Afterpay

Connecting Cash App
and Square Ecosystems

→ Anthony Eisen & Nick Molnar
→ Alyssa Henry & Brian Grassadonia
Forward looking statements

During the course of this Investor Day, the executive team of Block, Inc. (the “Company”, “we”, or “our”) will make 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, regarding, among other things, our products, strategies, and market opportunities. All statements other than statements of historical fact could be deemed forward-looking, including, but not limited to, statements regarding our future performance and our market opportunity. These forward-looking statements are subject to a number of known and unknown risks, uncertainties, assumptions, and other factors that may cause actual results, performance, or achievements to differ materially from results expressed or implied during this Investor Day. Investors are cautioned not to place undue reliance on these statements. Among the factors that could cause actual results to differ materially from those indicated in the forward-looking statements are risks and uncertainties described from time to time in the Company’s filings with the Securities and Exchange Commission. All forward-looking statements are based on information and estimates available to the Company at the time of this Investor Day and are not guarantees of future performance. Except as required by law, we assume no obligation to update any of these forward-looking statements.

Industry Information

Information, including forecasts and estimates regarding market and industry statistics contained in this presentation, is based on information available to us that we believe is reliable; however, there can be no assurance that this information will prove accurate in whole or in part. It is generally based on publications that are not produced for purposes of economic analysis.

Non-GAAP Financial Measures

To supplement our financial information presented in accordance with generally accepted accounting principles in the United States (“GAAP”), we consider certain non-GAAP financial measures. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance in accordance with GAAP. The non-GAAP measures used by the Company may differ from the non-GAAP measures used by other companies. Reconciliations between these non-GAAP measures and the related GAAP measures are included in the appendix to this presentation.
Afterpay was established in 2016 with clear principles:

**Vision**
Fairness and financial freedom for all

**Mission**
To power an economy in which everyone wins

All dollar figures in this presentation are presented in USD, unless otherwise specified.
Our product innovation improves commerce for consumers and sellers

**afterpay** began as a better way for the next generation to pay

**Source:** Accenture’s Afterpay Economic Impact Report (April 2021)

“Pay over time” refers to the pay in four installment product offered by Afterpay.

“Budgeting tool” refers to the survey of consumer views that the Afterpay product helps them to budget, measured during 2020.

“Spending limits” refers to the survey of consumer views that the Afterpay spending limits help them to budget, measured during 2020.
Our product innovation improves commerce for consumers and sellers

...that unlocked growth for sellers

Source: Accenture’s Afterpay Economic Impact Report (April 2021)

“New consumers” refers to Afterpay’s ability to refer new consumers (not previously transacted at an Afterpay active seller) and were measured during 2020. Please see Appendix for a definition of an Afterpay Active Seller.

“Increased transaction size” refers to new and existing customer orders being higher than the previous average for an active seller measured during 2020 as reported by such seller.

“Repeat shopping” refers to a higher incidence of repeat shopping by the consumer, measured during 2020.
Our consumer and seller bases can reinforce one another

- Enables consumer demand
- Intuitive product design
- Strong brand affinity
- A truly two-sided network
- Helps drive incremental sales
- Differentiated seller platform
- Attracts more consumers

ACTIVE CONSUMERS AND ACTIVE SELLERS

<table>
<thead>
<tr>
<th></th>
<th>Dec-18</th>
<th>Dec-19</th>
<th>Dec-20</th>
<th>Dec-21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sellers</td>
<td>3.1m</td>
<td>7.3m</td>
<td>13.1m</td>
<td>19.3m</td>
</tr>
<tr>
<td>Consumers</td>
<td>23k</td>
<td>43k</td>
<td>75k</td>
<td>122k</td>
</tr>
</tbody>
</table>

For definitions of “Afterpay active sellers” and “Afterpay active consumers” please see Appendix.
All mentions of “Afterpay active consumers” and “Afterpay active sellers” are as of March, 31 2022 unless otherwise specified.
Growth supported by economic and demographic tailwinds

~70% of Afterpay’s global active consumers are Millennials or Gen Z.

1. As of March 31, 2022 and measured as a proportion of Afterpay’s active consumer base. For definitions of “Millennials” and “Gen Z,” please see Appendix.
Enabling us to scale our global operations

8

Global Markets
Operating in Australia, New Zealand, North America, the United Kingdom, and Europe¹.

