

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

Matt Ross, Head of Investor Relations

Hi, everyone.

Thanks for joining our fourth quarter 2025 earnings call. Today's call will be 45 minutes. We have Jack and Amrita with us today along with Owen Jennings our Business Lead and Nick Molnar, Sales and Marketing Lead for Block.

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 considered 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 and how we plan to operate moving forward. These statements are subject to risks and uncertainties, including changes in macroeconomic conditions and risks related to the workforce reduction we announced earlier today. 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 2026 and our future operating plans, 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. 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 us. Today we shared a difficult decision with our team. We're reducing Block from over 10,000 people to just under 6,000. I said everything I needed to say to our team in an email I posted to twitter, so please read it if you'd like. What I want to talk to you about now is why I believe this is the right path for our company, and what Block looks like going forward.

We're making this change after delivering one of our strongest years. We set clear priorities for the year, and we executed on all of them. In 2025 gross profit growth more than doubled from the first quarter to the fourth quarter. We surpassed Rule of 40 in the fourth quarter. We reignited cash app network growth and engagement. We scaled our lending products and delivered strong returns. We accelerated square GPV growth and had our strongest new volume added year on record. We shipped our first proto units and we increased share repurchases to return more capital to shareholders. We have conviction in achieving the long term financial targets we laid out at Investor Day and are meaningfully raising our initial outlook for 2026. We know how to grow this business and this decision today is a choice about how we operate it going forward.

The core thesis is simple. Intelligence tools have changed what it means to build and run a company. We're already seeing it internally. A significantly smaller team, using the tools we're building, can do more and do it better. And intelligence tool capabilities are compounding faster every single week.

I don't think we're early to this realization. I think most companies are late. Within the next year, I believe the majority of companies will reach the same conclusion and make similar structural changes. I'd rather get there honestly and on our own terms than be forced into it reactively.

And this isn't just about efficiency. Block serves millions of customers. Sellers and consumers who are going to feel the economic effects of this same shift. Small businesses that rely on us to get paid, to manage their money, to access capital. individuals navigating a financial landscape that's changing fast. Our job is to help them navigate through it. That's not a new mission for us, but the urgency behind it is more pronounced, and the speed at which we need to deliver is accelerating.

So here's how we're going to operate from here.

First, intelligence will be at the core of how the entire company works, how we make decisions, how we build trust and manage risk, how we build products, and how we serve customers. We're moving toward a model where our customers can build their own features directly on top of our capabilities. That changes the nature of what we are as a company, and it dramatically increases the value we can deliver per customer.

Second, extreme focus. There are four things we're going to focus on building now as a

company: customer capabilities, interfaces where we can compose and deliver those capabilities, proactive intelligence based on our deep customer understanding and real-time data, and an intelligence model to fully orchestrate the company's operations. This allows us to best serve the master plan we laid out at investor day.

Third, speed. A company of our new size has no excuse for being slow. We will decide faster, ship faster, and learn faster. The structure we're building is designed exactly for that.

We believe Block will be significantly more valuable as a smaller, faster, intelligence-native company. Everything we do from here is in service of that. Amrita will now share more detail on the quarter and our outlook for the year.

Amrita Ahuja, Chief Operating Officer and Chief Financial Officer

Thanks Jack, and thank you all for joining. The organizational changes we're sharing today represent a deliberate choice about Block's next phase of growth. The decision impacts many employees who played an important role in building Block, and we're deeply grateful for their contributions.

As Jack mentioned, we're making this change after delivering a strong year across the business. In the fourth quarter we outperformed our guidance across gross profit, Adjusted Operating Income, and Adjusted EPS translating product velocity into strong financial performance.

Block generated \$2.87 billion in gross profit, representing 24% year-over-year growth. And we grew Adjusted Operating Income 46% year over year to \$588 million, delivering 3 points of margin expansion even as we invested in initiatives with strong ROIs that we expect to drive future growth. On a per share basis, we grew Adjusted Diluted EPS 38% year over year. We repurchased \$790 million of shares in the fourth quarter, bringing our total for 2025 to \$2.3 billion. We exceeded Rule of 40 in Q4, and we believe we're on track to sustain it on an annual basis moving forward.

