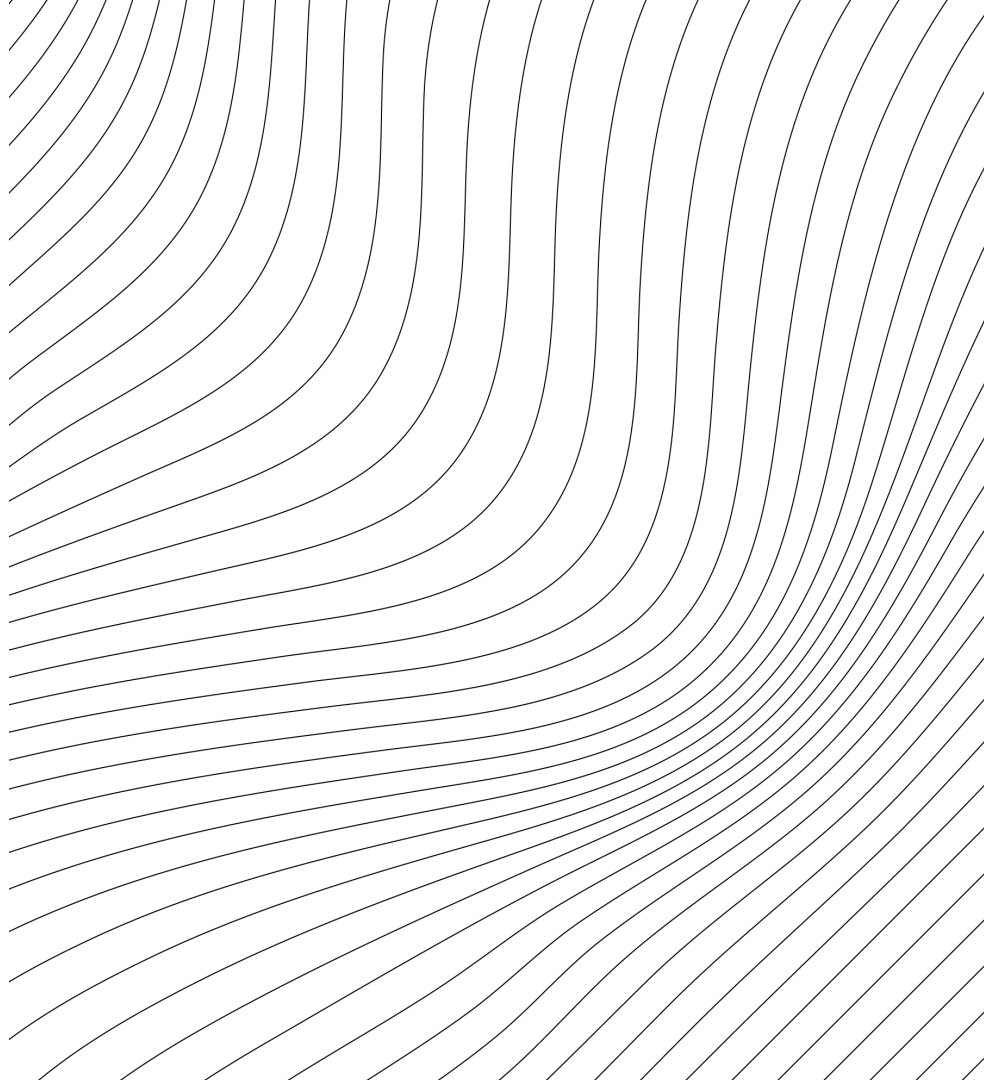


Investor Day 2022

# Business Model

→

Amrita Ahuja



## 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.



## Powerful business model



Driving  
growth  
at scale



Compelling  
unit  
economics



Attractive  
structural  
profitability



Financials

# Cohort Economics and Growth



## Strong growth at scale

### Driven by compelling unit economics across our Square and Cash App ecosystems

→ Efficient acquisition of new customers

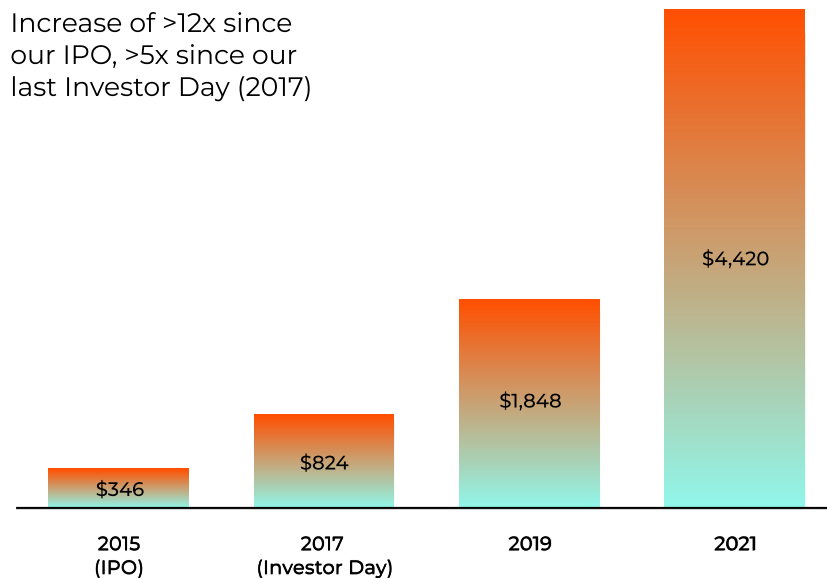
→ Strong gross profit retention of existing customers

→ Launching and cross-selling new products

Caviar gross profit has been excluded for all periods.

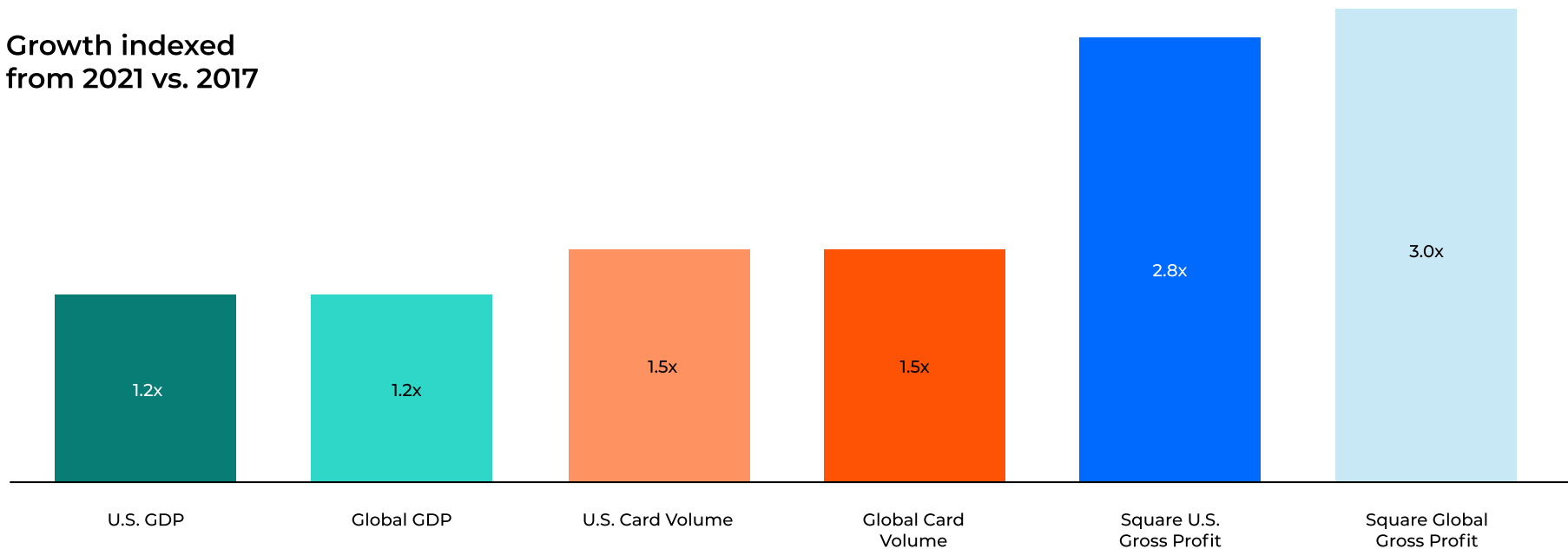
### Gross Profit

Increase of >12x since our IPO, >5x since our last Investor Day (2017)



## Gaining share relative to the broader industry

Growth indexed from 2021 vs. 2017

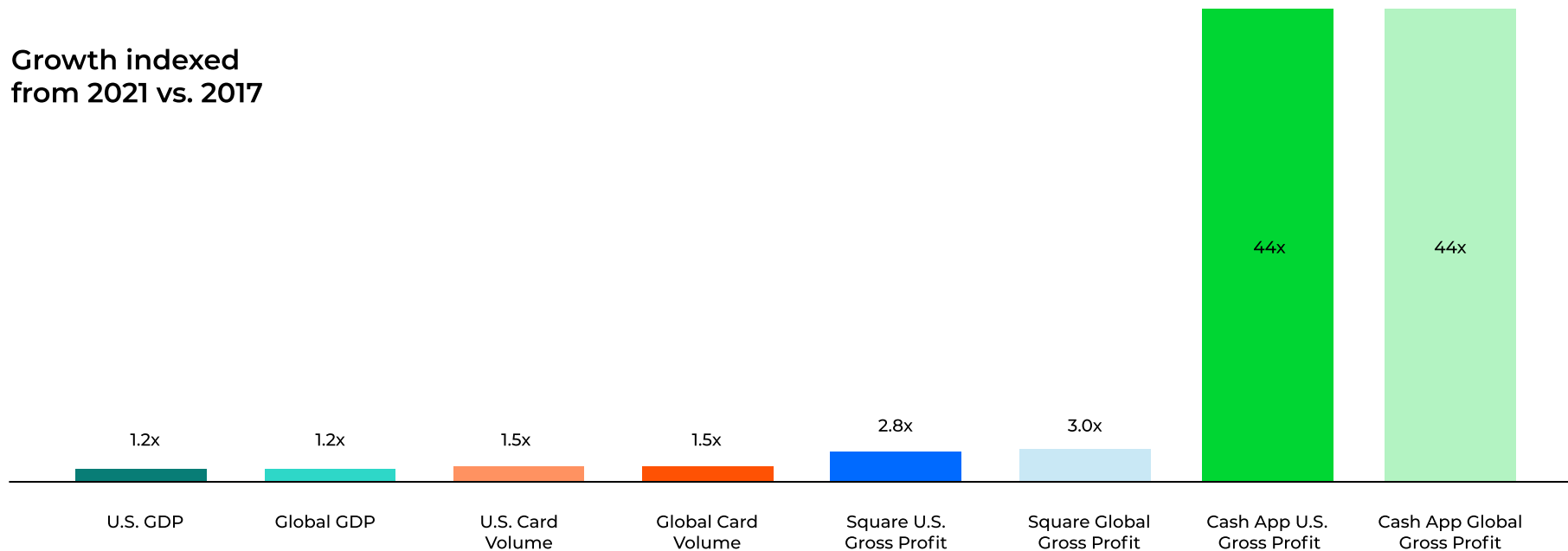


Growth for each benchmark calculated as a multiplier of 2021 compared to 2017. Sources: Card volume data from The Nilson Report through 2020, and for U.S. card volumes in 2021. 2021 global card volume growth estimated based on aggregate Mastercard and Visa card volume growth, based on public filings. GDP data from IMF as of December 2021. As a percentage of Square gross profit, gross profit from markets outside the U.S. was approximately 4% in 2017, and 9% in 2021.



## Gaining share relative to the broader industry

Growth indexed from 2021 vs. 2017



Growth for each benchmark calculated as a multiplier of 2021 compared to 2017. Sources: Card volume data from The Nilson Report through 2020, and for U.S. card volumes in 2021. 2021 global card volume growth estimated based on aggregate Mastercard and Visa card volume growth, based on public filings. GDP data from IMF as of December 2021. Cash App gross profit from outside the U.S. was not material in 2017 or 2021.



Financials

# Square Ecosystem



Cohort Economics  
and Growth





SQUARE

## Initial quarterly sales and marketing spend to acquire a cohort of customers

**\$27M** in initial sales and marketing investment Q2 2015 Cohort

(\$27M)

**\$45M** in initial sales and marketing investment Q2 2017 Cohort

(\$45M)

Q2 2015

Q3 2015

Q4 2015

Q1 2016

Q2 2016

Q2 2017

Q3 2017

Q4 2017

Q1 2018

Q2 2018

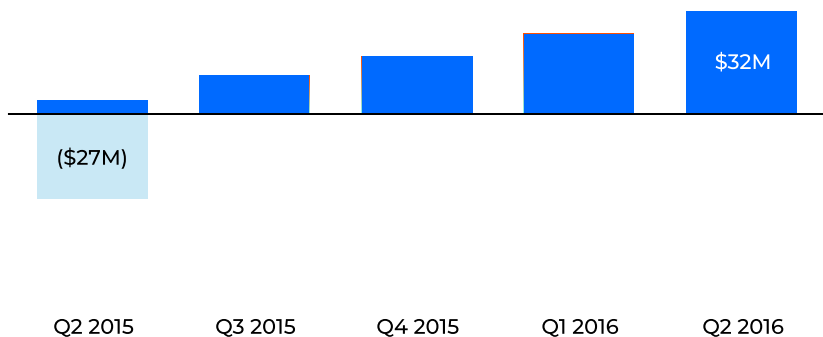
Sales and marketing shown above represents GAAP sales and marketing expenses, excluding the following: Cash App sales and marketing expenses, Caviar sales and marketing expenses, and the portion of sales and marketing expenses from the legacy Weebly business.



