated with the PPP loans or that this lending will not have a negative impact on our business and results of operations.

Operational Risks

We, our sellers, our partners, and others who use our services obtain and process a large amount of sensitive data. Any real or perceived improper or unauthorized use of, disclosure of, or access to such data could harm our reputation as a trusted brand, as well as have a material and adverse effect on our business.

We, our sellers, and our partners, including third-party vendors and data centers that we use, obtain and process large amounts of sensitive data, including data related to our customers, our sellers' customers, and their transactions. We face risks, including to our reputation as a trusted brand, in the handling and protection of this data. These risks will increase as our business continues to expand to include new products, subsidiaries, and technologies, and as we and our third-party vendors rely on an increasingly distributed workforce. Our operations involve the storage and transmission of sensitive data of individuals and businesses using our services, including their names, addresses, social security/tax ID numbers (or foreign equivalents), government IDs, payment card numbers and expiration dates, bank account information, loans they have applied for or obtained, and data regarding the performance of our sellers' businesses. Additionally, certain of our products and services are subject to the Health Insurance Portability and Accountability Act of 1996 (and the rules and regulations thereunder, as amended, including with respect to the HITECH Act) (HIPAA), and therefore we are required to take measures to safeguard protected health information of our health care entity-sellers' customers when using those products. Our services also provide third-party developers the opportunity to provide applications to sellers in the Square and Weebly app marketplaces. Sellers who choose to use such applications can grant permission allowing the applications to access content created or held by sellers in their Square or Weebly account. Should our internal or third-party developers experience or cause a breach, incident, or technological bug, that could lead to a compromise of the content of data held by such sellers, including personal data.

Our products and services operate in conjunction with, and we are dependent upon, third-party products and components across a broad ecosystem. There have been and may continue to be significant attacks on third-party providers, and we cannot guarantee that our or our third-party developers or vendors' systems and networks have not been breached or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our products and services. If there is a security vulnerability, error, or other bug in one of these third-party products or components and if there is a security exploit targeting them, we could face increased costs, claims and liability, proceedings and litigation, reduced revenue, or harm to our reputation or competitive position. The natural sunsetting of third-party products and operating systems that we use requires our personnel to reallocate time and attention to migration and updates, during which period potential security vulnerabilities could be exploited.

More generally, if our privacy, data protection, or information security measures or those of third-party developers or vendors are inadequate or are breached or otherwise compromised, and, as a result, there is improper disclosure of or someone obtains unauthorized access to or exfiltrates funds, bitcoin, investments, or other assets, or other sensitive data on our systems or our partners' systems, or if we, our third-party developers or vendors suffer a ransomware or advanced persistent threat attack, or if any of the foregoing is reported or perceived to have occurred, our reputation and business could be damaged. If the sensitive data or assets are lost or improperly accessed, misused, disclosed, destroyed, or altered or threatened to be improperly accessed, misused, disclosed, destroyed, or altered, we could incur significant financial losses and costs and liability associated with remediation and the implementation of additional security measures and be subject to claims, litigation, regulatory scrutiny, and investigations. For example, in April 2022 we announced that we determined that a former employee downloaded certain reports of our subsidiary Cash App Investing in December 2021 that contained some U.S. customer information without permission after the former employee's employment ended, as disclosed in our Current Report on Form 8-K filed with the SEC on April 4, 2022. We have incurred costs related to our investigation and response to this incident, and we could incur other losses, costs, and liabilities in connection with such incident.

Under payment card rules and our contracts with our card processors and other counterparties, if there is a breach of payment card information that we store or that is stored by our sellers or other third parties with which we do business, we could be liable to the payment card issuing banks for certain of their costs and expenses. Additionally, if our own confidential business information were improperly disclosed, accessed, or breached, our business could be materially and adversely affected. A core aspect of our business is the reliability and security of our payments platforms. Any perceived or actual breach of security or other type of security incident or any type of fraud perpetrated by bad actors such as account takeovers or fake account scams, regardless of how it occurs or the extent or nature of the breach, incident, or fraud, could have a significant impact on our reputation as a trusted brand, cause us to lose existing sellers or other customers, prevent us from obtaining new sellers and other customers, require us to expend significant funds to remedy problems caused by breaches and incidents and to implement measures in an effort to prevent further breaches and incidents, and expose us to legal risk and potential liability including those resulting from governmental or regulatory investigations, class action litigation, and costs associated with remediation, such as fraud monitoring and forensics. Any actual or perceived security breach or incident at a company providing services to us or our customers on our behalf could have similar effects. Further, any actual or perceived security breach or incident with respect to the bitcoin and blockchain ledger, regardless of whether such breach or incident directly affects our products and services, could have negative reputational effects and harm customer trust in us and our products and services.

While we maintain cybersecurity insurance, our insurance may be insufficient to cover all liabilities incurred by such attacks. We cannot be certain that our insurance coverage will be adequate for data handling or information security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, premiums, or deductibles could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Our products and services may not function as intended due to errors in our software, hardware, and systems, product defects, or due to security breaches or incidents or human error in administering these systems, which could materially and adversely affect our business.

Our software, hardware, systems, and processes may contain undetected errors or vulnerabilities that could have a material adverse effect on our business, particularly to the extent such errors or vulnerabilities are not detected and remedied quickly. We have from time to time found defects and errors in our customer-facing software and hardware, internal systems, external facing communications, manual processes, and technical integrations with third-party systems, and new errors or vulnerabilities may be introduced in the future. If there are such errors or defects in our software, hardware, systems, or external facing communications, including as a result of human errors, our customers' experience with us may be negatively

impacted, and we may face negative publicity and harm to our brand and reputation, government inquiries or investigations, claims and litigation. Additionally, we rely on a limited number of component and product suppliers located outside of the U.S. to manufacture our products. As a result, our direct control over production and distribution is limited and it is uncertain what effect such diminished control will have on the quality of our products. If there are defects in the manufacture of our hardware products, we may face similar negative publicity, investigations, and litigation, and we may not be fully compensated by our suppliers for any financial or other liability that we suffer as a result. As our hardware and software services continue to increase in size and complexity, and as we integrate new, acquired subsidiaries with different technology stacks and practices, these risks may correspondingly increase as well.

In addition, we provide frequent incremental releases of product and service updates and functional enhancements, which increase the possibility of errors. The products and services we provide are designed to process complex transactions and deliver reports and other information related to those transactions, all at high volumes and processing speeds. Any errors, data leaks, security breaches or incidents, disruptions in services, or other performance problems with our products or services caused by external or internal actors could hurt our reputation and damage our and our customers' businesses. Software and system errors, or human errors, could delay or inhibit settlement of payments, result in oversettlement, cause reporting errors, cause pricing irregularities or prevent us from collecting transaction-based fees, or negatively impact our ability to serve our customers, all of which have occurred in the past. Similarly, security breaches or incidents, which may be caused by or result from cyber-attacks by hackers or others, computer viruses, worms, ransomware, other malicious software programs, security vulnerabilities, employee or service provider theft, misuse or negligence, phishing, identity theft or compromised credentials, denial-of-service attacks, or other causes, have from time to time impacted our business and could disrupt the proper functioning of our software products or services, cause errors, allow loss or unavailability of, unauthorized access to, or disclosure of, proprietary, confidential or otherwise sensitive data of ours or our customers, and other destructive outcomes. Moreover, security breaches or incidents or errors in our hardware or software design or manufacture could cause product safety issues typical of consumer electronics devices. Any of the foregoing issues could lead to product recalls and inventory shortages, result in costly and time-consuming efforts to redesign and redistribute our products, give rise to regulatory inquiries and investigations, and result in lawsuits and other liabilities and losses, any of which could have a material and adverse effect on our business.

Additionally, electronic payment, hardware, and software products and services, including ours, have been, and could continue to be in the future, specifically targeted and penetrated or disrupted by hackers and other malicious actors. Because the techniques used to obtain unauthorized access to data, products, and services and to disable, degrade, or sabotage them change frequently and may be difficult to detect or remediate for long periods of time, we and our customers may be unable to anticipate these techniques or implement adequate preventative measures to stop them. If we or our sellers or other customers are unable to anticipate or prevent these attacks, our sellers' or other customers may be harmed, our reputation could be damaged, and we could incur significant liability.

Systems failures, interruptions, delays in service, catastrophic events, and resulting interruptions in the availability of our products or services, or those of our sellers, could harm our business and our brand, and subject us to substantial liability.

Our systems and those of our third-party vendors, including data center facilities, may experience service interruptions, outages, cyber-attacks and security breaches and incidents, human error, earthquakes, hurricanes, floods, pandemics, fires, other natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks and other geopolitical unrest, computer viruses, ransomware, and other malicious software, changes in social, political, or regulatory conditions or in laws and policies, or other changes or events. Our systems and facilities are also subject to break-ins, sabotage, and acts of vandalism. Some of our systems are not fully redundant, and our disaster-recovery planning is not sufficient for all eventualities. In addition, as a provider of payments solutions and other financial services, we are subject to increased scrutiny by regulators that may require specific business continuity and disaster recovery plans and more rigorous testing of such plans. This increased scrutiny may be costly and time-consuming and may divert our resources from other business priorities.

We have experienced and will likely continue to experience denial-of-service and other cyber-attacks, system failures, outages, security incidents, and other events or conditions that interrupt the availability, data integrity, or reduce the speed or functionality of our products and services. These events have resulted and likely will result in loss of revenue. In addition, they could result in significant expense to repair or replace damaged equipment and remedy resultant data loss or corruption. The risk of security incidents is increasing as we experience an increase in electronic payments, e-commerce, and other online activity. Additionally, due to political uncertainty and military actions associated with Russia's invasion of Ukraine, we and our service providers are vulnerable to heightened risks of security incidents and security and privacy breaches from or affiliated with nation-state actors, including attacks that could materially disrupt our systems, operations, supply chain, products, and services. We cannot provide assurances that our preventative efforts against such incidents will be

successful. A prolonged interruption in the availability or reduction in the speed or other functionality of our products or services could materially harm our reputation and business. Frequent or persistent interruptions in our products and services could cause customers to believe that our products and services are unreliable, leading them to switch to our competitors or to avoid our products and services, and could permanently harm our reputation and business. Moreover, to the extent that any system failure or similar event results in damages to customers or contractual counterparties, these customers and contractual counterparties could seek compensation from us for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address.

A significant natural or man-made disaster could have a material and adverse impact on our business. Certain of our offices and data center facilities are located in the San Francisco Bay Area, a region known for seismic activity. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our offices or data centers could result in lengthy interruptions in our services or could result in related liabilities. We do not maintain insurance sufficient to compensate us for the potentially significant losses that could result from disruptions to our services.

Significant natural or other disasters, including pandemics, could also have a material and adverse impact on our sellers or other customers, which, in the aggregate, could in turn adversely affect our results of operations.

The theft, loss, or destruction of private keys required to access the bitcoin we hold on behalf of ourselves and other parties, such as our customers and our trading partners, may be irreversible, and any failure to safeguard such bitcoin could materially and adversely affect our business, operating results, and financial condition.

Bitcoin can be accessed by the possessor of the unique cryptographic keys relating to the digital wallet in which the bitcoin is held. While the bitcoin and blockchain ledger require a public key relating to a digital wallet to be published when used in a transaction, private keys must be safeguarded and kept private in order to prevent a third-party from accessing the bitcoin held in such digital wallet. To the extent any of our private keys are lost, destroyed, or otherwise compromised and no backup of such private key is accessible, we will be unable to access the bitcoin we hold on behalf of ourselves and other parties. The vast majority of bitcoin we hold for ourselves and our customers is held in offline and air-gapped cold storage. To facilitate transactions, we hold a small portion of bitcoin in a networked hot wallet. At times, we also may utilize third-party custodians to custody a portion of the bitcoin held for our customers.

Any inappropriate access or theft of bitcoin held by us or any third-party custodian, or the third-party custodian's failure to maintain effective controls over the custody and other settlement services provided to us, could materially and adversely affect us. We cannot provide assurance that the digital wallets used to store our and other parties' bitcoin will not be hacked or compromised. The bitcoin and blockchain ledger, as well as other cryptocurrencies and blockchain technologies, have been, and may in the future be, subject to security breaches or incidents, hacking, or other malicious activities. Any loss of private keys relating to, or hack or other compromise of, digital wallets used to store our customers' bitcoin could adversely affect our customers' ability to access or sell their bitcoin and could harm customer trust in us and our products, require us to expend significant funds for remediation, and expose us to litigation, regulatory enforcement actions, and other potential liability. Additionally, any loss of private keys relating to, or hack or other compromise of, digital wallets used by third parties to store bitcoin or other cryptocurrencies could have negative reputational effects on us and harm customer trust in us and our products. As the number of customers who transact bitcoin on Cash App has increased and the amount of bitcoin we hold on behalf of such customers has grown, the risks and consequences of such adverse events have increased and could materially and adversely affect our business, operating results, and financial condition.

Our risk management efforts may not be effective, which could expose us to losses and liability and otherwise harm our business.

We offer payments and other products and services to a large number of customers. We have programs to vet and monitor these customers and the transactions we process for them as part of our risk management efforts, but such programs require continuous improvement and may not be effective in detecting and preventing fraud and illegitimate transactions. When our payments services are used to process illegitimate transactions, and we settle those funds to customers and are unable to recover them, we suffer losses and liability. As a greater number of larger sellers use our services, our exposure to material risk losses from a single seller, or from a small number of sellers, will increase. Illegitimate transactions can also expose us to governmental and regulatory enforcement actions and potentially prevent us from satisfying our contractual obligations to our third-party partners, which may cause us to be in breach of our obligations. The highly automated nature of, and liquidity offered by, our payments and peer-to-peer services make us and our customers a target for illegal or improper uses, including scams and fraud directed at our customers, fraudulent or illegal sales of goods or services, money laundering, and terrorist financing. Identity thieves and those committing fraud using stolen or fabricated credit card, debit card, or bank account numbers, or other deceptive or malicious practices such as account takeovers, potentially can steal significant amounts

of money from businesses like ours or from our customers or third parties. Our risk management policies, procedures, techniques, and processes may not be sufficient to identify all of the risks to which we are exposed, to enable us to prevent or mitigate the risks we have identified, or to identify additional risks to which we may become subject in the future. Our current business, changing and uncertain economic, geopolitical and regulatory environment, and anticipated domestic and international growth will continue to place significant demands on our risk management and compliance efforts, and we will need to continue developing and improving our existing risk management infrastructure, techniques, and processes. In addition, when we introduce new services, such as Square Banking, BNPL, and Cash App Borrow, expand existing services, including online payment acceptance and expanded methods of instantly moving money, focus on new business areas, including consumer financing and loans, or begin to operate in markets where we have a limited history of fraud loss, we may be less able to forecast and carry appropriate reserves on our books for those losses. Additionally, we recently made certain Cash App functions available to customers between the ages of 13 through 17 with the authorization of a parent or guardian. The risks and the potential harm to our reputation are magnified in instances of fraud or unauthorized or inappropriate transactions involving minors.

While we maintain a program of insurance coverage for various types of liabilities, we may self-insure against certain business risks and expenses where we believe we can adequately self-insure against the anticipated exposure and risk or where insurance is either not deemed cost-effective or unavailable.

