

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

Matt Ross, Head of Investor Relations

Hi, everyone.

Thanks for joining our first quarter 2026 earnings call. 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. 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 2026, 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. We had a strong first quarter: we exceeded our guidance and are raising our full year outlook. In my letter this quarter, I focused on how the way we operate as a company is changing and what that means for what we build for our customers. Internally, the intelligence tools we've been building are now meaningfully improving how we run the company. Velocity is increasing, quality is improving, and more of our work is becoming automated. That shift is also starting to show up in our products.

Moneybot is now live across the cash app and we're continuing to scale managerbot, which is already available to more than one million sellers and on track to reach all square sellers in June. We're seeing that when AI helps a customer take an action, they come back at much higher rates than when it only provides them with information. We think of these as protectors: systems that can help understand patterns and prompt customers or sellers to act before small issues become bigger ones. This model of proactive, action oriented systems is differentiated because it fits how people make decisions in their businesses and financial lives, and it's where we're focused.

There's more detail in my letter this quarter, and I hope you'll get a chance to read through it all. And with that, I'll turn it over to Amrita.

Amrita Ahuja, Chief Operating Officer and Chief Financial Officer

Thanks, Jack.

We delivered another strong quarter, outperforming our guidance across gross profit, Adjusted Operating Income and Adjusted Diluted EPS. Gross profit grew 27% year over year to \$2.91 billion in the first quarter, driven by accelerating growth in both Cash App and Square. Adjusted Operating Income increased 56% year over year to \$728 million, or 25% margin. Adjusted EBITDA reached \$1.0 billion, and Adjusted Diluted EPS grew 52% year over year to \$0.85. Each of these adjusted metrics represented all time highs on a dollar and margin basis.

Cash App gross profit growth was 38% year over year in the first quarter, driven by accelerating growth in both Commerce Enablement and Financial Solutions. Cash App monthly transacting actives grew 4% year over year as we continued to execute on our product and go to market strategies to strengthen network growth. We continued to deepen engagement across our actives base, with inflows per transacting active up 10% year over year and primary Banking Actives growth of 18% year over year to 9.7 million. In the first four months of the year, we profoundly expanded our product ecosystem, including the ways in which buy now pay later functionality shows up across Cash App. We launched Afterpay Pre Purchase, which allows eligible customers to pay-in-four using their Cash App Card, and we expanded BNPL functionality to cover peer to peer transactions and Cash App Pay. Moneybot is now generally available, and in the past week we started rolling out Cash App Score, making one of our foundational underwriting capabilities more visible and actionable for customers.

Turning to Square, where gross profit and GPV growth accelerated in the first quarter, to 9% and 13% respectively. On a constant currency basis GPV grew 11.5% year over year, improving across both the U.S. and internationally. We accelerated GPV growth from Food & Beverage sellers to 21% year over year, and from mid-market sellers to 22% year over year, both reflecting the strongest growth rates we've seen since Q1 2023. International GPV grew 35% year over year, or 26% on a constant currency basis. We sustained strong New Volume Added growth across both the U.S. and Internationally, reflecting the high-ROI field sales investments we made throughout 2025. We are beginning to more meaningfully scale our Independent Sales Organization, or ISO, partnerships and now have more than 140 active ISO partners who are ramping quickly. So far this year, we launched the next generation of Square Register, our flagship countertop POS, and released dozens of new features designed to give sellers time back and help them grow their business. We expanded Square Bitcoin payments into retail and services and enabled Managerbot for over 1 million sellers.

Our strategy to connect sellers and consumers at scale is gaining traction. Neighborhoods expanded to sellers representing \$320 million in annualized GPV, up 190% since December. In April alone, we added more sellers than in the product's entire prior history.

Our transformational investments in AI are reshaping both what we build and how we operate. Production code changes per engineer increased more than 2.5x from January to April, and we've seen AI expand what it means to be a builder, both for our customers and our internal operations. Production code changes made by non-engineers at Block were up nearly 60% in April compared to January.

Turning to guidance. We are raising our full year outlook for gross profit, Adjusted Operating Income, and Adjusted Diluted EPS, reflecting strong Q1 execution and higher expectations for the rest of the year. We now expect \$12.33 billion in gross profit in 2026, or 19% year over year growth up 1 percentage point from our prior expectation, along with \$3.34 billion in Adjusted Operating Income, with margin expectations also up 1 percentage point relative to our prior guide. We expect to deliver \$3.85 in Adjusted Diluted EPS, up 62% year over year, and we continue to expect to exit 2026 at a mid teens gross profit growth rate, consistent with our long term guidance.

For Q2, we expect gross profit of \$3.04 billion, or 20% year over year growth, Adjusted Operating Income of \$740 million, representing 35% growth and 2 points of margin expansion year over year, and Adjusted Diluted EPS of \$0.86, or 39% growth year over year.

So far in the second quarter we've been encouraged by numerous metrics we track. In April, Square GPV grew 12% in constant currency, with U.S. GPV growing 9% year over year and international GPV growing 25% in constant currency. We've continued to see healthy inflows per active and monetization rates in Cash App, and underwriting outcomes are in-line with our expectations.

Before wrapping up and turning to questions, a few additional considerations related to our guidance and the pacing of key items throughout the year. In Q2, we intend to increase our investment in go to market in high ROI areas across Square and Cash App. We continue to expect low single digit active growth for the remainder of 2026 and we expect continued year over year growth in Primary Banking Actives, with a slight seasonal sequential decline in Q2 versus Q1, consistent with typical seasonal trends and what we observed last year.

We continue to expect to accelerate GPV growth in 2026 versus 2025. NVA growth should continue to support GPV growth in 2026, despite tougher comparisons for GPV growth and FX starting in the second quarter. We saw encouraging Square gross profit growth acceleration in Q1 and we continue to expect gross profit to grow roughly in line with GPV growth in the second half of the year. In the second quarter we expect the gap between reported gross profit growth and GPV growth to narrow relative to Q1. This is net of a few one-time elements impacting gross profit growth in both directions as we lap a network remediation payment in the second quarter of last year and as we expect a one-time tariff refund related to Square hardware to benefit gross profit.

Finally, we expect Q2 interest expense of \$55 to \$60 million and full year interest expense of approximately \$200 to \$210 million. We continue to expect a mid-20 percent non-GAAP effective tax rate, both in the second quarter and for the full year 2026.

We delivered a strong first quarter and have conviction in the path ahead. Most importantly, we are moving faster, focused on building with high quality, and delivering more for our customers. With that, I'll turn the call back to the operator for Q&A.