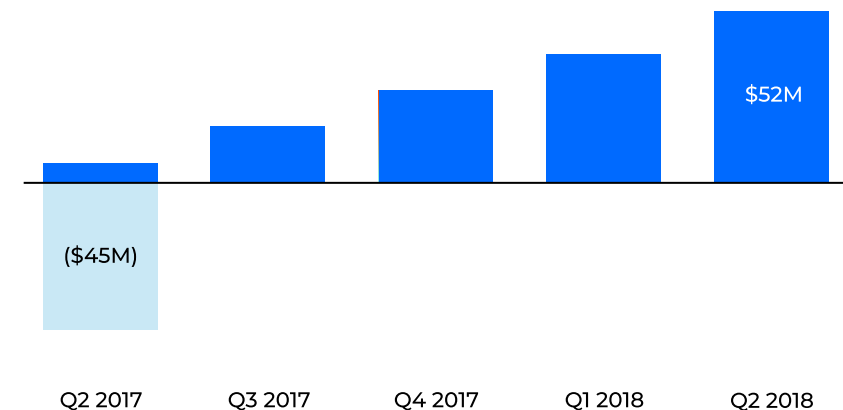
SQUARE

## Profit exceeded initial sales and marketing spend in four quarters

**\$32M** in cumulative gross profit in four quarters Q2 2015 Cohort



**\$52M** in cumulative gross profit in four quarters Q2 2017 Cohort



Sales and marketing shown above represents GAAP sales and marketing expenses, excluding the following: Cash App sales and marketing expenses, Caviar sales and marketing expenses, and the portion of sales and marketing expenses from the legacy Weebly business. Cumulative cohort gross profit is based on the Q2 2015 and Q2 2017 cohorts of sellers, respectively, and excludes gross profit from hardware, Square Gift Cards, and Weebly prior to the acquisition).

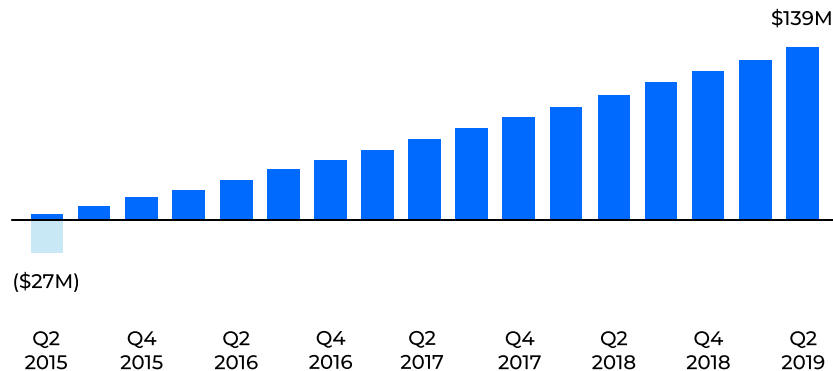


SQUARE

## ... and continued to grow with cohorts becoming larger

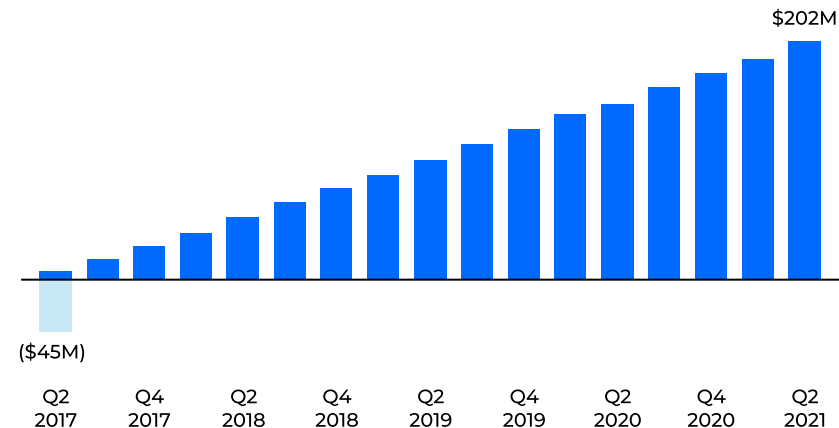
**\$139M** in cumulative gross profit in four years

Q2 2015 Cohort



**\$202M** in cumulative gross profit in four years

Q2 2017 Cohort

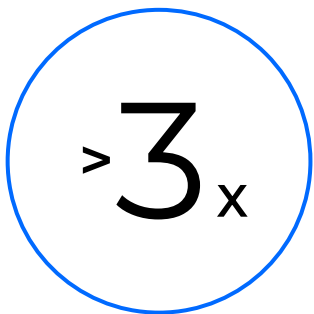


Sales and marketing shown above represents GAAP sales and marketing expenses, excluding the following: Cash App sales and marketing expenses, Caviar sales and marketing expenses, and the portion of sales and marketing expenses from the legacy Weebly business. Cumulative cohort gross profit is based on the Q2 2015 and Q2 2017 cohorts of sellers, respectively, and excludes gross profit from hardware, Square Gift Cards, and Weebly prior to the acquisition).

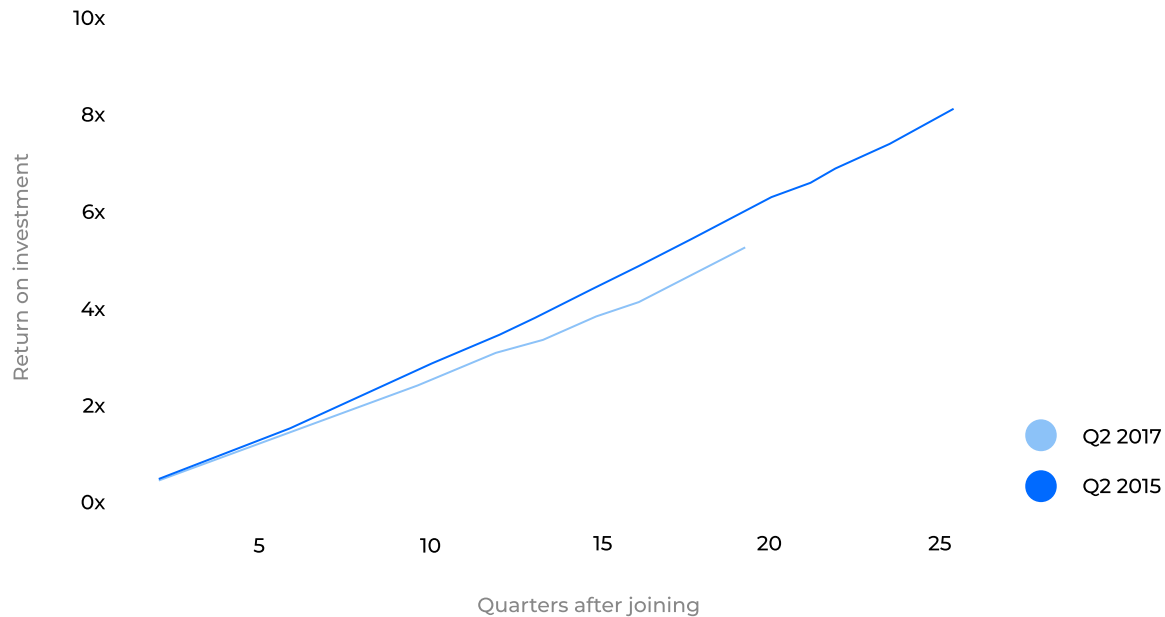


SQUARE

We have seen strong returns on investments on our go-to-market spend



returns over  
4 years



For definition of “return on investment (ROI)” please see Appendix beginning on slide 53. 3x benchmark based on pacing of existing cohorts.

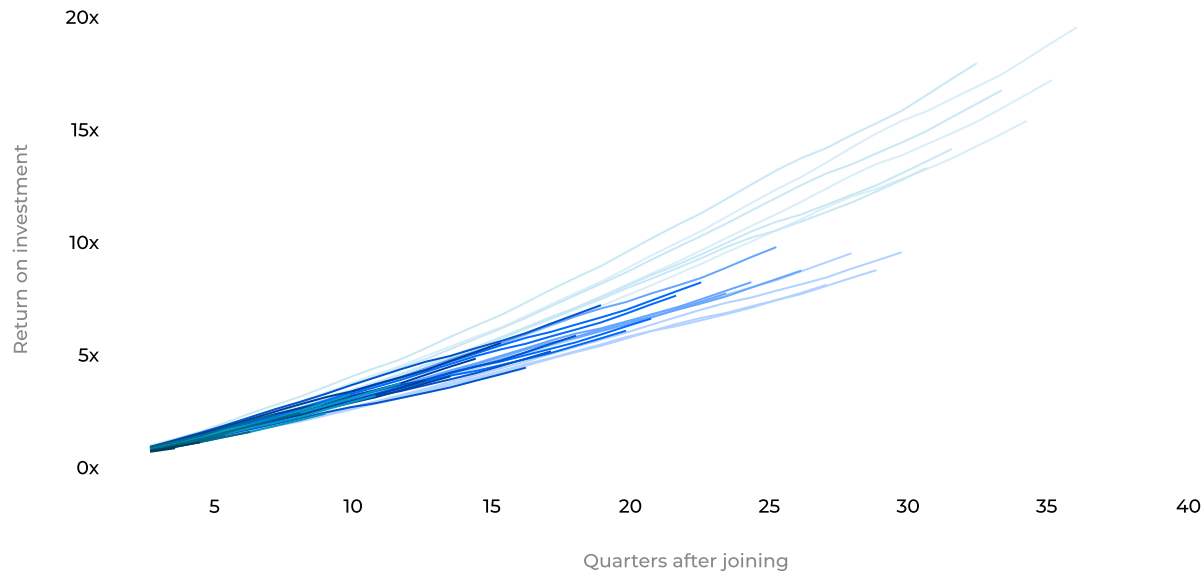


## SQUARE

Efficient paybacks and positive retention have driven strong customer lifetime value and return on investment

>10<sub>x</sub>

returns over  
10 years



For definition of “return on investment (ROI)” please see Appendix. Each line represents quarterly cohorts from Q2 2012 to Q4 2021, with data through Q1 2022. 10x benchmark based on pacing of existing cohorts.

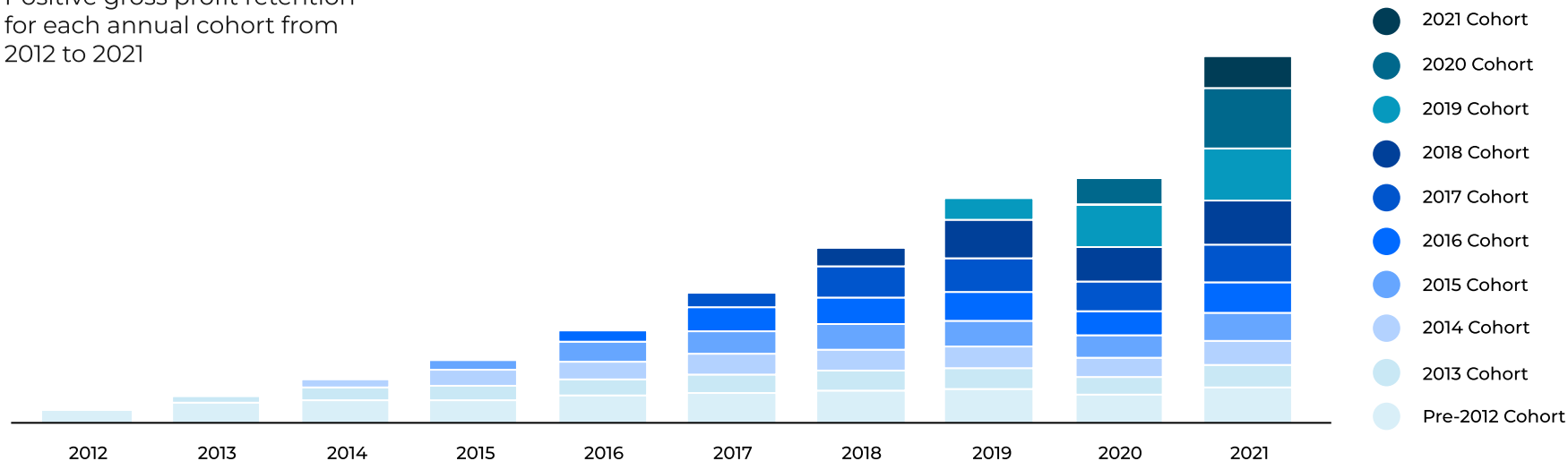


SQUARE

## Positive dollar-based retention has led to recurring revenue streams

### Gross Profit by Cohort

Positive gross profit retention for each annual cohort from 2012 to 2021



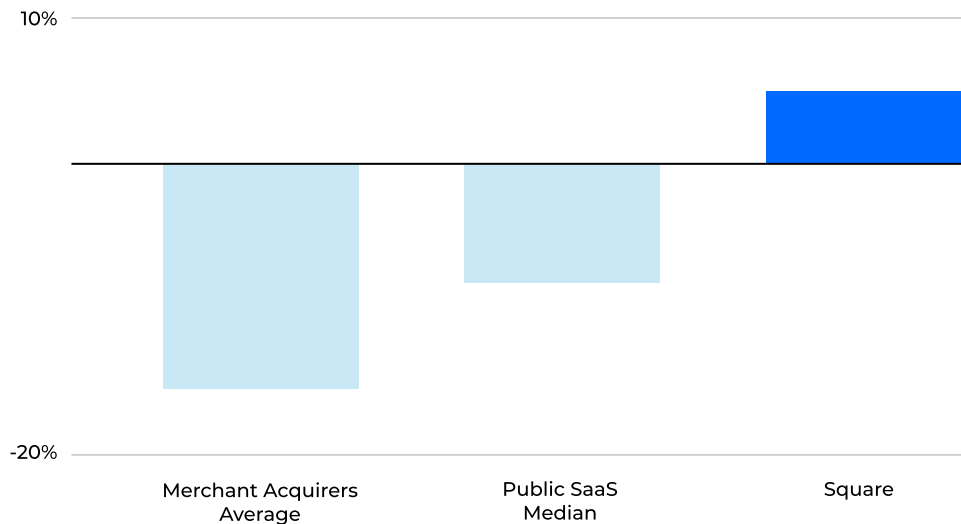
For definition of Square "gross profit retention" please see Appendix beginning on slide 53. Each of our quarterly and annual cohorts had exhibited positive overall retention on aggregate from their date of onboarding through December 31, 2021.



