

Block, Inc. Second Quarter 2025 Earnings Call - Prepared Remarks

Matt Ross, Head of Investor Relations

Hi, everyone.

Thanks for joining our second quarter 2025 earnings call. We have Jack and Amrita with us today.

We will begin this call with some short remarks before opening the call directly to your questions. During Q&A, we will take questions from conference call participants.

We would also like to remind everyone that we will be making forward-looking statements on this call. All statements other than statements of historical fact could be deemed to be forward-looking. These forward-looking statements include discussions of our outlook, strategy and guidance as well as our long-term targets and goals. These statements are subject to risks and uncertainties, including changes in macroeconomic conditions. Actual results could differ materially from those contemplated by our forward-looking statements. Reported results should not be considered an indication of future performance.

Please take a look at our filings with the SEC for a discussion of the factors that could cause our results to differ. Also, note that the forward-looking statements, including earnings guidance for 2025, discussed on this call are based on information available to us and assumptions we believe are reasonable as of today's date. We disclaim any obligation to update any forward-looking statements, except as required by law. Further, any discussion during this call of our lending and banking products refer to products that are offered through Square Financial Services or our bank partners.

Within these remarks, we will also discuss metrics related to our investment framework, including Rule of 40. With Rule of 40, we are evaluating the sum of our gross profit growth and Adjusted Operating Income margin.

Also, we will discuss certain non-GAAP financial measures during this call. Reconciliations to the most directly comparable GAAP financial measures are provided in the Shareholder Letter, and our Historical Financial Information spreadsheet on our Investor Relations website. These non-GAAP measures are not intended to be a substitute for our GAAP results.

Finally, this call in its entirety is being audio webcast on our Investor Relations website. An audio replay of this call and the transcript for Jack and Amrita's opening remarks will be available on our website shortly.

With that, I would like to turn it over to Jack.

Jack Dorsey, Block Head

Thank you all for joining. We've been talking for several quarters about our focus on increasing product velocity and ramping our go to market investment. This quarter you can see our work paying off. We're back to growth mode across the company - we are shipping faster, launching new features like pools in just a few months, and we are accelerating the pace of delivering AI functionality to customers.

In my letter this quarter, I discuss Cash App's scale and impact, and our strategy to continue growing by helping our customers manage their financial lives better. We believe the capabilities in Cash App are unique and that no one else can deliver the money app we're building for consumers. I hope you'll take a look. And with that, I'll turn it over to Amrita.

Amrita Ahuja, Chief Operating Officer and Chief Financial Officer

Thanks Jack.

We delivered strong results in the second quarter, exceeding our gross profit and Adjusted Operating Income guidance. Gross profit was \$2.5 billion, up 14% year over year, accelerating from 9% growth last quarter. Adjusted Operating Income was \$550 million, up 38% year over year as we expanded margins to our highest quarterly Adjusted OI margin yet, 22%.

Product innovation and go to market investment are accelerating across Block. We're delivering more value, faster, and more efficiently. In the second quarter alone we launched Square AI, Square Handheld, and an updated version of Square Online. We showcased bitcoin payments on Square, introduced Tap to Pay for Cash App Business powered by Square, and rolled out Cashbot, our AI powered customer support agent. We released Pay Monthly for Afterpay Single Use Payments in the U.S., new features for sponsored accounts, a new, more personalized Offers platform, and we took Cash App Pools from development to pilot in just a few months.

In Cash App, gross profit growth reaccelerated to 16% year over year in the second quarter. Cash App Card delivered healthy gross profit growth at scale, and BNPL gross profit reaccelerated, driven in part by increasing attach rates for post-purchase BNPL on Cash App Card, which crossed 1 million monthly actives in July. We began to meaningfully ramp Borrow on Square Financial Services during the second quarter.

Our bank, SFS, now originates the majority of Borrow loans for our customers and we plan to continue expanding SFS originations throughout the second half of the year. We're also exploring more ways to deepen engagement, including higher Borrow limits for Paycheck Deposit Actives.

We believe the combination of assets we have in Cash App is unique and positions us for attractive, sustainable long term growth as an enduring ecosystem. Our strategy is oriented around driving strength in the four pillars of our business.