$19.7B

Gross Merchandise Value (GMV)

$601M

Gross Profit (GAAP)

$833M

Revenue (GAAP)

Represents data for 2021. For definition of “Gross Merchandise Value” or “GMV” please see Appendix.
1. North America includes the United States and Canada. Europe includes Spain, France and Italy.
Enabling us to scale our global operations

Significant global opportunity

$US 10 trillion online payments

~2% Buy Now, Pay Later penetration

The Afterpay business model
A purposefully differentiated business model

### Transaction economics

<table>
<thead>
<tr>
<th>Revenue</th>
<th>Minus</th>
<th>Equals</th>
<th>Gross Profit</th>
<th>Minus</th>
<th>Risk Loss</th>
<th>Equals</th>
<th>Profit minus Risk Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2%</td>
<td>-</td>
<td>=</td>
<td>3.0%</td>
<td>-</td>
<td>1.1%</td>
<td>=</td>
<td>1.9%</td>
</tr>
<tr>
<td>Predominantly seller fees charged per transaction</td>
<td>Process costs</td>
<td>Afterpay gross profit margin</td>
<td>Risk loss</td>
<td>Gross profit minus risk loss</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue is generated primarily from Afterpay active seller fees in return for high repeat usage, new consumer acquisition, higher transaction values, and lower return rates. Afterpay generates a healthy gross profit margin per transaction net of processing costs.

For definitions of “Gross Merchandise Value”, “Cost of Sales” and “Risk Loss” please see Appendix. Profit minus risk loss is a non-GAAP metric and is defined as Afterpay’s gross profit less transaction losses. In 2021, Afterpay gross profit was $601 million. Afterpay consumer receivables losses was $225 million, and profit minus risk loss was $375 million. Source: Accenture’s Afterpay Economic Impact Report (April 2021)
We have improved risk loss in each region over time

RISK LOSS BY REGION SINCE LAUNCH
Quarters since launch, Risk Loss as a percentage of GMV

- UK Post COVID pressure
- UK Risk intervention
- US Post COVID pressure
- US Risk intervention
- U.S. 1.06%
- ANZ COVID pressure
- ANZ Risk intervention
- ANZ 0.80%

1. Data through December 31, 2021. For definitions of “ANZ”, “SKU” and “Risk Loss” please see Appendix.
Attractive portfolio economics

- **$117**: Low Average Transaction Size During 2021
- **~1.1%**: Risk Loss as a percentage of 2021 GMV
- **>15x**: Turnover of Receivables Per Year
- **>30%**: Healthy Return on Capital

For definitions of “Average Transaction Size”, “Risk Loss”, “Turnover of Receivables”, and “Return on Capital” please see Appendix.


Report used to assess the consumer risk profile of Afterpay consumers compared to the broader US population.
Afterpay has developed compelling momentum

- Seller onboards with Afterpay
- Consumer tries Afterpay for the first time
- Consumer loves the experience
- Consumer engages on our app
- Consumer discovers more sellers
- Consumer uses Afterpay at new sellers
- Consumer preferences reflected in Afterpay discovery assets
- Consumer frequency and engagement
- Seller value proposition enhanced through highly targeted leads

AFTERPAY
THE AFTERPAY BUSINESS MODEL
The Afterpay business model is self-reinforcing

1. **Seller adoption reinforces consumer adoption:**
   - More sellers → Increasing Afterpay revenue
   - More consumers → More seller fees paid
   - More sales

2. **Built-in consumer product protections are designed to drive:**
   - More new consumers → Lower transaction losses
   - More responsible consumer repeat transactions
   - Greater pool of responsible consumers

3. **Scaled consumer engagement can drive:**
   - More consumers → New advertising and lead referral revenue streams
   - More highly targeted leads to sellers

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**Scaling seller revenue**

**Improving losses and margins**

**New revenue streams**

**AFTERPAY THE AFTERPAY BUSINESS MODEL**
Afterpay drives momentum for JD Sports and Finish Line

#1 Referrer driving consumer traffic

+57% increase in conversion

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1. Referral traffic driven to both JD Sports.com and FinishLine.com measured September 2020.
2. Increase in conversion within the JD Sports App measured March 2021.
Afterpay is a connection between Block’s “ecosystem of ecosystems”

- **Millions of Square active sellers**
- **>140k** Active Sellers
- **>20m** Active Consumers
- **Building connections through commerce and payments**
- **Stronger engagement and frequency**
- **80M Cash App annual actives**

All mentions of “Afterpay active consumers”, “Afterpay active sellers”, “Cash App annual actives” and “Square active sellers” are as of March 31, 2022 unless otherwise specified. For definitions of “Square active Sellers”, “Afterpay active sellers”, “Afterpay active consumers” and “Cash App actives” please see Appendix. See Slide 27 for detail on overlap of Afterpay and Cash App consumers.
Our ecosystem growth opportunities