SQUARE

## Remarkable products drive strong retention relative to industry benchmarks

Annual average retention 2019 - 2021



Sources: The Strawhecker Group's (TSG) Acquiring Industry Metrics (AIM) analytics platform, Goldman Sachs Equity Research: "Americas Benchmarking Software: Focus shifts to profitable growth," March 2022, Goldman Sachs Equity Research: "Correlation of Multiples to Efficiency Further Erodes," January 2020. Please see Appendix beginning on slide 53 for details.



## SQUARE

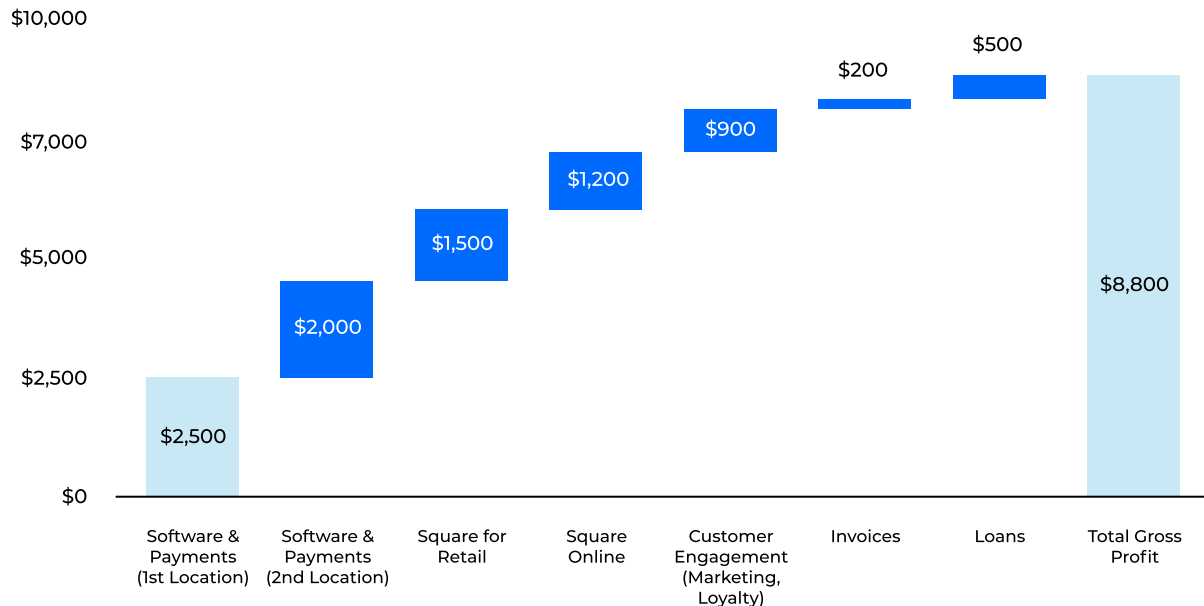
## Product adoption can enhance cohort economics

Gross profit increased by 3.5x as seller adopted more products, expanded into new channels

### Seller example:

Gross profit opportunity for an individual seller. Retail seller with \$500,000 in annual GPV across two locations and in-person and online channels.

Annual gross profit based on an actual Square seller



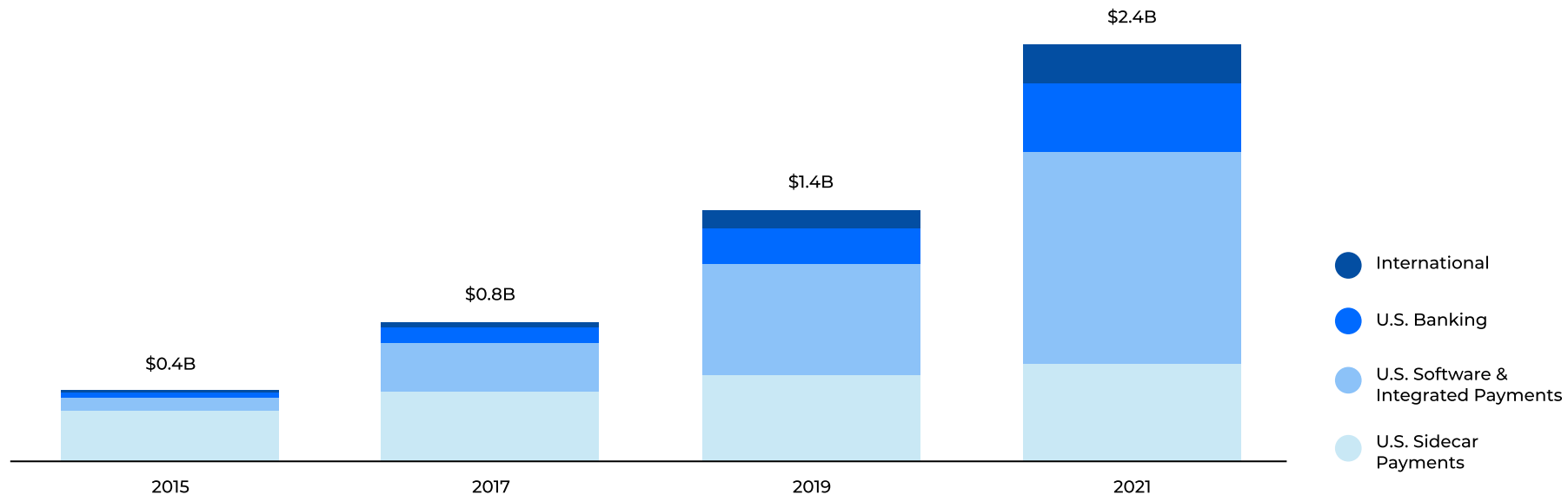
Seller example is illustrative and based on an actual Square seller's use for all products except Loans, which was based on Square Loans monetization for similar sellers. Numbers were rounded for simplicity of the example.





SQUARE

## Evolving mix to software, integrated payments, and financial services



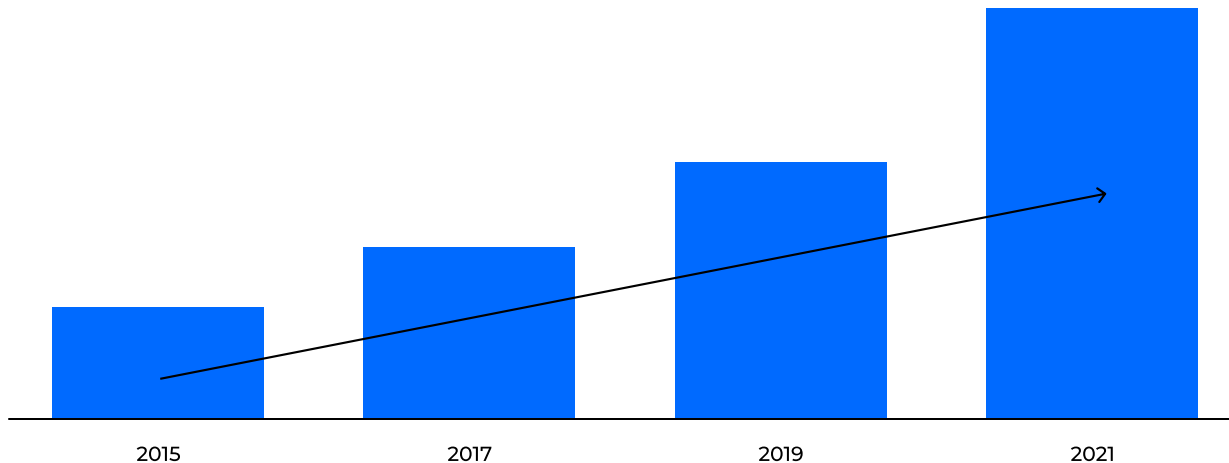
Square gross profit mix excludes hardware gross profit losses, and 2015 excludes Starbucks gross profit. We view hardware as an acquisition tool and not a profit center for our business.



## SQUARE

Gross profit per seller has increased with an expanding ecosystem and growth upmarket

Gross profit per seller



3.7<sub>x</sub>

Square gross profit mix excludes hardware gross profit losses, and 2015 excludes Starbucks gross profit. Gross profit per seller represents average gross profit per Square active seller. Gross profit per seller increased by 3.7x from 2015 to 2021.



Financials

# Cash App Ecosystem



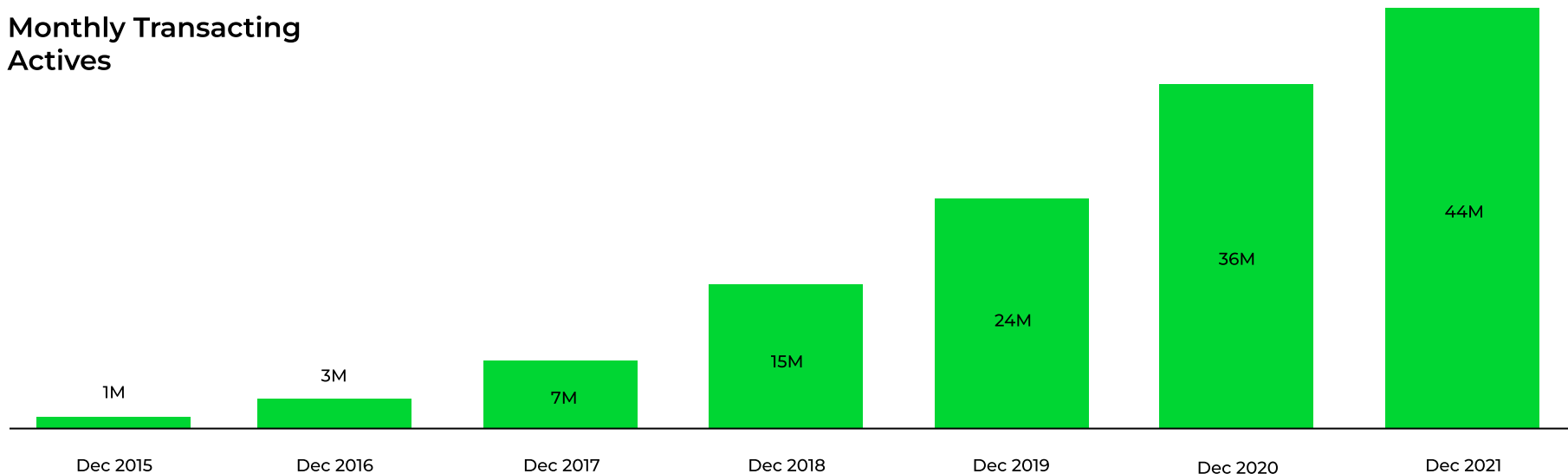
Cohort Economics  
and Growth



## CASH APP

Our network of monthly  
actives has increased  
3x over the past 3 years

### Monthly Transacting Actives

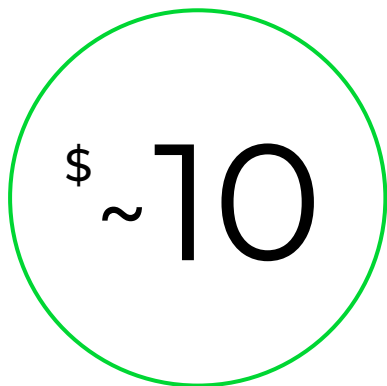


For definition of Cash App “transacting active” or “active” please see Appendix beginning on slide 53.



## CASH APP

## With efficient acquisition of new actives



\$ ~ 10

Acquisition cost  
in 2021

### Our acquisition spend includes:

- Referrals and incentives
- Brand awareness and social marketing
- Paid marketing channels

For definition of Cash App “acquisition spend” please see Appendix beginning on slide 53. Acquisition cost per new active for Cash App is calculated based on acquisition spend during the given period divided by the number of net new monthly transacting actives onboarded during the given period, on average. We do not consider P2P processing costs or P2P risk loss in our acquisition cost.