We are currently, and will continue to be, exposed to risks associated with chargebacks and refunds in connection with payment card fraud or relating to the goods or services provided by our sellers. In the event that a billing dispute between a cardholder and a seller is not resolved in favor of the seller, including in situations where the seller engaged in fraud, the transaction is typically “charged back” to the seller and the purchase price is credited or otherwise refunded to the cardholder. The risk of chargebacks is typically greater with our sellers that promise future delivery of goods and services. Moreover, chargebacks typically increase during economic downturns due to sellers becoming insolvent or bankrupt or otherwise unable to fulfill their commitments for goods or services. Additionally, the recent global supply chain disruptions and shortages related to the COVID-19 pandemic have negatively affected sellers' ability to deliver goods and services on time or at all, which increases the risk of chargebacks. If we are unable to collect chargebacks or refunds from the seller’s account, or if the seller refuses to or is unable to reimburse us for chargebacks or refunds due to closure, bankruptcy, or other reasons, we, as the merchant of record, may bear the loss for the amounts paid to the cardholder. We collect and hold reserves for a limited number of sellers whose businesses are deemed higher risk in order to help cover potential losses from chargebacks and refunds, but this practice is limited and there can be no assurances that we will be successful in mitigating such losses. Our financial results would be adversely affected to the extent sellers do not fully reimburse us for the related chargebacks and refunds. Moreover, since October 2015, businesses that cannot process EMV chip cards are held financially responsible for certain fraudulent transactions conducted using chip-enabled cards. Not all of the readers we offer to merchants are EMV-compliant. If we are unable to maintain our losses from chargebacks at acceptable levels, the payment card networks could fine us, increase our transaction-based fees, or terminate our ability to process payment cards. Any increase in our transaction-based fees could damage our business, and if we were unable to accept payment cards, our business would be materially and adversely affected. If any of our risk management policies and processes, including self-insurance or holding seller reserves, are ineffective, we may suffer large financial losses, we may be subject to civil and criminal liability, and our business may be materially and adversely affected.

We are dependent on payment card networks and acquiring processors, and any changes to their rules or practices could harm our business.

Our business depends on our ability to accept credit and debit cards, and this ability is provided by the payment card networks, including Visa, MasterCard, American Express, and Discover. For a majority of our transactions, we do not directly access the payment card networks that enable our acceptance of payment cards. As a result, we must rely on banks and acquiring processors to process transactions on our behalf. These banks and acquiring processors may fail or refuse to process transactions adequately, may breach their agreements with us, or may refuse to renegotiate or renew these agreements on terms that are favorable or commercially reasonable. They might also take actions that degrade the functionality of our services, impose additional costs or requirements on us, or give preferential treatment to competitive services, including their own services. If we are unsuccessful in establishing, renegotiating, or maintaining mutually beneficial relationships with these payment card networks, banks, and acquiring processors, our business may be harmed.

The payment card networks and our acquiring processors require us to comply with payment card network operating rules, including special operating rules that apply to us as a “payment facilitator” providing payment processing services to merchants. The payment card networks set these network rules and have discretion to interpret the rules and change them at any time. Changes to these network rules or how they are interpreted could have a significant impact on our business and financial results. For example, changes in the payment card network rules regarding chargebacks may affect our ability to

dispute chargebacks and the amount of losses we incur from chargebacks. Any changes to or interpretations of the network rules that are inconsistent with the way we or our acquiring processors currently operate may require us to make changes to our business that could be costly or difficult to implement. If we fail to make such changes or otherwise resolve the issue with the payment card networks, the networks could fine us or prohibit us from processing payment cards. In addition, violations of the network rules or any failure to maintain good relationships with the payment card networks could impact our ability to receive incentives from them, could increase our costs, or could otherwise harm our business. If we were unable to accept payment cards or were limited in our ability to do so, our business would be materially and adversely affected.

We are required to pay interchange and assessment fees, processing fees, and bank settlement fees to third-party payment processors, payment networks, and financial institutions. From time to time, payment card networks have increased, and may increase in the future, the interchange fees and assessments that they charge for each transaction processed using their networks. In some cases, we have negotiated favorable pricing with acquiring processors and networks that are contingent on certain business commitments and other conditions. If we fail to meet such conditions, the fees we are charged will rise. Moreover, our acquiring processors and payment card networks may refuse to renew our agreements with them on terms that are favorable, commercially reasonable, or at all. Interchange fees or assessments are also subject to change from time to time due to government regulation. Because we generally charge our sellers a standard rate for our managed payments services, rather than passing through interchange fees and assessments to our sellers directly, any increase or decrease in interchange fees or assessments or in the fees we pay to our third-party payment processors, payment networks, or financial institutions could make our pricing less competitive, lead us to change our pricing model, or adversely affect our margins, all of which could materially harm our business and financial results. Likewise, we have negotiated favorable pricing for the processing fees we pay to the payment card networks for peer-to-peer transactions on our Cash App. As such, an increase in interchange fees or assessments could raise our costs for such transactions, which could materially harm our business and financial results.

We could be, and in the past have been, subject to penalties from payment card networks if we fail to detect that sellers are engaging in activities that are illegal, contrary to the payment card network operating rules, or considered “high risk.” We must either prevent high-risk sellers from using our products and services or register such high-risk sellers with the payment card networks and conduct additional monitoring with respect to such high-risk sellers. Any such penalties could become material and could result in termination of our ability to accept payment cards or could require changes in our process for registering new sellers. This could materially and adversely affect our business.

We rely on third parties and their systems for a variety of services, including the processing of transaction data and settlement of funds to us and our customers, and these third parties’ failure to perform these services adequately could materially and adversely affect our business.

To provide our products and services, we rely on third parties that we do not control, such as the payment card networks, our acquiring and issuing processors, the payment card issuers, a carrying broker, bank partners, various financial institution partners, systems like the Federal Reserve Automated Clearing House, and other partners. We rely on these third parties for a variety of services, including the transmission of transaction data, processing of chargebacks and refunds, settlement of funds to our sellers, certain brokerage services, storing customer funds, authorizing payment transactions under our various card programs, originating loans to customers, and the provision of information and other elements of our services. For example, we rely on a limited number of acquiring processors in many of the jurisdictions in which we offer our services. While we believe there are other acquiring processors that could meet our needs, adding or transitioning to new providers may significantly disrupt our business and increase our costs. In the event these third parties fail to provide these services adequately, including as a result of financial difficulty or insolvency, errors in their systems, outages or events beyond their control, or refuse to provide these services on terms acceptable to us or at all, and we are not able to find suitable alternatives, our business may be materially and adversely affected. We have in the past experienced outages with third parties we have worked with, which has affected the ability to process payments for cards issued under our own brands.

We depend on key management, as well as our experienced and capable employees, and any failure to attract, motivate, and retain our employees could harm our ability to maintain and grow our business.

Our future success is significantly dependent upon the continued service of our executives and other key employees. If we lose the services of any member of management or any key personnel, we may not be able to locate a suitable or qualified replacement, and we may incur additional expenses to recruit and train a replacement, which could severely disrupt our business and growth.

To maintain and grow our business, we will need to identify, attract, hire, develop, motivate, and retain highly skilled employees. This requires significant time, expense, and attention. In addition, from time to time, there may be changes in our management team that may be disruptive to our business. If our management team, including any new hires that we make,

fails to work together effectively and to execute our plans and strategies on a timely basis, our business could be harmed. Competition for highly skilled personnel is intense. We may need to invest significant amounts of cash and equity to attract and retain new employees, and we may never realize returns on these investments. Additionally, potential changes in U.S. immigration policy may make it difficult to renew or obtain visas for any highly skilled personnel that we have hired or are actively recruiting. Furthermore, our international expansion and our business in general may be materially adversely affected if legislative or administrative changes to immigration or visa laws and regulations impair our hiring processes or projects involving personnel who are not citizens of the country where the work is to be performed. If we are not able to add and retain employees effectively, our ability to achieve our strategic objectives will be adversely affected, and our business and growth prospects will be harmed.

If we do not continue to improve our operational, financial, and other internal controls and systems to manage growth effectively, our business could be harmed.

Our current business and anticipated growth, as well as our entry into new lines of business and our acquisitions, will continue to place significant demands on our management and other resources. In order to manage our growth effectively, we must continue to strengthen our existing infrastructure and operational procedures, enhance our internal controls and reporting systems, and ensure we timely and accurately address issues as they arise. In particular, our continued growth will increase the challenges involved in:

- improving existing and developing new internal administrative infrastructure, particularly our operational, financial, communications, and other internal systems and procedures;
- successfully expanding and implementing internal controls as they relate to our new lines of business and any acquired businesses;
- installing enhanced management information and control systems; and
- preserving our core values, strategies, and goals and effectively communicating these to our employees worldwide.

These challenges have increased as we shift to a more distributed workforce. If we are not successful in developing and implementing the right processes and tools to manage our enterprise, our ability to compete successfully and achieve our business objectives could be impaired.

These efforts may require substantial financial expenditures, commitments of resources, developments of our processes, and other investments and innovations. As we grow and our business model evolves, we must balance the need for additional controls and systems with the ability to efficiently develop and launch new features for our products and services. However, it is likely that as we grow, we will not be able to launch new features, or respond to customer or market demands as quickly as a smaller, more efficient organization. If we do not successfully manage our growth, our business will suffer.

Additionally, our metrics are calculated using internal company data based on the activity we measure on our platforms and may be compiled from multiple systems, including systems that are organically developed or acquired through business combinations. There are inherent challenges and limitations in measuring our business globally at scale, and the methodologies used to calculate our metrics inherently require some judgment. For example, we currently identify a Cash App transacting active as a Cash App account that has at least one financial transaction using any product or service within Cash App during a specified period although certain of these accounts may share an alias identifier with one or more other transacting active accounts (for example, families sharing one alias identifier or one customer with multiple accounts). We regularly review our processes for calculating these metrics, and from time to time we may make adjustments to improve their accuracy or relevance. Further, as our business develops, we may revise or cease reporting metrics if we determine that such metrics are no longer appropriate measures of our performance. If investors do not consider our reporting metrics to accurately reflect our business or they disagree with our methodologies, our reputation may be harmed and our business may be adversely impacted.

Many of our key components are procured from a single or limited number of suppliers. Thus, we are at risk of shortage, price increases, tariffs, changes, delay, or discontinuation of key components, which could disrupt and materially and adversely affect our business.

Many of the key components used to manufacture our products, such as the custom parts of our magstripe reader come from limited or single sources of supply. In addition, in some cases, we rely only on one manufacturer to fabricate, test,

and assemble our products. For example, a single manufacturer assembles our magstripe reader and our contactless and chip reader, as well as manufactures those products' plastic parts with custom tools that we own but that the manufacturer maintains on its premises. The term of the agreement with that manufacturer automatically renews for consecutive one-year periods unless either party provides notice of non-renewal. In general, our contract manufacturers fabricate or procure components on our behalf, subject to certain approved procedures or supplier lists, and we do not have firm commitments from all of these manufacturers to provide all components, or to provide them in quantities and on timelines that we may require. For example, pursuant to a development and supply agreement, a component supplier provides design, development, customization, and related services for components of the magnetic stripe-reading element in some of our products. The term of the agreement renews for consecutive one-year periods unless either party provides notice of non-renewal. Similarly, a component provider develops certain application-specific integrated circuits for our products pursuant to our designs and specifications. The term of our agreement with this provider renews for successive two-year terms unless either party provides notice of non-renewal.

Due to our reliance on the components or products produced by suppliers such as these, we are subject to the risk of shortages and long lead times or other disruptions in the supply of certain components or products. Our ongoing efforts to identify alternative manufacturers for the assembly of our products and for many of the single-sourced components used in our products may not be successful. In the case of off-the-shelf components, we are subject to the risk that our suppliers may discontinue or modify them, or that the components may cease to be available on commercially reasonable terms, or at all. We have in the past experienced, and may in the future experience, component shortages or delays or other problems in product assembly, and the availability of these components or products may be difficult to predict. For example, our manufacturers may experience temporary or permanent disruptions in their manufacturing operations due to equipment breakdowns, labor strikes or shortages, natural disasters, the occurrence of a contagious disease or illness, component or material shortages, cost increases, acquisitions, insolvency, bankruptcy, business shutdowns, trade restrictions, changes in legal or regulatory requirements, or other similar problems. The current global supply chain disruptions and shortages, in particular with respect to integrated circuits, have affected our supply chain and resulted in low levels of inventory for some of our hardware products. We therefore may be unable to timely fulfill orders for some hardware products. These hardware shortages could negatively affect our ability to serve and acquire sellers, and if such shortages continue for an extended period of time, could materially and adversely impact our financial results.

Additionally, various sources of supply-chain risk, including strikes or shutdowns at delivery ports or loss of or damage to our products while they are in transit or storage, intellectual property theft, losses due to tampering, third-party vendor issues with quality or sourcing control, failure by our suppliers to comply with applicable laws and regulation, potential tariffs or other trade restrictions, or other similar problems could limit or delay the supply of our products or harm our reputation. In the event of a shortage or supply interruption from suppliers of these components, such as the current global shortage of integrated circuits, we may not be able to develop alternate sources quickly, cost-effectively, or at all. Any interruption or delay in manufacturing, component supply, any increases in component costs, or the inability to obtain these parts or components from alternate sources at acceptable prices and within a reasonable amount of time, would harm our ability to provide our products to sellers on a timely basis or impact our cost of goods sold. This could harm our relationships with our sellers, prevent us from acquiring new sellers, and materially and adversely affect our business.

Some of our hardware devices manufactured in China are subject to 25% tariffs when imported to the United States, while some other hardware devices are subject to tariffs at 7.5%. These tariffs negatively affect the gross margin on the impacted products, which only partially has been offset by adjustments to the prices of some of the affected products. Any future tariffs and actions related to items imported from China or elsewhere could also negatively impact our gross margin on the impacted products, and increases in our pricing as a result of tariffs would reduce the competitiveness of our products if our competitors do not make similar pricing adjustments. The impact of any increased or new tariffs or other trade restrictions could have a material and adverse effect on our business, financial condition, and results of future operations.

Our business could be harmed if we are unable to accurately forecast demand for our products and to adequately manage our product inventory.

We invest broadly in our business, and such investments are partially driven by our expectations of the future success of a product. For example, our products such as the Square Reader often require investments with long lead times. An inability to correctly forecast the success of a particular product could harm our business. We must forecast inventory needs and expenses and place orders sufficiently in advance with our third-party suppliers and contract manufacturers based on our estimates of future demand for particular products. Our ability to accurately forecast demand for our products could be affected by many factors, including an increase or decrease in demand for our products or for our competitors' products, changes in general market or economic conditions, and business closures and other actions taken to combat COVID-19.

If we underestimate demand for a particular product, our contract manufacturers and suppliers may not be able to deliver sufficient quantities of that product to meet our requirements, and we may experience a shortage of that product available for sale or distribution. If we overestimate demand for a particular product, we may experience excess inventory levels for that product and the excess inventory may become obsolete or out-of-date. Inventory levels in excess of demand may result in inventory write-downs or write-offs and the sale of excess inventory at further discounted prices, which could negatively impact our gross profit and our business.

Our services must integrate with a variety of operating systems, and the hardware that enables merchants to accept payment cards must interoperate with third-party mobile devices utilizing those operating systems. If we are unable to ensure that our services or hardware interoperate with such operating systems and devices, our business may be materially and adversely affected.