1. **Drive demand via Square + Afterpay seller combination**
   - Expand Square’s seller base with enterprise sellers
   - Grow Afterpay active sellers, expand verticals with Square
   - Increase Square seller conversion, average transaction sizes, and consumer acquisition with Afterpay
   - Amplify omnichannel through integrated Square and Afterpay offering

2. **Build commerce engine into Cash App**
   - Prequalify ~80M Cash App annual actives for Afterpay
   - Manage Afterpay account within Cash App
   - Mirror Afterpay Shop Directory in Cash App
   - Integrate Afterpay lead generation and preferencing into Cash App
   - Integrate Afterpay lead referral monetization and advertising into Cash App

3. **Introduce Cash App Pay to Afterpay sellers**
   - Expose Afterpay Active Sellers to ~80M Cash App annual actives
   - Broaden the product set for Afterpay active sellers (Cash App Pay and Afterpay BNPL)

4. **Go global with Square and Cash App**

For definitions of “enterprise sellers”, “average transaction sizes”, “Afterpay Shop Directory”, “lead generation” or “lead referral”, “Cash App actives” and “Afterpay active sellers” please see Appendix. See Slide 27 for detail on overlap of Afterpay and Cash App consumers.
Square + Afterpay
Afterpay is partnered with more than 140,000 active sellers

Nearly half of Afterpay’s 2021 GMV came from enterprise sellers with >$50M in GMV

Number of Afterpay active sellers as of March 31, 2021. For definition of “Afterpay active sellers” and “enterprise sellers” please see Appendix.
Our seller bases are highly complementary, by size and vertical

### THE COMBINED SQUARE AND AFTERPAY SELLER BASE

$Billions, of Payment Volume processed during 2021

<table>
<thead>
<tr>
<th>Vertical</th>
<th>Volume (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro-sellers</td>
<td>$58B</td>
</tr>
<tr>
<td>$125k-$500k</td>
<td>$46B</td>
</tr>
<tr>
<td>$500k-$50M</td>
<td>$58B</td>
</tr>
<tr>
<td>$50M+</td>
<td>$11B</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Vertical</th>
<th>Volume (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square GPV</td>
<td>$58B</td>
</tr>
<tr>
<td>Afterpay GMV</td>
<td>$46B</td>
</tr>
<tr>
<td>Total</td>
<td>$11B</td>
</tr>
</tbody>
</table>

### SQUARE GPV BY VERTICALS WITH SPECIFIC USE CASES

2021

- Healthcare: 10%
- Home and repair: 9%
- Beauty: 10%
- Other: 10%
- Professional: 12%
- Retail: 20%
- Food and drink: 29%

More than $100b in Square GPV

in higher-ticket verticals with average transaction sizes of more than $50

For definitions of "Afterpay active sellers", "Square active sellers", "Gross Merchandise Value" or "GMV" and "Gross Payment Volume" or "GPV", please see Appendix.
Afterpay can drive incremental sales for sellers

In the two months since launch¹

Hundreds of thousands of online Square active sellers auto-enabled with Afterpay

Early indications of 4-14% share of checkout²

Afterpay orders for online sellers have been on average 3x the value of orders made using other payment methods

SELLERS THAT HAVE PROCESSED THEIR FIRST AFTERPAY TRANSACTION BY QUARTER

+26K
Number of sellers that have processed their first Afterpay transaction during Q1 2022, across both Square and Afterpay

1. Square and Afterpay online integration launched across the United States and Australia on January 31, 2022.

For definitions of “Share of Checkout”, “Afterpay active sellers” and “Square active sellers” please see Appendix.

1. Square and Afterpay online integration launched across the United States and Australia on January 31, 2022.
Integration can amplify the omnichannel opportunity for both Square and Afterpay

**AFTERPAY GROSS MERCHANDISE VALUE BY CHANNEL**

<table>
<thead>
<tr>
<th>Year</th>
<th>Omnichannel</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

In 2021, Afterpay omnichannel consumers spent 3x more than single channel consumers.

Opportunity to grow in-person Afterpay active sellers from ~70K to >1M in-person Square active sellers globally.

In-person Afterpay active sellers and in-person Square active sellers as of March 31, 2022.

For definitions of “Afterpay active sellers”, “Square active sellers”, “Afterpay Gross Merchandise Value” or “GMV”, and “Afterpay omnichannel consumers” please see Appendix.
Cash App + Afterpay for next-gen consumers
Afterpay has built trust with next-gen consumers

The Afterpay product principles

- We empower people to use their money for the things they want — we put the consumer first.
- Accounts are paused when consumers miss a single payment.
- We cap late fees.
- We increase consumer limits only as good repayment behaviors are demonstrated.