## CASH APP

## Cash App sales and marketing includes acquisition spend and various non-discretionary expenses

---

# 28%

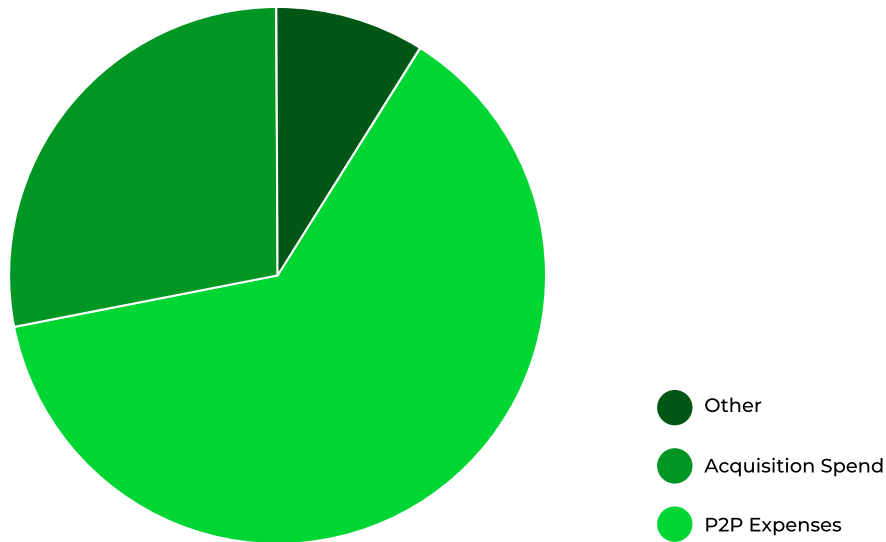
**Acquisition spend**  
we use to calculate our \$10 cost of acquisition

---

# 63%

**P2P expenses**  
we deduct from gross profit in our cohort economics

## Cash App sales and marketing expense (2021)



For definitions of Cash App “acquisition spend” please see Appendix beginning on slide 53. Represents each category as a percentage of Cash App sales and marketing expenses. P2P (peer-to-peer) expenses include P2P processing costs and P2P risk loss. Other expenses include Cash App Card issuance costs, investing costs, and certain other costs which are not material.



CASH APP

## Initial monthly acquisition spend to acquire a cohort of actives

**\$1.4M** in acquisition spend July 2017 Cohort

(\$1.4M)

July 2017    Sept    Nov    Jan    Mar    May    July 2018

**\$3.9M** in acquisition spend July 2019 Cohort

(\$3.9M)

July 2019    Sept    Nov    Jan    Mar    May    July 2020

For definitions of Cash App “acquisition spend” and “cohort” please see Appendix beginning on slide 53.

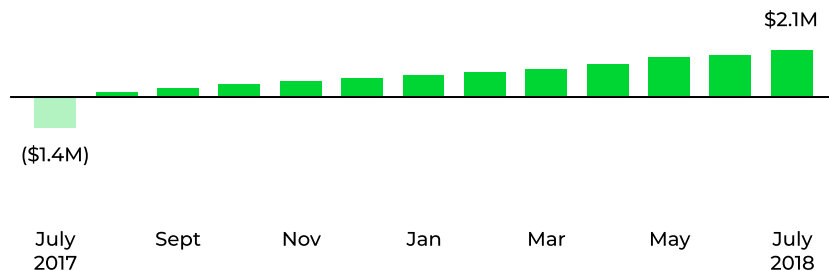


## CASH APP

## Profit exceeded acquisition spend in less than 12 months

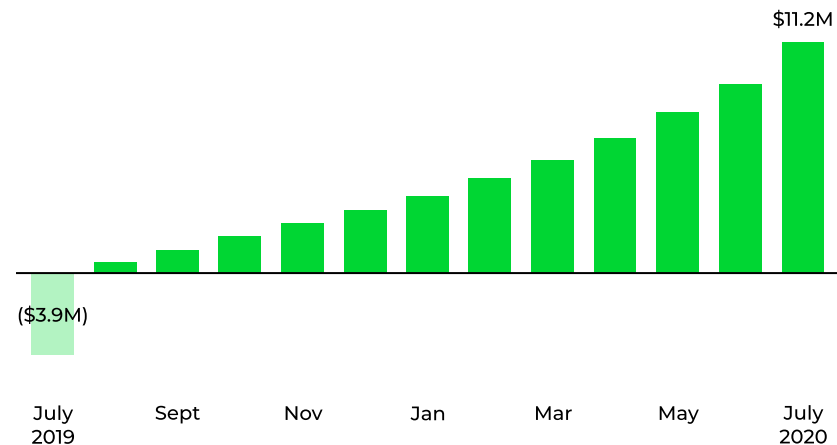
**\$2.1M** in cumulative gross profit net of P2P expenses in one year

July 2017 Cohort



**\$11.2M** in cumulative gross profit net of P2P expenses in one year

July 2019 Cohort



For definitions of Cash App “gross profit net of P2P expenses”, “acquisition spend” and “cohort”, please see Appendix beginning on slide 53. Cumulative cohort gross profit net of P2P expenses is based on the July 2017 and July 2019 monthly cohorts of actives, respectively.



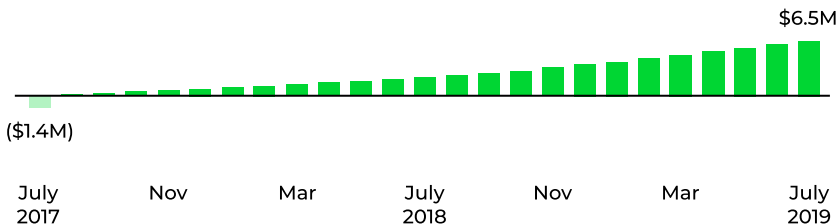


## CASH APP

## ... and continued to grow with cohorts becoming larger

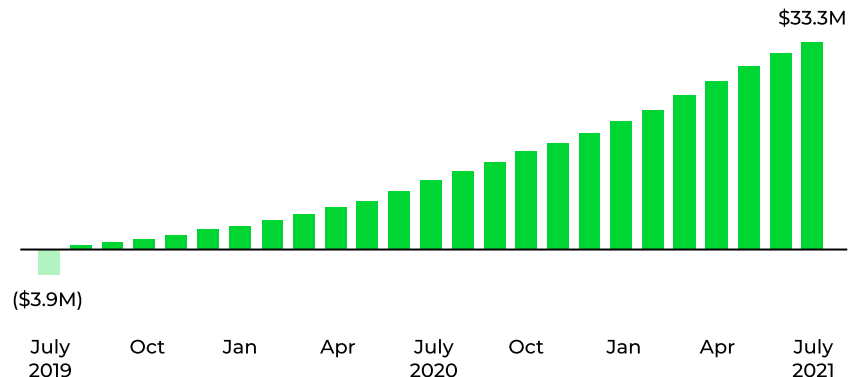
**\$6.5M** in cumulative gross profit net of P2P expenses in two years

July 2017 Cohort



**\$33.3M** in cumulative gross profit net of P2P expenses in two years

July 2019 Cohort

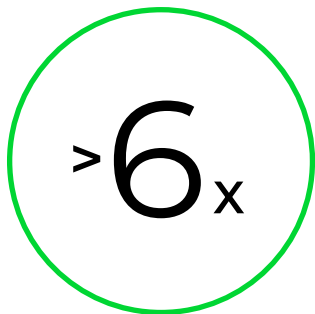


For definitions of Cash App "gross profit net of P2P expenses", "acquisition spend" and "cohort", please see Appendix beginning on slide 53. Cumulative cohort gross profit net of P2P expenses is based on the July 2017 and July 2019 monthly cohorts of actives, respectively.

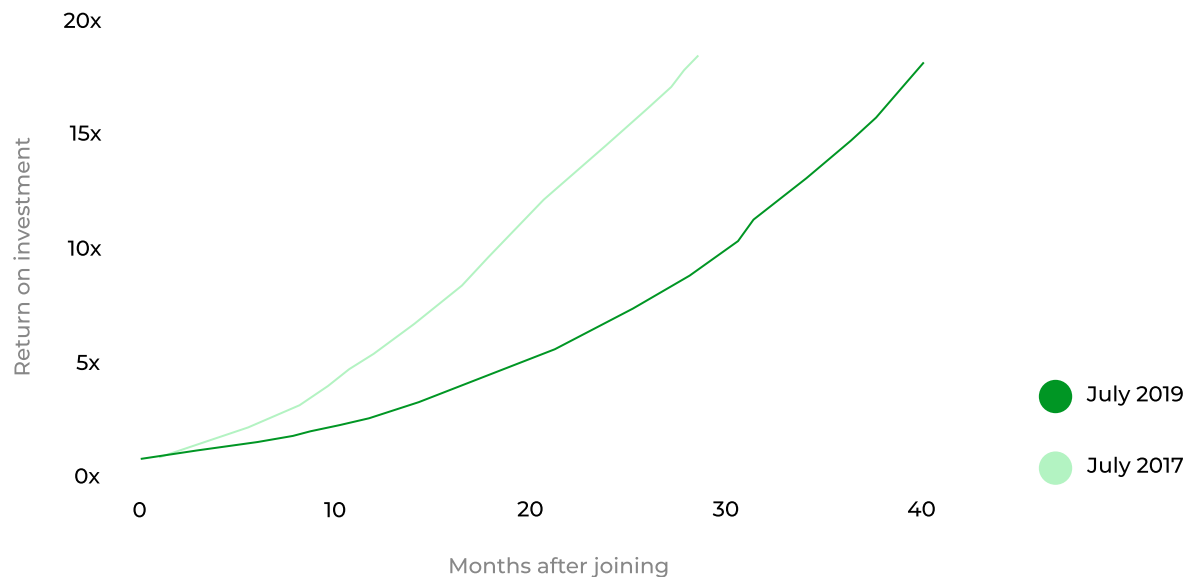


## CASH APP

We have seen strong returns on investments on our acquisition spend



returns over  
3 years

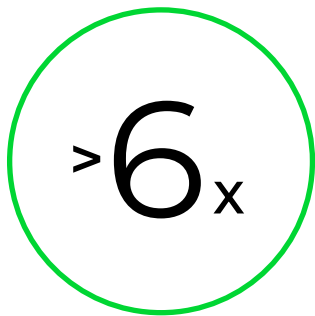


For definitions of Cash App “return on investment (ROI)” please see Appendix beginning on slide 53.

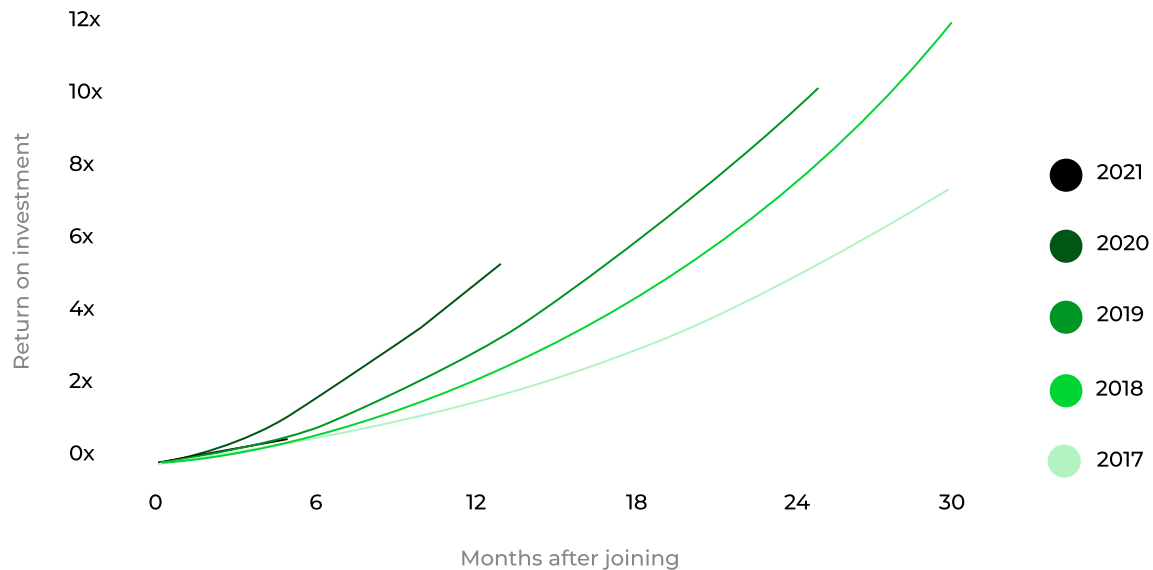


## CASH APP

Efficient paybacks and positive retention have driven strong customer lifetime value and return on investment



returns over  
3 years



For definitions of Cash App "return on investment (ROI)" please see Appendix beginning on slide 53. Each line represents the average monthly cohort for the corresponding year. ROI trends only includes periods where we have a sample of at least 6 different months.