Stepping back, 2025 was a pivotal year for Block. Gross profit growth more than doubled from the first quarter to the fourth quarter, leading to \$10.36 billion in gross profit for the full year, and growth of 17% year over year. Even with additional investment in go-to-market, we grew Adjusted Operating Income 30% year over year in 2025, delivering 2 points of margin expansion. Cash App monthly actives returned to growth in the second half of 2025, ending the year at 59 million, and we executed on our engagement strategies, with primary banking actives growing 22% year over year to 9.3 million monthly actives in December. We grew consumer lending origination volume by 50% year over year in 2025 while sustaining strong margins and healthy risk loss performance. We accelerated Square GPV growth from 8.6% in 2024 to 10% in 2025 and delivered our strongest year ever for New Volume Added, or NVA, as we expanded our distribution channels. We continued to lean into our differentiated vertical integration and hardware design expertise with the launch of two new devices, Square Handheld and our

second generation Square Register, to better serve a wider range of seller use cases. We began shipping Proto mining rigs, with Proto gross profit scaling in the fourth quarter.

Reviewing further some Q4 specifics. Cash App gross profit grew 33% year over year to \$1.83B, accelerating relative to Q3. Throughout 2025 we've focused on reigniting Cash App's network growth, and that work has paid off: in Q4 we grew monthly actives to 59 million. Our focus on deepening engagement is also working, with primary banking actives attach rate growing meaningfully in Q4. These customers have generated nearly 10x the gross profit of peer-to-peer-only actives and we believe they create a foundation for long-term inflows per active growth. Cash App commerce enablement volume grew 17% year over year to \$54.7 billion in Q4, driven by strength in Cash App Card, where we saw the strongest quarter for new Cash App Card actives in over a year and saw Cash App Green drive increased retention and Cash App Card volume. Commerce monetization rate increased 4 basis points year over year as attach rates for Afterpay Post-Purchase continued to increase.

We also grew consumer lending origination volume 69% year over year in the fourth quarter, with consumer lending variable profit growth consistent with originations growth. Within consumer lending origination volume, Borrow delivered an exceptional fourth quarter, with origination volume growing more than 3x year over year. We leaned into Borrow offers for Cash App Green actives as one element of our new status program. Many customers deeply value access to liquidity, and beyond strong standalone unit economics, we've seen Borrow drive deeper engagement across other parts of Cash App.

Our lending strategy is focused on maximizing variable profit, scaling responsibly while maintaining disciplined risk management. That approach was on display in Q4 and early 2026. Q4 was the strongest quarter for first time Borrow actives ever which drove higher portfolio losses in December and January based on the mix shift to new cohorts which have higher losses by design. As of mid-February, all 2026 cohorts are trending below our risk loss targets, demonstrating our ability to quickly calibrate risk and adjust exposure for new cohorts based on the strength of our underwriting team, product design, and our proprietary data and credit infrastructure.

Turning to Square, where our distribution motion has continued to gain traction.

2025 was our strongest year ever for NVA with growth of 17%. That momentum continued into the fourth quarter with 29% year over year NVA growth. We saw progress across both marketing-led self-onboarding and sales channels, with Sales-led NVA growing 62% year over year in Q4. In addition, we now partner with over 100 Independent Sales Organizations, complementing our direct sales motion and extending our reach to more new sellers.

GPV grew 10.3% in Q4 and we've seen growth reaccelerate so far in Q1, with growth quarter to date as of February 24th of over 12% year over year. Square gross profit grew 7.5% year over year in Q4 driven by growth in Financial Solutions. Hardware costs and higher processing costs were each a 2 percentage point headwind to Square gross profit growth in Q4, consistent with

the expectations shared at our Investor Day.

Looking ahead, we expect our new organizational design to increase velocity. We have seen significant improvement in AI tooling capabilities. We've seen engineering work that would have taken weeks to complete be done by a small team in a fraction of the time with agentic coding tools. These are reflected in our developer velocity metrics, where we've seen a greater than 40% increase in production code shipped per engineer since September.

We've been prioritizing automation in how we build internally for the past couple of years, as we've built bespoke tools and increased AI adoption. Some of our automation workstreams are nearly fully rolled out, others are earlier in their maturity, and we expect to continue to develop automation improvements in parallel with the advancements of the underlying technology. The outcomes we have seen are encouraging, and the long-term impact will depend on thoughtful implementation at scale.