>90% of Afterpay consumers use debit

95% of all installments were paid on time

98% of all purchases incurred no late fees

1. Average for the 12 months ended March 31, 2022.
Afterpay consumers are highly engaged

**ANNUAL TRANSACTIONS**
By ANZ Consumer Cohort. Years since onboarded, March 2022

<table>
<thead>
<tr>
<th>Years since onboarded</th>
<th>Annual transactions</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1 year</td>
<td>4.9×</td>
</tr>
<tr>
<td>+1 year</td>
<td>13.8×</td>
</tr>
<tr>
<td>2+ years</td>
<td>17.9×</td>
</tr>
<tr>
<td>3+ years</td>
<td>20.7×</td>
</tr>
<tr>
<td>4+ years</td>
<td>25.7×</td>
</tr>
<tr>
<td>5+ years</td>
<td>33.9×</td>
</tr>
</tbody>
</table>

**CONSUMER LIFETIME FREQUENCY BY REGION**

For definitions of “Consumer Lifetime Frequency”, “Clearpay”, “ANZ” and “NA” please see Appendix.
Significant opportunity to cross-sell Afterpay with Cash App

Large complementary consumer base

80M  Cash App annual actives

20M  Afterpay active consumers

~6%  Cash App annual actives are Afterpay active consumers

~32%  of Afterpay active consumers are Cash App annual actives

Cash App annual actives, Afterpay active consumers, and consumer overlap as of March 31, 2022. For definitions of “Cash App actives” and “Afterpay active consumers” please see Appendix.
We’re integrating Afterpay’s commerce engine into Cash App

Screens are approximations and are provided for demonstration purposes.
And seamlessly connecting the payment experience with one global API and checkout design.
Integrate Afterpay lead generation into Cash App

**AFTERPAY CUMULATIVE LEAD REFERRALS TO ACTIVE SELLERS**

- **+1M**
  - Lead referrals to active sellers per day

- **~30%**
  - Of active consumers started their shopping journey from the Afterpay Shop Directory

- **~40%**
  - Improvement in conversion rate, for Afterpay active sellers

Jan 21 - Mar 22

1. The average number of lead referrals sent from the Afterpay Shop Directory to Afterpay active sellers per day between March 31, 2021 and March 31, 2022.
2. The percentage of Afterpay active consumers that have searched, selected and made a purchase from the Afterpay Shop Directory during 2021.
3. Average incremental improvement in conversion measured by Afterpay active sellers, with improvement measured between September 30, 2021 and March 31, 2022.

For definitions of “Lead referrals”, “Afterpay active consumers”, “Afterpay Shop Directory”, “conversion rate” and “Afterpay active sellers” please see Appendix.
Introduce advertising capability to target our combined audiences

300+
Advertisers
End of 2021

150%
Average lift in referrals
Oct to Dec 2021

+350K
Cash App Referrals
during Q1 2022

Top advertisers:
- ULTA
- THE CHILDREN'S PLACE
- MAC
- TARGET
- DICK'S
- MICHAEL KORS

Search
Deals
Editorial
Stores
Grow globally and expand our ecosystems

1. Not available in U.S. territories such as Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, and Northern Mariana Islands
Our integration priorities

**Live in market**
1. Afterpay and Square Online integration (AU & U.S.)
2. Afterpay and Square In Person integration (AU & U.S.)
3. Lead generation into Cash App

**Medium-term**
4. Launch Cash App Pay to Afterpay active sellers (existing and new)
5. Expose sellers to Cash App annual actives and Afterpay active consumers via commerce integration and Shop Directory
6. Broaden product set for Sellers through global API (Cash App Pay and Afterpay)

**Longer-term**
7. Expand Square's enterprise presence, cross-sell commerce ecosystem with Afterpay active sellers
8. Launch Cash App internationally, including Australia
9. Scale an advertising platform for Cash App

For definitions of “Lead generation”, “Afterpay active consumers”, “Cash App annual actives”, “Enterprise sellers” and “Shop Directory” please see Appendix.
Appendix

**Slide 4**
Source: Accenture’s Afterpay Economic Impact Report (April 2021)

**Slide 5**
Source: Accenture’s Afterpay Economic Impact Report (April 2021)

“Afterpay active sellers” are defined as having processed at least one transaction in the last 12 months and is measured on a per channel basis.

“Afterpay active consumers” are defined as having transacted at least once in the last 12 months.

**Slide 6**

“Afterpay active sellers” are defined as having processed at least one transaction in the last 12 months and is measured on a per channel basis.

“Afterpay active consumers” are defined as having transacted at least once in the last 12 months.