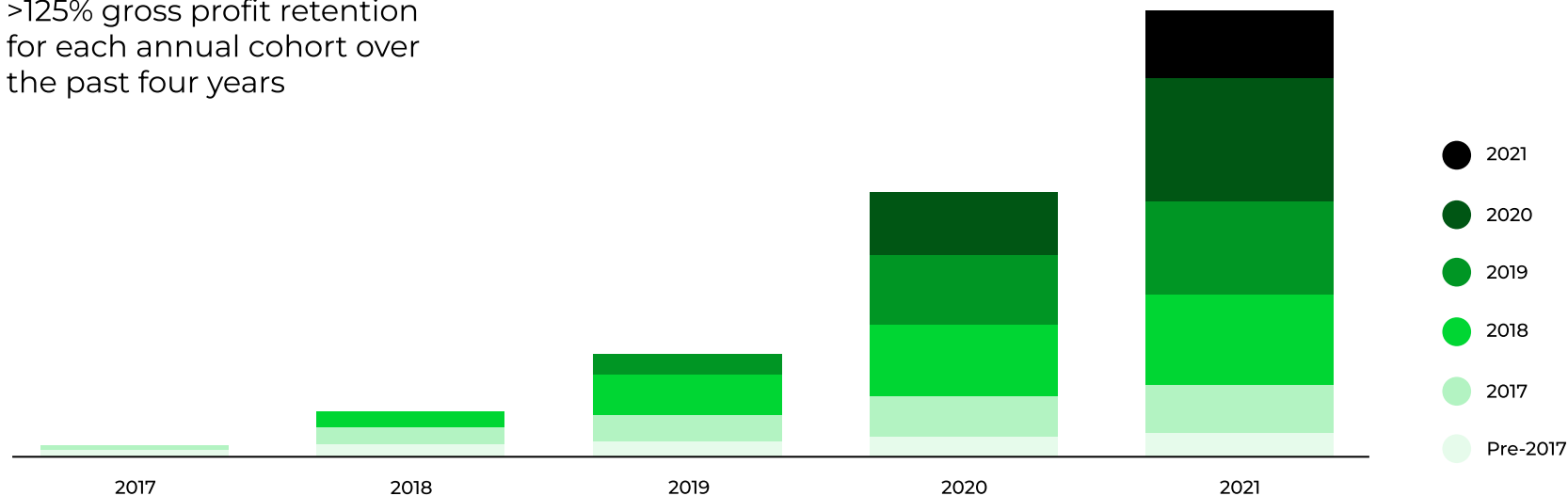


CASH APP

## Strong gross profit retention has led to recurring revenue streams

### Gross Profit by Cohort

>125% gross profit retention for each annual cohort over the past four years

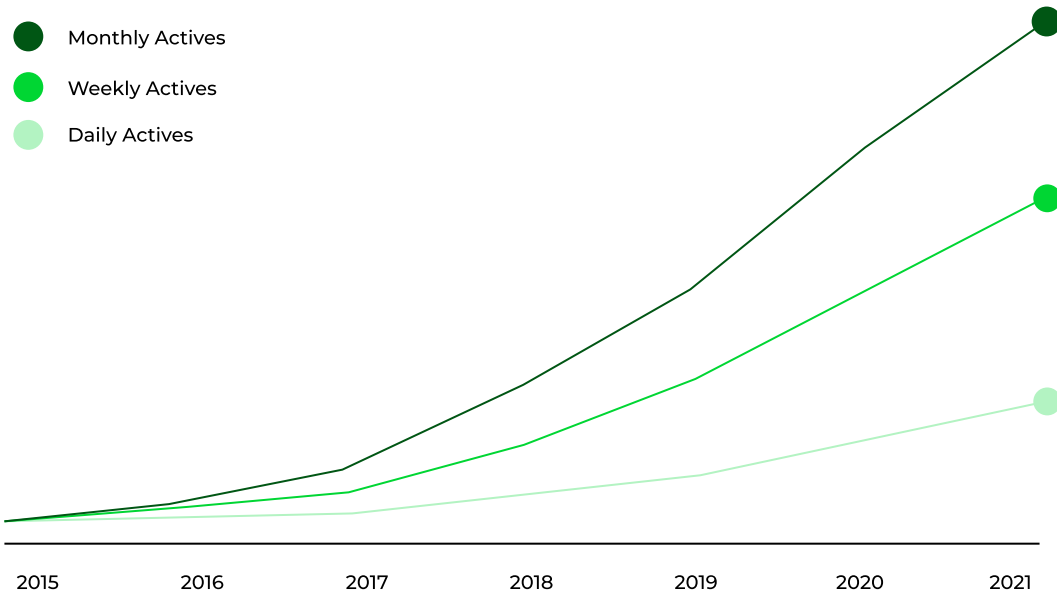


For definition of Cash App “gross profit retention” please see Appendix beginning on slide 53. Each of our annual Cash App cohorts since 2015 and the pre-2015 cohort have exhibited positive overall gross profit retention on aggregate from the date of their first transaction through December 31, 2021.



## CASH APP

## We have driven greater weekly and daily engagement



~46 M monthly actives on average in March 2022

~27 M weekly actives in March 2022 (~2 in 3 monthly actives)

~11 M daily actives in March 2022 (~1 in 4 monthly actives)

For definition of Cash App “active” please see Appendix beginning on slide 53. Chart shows annual average monthly, weekly, and daily actives from 2015 to 2021, calculated as the average of each month during the period.



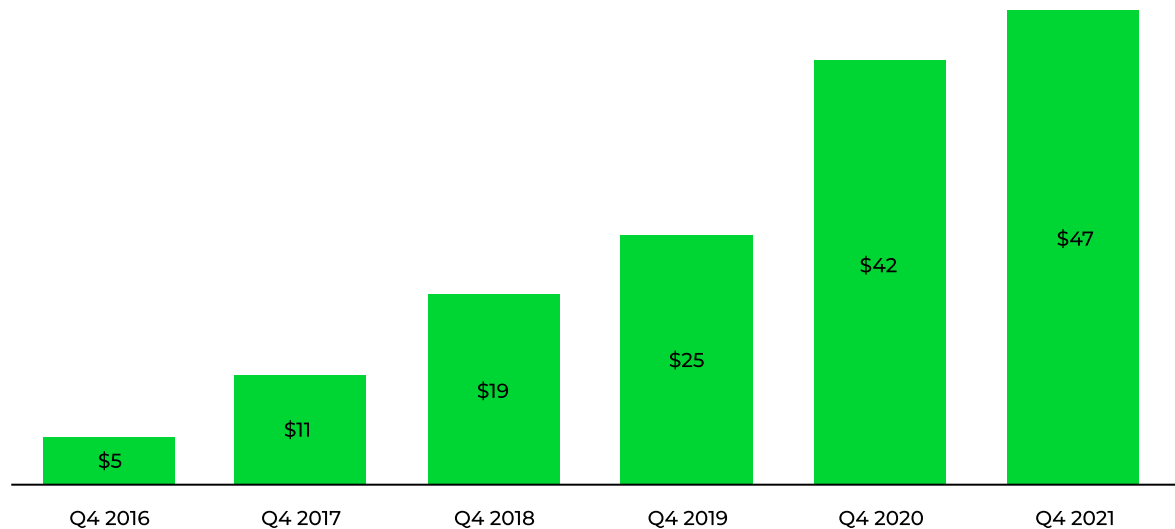
## CASH APP

## Gross profit per active has increased 4x since 2017



\$47

Annual gross profit  
per active



For definition of Cash App “active” please see Appendix. Gross profit per monthly transacting active is calculated based on Cash App annualized gross profit during a given quarter divided by monthly transacting actives for the last month of the quarter.



## CASH APP

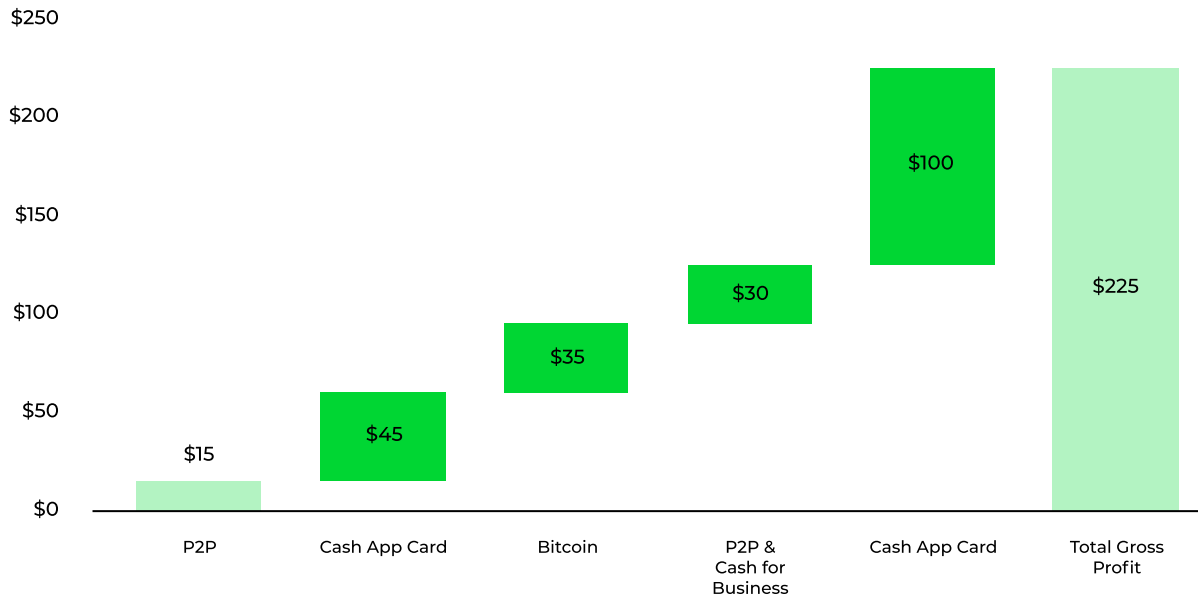
## Product adoption can enhance cohort economics

Gross profit increased by >10x as active adopted more products and expanded share of wallet

### Illustrative Cash App active example:

Gross profit opportunity for a transacting active that begins with a small P2P network, grows to become a banking and investing active, before depositing their paycheck into Cash App.

Annual gross profit for an ideal Cash App active



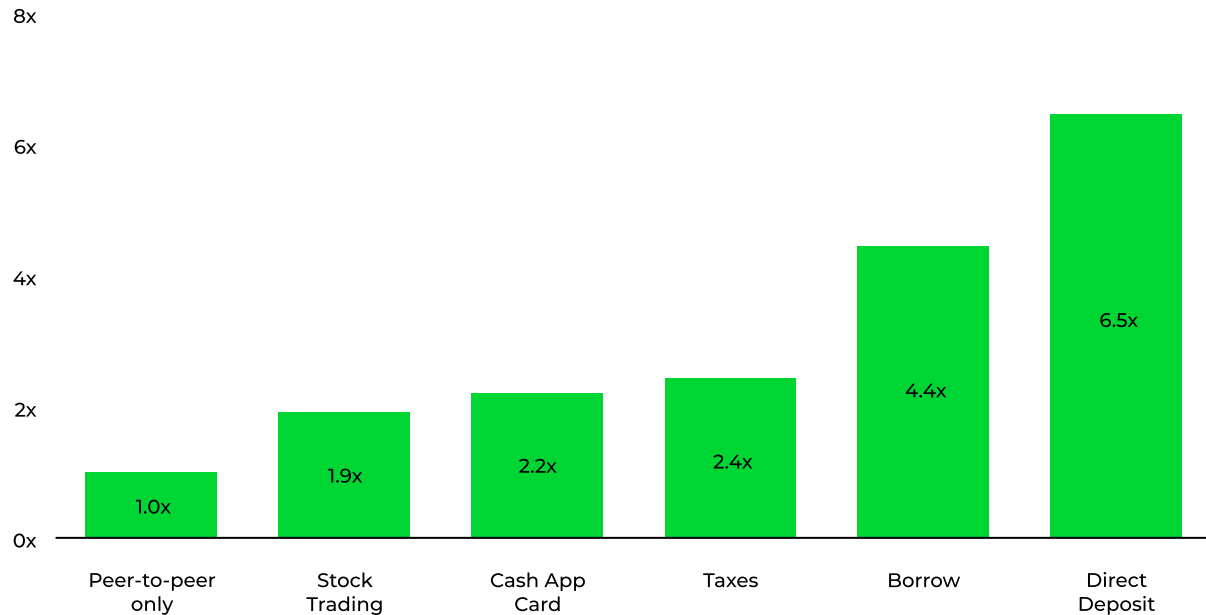
Gross profit is presented on a per active basis for a given year. Cash App active example is illustrative, although representative of adoption and engagement actives have demonstrated on Cash App.



## CASH APP

## Product adoption has driven greater inflows and monetization

### Inflows multiplier by product actives



For definition of Cash App “active” please see Appendix. Represents monthly actives in March 2022 and total inflows for Q1 2022, except for Cash App Taxes actives where we used quarterly actives in Q1 2022 because it is an annual use case. Inflows per active for the specific product are calculated as the average quarterly total inflows for that product active. Actives can span multiple product categories.