We are dependent on the ability of our products and services to integrate with a variety of operating systems, as well as web browsers, that we do not control. Any changes in these systems that degrade the functionality of our products and services, impose additional costs or requirements on us, or give preferential treatment to competitive services, including their own services, could materially and adversely affect usage of our products and services. In addition, we rely on app marketplaces, such as the Apple App Store and Google Play, to drive downloads of our mobile apps. Apple, Google, or other operators of app marketplaces regularly make changes to their marketplaces, and those changes may make access to our products and services more difficult. In the event that it is difficult for our customers to access and use our products and services, our business may be materially and adversely affected. Furthermore, Apple, Google, or other operators of app marketplaces regularly provide software updates, and such software updates may not operate effectively with our products and services, which may reduce the demand for our products and services, result in dissatisfaction by our customers, and may materially and adversely affect our business.

In addition, Square hardware interoperates with wired and wireless interfaces to mobile devices developed by third parties. For example, the current versions of Square's magstripe reader plug into an audio jack or a Lightning connector. The use of these connection types could change, and such changes and other potential changes in the design of future mobile devices could limit the interoperability of our hardware and software with such devices and require modifications to our hardware or software. If we are unable to ensure that our hardware and software continue to interoperate effectively with such devices, if doing so is costly, or if existing merchants decide not to utilize additional parts necessary for interoperability, our business may be materially and adversely affected.

Our TIDAL services depend upon maintaining complex licenses with copyright owners, and it is difficult to estimate the amount payable under our license agreements.

Under TIDAL's license agreements and relevant statutes, we must pay all required royalties to record labels, music publishers, and other copyright owners in order to stream, distribute, and display content. The determination of the amount and timing of such payments is complex and subject to a number of variables, including the type of content accessed, the country in which it is accessed, the service tier such content is streamed on, the identity of the license holder to whom royalties are owed, the current size of our subscriber base, the applicability of any most favored nations provisions, and any applicable fees, waivers, and discounts, among other variables.

We may underpay/under-accrue or overpay/over-accrue the royalty amounts payable to record labels, music publishers, and other copyright owners. Failure to accurately pay our royalties may damage our business relationships, our reputation, and adversely affect our business, operating results, and financial condition.

Economic, Financial, and Tax Risks

A deterioration of general macroeconomic conditions could materially and adversely affect our business and financial results.

Our performance is subject to economic conditions and their impact on levels of spending by businesses and individuals. Most of the sellers that use our services are small businesses, many of which are in the early stages of their development, and these businesses are often disproportionately adversely affected by economic downturns and may fail at a higher rate than larger or more established businesses. Small businesses frequently have limited budgets and limited access to capital, and they may choose to allocate their spending to items other than our financial or marketing services, especially in times of economic uncertainty or in recessions. In addition, if our sellers cease to operate, this may have an adverse impact not only on the growth of our payments services but also on our transaction and advance loss rates, and the success of our other services. For example, if sellers processing payments with Square receive chargebacks after they cease to operate, we may

incur additional losses. Additionally, the growth in the number of Square sellers qualifying for participation in the Square Loans program may slow, or business loans may be paid more slowly, or not at all. In addition, as we expand our business to offer BNPL services and consumer loan products, such as Cash App Borrow, those customers may also be disproportionately adversely affected by economic downturns, which could cause loss rates on such products to increase.

Further, our suppliers, distributors, and other third-party partners may suffer their own financial and economic challenges. Such suppliers and third parties may demand pricing accommodations, delay payment, or become insolvent, which could harm our ability to meet end customer demands or collect revenue or otherwise could harm our business. Furthermore, our investment portfolio, which includes U.S. government and corporate securities, is subject to general credit, liquidity, market, and interest rate risks, which may be exacerbated by certain events that affect the global financial markets. If global credit and equity markets decline for extended periods, or if there is a downgrade of the securities within our portfolio, our investment portfolio may be adversely affected and we could determine that our investments have experienced an other-than-temporary decline in fair value, requiring impairment charges that could adversely affect our financial results. Thus, if general macroeconomic conditions deteriorate, our business and financial results could be materially and adversely affected.

We are currently subletting some of our office space. An economic downturn or our work-from-home practices may cause us to need less office space than we are contractually committed to leasing and prevent us from finding subtenants for such unused office space, causing us to pay for unused office space.

We are also monitoring developments related to the United Kingdom's exit from the European Union. Brexit could have significant implications for our business and could lead to economic and legal uncertainty and increasingly divergent laws, regulations, and licensing requirements. Any of these effects of Brexit, among others, could adversely affect our operations and financial results.

The continuing effects of the COVID-19 pandemic could have a material and adverse effect on our business and results of operations.

The ongoing COVID-19 pandemic and related government actions taken to reduce the spread of the virus have increased economic uncertainty and its effects continue to evolve. The pandemic has contributed to worldwide supply chain disruption, which has adversely affected, and is expected to continue to adversely affect, businesses (including our sellers and suppliers) and the economy. In addition, inflation has impacted and may continue to impact consumer spending and the economy as a whole.

The pandemic has caused us to modify our business practices to help minimize the risk of the virus to our employees, our customers, and the communities in which we participate, which could negatively impact our business. We continue to permit employees to work remotely and we have gradually begun a phased reopening of our offices. We continue to employ additional safety measures in our offices, including enhanced cleaning and sanitation, limiting external guests visiting our offices, and holding most meetings and events virtually. Given the continually evolving situation, there is no certainty that the measures we have taken will be sufficient to mitigate the risks posed by the virus, and conditions may require us to move back under more restrictive guidelines.

The extent to which the COVID-19 pandemic continues to impact our business, results of operations, and financial condition will depend on developments that remain uncertain and difficult to predict. Even after the impacts of the COVID-19 pandemic have subsided, we may experience material and adverse impacts to our business as a result of the virus's global economic impact, including the availability of credit, bankruptcies or insolvencies of customers, and recession or economic downturn.

We may not be able to secure financing on favorable terms, or at all, to meet our future capital needs, and our existing credit facility and our senior notes contain, and any future debt financing may contain, covenants that impact the operation of our business and pursuit of business opportunities.

We have funded our operations since inception primarily through debt and equity financings, bank credit facilities, finance lease arrangements, and cash from operations. While we believe that our existing cash and cash equivalents, marketable debt securities, and availability under our line of credit are sufficient to meet our working capital needs and planned capital expenditures, and service our debt, there is no guarantee that this will continue to be true in the future. In the future, we may require additional capital to respond to business opportunities, refinancing needs, business and financial challenges, regulatory surety bond requirements, acquisitions, or unforeseen circumstances and may decide to engage in equity, equity-linked, or debt financings or enter into additional credit facilities for other reasons. We may not be able to secure any such additional financing or refinancing on favorable terms, in a timely manner, or at all. If we are unable to obtain

adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to grow or support our business and to respond to business challenges could be significantly limited.

Our credit facility contains affirmative and negative covenants, including customary limitations on the incurrence of certain indebtedness and liens, restrictions on certain intercompany transactions, and limitations on dividends and stock repurchases. The indentures pursuant to which our 2026 Senior Notes and 2031 Senior Notes (collectively, the "Senior Notes") were issued contain financial and other covenants that restrict or could restrict, among other things, our business and operations. Any debt financing obtained by us in the future could also involve restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to operate our business, obtain additional capital, and pursue business opportunities, including potential acquisitions. Our ability to comply with these covenants may be affected by events beyond our control, and breaches of these covenants could result in a default under our existing credit facility or our senior notes and any future financing agreements into which we may enter. If not waived, these defaults could cause indebtedness outstanding under our credit facility, our Senior Notes, our other outstanding indebtedness, including our 2023 Convertible Notes, 2025 Convertible Notes, 2026 Convertible Notes, and 2027 Convertible Notes (collectively, the "Convertible Notes," and together with the Senior Notes, the "Notes"), and any future financing agreements that we may enter into to become immediately due and payable.

If we raise additional funds through further issuances of equity or other securities convertible into equity, including convertible debt securities, our existing stockholders could suffer dilution in their percentage ownership of our company, and any such securities we issue could have rights, preferences, and privileges senior to those of holders of our Class A common stock.

Changes by any rating agency to our outlook or credit rating could negatively affect the value of both our debt and equity securities and increase our borrowing costs. If our credit ratings are downgraded or other negative action is taken, our ability to obtain additional financing in the future on favorable terms or at all could be adversely affected.

Servicing our Notes may require a significant amount of cash, and we may not have sufficient cash or the ability to raise the funds necessary to settle conversions of the Convertible Notes in cash, repay the Notes at maturity, or repurchase the Notes as required following a fundamental change.

As of September 30, 2022, we had $460.6 million aggregate principal amount of 2023 Convertible Notes, $1.0 billion outstanding aggregate principal amount of 2025 Convertible Notes, $575.0 million outstanding aggregate principal amount of 2026 Convertible Notes, $575.0 million outstanding aggregate principal amount of 2027 Convertible Notes, $1.0 billion outstanding aggregate principal amount of 2026 Senior Notes, and $1.0 billion outstanding aggregate principal amount of 2031 Senior Notes.

Prior to February 15, 2023, in the case of the 2023 Convertible Notes, December 1, 2024, in the case of the 2025 Convertible Notes, February 1, 2026, in the case of the 2026 Convertible Notes, and August 1, 2027, in the case of the 2027 Convertible Notes, the applicable Convertible Notes are convertible at the option of the holders only under certain conditions or upon occurrence of certain events. Because the last reported sale price of our Class A common stock did not exceed 130% of the conversion price for the 2023 Convertible Notes for the relevant period in the calendar quarter ending September 30, 2022, the 2023 Convertible Notes are not convertible at the option of the holders thereof during the calendar quarter ending December 31, 2022. Whether the Convertible Notes of any series will be convertible following a calendar quarter will depend on the satisfaction of this condition or another conversion condition in the future. If holders of the Convertible Notes of a series elect to convert such Convertible Notes when eligible, we will be required to make cash payments in respect of the Convertible Notes being converted unless we elect to deliver solely shares of our Class A common stock to settle such conversion. We currently expect to settle future conversions of the 2023 Convertible Notes solely in shares of our Class A common stock, which has the effect of including the shares of Class A common stock issuable upon conversion of the Convertible Notes of such series in our diluted earnings per share to the extent such shares are not anti-dilutive. We will reevaluate this policy from time to time as conversion notices are received from holders of the Convertible Notes.

In addition, holders of each series of Notes also have the right to require us to repurchase all or a portion of their Notes of such series upon the occurrence of a fundamental change (as defined in the applicable indenture governing the Notes) at a repurchase price equal to 100% of the principal amount of the Convertible Notes to be repurchased, plus accrued and unpaid interest, or at a repurchase price equal to 101% of the principal amount of the Senior Notes to be repurchased, plus accrued and unpaid interest. If the Notes of any series have not previously been converted or repurchased, we will be required to repay such Notes in cash at maturity.

Our ability to make required cash payments in connection with conversions of the Convertible Notes, repurchase the Notes in the event of a fundamental change, or to repay or refinance the Notes at maturity will depend on market conditions and our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. We also may not use the cash proceeds we raised through the issuance of the Notes in an optimally productive and profitable manner. Since inception, our business has generated net losses in most quarters, and we may continue to incur significant losses. As a result, we may not have enough available cash or be able to obtain financing at the time we are required to repurchase or repay the Notes or pay cash with respect to the Convertible Notes being converted.

In addition, our ability to repurchase or to pay cash upon conversion or at maturity of the Notes may be limited by law or regulatory authority. Our failure to repurchase Notes following a fundamental change or to pay cash upon conversion of our Convertible Notes (unless we elect to deliver solely shares of our Class A common stock to settle such conversion) or at maturity of the Notes as required by the applicable indenture would constitute a default under such indenture. A default under the applicable indenture or the fundamental change itself could also lead to a default under our credit facility, our other outstanding indebtedness, or agreements governing our future indebtedness and could have a material adverse effect on our business, results of operations, and financial condition. If the payment of our other outstanding indebtedness or future indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness and repurchase the Notes or to pay cash upon conversion of the Convertible Notes or at maturity of the Notes.

We are subject to counterparty risk with respect to the convertible note hedge transactions.

In connection with the issuance of each series of our Convertible Notes, we entered into convertible note hedge transactions with certain financial institutions, which we refer to as the "option counterparties." The option counterparties are financial institutions or affiliates of financial institutions, and we will be subject to the risk that one or more of such option counterparties may default under the convertible note hedge transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. If any option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the convertible note hedge transaction. Our exposure will depend on many factors but, generally, the increase in our exposure will be correlated to the increase in our Class A common stock market price and in the volatility of the market price of our Class A common stock. In addition, upon a default by any option counterparty, we may suffer adverse tax consequences and dilution with respect to our Class A common stock. We can provide no assurance as to the financial stability or viability of any option counterparty.

Our investments in bitcoin are subject to volatile market prices, impairment, and other risks of loss.

We purchased $50 million in bitcoin in October 2020 and another $170 million in bitcoin in February 2021, and we may make additional bitcoin purchases in the future. The price of bitcoin has been highly volatile and may continue to be volatile in the future, including as a result of various associated risks and uncertainties. For example, the prevalence of bitcoin is a relatively recent trend, and the long-term adoption of bitcoin by investors, consumers, and businesses remains uncertain. Bitcoin’s lack of a physical form, its reliance on technology for its creation, existence, and transactional validation, and its decentralization may subject its integrity to the threat of malicious attacks and technological obsolescence. To the extent the market value of the bitcoin we hold continues to decrease relative to the purchase prices, our financial condition may be adversely impacted.

Moreover, bitcoin currently is considered an indefinite-lived intangible asset under applicable accounting rules, meaning that any decrease in its market value below our book value for such asset at any time subsequent to its acquisition will require us to recognize impairment charges, whereas we may make no upward revisions for any market price increases until a sale, which may adversely affect our operating results in any period in which such impairment occurs. We have recorded several such impairment charges. If there are future changes in applicable accounting rules that require us to change the manner in which we account for our bitcoin, there could be a material and adverse effect on our financial results and the market price of our Class A common stock.

We are exposed to fluctuations in foreign currency exchange rates.

Following our acquisition of Afterpay, our international operations account for a more significant portion of our overall operations and our exposure to fluctuations in foreign currency exchange rates has increased significantly, which could have a negative impact on our reported results of operations. From time to time, we may enter into forward contracts, options, and/or foreign exchange swaps related to transaction exposures that arise in the normal course of our business. These and other

such hedging activities may not eliminate our exposure to foreign exchange fluctuations. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

We may have exposure to greater-than-anticipated tax liabilities, which may materially and adversely affect our business.

We are subject to income taxes and non-income taxes in the United States and other countries in which we transact or conduct business, and such laws and rates vary by jurisdiction. We are subject to review and audit by U.S. federal, state, local, and foreign tax authorities. Such tax authorities may disagree with tax positions we take, and if any such tax authority were to successfully challenge any such position, our financial results and operations could be materially and adversely affected. In addition, we currently are, and expect to continue to be, subject to numerous federal, state, local and foreign tax audits relating to transfer pricing, income, sales & use, value-added ("VAT"), and other tax liabilities. While we have established reserves based on assumptions and estimates that we believe are reasonably sufficient to cover such eventualities, any adverse outcome of such a review or audit could have an adverse impact on our financial position and results of operations if the reserves prove to be insufficient.

Our tax liability could be adversely affected by changes in tax laws, rates, regulations, and administrative practices. For example, various levels of government and international organizations, such as in the United States, the Organisation for Economic Co-operation and Development ("OECD"), and the European Union ("EU"), have increasingly focused on tax reform and any result from this development may create changes to long-standing tax principles, which could adversely affect our effective tax rate. On October 8, 2021, the OECD announced an international agreement with more than 130 countries to implement a new global minimum effective corporate tax rate of 15% for large multinational companies starting in 2023. Additionally, under the agreement, new rules have been introduced that will result in the reallocation of certain profits from large multinational companies to market jurisdictions where customers and users are located. Although certain implementation details have yet to be developed and the enactment of these changes has not yet taken effect, we will be monitoring the developments and tax implications of these changes, which may have adverse tax consequences for us.