We are taking this decisive action from a position of strength. Gross profit growth accelerated throughout 2025, and we expect to sustain strong growth in 2026, with execution across a portfolio of ramping or new initiatives in Square and Cash App.

In Cash App, we expect to compound our gains in our banking and commerce ecosystems, scale Cash App Green further, and expand Moneybot to our full customer base in the coming weeks and months. We launched Afterpay pre purchase in February with strong early indications of demand and expect to scale it throughout the year. We also recently launched pay in 4 buy now pay later functionality for P2P transactions, which is a first for the industry. Our focus is to ramp these products, along with Borrow, while maintaining healthy loss rates.

In Square, we expect to ramp go-to-market motions further across self onboarding, sales, and partnerships. We're focused on excellence in our Food & Beverage products and accelerating product velocity across other verticals to continue to drive net volume retention higher. We recently launched Square AI to all markets and are excited to deliver more proactive intelligence capabilities to our sellers as we build towards Managerbot.

We continue to be focused on connecting our ecosystems and believe we're finding product market fit with Neighborhoods. Our focus now is on scaling. We're moving from an inbound motion to an auto enrollment motion for sellers, and we recently added in-store redemption capabilities to increase functionality for consumers and widen the addressable market to more sellers.

Our guidance reflects this product velocity momentum. For the full year, we expect year over year gross profit growth of 18%, to \$12.2 billion, an increase relative to our investor day guidance and an acceleration relative to what we delivered in 2025. For Q1, we expect year-over-year gross profit growth of 22% to \$2.8 billion.

In addition to the growth momentum we're seeing, our guidance also reflects a smaller cost structure going forward. We believe the actions we are taking today will enable us to deliver faster product innovation for customers in the future while also enabling us to invest meaningfully in our business.

With this change in cost structure, combined with the investments we plan to make, we are increasing our guidance for Adjusted Operating Income in 2026 to \$3.2 billion, reflecting year over year growth of 54% and 6 points of margin expansion relative to 2025. We are increasing our expectation for Adjusted Diluted EPS in 2026 to \$3.66, also reflecting year over year growth of 54%. For Q1, we expect Adjusted Operating Income of \$600 million and Adjusted Diluted EPS of \$0.67, reflecting year over year growth of 29% and 20% respectively.

Before wrapping up, a few additional considerations related to our guidance.

Our Q1 operating income guidance includes a modest benefit from today's announcement, but we expect the organizational changes we announced today to begin to more meaningfully impact Adjusted Operating Income in the second quarter, with the full impact of our new cost structure more meaningfully improving profitability in the second half of the year.

Given these timing dynamics and the pacing of investments in both risk loss and sales and marketing, we expect Adjusted Operating Income margins to expand each quarter throughout the year from our Q1 starting point of 21%. We expect these margins to expand at a faster rate in Q3 and Q4 relative to Q2, and we expect to deliver just under 60% of our 2026 Adjusted Operating Income guidance in the second half of the year. Within opex, we expect higher risk loss growth in the first half of the year based on our strong Borrow growth rate expectations in Q1 and Q2.

In Square, we continue to expect gross profit growth to be roughly in line with GPV growth later in the second half of the year. In the first half, we anticipate a continued spread between gross profit and GPV growth, with some potential variability driven by hardware costs and the pace at which we move up market. We view Square gross profit growth excluding hardware costs as a clear measure of core profitability as we view hardware to be a customer acquisition investment to win larger, more retentive sellers.

We expect increasing software attach rates to be a key driver of gross profit growth acceleration, and we expect to continue to evolve our pricing and packaging to ensure appropriate price to value while delivering attractive total cost of ownership for sellers.

We have strong conviction in Cash App's strategies to grow its network and deepen engagement which have helped drive two quarters of sequential actives growth across monthly actives and primary banking actives. While monthly actives may fluctuate from time to time, we continue to expect low single digit actives growth in 2026 and over the long term.

We expect approximately \$60 million in net interest expense in Q1 and \$200 million for the full year, up modestly from the expectations we shared on our third quarter earnings call as we deployed more capital into buybacks and Borrow growth in the fourth quarter. And finally, similar to last quarter, we expect a mid-20 percent non-GAAP effective tax rate in 2026.

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