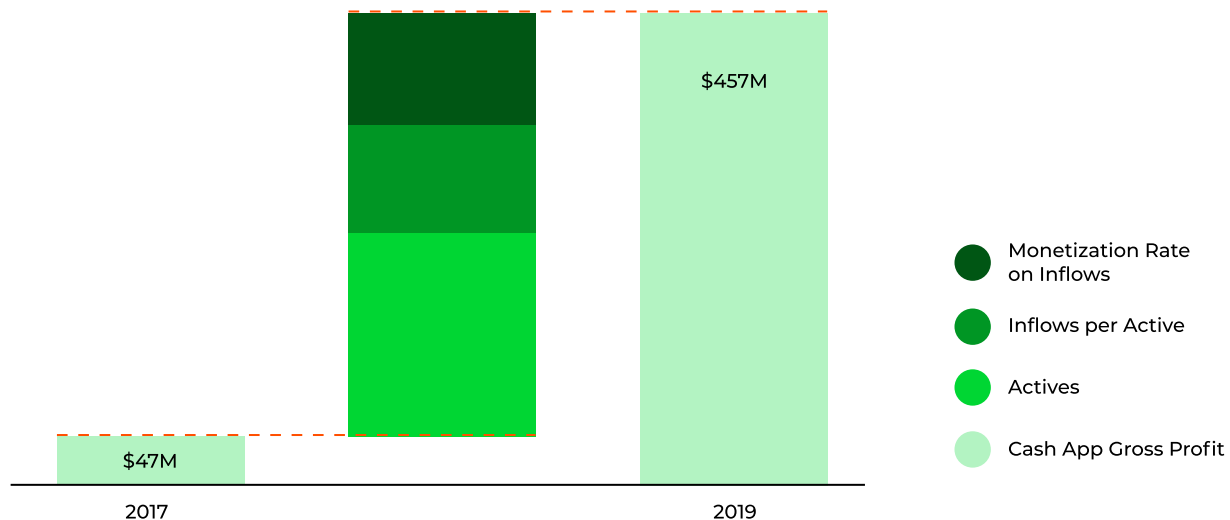




## CASH APP

## With a number of levers to grow and monetize inflows

From 2017 to 2019, gross profit was driven primarily by growth in actives



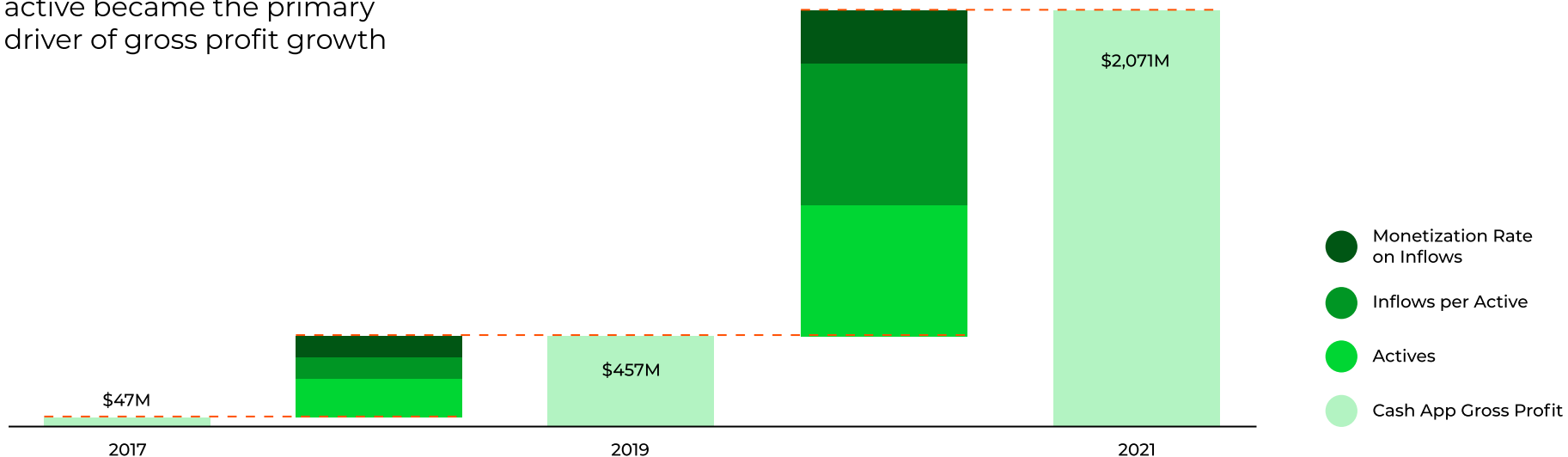
For definition of Cash App “active” please see Appendix. Monetization rate on inflows represents gross profit as a percentage of inflows over the given period. Inflows per active defined as overall inflows into Cash App each year, divided by the number of annual actives. “Actives” represents growth in annual actives for each year in the period.



## CASH APP

## With a number of levers to grow and monetize inflows

From 2019 to 2021, inflows per active became the primary driver of gross profit growth



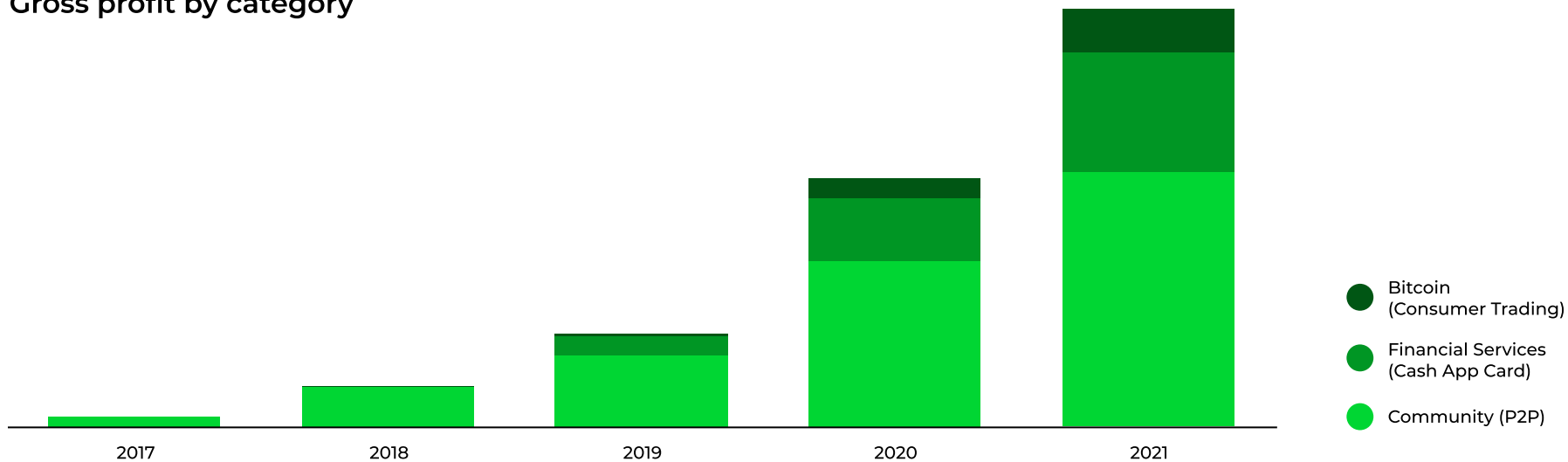
For definition of Cash App "active" please see Appendix. Monetization rate on inflows represents gross profit as a percentage of inflows over the given period. Inflows per active defined as overall inflows into Cash App each year, divided by the number of annual actives. "Actives" represents growth in annual actives for each year in the period.



## CASH APP

## We have driven growth across a diversity of services and revenue streams

### Gross profit by category



Community (P2P) equals gross profit from Instant Deposit, business accounts, and P2P transactions funded with a credit card. Financial Services (Cash App Card) equals gross profit from transaction fees on Cash App Card, interest on customer funds, cash deposits, Cash App Card Studio, and ATM fees. Bitcoin (Consumer Trading) equals bitcoin and brokerage gross profit.



Financials

# Afterpay



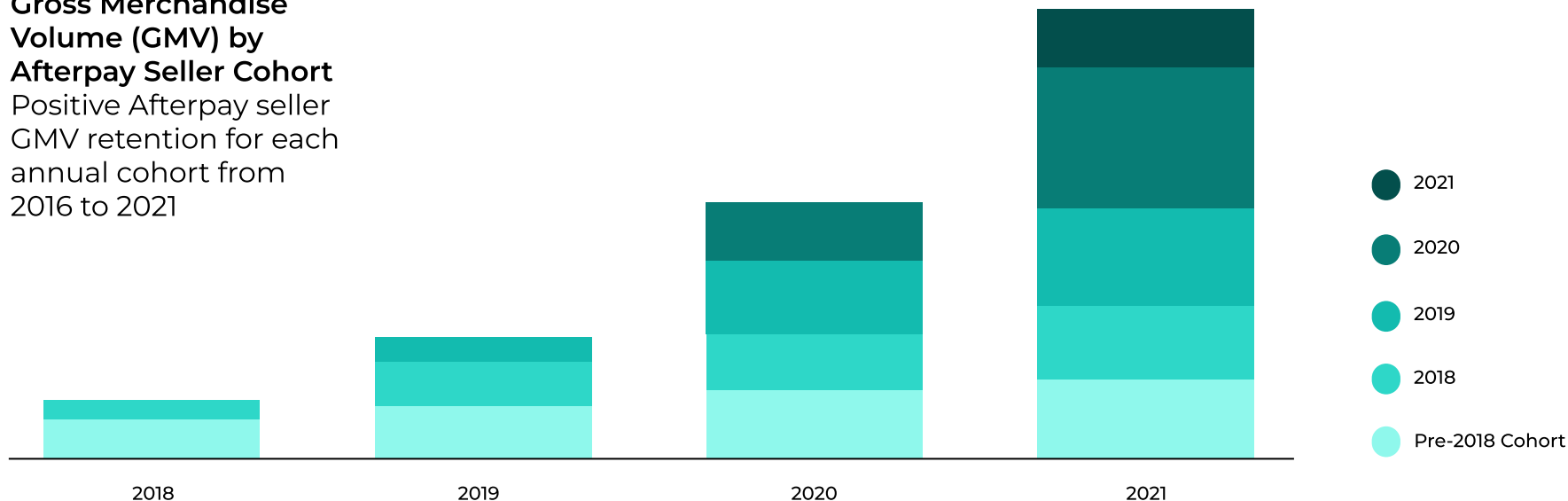
Cohort Economics  
and Growth



## AFTERPAY

## Afterpay complements Square with strong merchant retention

**Gross Merchandise Volume (GMV) by Afterpay Seller Cohort**  
Positive Afterpay seller GMV retention for each annual cohort from 2016 to 2021



Afterpay Gross Merchandise Value or GMV is a measure of the total order value processed on the Afterpay platform. Afterpay seller GMV retention is calculated as the year-over-year GMV growth of an annual Afterpay cohort of sellers. An Afterpay seller's annual cohort is determined based on the date they first processed an Afterpay transaction.

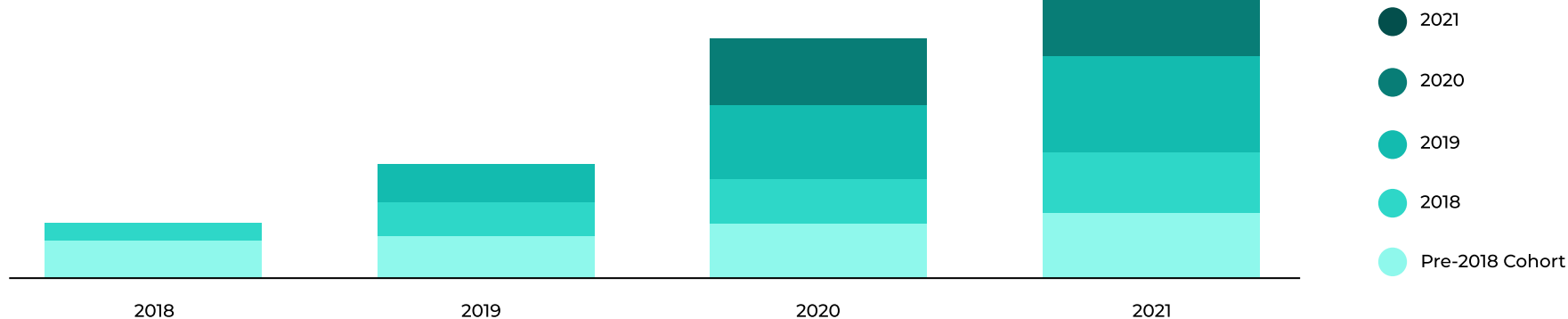


## AFTERPAY

## Afterpay complements Cash App with strong consumer retention

### Consumer GMV by Cohort

Positive Afterpay consumer GMV retention for each annual cohort from 2016 to 2021



Afterpay Gross Merchandise Value or GMV is a measure of the total order value processed on the Afterpay platform. Afterpay consumer GMV retention is calculated as the year-over-year GMV growth of an annual Afterpay cohort of consumers. A consumer's annual cohort is determined based on the date they first processed an Afterpay transaction.