On August 16, 2022, the Inflation Reduction Act ("IRA") was enacted in the United States, which introduced, among others, a new minimum corporate income tax on certain large corporations, an excise tax of 1% on certain share repurchases by corporations and increased funding for the Internal Revenue Service ("IRS"). Although we do not anticipate the new corporate minimum income tax will currently apply to us, changes in our business and any future regulations or other guidance on the interpretation and application of the new corporate minimum tax, as well as the potential application of the share repurchase excise tax, may result in additional taxes payable by us, which could materially and adversely affect our financial results and operations. The excise tax on share repurchases may apply to any redemption of stock (including transactions deemed to be redemptions for U.S. income tax purposes) we undertake, which may increase the cost of such redemptions to us.

Our income tax obligations are based on our corporate operating structure, including the manner in which we develop, value, and use our intellectual property and the scope of our international operations. The tax authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements. Additionally, tax authorities at the international, federal, state, and local levels are currently reviewing the appropriate tax treatment of companies engaged in internet commerce and financial technology and attempting to broaden the classification and definitions of activities subject to taxation. For example, various states may attempt to broaden the definition of internet hosting, data processing, telecommunications, and other services to capture additional types of activities. These developing changes could affect our financial position and results of operations. In particular, it is possible that tax authorities at the international, federal, state, and local levels may attempt to regulate our transactions or levy new or revised sales & use taxes, VAT, digital services taxes, digital advertising taxes, income taxes, or other taxes relating to our activities. New or revised taxes, in particular, sales & use taxes, VAT, and similar taxes, including digital advertising taxes and digital service taxes, would likely increase the cost of doing business. New taxes could also create significant increases in internal costs necessary to capture data and collect and remit taxes. Proposed or enacted laws regarding tax compliance obligations could require us to make changes to our infrastructure or increase our compliance obligation. Any of these events could have an adverse effect on our business and results of operations. Moreover, an increasing number of states, the U.S. federal government, and certain foreign jurisdictions, have considered or adopted laws or administrative practices that impose obligations for on-demand and streaming services, online marketplaces, payment service providers, and other intermediaries. These obligations may deem parties, such as us, to be the legal agent of merchants and therefore require and may require us to collect and remit taxes on the merchants' behalf and take on additional reporting and record-keeping obligations. For example, starting January 1, 2022, the American Rescue Plan Act of 2021 requires businesses that process payments, such as Cash App, to report payments for goods and services on Form 1099-K when those transactions total $600 or more in a year for a given seller. This reporting requirement applies to Cash for Business accounts, not personal Cash App accounts. Form 1099-Ks for the new thresholds will be issued in January 2023. Any failure by us to prepare for and to comply with these and similar

reporting and record-keeping obligations could result in substantial monetary penalties and other sanctions, adversely impact our ability to do business in certain jurisdictions, and harm our business.

The determination of our worldwide provision for income and other tax liabilities is highly complex and requires significant judgment by management, and there are many transactions during the ordinary course of business where the ultimate tax determination is uncertain. Although we believe our estimates are reasonable, the ultimate tax outcome may differ from amounts recorded in our financial statements and may materially affect our financial results in the period or periods for which such determination is made.

We have in the past recorded, and may in the future record, significant valuation allowances on our deferred tax assets, which may have a material impact on our results of operations and cause fluctuations in such results.

As of September 30, 2022, we had a valuation allowance for deferred tax assets in the United States and in certain other countries. Our net deferred tax assets relate predominantly to the United States federal and state tax jurisdictions. The need for a valuation allowance requires an assessment of both positive and negative evidence when determining whether it is more likely than not that deferred tax assets are recoverable; such assessment is required on a jurisdiction-by-jurisdiction basis. In making such an assessment, significant weight is given to evidence that can be objectively verified.

We continue to monitor the likelihood that we will be able to recover our deferred tax assets in the future. Future adjustments in our valuation allowance may be required. The recording of any future increases in our valuation allowance could have a material impact on our reported results, and both the recording and release of the valuation allowance could cause fluctuations in our quarterly and annual results of operations.

Legal, Regulatory, and Compliance Risks

Our business is subject to extensive regulation and oversight in a variety of areas, all of which are subject to change and uncertain interpretation.

We are subject to a wide variety of local, state, federal, and international laws, regulations, licensing schemes, and industry standards in the United States and in other countries in which we operate. These laws, regulations, and standards govern numerous areas that are important to our business, and include, or may in the future include, those relating to banking, lending, deposit-taking, cross-border and domestic money transmission, foreign exchange, payments services (such as payment processing and settlement services), cryptocurrency, trading in shares and fractional shares, fraud detection, consumer protection, anti-money laundering, escheatment, sanctions regimes and export controls, privacy, data protection and information security, fiscalization and compliance with the Payment Card Industry Data Security Standard, a set of requirements designed to ensure that all companies that process, store, or transmit payment card information maintain a secure environment to protect cardholder data.

These laws, rules, regulations, and standards are enforced by multiple authorities and governing bodies in the United States, including federal agencies, such as the FDIC, the SEC, the Consumer Financial Protection Bureau, and Office of Foreign Assets Control, self-regulatory organizations, and numerous state and local agencies, such as the Utah Department of Financial Institutions. Outside of the United States, we are subject to additional regulators. As we expand into new jurisdictions, or expand our product offerings in existing jurisdictions, the number of foreign regulations and regulators governing our business will expand as well. For example, in connection with our acquisition of Afterpay we established a secondary listing on the Australian Securities Exchange ("ASX"), subjecting us to additional listing requirements. As our business and products continue to develop and expand, we may become subject to additional rules, regulations, and industry standards. We may not always be able to accurately predict the scope or applicability of certain regulations to our business, particularly as we expand into new areas of operations, which could have a significant negative effect on our existing business and our ability to pursue future plans.

Laws, regulations, and standards are subject to changes and evolving interpretations and application, including by means of legislative changes and/or executive orders, and it can be difficult to predict how they may be applied to our business and the way we conduct our operations, particularly as we introduce new products and services and expand into new jurisdictions.

For example, Cash App includes a feature that permits our customers to buy and sell bitcoin. Bitcoin is not widely accepted as legal tender or backed by governments around the world, and it has experienced price volatility, technological glitches, security compromises, and various law enforcement and regulatory interventions. Certain existing laws also prohibit transactions with certain persons and entities, and we have a risk-based program in place to prevent such transactions. Despite

this, due to the nature of bitcoin and blockchain technology, it may be technically infeasible to prevent all such transactions, and there can be no guarantee that our measures will be viewed as sufficient. The regulation of cryptocurrency and crypto platforms is still an evolving area, and it is possible that we could become subject to additional regulations. If we fail to comply with regulations or prohibitions applicable to us, we could face regulatory or other enforcement actions and potential fines and other consequences. Further, we might not be able to continue operating the feature, at least in current form, which could cause the price of our Class A common stock to decrease.

We are subject to audits, inspections, inquiries, and investigations from regulators on an ongoing basis. Although we have a compliance program focused on the laws, rules, and regulations applicable to our business, we have been and may still be subject to inquiries, investigations, fines, or other penalties in one or more jurisdictions levied by regulators, including federal agencies, state Attorneys General and private plaintiffs who may be acting as private attorneys general pursuant to various applicable laws, as well as those levied by foreign regulators. In addition to fines, penalties for failing to comply with applicable rules and regulations could include significant criminal and civil lawsuits, forfeiture of significant assets, increased licensure requirements, revocation of licenses or other enforcement actions. We have been and may be required to make changes to our business practices or compliance programs as a result of regulatory scrutiny. In addition, any perceived or actual breach of compliance by us with respect to applicable laws, rules, and regulations could have a significant impact on our reputation as a trusted brand and could cause us to lose existing customers, prevent us from obtaining new customers, require us to expend significant funds to remedy problems caused by breaches and to avert further breaches, and expose us to legal risk and potential liability.

Further, from time to time, we may leverage third parties to help conduct our businesses in the U.S. or abroad. We and our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for any corrupt or other illegal activities of these third-party business partners and intermediaries, our employees, partners, and agents, even if we do not explicitly authorize such activities. While we have policies and procedures to address compliance with such laws, we cannot assure you that our employees and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Our business is subject to complex and evolving regulations and oversight related to privacy, data protection, and information security.

We are subject to laws and regulations relating to the collection, use, retention, privacy, protection, security, and transfer of information, including personal information of our employees and customers. As with the other laws and regulations noted above, these laws and regulations may change or be interpreted and applied differently over time and from jurisdiction to jurisdiction, and it is possible they will be interpreted and applied in ways that will materially and adversely affect our business. For example, the European Union's General Data Protection Regulation ("GDPR") and similar legislation in the United Kingdom ("U.K.") impose stringent privacy and data protection requirements and provide for greater penalties for noncompliance of up to the greater of 4% of worldwide annual revenue or €20 million or £17.5 million, as applicable. The GDPR restricts international data transfers from the EU to other jurisdictions unless the rights of the individual data subjects in respect of their personal data is protected by an approved transfer mechanism, or one of a limited number of exceptions applies. The U.K.'s data protection regime contains similar requirements. When transferring personal data from the EU to other jurisdictions, we utilize standard contractual clauses published by the EU Commission (the "SCCs"). On July 16, 2020, the Court of Justice of the European Union ("CJEU") issued a decision that may impose additional obligations on companies when relying on those SCCs. This CJEU decision may result in different EEA data protection regulators applying differing standards for the transfer of personal data from the EEA to the United States, and even require ad hoc verification of measures taken with respect to data flows. As a result of this CJEU decision or other developments with respect to the legal and regulatory regime affecting cross-border data transfers, we may be required to take additional steps to legitimize impacted personal data transfers. Both the EU and the U.K. have issued updated SCCs that are required to be implemented. These and other developments relating to cross-border data transfer could result in increased costs of compliance and limitations on our customers and us. More generally, we may find it necessary or desirable to modify our data handling practices and to engage in additional contractual obligations, and legal or regulatory challenges or other developments relating to cross-border data transfer may serve as a basis for our personal data handling practices, or those of our customers and vendors, to be challenged and may otherwise adversely impact our business, financial condition and operating results. In the U.K., the Data Protection Act and legislation referred to as the UK GDPR substantially enact the EU GDPR into U.K. law, with penalties for noncompliance of up to the greater of £17.5 million or four percent of worldwide revenues. The European Commission has issued an adequacy decision under the GDPR and the Law Enforcement Directive, pursuant to which personal data generally may be transferred from the EU to the U.K. without restriction, subject to a four-year "sunset" period, after which the European Commission's adequacy decision may be renewed. During that period, the European Commission will continue to monitor the legal situation in the U.K. and may intervene at any time with respect to its adequacy decision. The UK's

adequacy determination therefore is subject to future uncertainty, and may be subject to modification or revocation in the future. We could be required to make additional changes to the way we conduct our business and transmit data between the U.S., the U.K., the EU, and the rest of the world. Further, in addition to the GDPR, the European Commission has a draft regulation in the approval process that focuses on a person's right to conduct a private life. The proposed legislation, known as the Regulation of Privacy and Electronic Communications ("ePrivacy Regulation"), would replace the current ePrivacy Directive. If adopted, the earliest date for entry into force is in 2023, with broad potential impacts on the use of internet-based services and tracking technologies, such as cookies. We expect to incur additional costs to comply with the requirements of the ePrivacy Regulation as it is finalized for implementation. Additionally, on January 13, 2022, the Austrian data protection regulator published a decision ruling that the collection of personal data and transfer to the U.S. through Google Analytics and other analytics and tracking tools used by website operators violates the GDPR. The French and Italian data protection regulators have adopted similar decisions. Other data protection regulators in the EU increasingly are focused on the use of online tracking tools. Any of these changes or other developments with respect to EU data protection law could disrupt our business and otherwise adversely impact our business, financial condition and operating results. In addition, some countries are considering or have enacted legislation addressing matters such as requirements for local storage and processing of data that could impact our compliance obligations, expose us to liability, and increase the cost and complexity of delivering our services.

Likewise, the California Consumer Privacy Act of 2018 ("CCPA") became effective on January 1, 2020 and will be modified by the California Privacy Rights Act ("CPRA"), which was passed in November 2020 and becomes fully effective on January 1, 2023. The CCPA and CPRA impose stringent data privacy and data protection requirements relating to personal information of California residents, and provide for penalties for noncompliance of up to $7,500 per violation. Aspects of the interpretation and enforcement of the CCPA and CPRA remain unclear. More generally, privacy, data protection and information security continues to be rapidly evolving areas, and further legislative activity has arisen and will likely continue to arise in the U.S., the EU, and other jurisdictions. Various states in the U.S. have proposed or enacted laws that contain obligations similar to the CCPA. For example, Virginia enacted the Virginia Consumer Data Protection Act in March 2021, Colorado enacted the Colorado Privacy Act in July 2021, Utah enacted the Utah Consumer Privacy Act in March 2022, and Connecticut enacted An Act Concerning Personal Data Privacy and Online Monitoring in May 2022. All of these are comprehensive privacy statutes that will become effective in 2023 and share similarities with the CCPA, the CPRA, and legislation proposed in other states. The U.S. federal government also is contemplating federal privacy legislation. The effects of recently proposed or enacted legislation potentially are far-reaching and may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply.

We have incurred, and may continue to incur, significant expenses to comply with evolving privacy, data protection and information security standards and protocols imposed by law, regulation, industry standards, shifting consumer expectations, or contractual obligations. Laws and regulations directed at privacy, data protection, and information security, and those that have been applied in those areas, can be challenging to comply with and may be subject to evolving interpretations or applications. In particular, with laws and regulations such as the GDPR in the EU and the CCPA, CPRA, and other laws in the U.S. imposing new and relatively burdensome obligations, and with the interpretation and application of these and other laws and regulations subject to evolving and uncertain interpretation and application, we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and we may incur significant costs and expenses in an effort to do so. Any failure, real or perceived, by us to comply with our privacy, data protection, or information security policies, changing consumer expectations, or with any evolving legal or regulatory requirements, industry standards, or contractual obligations could result in claims, demands, and litigation by private parties, investigations and other proceedings by regulatory authorities, and fines, penalties and other liabilities, may harm our reputation and competitive position, and may cause our customers to reduce their use of our products and services, disrupt our supply chain or third-party vendor or developer partnerships, and materially and adversely affect our business.

We are subject to risks related to litigation, including intellectual property claims, government investigations or inquiries, and regulatory matters or disputes.

We are currently, and may continue to be, subject to claims, lawsuits (including class actions and individual lawsuits), government or regulatory investigations, subpoenas, inquiries or audits, and other proceedings. The number and significance of our legal disputes and inquiries have increased as we have grown larger, as our business has expanded in scope and geographic reach, and as our products and services have increased in complexity, and we expect that we will continue to face additional legal disputes as we continue to grow and expand. We also receive significant media attention, which could result in increased litigation or other legal or regulatory reviews and proceedings. Moreover, legal disputes or government or regulatory inquiries or findings may cause follow-on litigation or regulatory scrutiny by additional parties.