First, we have a scaled P2P network that drives community connection and Cash App customer acquisition, with \$218 billion in P2P volume in the last 12 months. Second, our broad commerce capabilities generated \$183 billion in volume in the last 12 months, growing 16% year over year - or 21% excluding Cash App Business. Third, our banking solutions help millions manage their money. In June, 8 million actives either deposited a paycheck or spent at least \$500 across Cash App, and Borrow reached \$18 billion in annualized originations. And fourth, we've enabled millions of actives to buy and sell \$58 billion in Bitcoin. For paycheck deposit actives who receive some of their paycheck in Bitcoin, we provide what we believe is the only way to buy bitcoin with no fees and no spread.

Cash App is resonating with the next generation at scale. In June, we had 5 million sponsored teen actives and 1.7 million actives that had graduated from a sponsored account to an individual Cash App account. Engagement with sponsored teen actives is strong: with nearly 80% attach rate to Cash App Card and over 25% attach rate to Cash App Pay. Simply put, Cash App meets the needs of this generation, and delivers tools to help them run their financial lives.

Turning to Square, year over year GPV growth accelerated to 10% in the second quarter and we delivered 11% gross profit growth, which included a network remediation payment we previously discussed at the end of last year. We observed strong GPV growth in food and beverage and retail, up 15% and 10% respectively. International GPV growth accelerated to 25% year over year as we continued to expand distribution across sales and partnerships.

We are changing perceptions of Square among new and existing customers - a testament to the products we've launched in the past year and the investments we've made across marketing, field sales, and partnerships.

We're focused on winning the quick serve restaurant market, and we're delivering with customer wins like Colectivo Coffee, Shane's Rib Shack, and Ben's Soft Pretzels - a 60 location seller that we're thrilled to welcome back to Square. These amazing sellers are category leaders in their communities and we're honored they chose to partner with us.

Beyond winning QSR, we continued to see strong performance from our field sales team, with an estimated 5 to 6 quarter payback on recent sales cohorts. In the second quarter we delivered our highest-ever new volume added and our strongest growth in new volume added since the third quarter of 2021.

Year to date, forecasted new gross profit added outpaced forecasted new GPV added as we grew upmarket in the U.S., signaling healthy pricing and product attach rates. We've continued to see high ROIs as we scale field sales and we expect to continue to ramp sales personnel aggressively to broaden our distribution footprint further. We're also seeing early traction with our Independent Sales Organization investments and expect to continue to scale that distribution channel further in the quarters ahead.

Turning to guidance, we're raising our full year guidance and our expectations for the back half of the year. Our Q3 guidance and implied Q4 guidance call for continued acceleration in gross profit growth. For Q3 we expect gross profit of \$2.60 billion growing 16% year over year. We expect Adjusted Operating Income of \$460 million, or 18% margin. We expect to exit the year with gross profit growth of 19%, and over 20% Adjusted Operating Income margin, positioning us well for 2026.

As we look at Q3, there are two nuances to call out.

First, we expect to see an Adjusted Operating Income margin of 18% in the third quarter compared to 20% plus margins in the other quarters this year. This is due primarily to risk loss growth as we expand Borrow. We are investing behind a product that has strong unit economics on incremental growth, and we expect loss rates to stay within historical ranges. The timing of our expanded go to market initiatives also contribute to Q3 margin dynamics.

Second, for Square, we expect to deliver low double digit GPV growth in the third and fourth quarters, accelerating modestly from the 10% growth we delivered in the second quarter. We expect third quarter gross profit in the high single digit range, and fourth quarter growth to track roughly in line with GPV growth. Square's third quarter gross profit growth is impacted by a few dynamics, including our decision to increase operational flexibility at a processing partner, which modestly increases processing costs, and further investments in hardware as a successful go-to-market driver for Square. We continue to be encouraged by the strong results we see in our go to market efforts for Square, with profitable volume growth and a return to share gains in recent quarters.

For the full year, we're raising gross profit and Adjusted Operating Income guidance to reflect our strong execution. We expect full year gross profit of \$10.17 billion, or over 14% year over year growth. We expect Adjusted Operating Income of \$2.03 billion, or 20% margin, expanding margins 2 percentage points year over year despite the meaningful go to market investments we're making to grow our business.

Our financial results and our updated guidance are a reflection of our ability to deliver value to our customers. We're honored to have been added to the S&P 500 this quarter, and we want to welcome new investors joining us on this journey. We believe we have the best combination of assets in the industry to deliver on our purpose of economic empowerment, and we're excited to share more about our long term roadmap at our investor day on November 19th. I'll now turn it back to the operator to start the Q&A portion of the call.