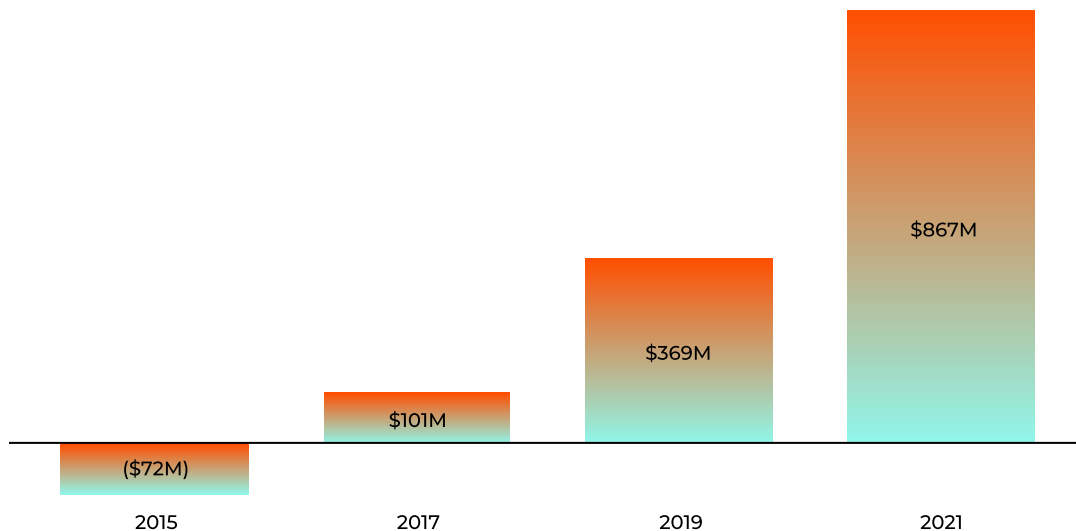
## FINANCIALS

Strong and healthy balance sheet provides optionality around funding



in available liquidity on our balance sheet

## Free Cash Flow



For definition of "free cash flow" please see Appendix.



## FINANCIALS

## Strong and healthy balance sheet provides optionality around funding

Product	Performance attributes		Near-term funding	Longer-term intent
<b>Square Loans</b>	<b>Duration</b> <12 month term	<b>Loss rates</b> <4% loss rate	Sell majority of loans to third-party investors	Sell majority of loans to third-party investors
<b>Afterpay BNPL Receivables</b>	4–6 week duration, 15x turnover	~1% loss rate	Fund with mix of cash and warehouse facilities	Explore optionality around other structures
<b>Newer Experimental Products</b> (Cash App Borrow)	--		Fund with available cash	Explore optionality around other structures

For definitions of “loss rate”, “duration”, “turnover” please see Appendix. Data as of March 31, 2022.





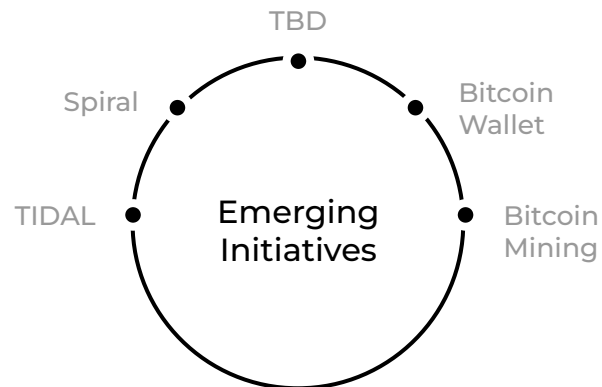
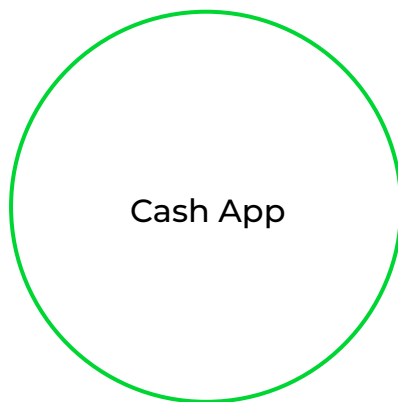
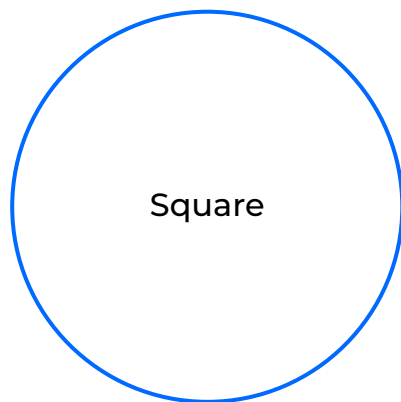
Financials

# Investments & Profitability



## FINANCIALS

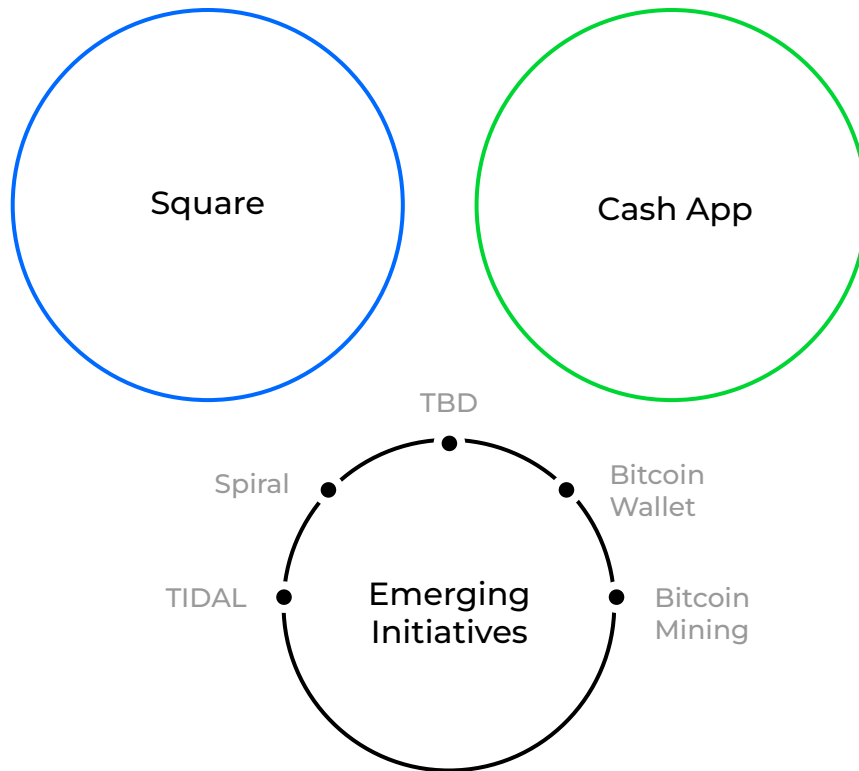
Our ecosystems inform our organizational structure and investment decisions



## FINANCIALS

We evaluate each of our ecosystems independently, which enables us to be dynamic and move quickly

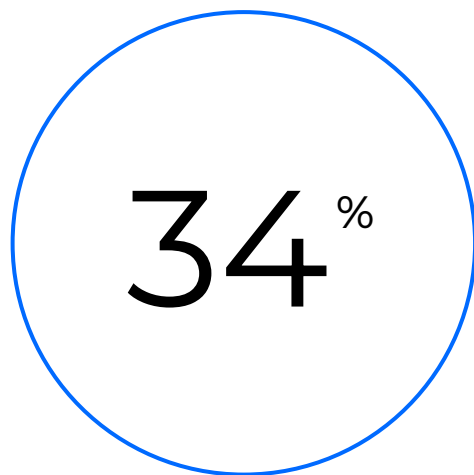
- Unified product, go-to-market, and strategy within each ecosystem
- Independent investment decisions
- Distinct growth and performance targets



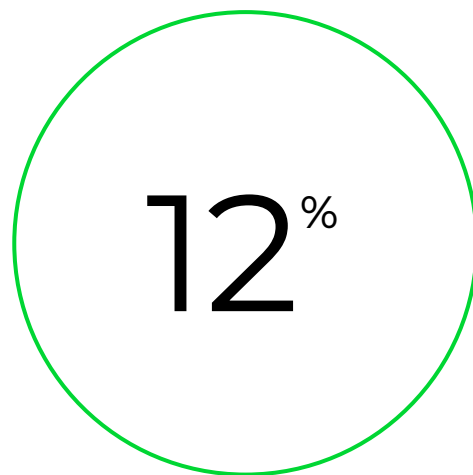
## FINANCIALS

## Our largest ecosystems have achieved strong profitability

2021 Adjusted Fully-Burdened Profit Margin  
(as % of Gross Profit)



Square



Cash App

For these purposes, corporate overhead is allocated by cost center to each ecosystem based on a driver selected to closely approximate each ecosystem's usage of centralized services which include ratios like headcount, gross profit, consumption rates, etc. Excludes share-based compensation expenses, and expenses related to TIDAL and TBD, and employer taxes from options exercised related to Caviar, which was sold in 2019. See Appendix beginning on slide 53 for a reconciliation and information on expense categories.



## FINANCIALS

## And benefit from attractive structural profitability

### Fixed Costs

#### Product investments:

- Engineering, data science, and design teams
- Software and data

#### Corporate overhead:

- Corporate teams
- Professional and legal fees
- Rent and facilities

### Variable Costs

#### Acquisition and growth:

- Marketing expenses
- Sales teams

#### Ongoing variable:

- Cash App P2P and card issuance costs
- Risk loss
- Customer support

See Appendix on slide 53 for a reconciliation and information on expense categories.

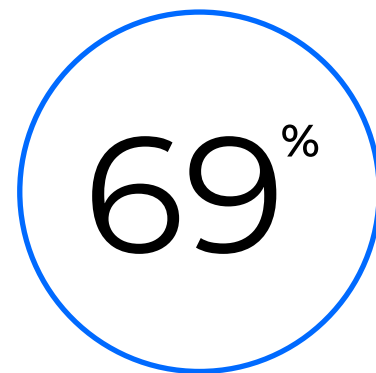
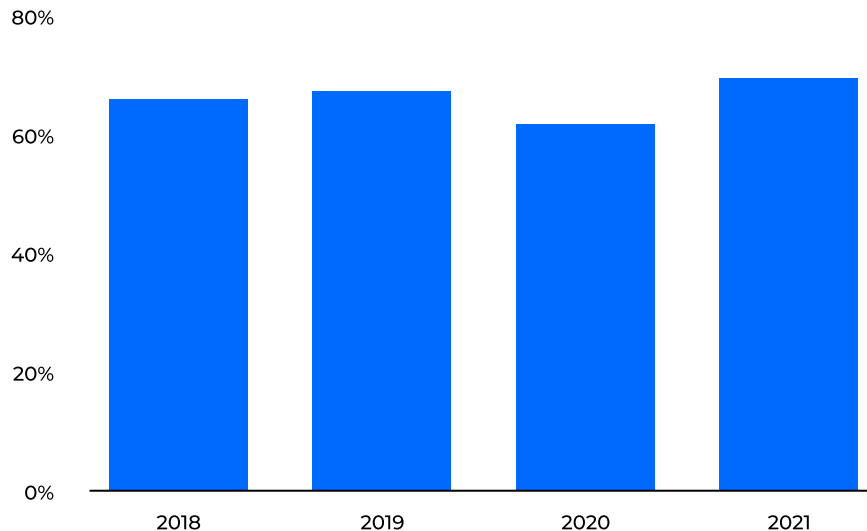


## FINANCIALS

## Square has benefited from high structural margins, which have remained relatively stable over time

### Structural Margin

1 - (variable costs as a % of gross profit)



2021

Structural margins in the 60% to 70% range from 2018 through 2021

For these purposes, corporate overhead is allocated by cost center to each ecosystem based on a driver selected to closely approximate each ecosystem's usage of centralized services which include ratios like headcount, gross profit, consumption rates. Our corporate overhead used the same methodology and structure as our ecosystems did to assign variable and fixed costs. From this point, we used the ratio of variable vs fixed to allocate our total corporate overhead variable costs to each of the ecosystems based on their total allocation usage. Excludes share-based compensation expenses, and expenses related to TIDAL and TBD. See Appendix on slide 53 for a reconciliation and information on expense categories.