Some of the laws and regulations affecting the internet, mobile commerce, payment processing, BNPL lending, bitcoin and equity investing, streaming service, business financing, and employment were not written with businesses like ours in mind, and many of the laws and regulations, including those affecting us have been enacted relatively recently. As a result, there is substantial uncertainty regarding the scope and application of many of the laws and regulations to which we are or may be subject, which increases the risk that we will be subject to claims alleging violations of those laws and regulations. The scope, outcome, and impact of claims, lawsuits, government or regulatory investigations, subpoenas, inquiries or audits, and other proceedings to which we are subject cannot be predicted with certainty. Regardless of the outcome, such investigations and legal proceedings can have a material and adverse impact on us due to their costs, diversion of our resources, and other factors. Plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of litigation, including preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle legal disputes on terms that are unfavorable to us. We may also be accused of having, or be found to have, infringed or violated third-party copyrights, patents, trademarks, and other intellectual property rights. For example, H&R Block recently filed a lawsuit against us for trademark infringement following our name change to Block. If any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that we may not choose to appeal or that may not be reversed upon appeal. We may have to seek a license to continue practices found to be in violation of a third-party's rights, or we may have to change or cease certain practices. If we are required, or choose to enter into, royalty or licensing arrangements, such arrangements may not be available on reasonable terms or at all and may significantly increase our operating costs and expenses. As a result, we may also be required to develop or procure alternative non-infringing technology or discontinue use of technology, and doing so could require significant effort and expense or may not be feasible. In addition, the terms of any settlement or judgment in connection with any legal claims, lawsuits, or proceedings may require us to cease some or all of our operations or to pay substantial amounts to the other party and could materially and adversely affect our business.

As a licensed money transmitter, we are subject to important obligations and restrictions.

We have obtained licenses to operate as a money transmitter (or as other financial services institutions) in the United States and in the states where this is required, as well as in some non-U.S. jurisdictions, including the European Union, the United Kingdom, and Australia. As a licensed money transmitter, we are subject to obligations and restrictions with respect to the investment of customer funds, reporting requirements, bonding requirements, and inspection by state regulatory agencies concerning those aspects of our business considered money transmission. Evaluation of our compliance efforts, as well as the questions of whether and to what extent our products and services are considered money transmission, are matters of regulatory interpretation and could change over time. In the past, we have been subject to fines and other penalties by regulatory authorities due to their interpretations and applications to our business of their respective state money transmission laws. In the future, as a result of the regulations applicable to our business, we could be subject to investigations and resulting liability, including governmental fines, restrictions on our business, or other sanctions, and we could be forced to cease conducting business in certain jurisdictions, be forced to otherwise change our business practices in certain jurisdictions, or be required to obtain additional licenses or regulatory approvals. There can be no assurance that we will be able to obtain any such licenses, and, even if we were able to do so, there could be substantial costs and potential product changes involved in maintaining such licenses, which could have a material and adverse effect on our business.

We are subject to a number of regulatory risks in the BNPL space.

Regulatory scrutiny or changes in the BNPL space may impose significant compliance costs and make it uneconomical for us to continue to operate in our current markets or for us to expand into new markets. For example, the Consumer Financial Protection Bureau ("CFPB") recently announced plans to regulate companies offering BNPL products. Increased compliance obligations and regulatory scrutiny may negatively impact our revenue and profitability. Our inability, or perceived inability, to comply with existing or new compliance obligations issued by the CFPB or any other regulatory authority, including with respect to BNPL products and/or services, could lead to regulatory investigations, or result in administrative or enforcement action, such as fines, penalties, and/or enforceable undertakings and adversely affect us and our results of operations. Furthermore, with the geographic expansion of our BNPL business into new markets, we may become subject to additional and changing legal, regulatory, tax, licensing, and compliance requirements and industry standards with respect to BNPL.

Our subsidiary Cash App Investing is a broker-dealer registered with the SEC and a member of FINRA, and therefore is subject to extensive regulation and scrutiny.

Our subsidiary Cash App Investing facilitates transactions in shares and fractionalized shares of publicly-traded stock and exchange-traded funds by users of our Cash App through a third-party clearing and carrying broker, DriveWealth LLC ("DriveWealth"). Cash App Investing is registered with the SEC as a broker-dealer under the Exchange Act and is a member of FINRA. Therefore Cash App Investing is subject to regulation, examination, and supervision by the SEC, FINRA, and state

securities regulators. The regulations applicable to broker-dealers cover all aspects of the securities business, including sales practices, use and safekeeping of clients' funds and securities, capital adequacy, record-keeping, and the conduct and qualification of officers, employees, and independent contractors. As part of the regulatory process, broker-dealers are subject to periodic examinations by their regulators, the purpose of which is to determine compliance with securities laws and regulations, and from time to time may be subject to additional routine and for-cause examinations. It is not uncommon for regulators to assert, upon completion of an examination, that the broker-dealer being examined has violated certain of these rules and regulations. Depending on the nature and extent of the violations, the broker-dealer may be required to pay a fine and/or be subject to other forms of disciplinary and corrective action. Additionally, the adverse publicity arising from the imposition of sanctions could harm our reputation and cause us to lose existing customers or fail to gain new customers.

The SEC, FINRA, and state regulators have the authority to bring administrative or judicial proceedings against broker-dealers, whether arising out of examinations or otherwise, for violations of state and federal securities laws. Administrative sanctions can include cease-and-desist orders, censure, fines, and disgorgement and may even result in the suspension or expulsion of the firm from the securities industry. Similar sanctions may be imposed upon officers, directors, representatives, and employees.

Cash App Investing has adopted, and regularly reviews and updates, various policies, controls, and procedures designed for compliance with Cash App Investing's regulatory obligations. However, appropriately addressing Cash App Investing's regulatory obligations is complex and difficult and our reputation could be damaged if we fail, or appear to fail, to appropriately address them. Failure to adhere to these policies and procedures may also result in regulatory sanctions or litigation against us. Cash App Investing also relies on various third parties, including DriveWealth, to provide services, including managing and executing customer orders, and failure of these third parties to adequately perform these services may negatively impact customer experience, product performance, and our reputation and may also result in regulatory sanctions or litigation against us or Cash App Investing.

In the event of any regulatory action or scrutiny, we or Cash App Investing could also be required to make changes to our business practices or compliance programs. In addition, any perceived or actual breach of compliance by Cash App Investing with respect to applicable laws, rules, and regulations could have a significant impact on our reputation, could cause us to lose existing customers, prevent us from obtaining new customers, require us to expend significant funds to remedy problems caused by breaches and to avert further breaches, and expose us to legal risk, including litigation against us, and potential liability.

Cash App Investing is subject to net capital and other regulatory capital requirements; failure to comply with these rules could harm our business.

Our subsidiary Cash App Investing is subject to the net capital requirements of the SEC and FINRA. These requirements typically specify the minimum level of net capital a broker-dealer must maintain and also mandate that a significant part of its assets be kept in relatively liquid form. Failure to maintain the required net capital may subject a firm to limitation of its activities, including suspension or revocation of its registration by the SEC and suspension or expulsion by FINRA, and ultimately may require its liquidation. Currently, Cash App Investing has relatively low net capital requirements, because it does not hold customer funds or securities, but instead facilitates the transmission and delivery of those funds on behalf of customers to DriveWealth or back to the applicable customer. However, a change in the net capital rules, a change in how Cash App Investing handles or holds customer assets, or the imposition of new rules affecting the scope, coverage, calculation, or amount of net capital requirements could have adverse effects. Finally, because Cash App Investing is subject to such net capital requirements, we may be required to inject additional capital into Cash App Investing from time to time and as such, we may have liability and/or our larger business may be affected by any of these outcomes.

It is possible that FINRA will require changes to our business practices based on our ownership of Cash App Investing, which could impose additional costs or disrupt our business.

In certain cases, FINRA has required unregistered affiliates of broker-dealers to comply with additional regulatory requirements, including, among others, handling all securities or other financial transactions through the affiliated broker-dealer or conforming all marketing and advertising materials to the requirements applicable to broker-dealers. We do not currently believe that these types of requirements apply to any aspect of our business other than the securities transactions facilitated through the Cash App. It is possible that, in the future, FINRA could require us to comply with additional regulations in the conduct of other activities (i.e., beyond the securities transactions made through the Cash App). If that were to occur, it could require significant changes to our business practices. These and other changes would impose significantly greater costs on us and disrupt existing practices in ways that could negatively affect our overarching business and profitability.

Our subsidiary Square Financial Services is a Utah state-chartered industrial bank, which requires that we serve as a source of financial strength to it and subjects us to potential regulatory sanctions.

On March 1, 2021, Square Financial Services received its deposit insurance from the FDIC and charter approval from the Utah Department of Financial Institutions and became operational. The Federal Deposit Insurance Act requires that we serve as a source of financial strength to Square Financial Services. This means that we are required by law to provide financial assistance to Square Financial Services in the event that it experiences financial distress. In this regard, the FDIC's approval requires that Square Financial Services have initial paid in capital of not less than approximately $56 million, and at all times meet or exceed the regulatory capital levels required for Square Financial Services to be considered "well capitalized" under the FDIC's prompt corrective action rules. The regulatory total capital and leverage ratios of Square Financial Services during the first three years of operation may not be less than the levels provided in Square Financial Services' business plan approved by the FDIC. Thereafter, the regulatory capital ratios must be annually approved by the FDIC, and in no event may Square Financial Services' leverage ratio be less than twenty percent, as calculated in accordance with FDIC regulations. If Square Financial Services' total capital or leverage ratios fall below the levels required by the FDIC, we will need to provide sufficient capital to Square Financial Services so as to enable it to maintain its required regulatory capital ratios. If the FDIC were to increase Square Financial Services' capital requirements, it could negatively impact the business and operations of Square Financial Services.

The FDIC's approval is also contingent on us maintaining a Capital and Liquidity Maintenance Agreement as well as a Parent Company Agreement. The Capital and Liquidity Maintenance Agreement requires, among other things, that we maintain the leverage ratio of Square Financial Services at a minimum of 20 percent following the first three years of Square Financial Services' operations; maintain a third-party line of credit for the benefit of Square Financial Services acceptable to the FDIC; purchase any loan from Square Financial Services at the greater of the cost basis or fair market value, if deemed necessary by the FDIC or Square Financial Services; and establish and maintain a reserve deposit of $50 million at an unaffiliated third-party bank that Square Financial Services could draw upon in the event that we fail to provide sufficient funds to maintain Square Financial Services' capital ratios at the required levels. The Parent Company Agreement requires, among other things, that we consent to the FDIC's examination of us and our subsidiaries; limit our representation on Square Financial Services' board of directors to no more than 25 percent; submit a contingency plan to the FDIC that describes likely scenarios of significant financial or operational stress and, if we were unable to serve as a source of financial strength, options for the orderly wind down or sale of Square Financial Services; and engage a third party to review and provide periodic reports concerning the effectiveness of our complaint response system. Jack Dorsey, who is considered our controlling shareholder in this context, also agreed to cause us to perform under these agreements. Should we fail to comply with these obligations, we could be subject to regulatory sanctions. In addition, any failure by Square Financial Services to comply with applicable laws, rules, and regulations could also subject us and Square Financial Services to regulatory sanctions. These sanctions could adversely impact our reputation and our business, require us to expend significant funds for remediation, and expose us to litigation and other potential liability.

Square Financial Services is subject to extensive supervision and regulation, including the Dodd-Frank Act and its related regulations, which are subject to change and could involve material costs or affect operations.

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") effected significant changes to U.S. financial regulations and required rulemaking by U.S. financial regulators including adding a new Section 13 to the Bank Holding Company Act known as the Volcker Rule. The Volcker Rule generally restricts certain banking entities (such as Square Financial Services) from engaging in proprietary trading activities and from having an ownership interest in or sponsoring any private equity funds or hedge funds (or certain other private issuing entities). The current activities of Square Financial Services have not been and are not expected to be materially affected by the Volcker Rule. Nevertheless, we cannot predict whether, or in what form, any other proposed regulations or statutes or changes to implementing regulations will be adopted or the extent to which the business operations of Square Financial Services may be affected by any new regulation or statute. Such changes could subject our business to additional compliance burden, costs, and possibly limit the types of financial services and products we may offer.

Square Financial Services is also subject to the requirements in Sections 23A and 23B of the Federal Reserve Act and the Federal Reserve Board's implementing Regulation W, which regulate loans, extensions of credit, purchases of assets, and certain other transactions between an insured depository institution (such as Square Financial Services) and its affiliates. The statute and regulation require Square Financial Services to impose certain quantitative limits, collateral requirements and other restrictions on "covered transactions" between Square Financial Services and its affiliates and requires all transactions be on "market terms" and conditions consistent with safe and sound banking practices.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services, and brand.

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, a combination of confidentiality, invention assignment, and license agreements with our employees, consultants, and third parties with whom we have relationships, as well as trademark, trade dress, domain name, copyright, trade secret, and patent rights, to protect our brand and other intellectual property rights. However, various events outside of our control may pose a threat to our intellectual property rights, as well as to our products and services. Effective protection of intellectual property rights is expensive and difficult to maintain, both in terms of application and maintenance costs, as well as the costs of defending and enforcing those rights. The efforts we have taken to protect our intellectual property rights may not be sufficient or effective. Our intellectual property rights may be infringed, misappropriated, or challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. Similarly, our reliance on unpatented proprietary information and technology, such as trade secrets and confidential information, depends in part on agreements we have in place with employees and third parties that place restrictions on the use and disclosure of this intellectual property. These agreements may be insufficient or may be breached, or we may not enter into sufficient agreements with such individuals in the first instance, in either case potentially resulting in the unauthorized use or disclosure of our trade secrets and other intellectual property, including to our competitors, which could cause us to lose any competitive advantage resulting from this intellectual property. Individuals not subject to invention assignment agreements may make adverse ownership claims to our current and future intellectual property. There can be no assurance that our intellectual property rights will be sufficient to protect against others offering products or services that are substantially similar to ours and that compete with our business.

We routinely apply for patents in the U.S. and internationally to protect innovative ideas in our technology, but we may not always be successful in obtaining patent grants from these applications. We also pursue registration of copyrights, trademarks, and domain names in the United States and in certain jurisdictions outside of the United States, but doing so may not always be successful or cost-effective. In general, we may be unable or, in some instances, choose not to obtain legal protection for our intellectual property, and our existing and future intellectual property rights may not provide us with competitive advantages or distinguish our products and services from those of our competitors. The laws of some foreign countries do not protect our intellectual property rights to the same extent as the laws of the United States, and effective intellectual property protection and mechanisms may not be available in those jurisdictions. We may need to expend additional resources to defend our intellectual property in these countries, and the inability to do so could impair our business or adversely affect our international expansion. Our intellectual property rights may be contested, circumvented, or found unenforceable or invalid, and we may not be able to prevent third parties from infringing, diluting, or otherwise violating them. Additionally, our intellectual property rights and other confidential business information are subject to risks of compromise or unauthorized disclosure if our security measures or those of our third-party service providers are unable to prevent cyber-attacks. Significant impairments of our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, could have a material and adverse effect on our business.

Assertions by third parties of infringement or other violation by us of their intellectual property rights could harm our business.