**Slide 7**
1. Measured at March 31, 2022 as a proportion of Afterpay’s total global active consumer base.

Note: Retail expenditure includes clothing and footwear, personal care, household goods and services, and medicines, prescriptions, and healthcare products.

“Millennials” defined as consumers born between 1981 and 1996.

“Gen Z” defined as consumers born between 1997 and 2021.

**Slide 8**
“Afterpay Gross Merchandise Value” or “GMV” is a measure of the total order value processed on the Afterpay platform.

“North America” includes the United States and Canada.

“Europe” includes Spain, France and Italy.

**Slide 9**
1. Represents global opportunity, based on IDC’s Worldwide New Media Market Model forecast for 2024 (Q1 2021).

Sources: CB Insights (see Appendix), Worldpay Global Payments Report (2021), eMarketer Retail eCommerce Sales (May 2021)

**Slide 10**

“Cost of Sales” for Afterpay includes processing costs, interchange fees, and other costs of sales.

“Risk Loss” or Losses on Consumer Receivables for Afterpay represents an assessment of expected credit losses over the term of the receivables.

Source: Accenture’s Afterpay Economic Impact Report (April 2021)

**Slide 11**

“ANZ” refers to Australia and New Zealand.

“SKU” represents a stock-keeping unit, or a distinct type of item for sale, purchased, or tracked in inventory.

**Slide 12**

“Average transaction size” is the average value of consumer purchases made during a given period.

“Turnover of Receivables” or accounts receivable turnover is the number of times per year that Afterpay collects its average consumer receivable.

“Return on Capital” is defined as revenue generated minus risk loss multiplied by annual receivables turnover.

Source: Alphabeta’s Understanding the customer profile of U.S Afterpay users (September 2020)

**Slide 13**

“Square active sellers” are defined as processing more than 5 payments over the last four quarters.

“Cash App Actives” A transacting active for a specific Cash App product has at least one financial transaction using that product during the specified period and is referred to as an active. Certain of these accounts may share an alias identifier with one or more other transacting active accounts. This could represent, among other things, one customer with multiple accounts or multiple customers sharing one alias identifier (for example, families).
Appendix

Slide 18
"Lead referrals" or "lead generation" are a referral for an Afterpay seller, such as a search, click, or purchase within the Afterpay App, or when a potential customer is directed to a seller’s site.

"Afterpay Shop Directory" is Afterpay's online and in-app directory that showcases Afterpay active sellers and affiliate brands.

"Enterprise sellers" are defined as sellers processing more than $50M in annualized payment volumes, as either GPV through Square or GMV through Afterpay.

Slide 21
"Gross Payment Volume" or GPV refers to Square GPV (Gross Payment Volume), which represents payment volume from Square’s ecosystem. Square GPV is composed of the total dollar amount of all card payments processed by sellers using Square, net of refunds and ACH transfers, and does not include GPV from Block’s Cash App ecosystem.

Slide 22
"Share of Checkout" is the percentage of total Square active seller volume processed by Afterpay for the stated period compared to other payment methods.

Slide 23
"Afterpay omnichannel consumers" are those Afterpay active consumers that make at least one purchase at both an online and in person seller during the stated time period. As compared to a single channel consumer that only transacts online or in person.

Slide 26
"Consumer Lifetime Frequency" is the cumulative number of transactions a consumer makes from their start date and during their continued use of Afterpay as defined by a specified period and is measured net of churn.

"Clearpay" comprises the Clearpay platforms in the United Kingdom and Europe.

"NA" stands for North America.

Slide 30
"Conversion rate" Conversion rate is the number of successful purchases / number of clicks / referrals to merchant sites divided by total referrals. The purchases and clicks are made between the same customer and merchant within 24 hours.
Appendix

Afterpay Q1 2022 Metrics (inclusive of January)

(Unaudited results. February and March results are post-acquisition and included in Block’s financial results for the quarter ended March 31, 2022. January results are prior to acquisition.)

$4.8B  
Gross Merchandise Value (GMV)  
up 19% YoY

$200M  
Revenue (GAAP)

$143M  
Gross Profit (GAAP)

144k  
Afterpay Active Sellers

+20m  
Afterpay Active Consumers

1.17%  
Risk Loss

Data represents unaudited Afterpay financials for Q1 2022. Annual active consumers and annual active merchants are as of March 31, 2022. Risk Loss expressed as a percentage of Q1 2022 Gross Merchandise Value. Acquisition of Afterpay was completed on January 31, 2022 and only contributed to Block’s financials for February and March 2022. For definitions of “Gross Merchandise Value” or “GMV” and “Risk Loss”, please see Appendix.