Third parties have asserted, and may in the future assert, that we have infringed, misappropriated, or otherwise violated their copyrights, patents, and other intellectual property rights. Although we expend significant resources to seek to comply with the statutory, regulatory, and judicial frameworks and the terms and conditions of statutory licenses, we cannot assure you that we are not infringing or violating any third-party intellectual property rights, or that we will not do so in the future. It is difficult to predict whether assertions of third-party intellectual property rights or any infringement or misappropriation claims arising from such assertions will substantially harm our business, operating results, and financial condition. If we are forced to defend against any infringement or misappropriation claims, whether they are with or without merit, are settled out of court, or are determined in our favor, we may be required to expend significant time and financial resources on the defense of such claims. Furthermore, an adverse outcome of a dispute may require us to pay significant damages, which may be even greater if we are found to have willfully infringed upon a party's intellectual property; cease exploiting copyrighted content that we have previously had the ability to exploit; cease using solutions that are alleged to infringe or misappropriate the intellectual property of others; expend additional development resources to redesign our solutions; enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies, content, or materials; indemnify our partners and other third parties; and/or take other actions that may have material and adverse effects on our business, operating results, and financial condition.

Increased scrutiny from investors, regulators, and other stakeholders relating to environmental, social, and governance issues could result in additional costs for us and may adversely impact our reputation.

Investors, regulators, customers, employees and other stakeholders are increasingly focused on environmental, social, and governance ("ESG") matters. Our ESG strategy is focused on four key areas: climate action, social impact, employees and culture, and corporate governance, and we publicly report on certain initiatives and goals regarding ESG matters in our annual Corporate Social Responsibility Report, on our website, in our SEC filings, and elsewhere. For example, one of our climate action goals is to have net zero carbon for operations by 2030. The implementation of our ESG goals and initiatives may require additional investments, and in certain cases, are reliant on third-party verification and/or performance, and we cannot guarantee that we will achieve them. If we fail, or are perceived to fail, to achieve our ESG goals, or if we have to revise any of our ESG goals, our reputation could be harmed. To the extent that our required and voluntary disclosures about ESG matters increase, we could also be criticized for the accuracy, adequacy, or completeness of such disclosures and our reputation could be negatively impacted. In addition, regulatory requirements with respect to climate change and other aspects of ESG may result in increased compliance requirements on our business and supply chain, and may increase our operating costs.

Risks Related to Ownership of Our Common Stock

The dual class structure of our common stock has the effect of concentrating voting control within our stockholders who held our stock prior to our initial public offering, including many of our employees and directors and their affiliates; this will limit or preclude your ability to influence corporate matters.

Our Class B common stock has ten votes per share, and our Class A common stock has one vote per share. Stockholders who hold shares of Class B common stock, including certain of our executive officers, employees, and directors and their affiliates, held approximately 53.09% of the voting power of our combined outstanding capital stock as of September 30, 2022. Our executive officers and directors and their affiliates held approximately 55.27% of the voting power of our combined outstanding capital stock as of September 30, 2022. Because of the ten-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively hold more than a majority of the combined voting power of our common stock, and therefore such holders are able to control all matters submitted to our stockholders for approval. When the shares of our Class B common stock represent less than 5% of the combined voting power of our Class A common stock and Class B common stock, the then-outstanding shares of Class B common stock will automatically convert into shares of Class A common stock.

Transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions. Such conversions of Class B common stock to Class A common stock upon transfer will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, our Class B stockholders retain shares of Class B common stock constituting as little as 10% of all outstanding shares of our Class A and Class B common stock combined, they will continue to control a majority of the combined voting power of our outstanding capital stock.

The market price of our Class A common stock has been and will likely continue to be volatile, and you could lose all or part of your investment.

The market price of our Class A common stock has been and may continue to be subject to wide fluctuations in response to various factors, some of which are beyond our control and may not be related to our operating performance. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this Quarterly Report on Form 10-Q, factors that could cause fluctuations in the market price of our Class A common stock include the following:

- general economic, regulatory, and market conditions, in particular conditions that adversely affect our sellers' business and the amount of transactions they are processing;
- public health crises and related measures to protect the public health;
- sales of shares of our common stock by us or our stockholders;
- issuance of shares of our Class A common stock, whether in connection with an acquisition or upon conversion of some or all of our outstanding Convertible Notes;
- short selling of our Class A common stock or related derivative securities;

- from time to time we make investments in equity that is, or may become, publicly held, and we may experience volatility due to changes in the market prices of such equity investments;
- fluctuations in the price of bitcoin, and potentially any impairment charges in connection with our investments in bitcoin;
- reports by securities or industry analysts that are interpreted either negatively or positively by investors, failure of securities analysts to maintain coverage and/or to provide accurate consensus results of us, changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
- the financial or other projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- rumors and market speculation involving us or other companies in our industry;
- actual or perceived security incidents that we or our service providers may suffer; and
- actual or anticipated developments in our business, our competitors' businesses, or the competitive landscape generally.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. Such litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

Our Class A common stock is listed to trade on more than one stock exchange, and this may result in price variations.

Our Class A common stock is listed for trade on the NYSE and as CHESS Depositary Interests, or CDIs, on the Australian Securities Exchange ("ASX"). Dual-listing may result in price variations between the exchanges due to a number of factors. Our Class A common stock is traded in U.S. dollars on the NYSE and our CDIs are traded in Australian Dollars on the ASX. The two exchanges also have differing vacation schedules. Differences in the trading schedules, as well as volatility in the exchange rate of the two currencies, among other factors, may result in different trading prices for our Class A common stock on the two exchanges.

The convertible note hedge and warrant transactions may affect the value of our Class A common stock.

In connection with the issuance of each series of our Convertible Notes, we entered into convertible note hedge transactions with the option counterparties. We also entered into warrant transactions with the option counterparties pursuant to which we sold warrants for the purchase of our Class A common stock. The convertible note hedge transactions are expected generally to reduce the potential dilution to our Class A common stock upon any conversion of the Convertible Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Convertible Notes, as the case may be. The warrant transactions would separately have a dilutive effect to the extent that the market price per share of our Class A common stock exceeds the strike price of any warrants unless, subject to the terms of the warrant transactions, we elect to cash settle the warrants.

From time to time, the option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding various derivative transactions with respect to our Class A common stock and/or purchasing or selling our Class A common stock or other securities of ours in secondary market transactions prior to the maturity of the Convertible Notes. This activity could cause or avoid an increase or a decrease in the market price of our Class A common stock.

Anti-takeover provisions contained in our certificate of incorporation, our bylaws, and provisions of Delaware law could impair a takeover attempt.

Our amended and restated certificate of incorporation ("certificate of incorporation"), our amended and restated bylaws ("bylaws"), and Delaware law contain provisions that could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors and therefore depress the trading price of our Class A common stock.

Among other things, our dual-class common stock structure provides our holders of Class B common stock with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding shares of common stock. Further, our certificate of incorporation and bylaws include provisions (i) creating a classified board of directors whose members serve staggered three-year terms; (ii) authorizing "blank check" preferred stock, which could be issued by our board of directors without stockholder approval and may contain voting, liquidation, dividend, and other rights superior to our common stock; (iii) limiting the ability of our stockholders to call special meetings; (iv) eliminating the ability of our stockholders to act by written consent without a meeting or to remove directors without cause; and (v) requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors. These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents certain stockholders holding more than 15% of our outstanding capital stock from engaging in certain business combinations without the approval of our board of directors or the holders of at least two-thirds of our outstanding capital stock not held by such stockholder.

Any provision of our certificate of incorporation, bylaws, or Delaware law that has the effect of delaying or preventing a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our capital stock and could also affect the price that some investors are willing to pay for our Class A common stock.

Our bylaws provide that a state court or federal court located within the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers, or employees.

Our bylaws provide that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if the Court of Chancery of the State of Delaware does not have jurisdiction, another state court in Delaware or federal district court for the District of Delaware) is the exclusive forum for (i) any derivative action or proceeding brought on our behalf; (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers, or other employees to us or to our stockholders; (iii) any action asserting a claim arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or our bylaws; or (iv) any action asserting a claim governed by the internal affairs doctrine, in all cases subject to the court having jurisdiction over the claims at issue and the indispensable parties. The choice of forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act.

Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our bylaws also provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to the foregoing bylaw provisions. Although we believe these exclusive forum provisions benefit us by providing increased consistency in the application of Delaware law and federal securities laws in the types of lawsuits to which each applies, the exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, officers, stockholders, or other employees, which may discourage lawsuits with respect to such claims against us and our current and former directors, officers, stockholders, or other employees. Our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provisions. Further, in the event a court finds either exclusive forum provision contained in our bylaws to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Purchases of Equity Securities by the Company and Affiliated Purchasers

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased under the Plans or Programs
July 1 - July 31	1,213 [(i)]	$ 63.90 [(ii)]	—	—
August 1- August 31	—	$ —	—	—
September 1 - September 30	—	$ —	—	—
Total	1,213	$ 63.90 [(ii)]	—	—

[(i)] Includes 1,185 shares that have been withheld by the Company to satisfy its tax withholding and remittance obligations in connection with the vesting of restricted stock awards. In addition, the Company exercised a pro-rata portion of convertible note hedges (described in Note 15, *Indebtedness* of the Notes to the Condensed Consolidated Financial Statements) to offset the shares of the Company's Class A common stock issued to settle the conversion of certain Convertible Notes. The note hedges were net shares settled and the Company received 28 shares of the Company's Class A common stock from the counterparties in July of 2022.

[(ii)] Excludes the shares received through the exercise of the note hedges.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

The documents listed in the Exhibit Index of this Quarterly Report on Form 10-Q are incorporated by reference or are filed with this Quarterly Report on Form 10-Q (numbered in accordance with Item 601 of Regulation S-K).

EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	Amended and Restated Bylaws of the Registrant	8-K	001-37622	3.1	October 21, 2022
10.1+*	Block, Inc. 2015 Employee Stock Purchase Plan, as amended and restated.				
31.1*	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1†	Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.				
101*	The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2022, formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Loss, (iv) Condensed Consolidated Statements of Cash Flows, (v) Condensed Consolidated Statements of Stockholders' Equity, and (vi) Notes to Condensed Consolidated Financial Statements.				
104*	Cover Page Interactive Data File, formatted in Inline XBRL (included in Exhibit 101)				

* Filed herewith.

\+ Indicates management contract or compensatory plan.

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Block, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

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 thereunto duly authorized.

BLOCK, INC.

Date: November 3, 2022

By: /s/ Jack Dorsey
Jack Dorsey
Block Head and Chairperson
(Principal Executive Officer)

By: /s/ Amrita Ahuja
Amrita Ahuja
Chief Financial Officer
(Principal Financial Officer)

Exhibit 10.1

BLOCK, INC.

2015 EMPLOYEE STOCK PURCHASE PLAN

As amended and restated on October 19, 2022

1. Purpose. The purpose of the Plan is to provide employees of the Company and its Designated Companies with an opportunity to purchase Common Stock through accumulated Contributions. The Company intends for the Plan to have two components: a component intended to qualify as an "employee stock purchase plan" under Section 423 of the Code (the "423 Component") and a component that is not intended to qualify as an "employee stock purchase plan" under Section 423 of the Code (the "Non-423 Component"). The provisions of the 423 Component will be construed so as to extend and limit Plan participation in a uniform and nondiscriminatory basis consistent with the requirements of Section 423 of the Code. An option granted under the Non-423 Component will be granted under rules, procedures, or sub-plans adopted by the Administrator designed to achieve tax, securities laws, or other objectives for Eligible Employees and the Company. Except as otherwise provided in the Plan, the Non-423 Component will operate and be administered in the same manner as the 423 Component.

2. Definitions.

(a) "Administrator" means the Board or any Committee.

(b) "Affiliate" means any entity, other than a Subsidiary, in which the Company has an equity or other ownership interest.

(c) "Amendment Date" means November 15, 2018.

(d) "Applicable Laws" means the requirements relating to the administration of equity-based awards under U.S. state corporate laws, U.S. federal and state securities laws, the Code, any stock exchange or quotation system on which the Common Stock is listed or quoted, and the applicable laws of any foreign country or jurisdiction where options are, or will be, granted under the Plan.

(e) "Board" means the Board of Directors of the Company.

(f) "Change in Control" means the occurrence of any of the following events:

(i) A change in the ownership of the Company, which occurs when any one person or more than one person acting as a group (in either case, a "Person") acquires ownership of the stock of the Company that, together with the stock held by such Person, constitutes more than 50% of the total voting power of the stock of the Company; provided that the acquisition of additional stock by any one Person, who is considered to own more than 50% of the total voting power of the stock of the Company is not a Change in Control; or

(ii) A change in the effective control of the Company, which occurs when a majority of members of the Board is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; provided that if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person is not a Change in Control; or

(iii) A change in the ownership of a substantial portion of the Company's assets, which occurs when any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided that the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the Company's stockholders immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a stockholder of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's stock, (2) an entity, 50% or

more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding stock of the Company, or (4) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection, gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

Persons are considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase, or acquisition of stock, or similar business transaction with the Company.

A transaction is not a Change in Control unless the transaction qualifies as a change in control event within the meaning of Code Section 409A, as it has been and may be amended from time to time, and any proposed or final U.S. Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated under Code Section 409A from time to time.

In addition, a transaction is not a Change in Control if its sole purpose is (i) to change the state of the Company's incorporation or (ii) to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction.

(g) "Code" means the U.S. Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code will include such section, any U.S. Treasury Regulation promulgated under such section, any other official applicable guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.

(h) "Committee" means a committee of the Board that is constituted to comply with Applicable Laws and designated by the Board to administer the Plan.

(i) "Common Stock" means the Class A common stock of the Company.

(j) "Company" means Block, Inc., a Delaware corporation, or any of its successors.

(k) "Company Leave Policy" means the Company's Stock Award Vesting and ESPP Participation During Company-Approved Leave of Absence Policy, as may be in effect or amended from time to time.

(l) "Compensation" means for (i) any Offering Period commencing on or after the Amendment Date, an Eligible Employee's base straight time gross earnings and commissions (to the extent commissions are an integral recurring part of compensation), and excludes incentive compensation, overtime and shift premiums, bonuses, equity compensation and other compensation or benefits (whether paid by the Company, the Employer or a third party), including, but not limited to (1) a leave of absence "top-up" payment (unless applicable law requires such top-up payment to be included, in which case, it will be treated as "Compensation"), which is any amount the Company or the Employer pays to an Eligible Employee on account of a Leave of Absence as an employee benefit and (2) payments from external sources, including government agencies or insurance carriers, such as disability insurance payments or paid family leave payments. For this purpose, "Leave of Absence" is any leave of absence approved by the Company or the Employer in which the Eligible Employee does not receive salary continuation through the Company's or the Employer's Paid Time Off program or (ii) for any Offering Period commencing prior to the Amendment Date, an Eligible Employee's base straight time gross earnings, commissions (to the extent such commissions are an integral, recurring part of compensation) and does not include payments for incentive compensation, bonuses, payments for overtime and shift premium, equity compensation income and other similar compensation. The Administrator, in its discretion, may, on a uniform and nondiscriminatory basis, establish a different definition of Compensation for a subsequent Offering Period.

(m) "Contributions" means the payroll deductions and other additional payments that the Company may permit to be made by a Participant to fund the exercise of options granted under the Plan.

(n) "Contribution Period" means unless the Administrator provides otherwise, the periods between May 1st and April 30th and November 1st and October 31st of each year; each Contribution Period will be made up of two parts: (i) the period from May 1st through October 31st for the Purchase Period commencing on the first Trading Day on or after May 15 and terminating on the last Trading Day on or before November 15 of the same year and (ii) the period from November 1st through April 30th for the Purchase Period commencing on the first Trading Day on or after November 15 and terminating on the last Trading Day on or before May 15 of the following year.

(o) "Designated Company" means any Affiliate or Subsidiary of the Company that has been designated by the Administrator from time to time in its sole discretion as eligible to participate in the Plan. For purposes of the 423 Component, only the Company and its Subsidiaries may be Designated Companies, provided, however, that at any given time, a Subsidiary that is a Designated Company under the 423 Component will not be a Designated Company under the Non-423 Component.

(p) "Director" means a member of the Board.

(q) "Eligible Employee" means any individual who is a common law employee providing services to the Company or a Designated Company and is customarily employed for at least 20 hours per week and more than 5 months in any calendar year by the Employer, or any lesser number of hours per week and/or number of months in any calendar year established by the Administrator (if required under applicable local law) for purposes of any separate Offering or the Non-423 Component. For purposes of the Plan, the employment relationship will be treated as continuing intact while the individual is on sick leave or other leave of absence that the Employer approves or is legally protected under Applicable Laws. If the period of leave exceeds 3 months and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship will be considered terminated three 3 months and 1 day following the commencement of such leave. The Administrator has the discretion to determine (on a uniform and nondiscriminatory basis or as otherwise permitted by U.S. Treasury Regulation Section 1.423-2), prior to an Enrollment Date for all options to be granted on such Enrollment Date, whether the definition of Eligible Employee will or will not include an individual that: (i) has not completed at least 2 years of service since his or her last hire date (or such lesser period of time that the Administrator determines), (ii) customarily works not more than 20 hours per week (or such lesser period of time that the Administrator determines), (iii) customarily works not more than 5 months per calendar year (or such lesser period of time that the Administrator determines), (iv) is a highly compensated employee within the meaning of Section 414(q) of the Code, or (v) is a highly compensated employee within the meaning of Section 414(q) of the Code with compensation above a certain level or is an officer or subject to the disclosure requirements of Section 16(a) of the Exchange Act, provided the exclusion is applied with respect to each Offering in an identical manner to all highly compensated individuals of the Employer whose Eligible Employees are participating in that Offering. Each exclusion will be applied with respect to an Offering in a manner complying with U.S. Treasury Regulation Section 1.423-2(e)(2)(ii).

(r) "Employer" means the employer of the applicable Eligible Employee(s).

(s) "Enrollment Date" means the first Trading Day of an Offering Period.

(t) "Enrollment Window" means the period established by the Administrator to allow Eligible Employees to make Contribution elections for participation in the Plan with respect to an Offering Period.

(u) "Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, including the rules and regulations promulgated under such act.

(v) "Exercise Date" means the last Trading Day of a Purchase Period. If an Offering Period is terminated prior to its expiration under Section 20(a), the Administrator has the discretion to determine that any Purchase Period also terminating under such Offering Period will terminate without options being exercised on the Exercise Date that otherwise would have occurred on the last Trading Day of the Purchase Period.

(w) "Fair Market Value" means, as of any date and unless the Administrator determines otherwise, the value of a share of Common Stock determined as follows:

(iv) If the Common Stock is listed on any established stock exchange or a national market system, including without limitation the New York Stock Exchange, NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The NASDAQ Stock Market, the Fair Market Value will be the closing sales price for a share of Common stock (or the closing bid, if no sales were reported) as quoted on such exchange or system on the date of determination, as reported in any source the Administrator deems reliable;

(v) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value will be the mean between the high bid and low asked prices for a share of Common Stock on the date of determination (or if no bids and asks were reported on that date, as applicable, on the last Trading Day such bids and asks were reported), as reported in any source the Administrator deems reliable; or

(vi) In the absence of an established market for the Common Stock, the Fair Market Value will be determined in good faith by the Administrator.

(x) "Fiscal Year" means a fiscal year of the Company.

(y) "New Exercise Date" means a new Exercise Date if the Administrator shortens any Offering Period then in progress.

(z) "Offering" means an offer under the Plan of an option that may be exercised during an Offering Period as further described in Section 4. For purposes of the Plan, the Administrator may designate separate Offerings under the Plan (the terms of which need not be identical) in which Eligible Employees of one or more Employers will participate, even if the dates of the applicable Offering Periods of each such Offering are identical, and the provisions of the Plan will separately apply to each Offering. To the extent permitted by U.S. Treasury Regulation Section 1.423-2(a)(1), the terms of each Offering need not be identical as long as the terms of the Plan and an Offering together satisfy U.S. Treasury Regulation Section 1.423-2(a)(2) and (a)(3).

(aa) "Offering Periods" means the periods of approximately 12 months during which an option granted under the Plan may be exercised. Offering Periods will commence on the first Trading Day on or after May 15 and November 15 of each year and terminate on the last Trading Day on or before May 15 and November 15 (approximately 12 months later). The duration and timing of Offering Periods may be changed under Sections 4, 19, and 20.

(bb) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(cc) "Participant" means an Eligible Employee that participates in the Plan.

(dd) "Plan" means this Block, Inc. 2015 Employee Stock Purchase Plan.

(ee) "Purchase Periods" means the periods in an Offering Period during which shares of Common Stock may be purchased on a Participant's behalf in accordance with the terms of the Plan. Unless the Administrator provides otherwise, Purchase Periods for all Offering Periods will (i) commence on the first Trading Day on or after May 15 and November 15 and (ii) terminate on the last Trading Day on or before November 15 of the same year and May 15 of the following year, respectively.

(ff) "Purchase Price" means an amount equal to 85% of the Fair Market Value on the Enrollment Date or on the Exercise Date, whichever is lower. The Administrator may set a different Purchase Price for subsequent Offering Periods subject to compliance with Section 423 of the Code (or any successor rule or provision or any other Applicable Law, regulation or stock exchange rule) or under Section 20.

(gg) "Subsidiary" means a "subsidiary corporation," whether now or hereafter existing, as defined in Section 424(f) of the Code.

(hh) "Trading Day" means a day on which the national stock exchange upon which the Common Stock is listed is open for trading.

(ii) "U.S. Treasury Regulations" means the Treasury regulations of the Code. Reference to a specific U.S. Treasury Regulation will include such Treasury Regulation, the section of the Code under which such regulation was promulgated, any other official applicable guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.

3. Eligibility.

(a) Generally. Any individual who is an Eligible Employee (i) as of the last day of the Enrollment Window that ends before a given Enrollment Date and (ii) through the Enrollment Date will be eligible to participate in the Plan with respect to the Offering Period that begins on that Enrollment Date, subject to the requirements of Section 5.

(b) Non-U.S. Employees. Eligible Employees who are citizens or residents of a non-U.S. jurisdiction (without regard to whether they also are citizens or residents of the United States or resident aliens (within the meaning of Section 7701(b)(1)(A) of the Code)) may be excluded from participation in the Plan or an Offering if the participation of such Eligible Employees is prohibited under the laws of the applicable jurisdiction or if complying with the laws of the applicable jurisdiction would cause the Plan or an Offering to violate Section 423 of the Code. In the case of the Non-423 Component, Eligible Employees may be excluded from participation in the Plan or an Offering if the Administrator has determined that participation of such Eligible Employees is not advisable or practicable.

(c) Limitations. No Eligible Employee will be granted an option under the Plan (i) to the extent that, immediately after the grant, such Eligible Employee (or any other person whose stock would be attributed to such Eligible Employee under Section 424(d) of the Code) would own capital stock of the Company or any Parent or Subsidiary of the Company and/or hold outstanding options to purchase such stock possessing 5% or more of the total combined voting power or value of all classes of the capital stock of the Company or of any Parent or Subsidiary of the Company, or (ii) to the extent that his or her rights to purchase stock under all employee stock purchase plans (as defined in Section 423 of the Code) of the Company or any Parent or Subsidiary of the Company accrues at a rate which exceeds $25,000 worth of stock (determined at the Fair Market Value of the stock at the time such option is granted) for each calendar year in which such option is outstanding at any time, as determined in accordance with Code Section 423 and the regulations under Code Section 423.

4. Offering Periods. The Plan will be implemented by consecutive, overlapping Offering Periods with a new Offering Period commencing on the first Trading Day on or after May 15 and November 15 each year or on such other date as the Administrator determines. The Administrator has the power to change the duration of Offering Periods (including the commencement dates of such Offering Periods) with respect to future Offerings without stockholder approval if such change is announced prior to the scheduled beginning of the first Offering Period to be affected, but no Offering Period may last more than 27 months.

5. Participation. An Eligible Employee may participate in the Plan under Section 3(a) by (i) submitting to the Company's stock administration office (or its designee) a properly completed subscription agreement authorizing Contributions in the form provided by the Administrator for such purpose or (ii) following an electronic or other enrollment procedure determined by the Administrator, in either case on or before a date determined by the Administrator prior to the end of the applicable Enrollment Window.

6. Contributions.

(a) When a Participant enrolls in the Plan under Section 5, he or she will elect to have Contributions (in the form of payroll deductions or otherwise, to the extent permitted by the Administrator) made on each pay day during the applicable Contribution Period in an amount not exceeding 25% of the Compensation that he or she receives on the pay day. The Administrator has the discretion to permit all Participants in a specified Offering to

contribute amounts to the Plan through payment by cash, check, or other means set forth in the subscription agreement or other electronic or other enrollment procedure determined by the Administrator, as applicable, prior to each Exercise Date of each Purchase Period. A Participant's subscription agreement or the terms of a Participant's electronic enrollment or enrollment through other procedures determined by the Administrator, as applicable, will remain in effect for successive Offering Periods unless terminated as provided in Section 10.

(b) If Contributions are made in the form of payroll deductions, such payroll deductions for a Participant will commence on the first pay day on or after the beginning of the applicable Contribution Period and will end on the last pay day on or prior to the end of such Contribution Period, unless sooner terminated by the Participant under Section 10 or unless determined otherwise by the Administrator prior to the commencement of the applicable Contribution Period. Unless determined otherwise prior to the commencement of the applicable Contribution Period, Contributions made in the form of payroll deductions credited to the first Purchase Period of an Offering Period (the "then-current Offering Period") will begin with the first pay day during the Contribution Period and end with the last pay day on or prior to the start of the Contribution Period for the next Offering Period, and the remaining Contributions in the form of payroll deductions during the Contribution Period for the then-current Offering Period will be applied to the second Purchase Period of the then-current Offering Period.

(c) All of a Participant's Contributions will be credited to his or her account under the Plan, and Contributions will be made in whole percentages of his or her Compensation only. The Participant may not make any additional payments into such account.

(d) A Participant may discontinue his or her participation in the Plan as provided under Section 10. Unless otherwise determined by the Administrator, during a Purchase Period, a Participant may not increase the rate of his or her Contributions, but he or she may (i) make a one-time decrease in the rate of his or her Contributions and/or (ii) stop making Contributions. Any such decrease or discontinuation during a Purchase Period or any change to the Participant's rate of Contributions for future Purchase Periods requires the Participant to (i) properly complete and submit to the Company's stock administration office (or its designee) a new subscription agreement or following the applicable electronic or other enrollment procedures determined by the Administrator authorizing the change in Contribution rate in the form provided by the Administrator for such purpose or (ii) follow an electronic or other procedure prescribed by the Administrator, in each case on or before a date determined by the Administrator prior to the applicable Exercise Date or Enrollment Date, respectively. If the Participant has not followed such procedures to change the rate of Contributions or stop making Contributions, he or she will continue to make Contributions at the originally elected rate throughout the Purchase Period and future Offering Periods and Purchase Periods (unless the Participant's participation is terminated as provided in Sections 10 or 11). The Administrator has the discretion to amend the nature and/or number of Contribution rate changes that may be made by Participants during any Offering Period or Purchase Period and may establish other conditions or limitations as it deems appropriate for Plan administration. Any change in Contribution rate or discontinuation of Contributions made under this Section 6(d) will be effective on a date selected by the Administrator (in a manner complying with U.S. Treasury Regulation Section 1.423-2(e)(2)(ii)) that is as soon as administratively feasible following the date on which the change is made by the Participant, but in no event later than the first full payroll period following 5 business days after the date on which the change is made by the Participant. If a Participant stops making Contributions under this Section 6(d), he or she will be withdrawn from the Plan immediately after the exercise of his or her option on the applicable Exercise Date.

(e) To the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(d), a Participant's Contributions may be decreased to zero percent at any time during a Purchase Period. Subject to Section 423(b)(8) of the Code and Section 3(d) of the Plan, Contributions will recommence at the rate the Participant's most recent elected rate effective as of the beginning of the first pay day occurring on or after the beginning of the Contribution Period that is scheduled to end in the following calendar year, unless terminated by the Participant as provided in Section 10.

(f) The Administrator may allow Eligible Employees to participate in the Plan via cash contributions instead of payroll deductions if (i) payroll deductions are not permitted under applicable local law, (ii) the

Administrator determines that cash contributions are permissible under Section 423 of the Code, or (iii) the Eligible Employees are participating in the Non-423 Component.

(g) At the time the option is exercised, in whole or in part, or at the time some or all of the Common Stock issued under the Plan is disposed of (or any other time that a taxable event related to the Plan occurs), the Participant must make adequate provision for the Company's or Employer's federal, state, local or any other tax liability payable to any authority including taxes imposed by jurisdictions outside of the U.S., national insurance, social security or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock (or any other time that a taxable event related to the Plan occurs). At any time, the Company or the Employer may, but will not be obligated to, withhold from the Participant's compensation the amount necessary for the Company or the Employer to meet applicable withholding obligations, including any withholding required to make available to the Company or the Employer any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Eligible Employee. In addition, the Company or the Employer may, but will not be obligated to, withhold from the proceeds of the sale of Common Stock or any other method of withholding the Company or the Employer deems appropriate to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f).

7. Grant of Option. On the Enrollment Date of each Offering Period, each Eligible Employee participating in such Offering Period will be granted an option to purchase on each Exercise Date during such Offering Period (at the applicable Purchase Price) up to a number of shares of Common Stock determined by dividing such Eligible Employee's Contributions accumulated prior to such Exercise Date and retained in the Eligible Employee's account as of the Exercise Date by the applicable Purchase Price, up to a maximum of 4,000 shares of Common Stock (subject to any adjustment under Section 19) in each Purchase Period and subject to the limitations in Sections 3(d) and 13. The Eligible Employee may accept the grant of such option by electing during an Enrollment Window to participate in the Plan in accordance with the requirements of Section 5. The Administrator may, for future Offering Periods, change the maximum number of shares of Common Stock that an Eligible Employee may purchase during each Purchase Period or Offering Period. The option will expire on the last day of the Offering Period.

8. Exercise of Option.

(a) Unless a Participant withdraws from the Plan as provided in Section 10, his or her option for the purchase of shares of Common Stock will be exercised automatically on each Exercise Date, and the maximum number of full shares subject to the option will be purchased for such Participant at the applicable Purchase Price with the accumulated Contributions from his or her account. No fractional shares of Common Stock will be purchased; any Contributions accumulated in a Participant's account that are not sufficient to purchase a full share will be returned to the Participant. During a Participant's lifetime, a Participant's option to purchase shares under the Plan is exercisable only by him or her.

(b) If the Administrator determines that, on a given Exercise Date, the number of shares of Common Stock with respect to which options are to be exercised may exceed (i) the number of shares of Common Stock that were available for sale under the Plan on the Enrollment Date of the applicable Offering Period or (ii) the number of shares of Common Stock available for sale under the Plan on such Exercise Date, the Administrator may in its sole discretion (x) provide that the Company will make a pro rata allocation of the shares of Common Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all Participants exercising options to purchase Common Stock on such Exercise Date and continue all Offering Periods then in effect or (y) provide that the Company will make a pro rata allocation of the shares of Common Stock available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as will be practicable and as it will determine in its sole discretion to be equitable among all participants exercising options to purchase Common Stock on such Exercise Date and terminate any or all Offering Periods then in effect under Section 20. The Company may make a pro rata allocation of the shares available on the Enrollment Date of any applicable Offering Period under the preceding sentence even if there is an authorization of additional shares for issuance under the Plan by the Company's stockholders subsequent to such Enrollment Date.

9. Delivery. As soon as reasonably practicable after each Exercise Date on which a purchase of shares of Common Stock occurs, the Company will arrange the delivery to each Participant of the shares purchased upon exercise of his or her option in a form determined by the Administrator (in its sole discretion) and under rules established by the Administrator. The Company may permit or require that shares be deposited directly with a broker designated by the Company or to a designated agent of the Company, and the Company may utilize electronic or automated methods of share transfer. The Company may require that shares be retained with such broker or agent for a designated period of time and/or may establish other procedures to permit tracking of disqualifying dispositions of such shares. No Participant has any voting, dividend, or other stockholder rights with respect to shares of Common Stock subject to any option granted under the Plan until such shares have been purchased and delivered to the Participant as provided in this Section 9.

10. Withdrawal.

(a) A Participant may withdraw all but not less than all of the Contributions credited to his or her account and not yet used to exercise his or her option under the Plan at any time during a Contribution Period by (i) submitting to the Company's stock administration office (or its designee) a written notice of withdrawal in the form determined by the Administrator for such purpose (which may be similar to the form attached to the Plan as Exhibit B) or (ii) following an electronic or other withdrawal procedure determined by the Administrator. All of the Participant's Contributions credited to his or her account will be paid to such Participant on the first payroll date on or after receipt of notice of withdrawal and such Participant's option for the Offering Period will be automatically terminated, and no further Contributions for the purchase of shares will be made for such Offering Period. If a Participant withdraws from an Offering Period, Contributions will not resume at the beginning of the succeeding Offering Period, unless the Participant re-enrolls in the Plan in accordance with the provisions of Section 5.

(b) A Participant's withdrawal from an Offering Period will not have any effect on his or her eligibility to participate in any similar plan adopted by the Company or in succeeding Offering Periods that commence after the termination of the Offering Period from which the Participant withdraws.

11. Termination of Employment. Unless otherwise set forth in the Company Leave Policy, upon a Participant's ceasing to be an Eligible Employee for any reason, he or she will be withdrawn from the Plan and the Contributions credited to such Participant's account during the Offering Period but not yet used to purchase shares of Common Stock under the Plan will be returned to such Participant (or, in the case of his or her death, to the person or persons entitled to receive such Contributions under Section 15), and such Participant's option will be automatically terminated. A Participant whose employment transfers between entities through a termination with an immediate rehire (with no break in service) by the Company or a Designated Company will not be treated as terminated under the Plan; however, if a Participant transfers from an Offering under the 423 Component to the Non-423 Component, the exercise of the option will be qualified under the 423 Component only to the extent it complies with Section 423 of the Code.

12. Interest. No interest will accrue on the Contributions of a participant in the Plan, except as may be required by Applicable Law, as determined by the Company, and if so required by the laws of a particular jurisdiction, will apply to all Participants in the relevant Offering under the 423 Component, except to the extent otherwise permitted by U.S. Treasury Regulation Section 1.423-2(f).

13. Stock.

(a) Subject to adjustment upon changes in capitalization of the Company as provided in Section 19, the maximum number of shares of Common Stock that will be made available for sale under the Plan will be 4,200,000 shares of Common Stock. The number of shares of Common Stock available for issuance under the Plan will be increased on the first day of each Fiscal Year beginning with the 2016 Fiscal Year equal to the least of (i) 8,400,000 shares of Common Stock, (ii) 1% of the outstanding shares of all classes of the Company's common stock on the last day of the immediately preceding Fiscal Year, or (iii) an amount determined by the Administrator.

(b) Until the shares of Common Stock are issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), a Participant has only the rights of an

unsecured creditor with respect to such shares, and no right to vote or receive dividends or any other rights as a stockholder will exist with respect to such shares.

(c) Shares of Common Stock to be delivered to a Participant under the Plan will be registered in the name of the Participant or in the name of the Participant and his or her spouse.

14. Administration. The Administrator has full and exclusive discretionary authority to construe, interpret, and apply the terms of the Plan, to delegate ministerial duties to any of the Company's employees, to designate separate Offerings under the Plan, to designate Affiliates and Subsidiaries of the Company as participating in the 423 Component or Non-423 Component, to determine eligibility, to adjudicate all disputed claims filed under the Plan, and to establish such procedures that it deems necessary for the administration of the Plan (including, without limitation, to adopt such procedures and sub-plans as are necessary or appropriate to permit the participation in the Plan by employees who are foreign nationals or employed outside the U.S., the terms of which sub-plans may take precedence over other provisions of this Plan, with the exception of Section 13(a), but unless otherwise superseded by the terms of such sub-plan, the provisions of this Plan will govern the operation of such sub-plan). Unless otherwise determined by the Administrator, the Eligible Employees eligible to participate in each sub-plan will participate in a separate Offering or in the Non-423 Component. Without limiting the generality of the foregoing, the Administrator is specifically authorized to adopt rules and procedures regarding eligibility to participate, the definition of Compensation, handling of Contributions, making of Contributions to the Plan (including, without limitation, in forms other than payroll deductions), establishment of bank or trust accounts to hold Contributions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of stock certificates that vary with applicable local requirements. The Administrator also is authorized to determine that, to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f), the terms of an option granted under the Plan or an Offering to citizens or residents of a non-U.S. jurisdiction will be less favorable than the terms of options granted under the Plan or the same Offering to employees resident solely in the U.S. Every finding, decision, and determination made by the Administrator will, to the full extent permitted by law, be final and binding upon all parties.

15. Designation of Beneficiary.

(a) If permitted by the Administrator, a Participant may file a designation of a beneficiary who is to receive any shares of Common Stock and cash, if any, from the Participant's account under the Plan in the event of such Participant's death subsequent to an Exercise Date on which the option is exercised but prior to delivery to such Participant of such shares and cash. In addition, if permitted by the Administrator, a Participant may file a designation of a beneficiary who is to receive any cash from the Participant's account under the Plan in the event of such Participant's death prior to exercise of the option. If a Participant is married and the designated beneficiary is not the spouse, spousal consent will be required for such designation to be effective.

(b) Such designation of beneficiary may be changed by the Participant at any time by notice in a form determined by the Administrator. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such Participant's death, the Company will deliver such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the Participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

(c) All beneficiary designations will be in such form and manner as the Administrator may designate from time to time. The Company and/or the Administrator may decide not to permit such designations by Participants in non-U.S. jurisdictions to the extent permitted by U.S. Treasury Regulation Section 1.423-2(f).

16. Transferability. Neither Contributions credited to a Participant's account nor any rights with regard to the exercise of an option or to receive shares of Common Stock under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15)

by the Participant. Any such attempt at assignment, transfer, pledge or other disposition will be without effect, except that the Company may treat such act as an election to withdraw funds from an Offering Period in accordance with Section 10.

17. Use of Funds. The Company may use all Contributions received or held by it under the Plan for any corporate purpose, and the Company will not be obligated to segregate such Contributions except under Offerings or for Participants in the Non-423 Component for which Applicable Laws require that Contributions to the Plan by Participants be segregated from the Company's general corporate funds and/or deposited with an independent third party. Until shares of Common Stock are issued, Participants have only the rights of an unsecured creditor with respect to such shares.

18. Reports. Individual accounts will be maintained for each Participant in the Plan. Statements of account will be given to participating Eligible Employees at least annually, which statements will set forth the amounts of Contributions, the Purchase Price, the number of shares of Common Stock purchased, and the remaining cash balance, if any.

19. Adjustments, Dissolution, Liquidation, Merger, or Change in Control.

(a) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Company, or other change in the corporate structure of the Company affecting the Common Stock occurs, the Administrator, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, will, in such manner as it may deem equitable, adjust the number and class of Common Stock that may be delivered under the Plan, the Purchase Price per share and the number of shares of Common Stock covered by each option under the Plan that has not yet been exercised, and the numerical limits of Sections 7 and 13.

(b) Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, any Offering Period then in progress will be shortened by setting a New Exercise Date, and will terminate immediately prior to the consummation of such proposed dissolution or liquidation, unless provided otherwise by the Administrator. The New Exercise Date will be before the date of the Company's proposed dissolution or liquidation. The Administrator will notify each Participant in writing or electronically, prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10.

(c) Merger or Change in Control. In the event of a merger or Change in Control, each outstanding option will be assumed or an equivalent option substituted by the successor corporation or a Parent or Subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the option, the Offering Period with respect to which such option relates will be shortened by setting a New Exercise Date on which such Offering Period will end. The New Exercise Date will occur before the date of the Company's proposed merger or Change in Control. The Administrator will notify each Participant in writing or electronically prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Offering Period as provided in Section 10.

20. Amendment or Termination.

(a) The Administrator, in its sole discretion, may amend, suspend, or terminate the Plan, or any part of the Plan, at any time and for any reason. If the Plan is terminated, the Administrator, in its discretion, may elect to terminate all outstanding Offering Periods either immediately or upon completion of the purchase of shares of Common Stock on the next Exercise Date (which may be sooner than originally scheduled, if determined by the Administrator in its discretion), or may elect to permit Offering Periods to expire in accordance with their terms (and

subject to any adjustment under Section 19). If the Offering Periods are terminated prior to expiration, all amounts then credited to Participants' accounts that have not been used to purchase shares of Common Stock will be returned to the Participants (without interest thereon, except as otherwise required under Applicable Laws, as further set forth in Section 12) as soon as administratively practicable.

(b) Without stockholder consent and without limiting Section 20(a), the Administrator will be entitled to change the Offering Periods, Purchase Periods, or Contribution Periods, designate separate Offerings, limit the frequency and/or number of changes in the amount withheld during an Offering Period, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, permit Contributions in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed Contribution elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with Contribution amounts, and establish such other limitations or procedures as the Administrator determines in its sole discretion advisable that are consistent with the Plan.

(c) In the event the Administrator determines that the ongoing operation of the Plan may result in unfavorable financial accounting consequences, the Administrator may, in its discretion and, to the extent necessary or desirable, modify, amend or terminate the Plan to reduce or eliminate such accounting consequence including, but not limited to:

(i) amending the Plan to conform with the safe harbor definition under the Financial Accounting Standards Board Accounting Standards Codification Topic 718 (or any of its successors), including with respect to an Offering Period underway at the time;

(ii) altering the Purchase Price for any Offering Period or Purchase Period including an Offering Period or Purchase Period underway at the time of the change in Purchase Price;

(iii) shortening any Offering Period or Purchase Period by setting a New Exercise Date, including an Offering Period or Purchase Period underway at the time of the Administrator action;

(iv) reducing the maximum percentage of Compensation a Participant may elect to set aside as Contributions; and

(v) reducing the maximum number of shares of Common Stock a Participant may purchase during any Offering Period or Purchase Period.

Such modifications or amendments will not require stockholder approval or the consent of any Participants.

21. Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan is given when received in the form and manner specified by the Company at the location, or by the person, designated by the Company for the receipt of such notices or other communications.

22. Conditions Upon Issuance of Shares. Shares of Common Stock will not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares complies with all applicable provisions of law, domestic or foreign, including, without limitation, the U.S. Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated under such acts, and the requirements of any stock exchange upon which the shares may then be listed, and will be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

23. Code Section 409A. The 423 Component of the Plan is exempt from the application of Code Section 409A, and any ambiguities in the Plan will be interpreted so that the Plan is exempt from Code Section 409A. If the Administrator determines that an option granted under the Plan may be subject to Code Section 409A or that any provision in the Plan would cause an option under the Plan to be subject to Code Section 409A, the Administrator may amend the terms of the Plan and/or of an outstanding option granted under the Plan or take such other action the Administrator determines is necessary or appropriate, in each case without the Participant's consent, to exempt any outstanding option or future option that may be granted under the Plan from or to allow any such options to comply with any requirements necessary to avoid the imposition of additional tax under Code Section 409A(a)(1)(B), but only to the extent any such amendments or action by the Administrator would not violate Code Section 409A. The Company has no liability to a Participant or any other party if the option to purchase Common Stock under the Plan that is intended to be exempt from Code Section 409A or compliant with any requirements necessary to avoid the imposition of additional tax under Code Section 409A(a)(1)(B) is not so exempt or compliant or for any action taken by the Administrator with respect to such option. The Company makes no representation that the option to purchase Common Stock under the Plan complies with any requirements necessary to avoid the imposition of additional tax under Code Section 409A(a)(1)(B).

24. Term of Plan. The Plan will become effective upon the later to occur of (a) its adoption by the Board or (b) the business day immediately prior to the Registration Date. It will continue in effect for a term of 20 years, unless sooner terminated under Section 20.

25. Stockholder Approval. The Plan will be subject to approval by the stockholders of the Company within 12 months after the date the Plan is adopted by the Board. Such stockholder approval will be obtained in the manner and to the degree required under Applicable Laws.

26. Governing Law. The Plan will be governed by, and construed in accordance with, the laws of the State of Delaware (except its choice-of-law provisions).

27. No Right to Employment. Participation in the Plan by a Participant will not be construed as giving a Participant the right to be retained as an employee of the Company or an Affiliate or Subsidiary of the Company, as applicable. Further, the Company or an Affiliate or Subsidiary of the Company may dismiss a Participant from employment at any time, free from any liability or any claim under the Plan.

28. Severability. If any provision of the Plan is or becomes or is deemed to be invalid, illegal, or unenforceable for any reason in any jurisdiction or as to any Participant, such invalidity, illegality or unenforceability will not affect the remaining parts of the Plan, and the Plan will be construed and enforced as to such jurisdiction or Participant as if the invalid, illegal or unenforceable provision had not been included.

29. Compliance with Applicable Laws. The terms of this Plan are intended to comply with all Applicable Laws and will be construed accordingly.

30. Automatic Transfer to Low Price Offering Period. To the extent permitted by Applicable Laws, if the Fair Market Value on any Exercise Date in an Offering Period is lower than the Fair Market Value on the Enrollment Date of such Offering Period, then all Participants in such Offering Period automatically will be withdrawn from such Offering Period immediately after the exercise of their option on such Exercise Date and automatically re-enrolled in the immediately following Offering Period as of the first day of such following Offering Period.

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT OF 1934 RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Jack Dorsey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Block, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

By: /s/ Jack Dorsey
Jack Dorsey
Block Head and Chairperson
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
SECURITIES EXCHANGE ACT OF 1934 RULES 13a-14(a) AND 15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Amrita Ahuja, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Block, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a–15(f) and 15d–15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2022

By: /s/ Amrita Ahuja
Amrita Ahuja
Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

CERTIFICATIONS OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Jack Dorsey, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Block, Inc. for the fiscal quarter ended September 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Block, Inc.

Date: November 3, 2022

By: /s/ Jack Dorsey
Jack Dorsey
Block Head and Chairperson
(Principal Executive Officer)

I, Amrita Ahuja, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Block, Inc. for the fiscal quarter ended September 30, 2022 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Block, Inc.

Date: November 3, 2022

By: /s/ Amrita Ahuja
Amrita Ahuja
Chief Financial Officer
(Principal Financial Officer)