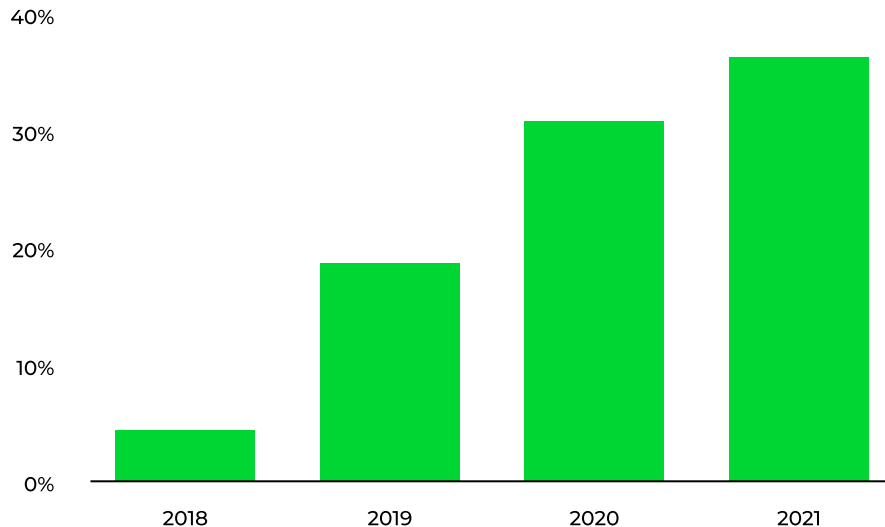
## FINANCIALS

## Cash App has also achieved strong structural margins, which have improved significantly in recent years

### Structural Margin

1 - (variable costs as a % of gross profit)

Structural margin expansion over time from 4% in 2018 to 37% in 2021



37%

2021

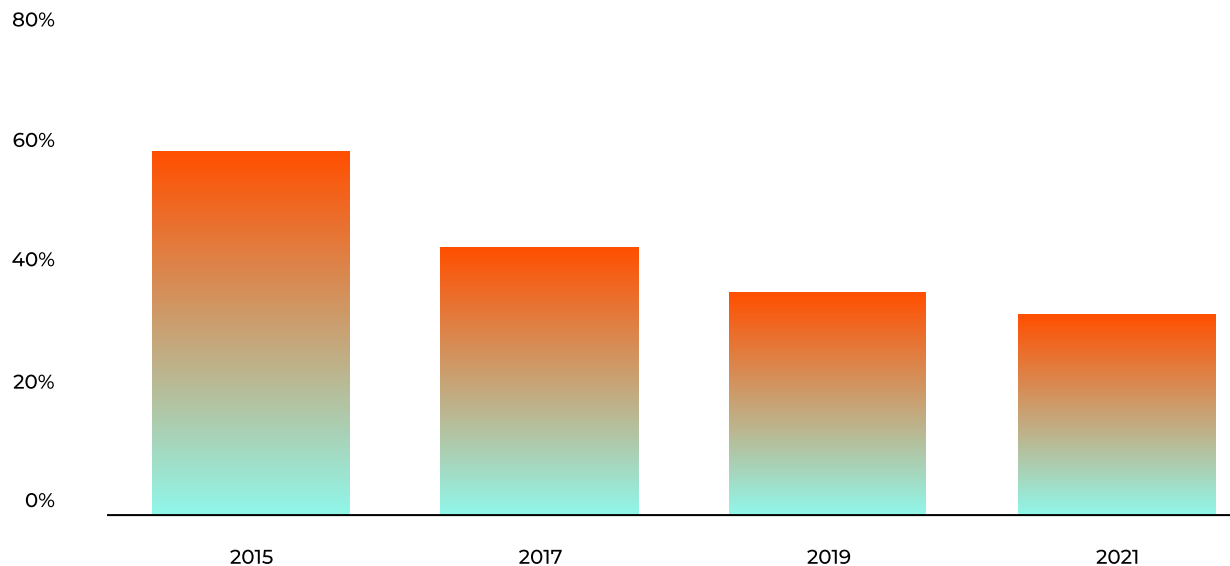
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## FINANCIALS

## While for our overall company, we have driven leverage from our fixed expenses

### Block Fixed Costs (as a % of gross profit)



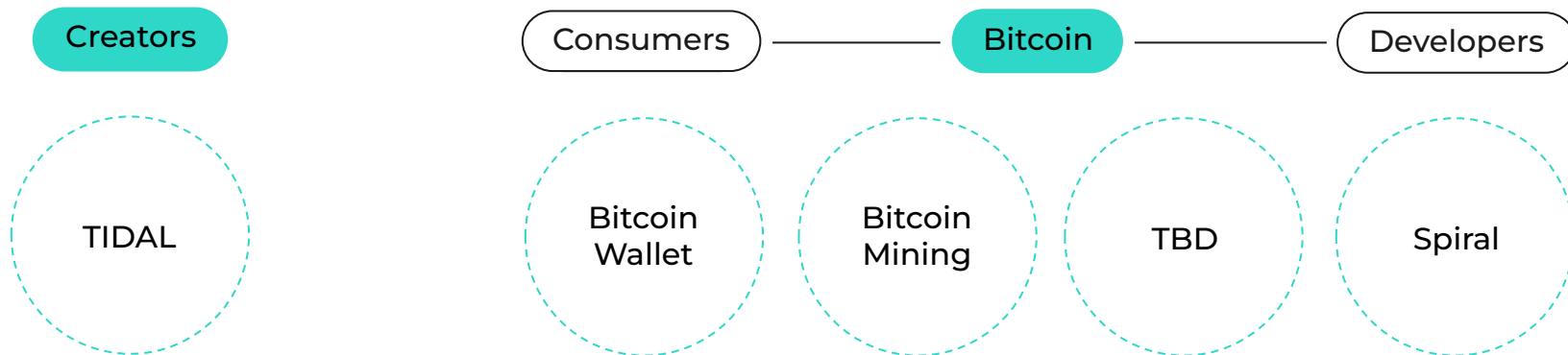
Please see Appendix on slide 53 for a reconciliation and information on expense categories. Fixed expenses include fixed personnel expenses (G&A and product development personnel), professional fees and subscriptions (including add back for acquisitions), and facilities expenses.





## FINANCIALS

We're also focused on building and scaling new, emerging ecosystems for new customer audiences

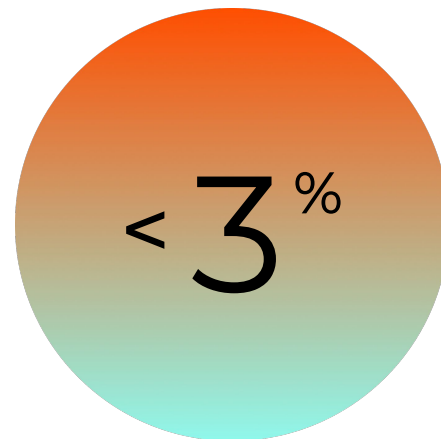


## FINANCIALS

## Maintaining discipline around our investments into our emerging TIDAL and bitcoin ecosystems

### Evaluating investments based on:

- Team and strategy
- Product roadmap
- Business model and growth potential



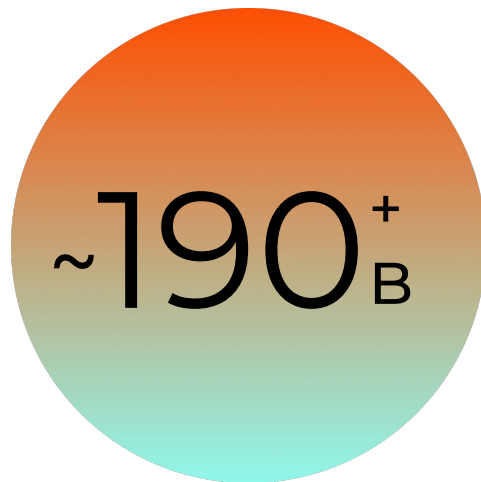
of 2022 non-GAAP operating expenses

Represents aggregate expected expenses for emerging initiatives across TIDAL, TBD, bitcoin hardware projects (bitcoin mining, bitcoin wallet). We have not provided the forward-looking GAAP equivalents for certain forward-looking non-GAAP operating expenses or a GAAP reconciliation as a result of the uncertainty regarding, and the potential variability of, reconciling items such as share-based compensation expense. Accordingly, a reconciliation of these non-GAAP guidance metrics to their corresponding GAAP equivalents is not available without unreasonable effort. However, it is important to note that material changes to reconciling items could have a significant effect on future GAAP results.

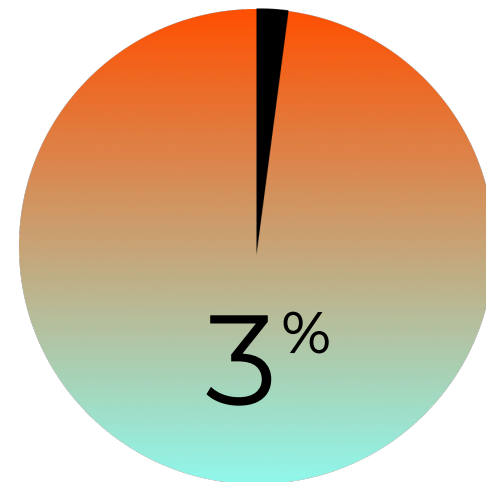


## FINANCIALS

Less than 3% penetrated  
of ~\$190 billion  
addressable market



Opportunity



Penetration

Penetration is calculated based on 2021 company gross profit as a percentage of the overall estimated market opportunity for Square and Cash App, which can be referenced in the "Market Opportunity" slides 16 to 30.



## FINANCIALS

## Investment thesis

→ Each ecosystem with multiple vectors for growth

→ Differentiated ecosystem of ecosystems approach

→ Strong cohort economics driving attractive long-term returns

→ Operating model built to drive continued innovation



Business Model

# Appendix



# Appendix

## Slide 12

**“Return on investment (ROI)”** measures the effectiveness of sales and marketing spend. ROI is calculated by dividing cumulative cohort gross profit of each cohort of sellers by GAAP sales and marketing expenses for the applicable period, excluding the following: Cash App sales and marketing expenses, Caviar sales and marketing expenses, and the portion of sales and marketing expenses from the legacy Weebly business. Cumulative cohort gross profit excludes gross profit from hardware, Square Gift Cards, and Weebly prior to the acquisition. We begin measuring returns for the first full quarter's worth of data for each cohort.

## Slide 14

**Square “gross profit retention”** is calculated as the year-over-year gross profit growth of a quarterly seller cohort, averaged over the last four quarters (excluding gross profit from hardware, Square Gift Cards, Caviar, and Weebly prior to the acquisition). We do not include hardware or gift cards because they are typically non-recurring in nature, gift cards do not have a material impact to the trend, and we view hardware as an acquisition tool and not a profit center for our business.

## Slide 15

Merchant Acquirers Average is calculated as an average of annual net revenue retention for merchants with under \$100 million in annual processing volume.

The Public SaaS median revenue retention rate is based on the average of Q3 2019 and Q4 2021 data from Goldman Sachs Equity Research using Company data, FactSet, and Goldman Sachs Global Investment Research.

Average retention for Square is based on gross profit (excluding gross profit from hardware, Gift Cards, Caviar, and Weebly prior to the acquisition) annual average from 2019 to 2021.

## Slide 18

**“Square active seller”** is defined as processing more than 5 payments over the last four quarters.

## Slide 20

**“Transacting active” or “active”** is a Cash App account that has at least one financial transaction using any product or service within Cash App during the specified period. 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).

## Slide 21

**Cash App “acquisition spend”** includes paid marketing, referrals and incentives, brand awareness and social marketing expenses for a given period, and excludes peer-to-peer processing and risk loss.

## Slide 22

**Cash App “cohort”** represents the new actives onboarded to Cash App during a given period.

## Slide 24

**Cash App “gross profit net of P2P expenses”** is calculated as gross profit across Cash App transaction-based profit, Cash App Card gross profit including interchange and ATM withdrawals, Instant Deposit gross profit for Cash App, bitcoin gross profit and less certain variable sales and marketing expenses, including “P2P expenses” or processing costs and risk loss on peer-to-peer transactions.

## Slide 26

**Cash App “Return on investment (ROI)” or “payback period”** measures the effectiveness of acquisition marketing spend, and is calculated by taking a given Cash App monthly cohort's cumulative gross profit net of peer-to-peer expenses, and dividing by acquisition marketing spend for the month when the given cohort was onboarded.



# Appendix

## Slide 28

**Cash App “gross profit retention”** is calculated as the year-over-year gross profit growth of an annual Cash App customer cohort, excluding contra revenue and interest income. A customer’s annual cohort is determined based on the date they first became a transacting active on the platform. For example, retention for our 2019 cohort is the average annual gross profit growth from actives who had their first transaction in 2019.

## Slide 39

**“Free cash flow”** defined as net cash provided by (used in) operating activities adjusted to eliminate for the effects of settlements receivables, customers payable, settlements payable, and PPP loans less purchase of property and equipment. Additionally, we exclude the effects of PPP loans as we believe the amounts are not reflective of our ongoing operations. We include the impact of purchases of property and equipment because we consider these capital expenditures to be a necessary component of our ongoing operations.

## Slide 40

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

**“Loss rate”** for Afterpay are Losses on Consumer Receivables, and represents an assessment of expected credit losses over the term of the receivables, and for Square Loans are loan losses on loan originations, and represents an assessment of expected credit losses over the term of the loan.

**“Duration”** for Square Loans represents the average length of time for a seller to repay their loan, and for Afterpay represents the average length of time for a consumer to complete their final repayment on a BNPL transaction.



## Cash App Margins - Reconciliation to GAAP

**Variable expenses** are investments that we incur to drive the next dollar of gross profit growth, and these typically scale with gross profit. These include discretionary expenses such as sales & marketing investments and teams, customer success teams, as well as non-discretionary expenses such as risk loss, or Cash App peer-to-peer expenses on transaction costs and risk loss.

**Fixed expenses** are investments that may drive longer-term growth, and generally do not scale with an additional dollar of gross profit. These include expenses such as our product and general & administrative teams, professional fees incurred, and corporate overhead expenses such as rent & facilities.

(\$ in thousands, unaudited)	2018	2019	2020	2021
Cash App gross profit	194,835	457,668	1,225,578	2,070,847
Variable expenses				
Less: Transaction, loan, and advance losses	7,791	14,699	45,694	126,803
Less: Marketing expenses (Cash P2P marketing costs, card issuance costs, marketing expense, partnership fees)	162,127	311,204	726,160	1,007,873
Less: Variable personnel expenses (sales & marketing personnel, contractor personnel, travel & entertainment)	12,088	30,741	55,328	134,626
Less: Cloud storage and processing	2,528	5,048	12,509	27,389
Less: Taxes and licenses	1,995	5,234	10,211	13,160
Total variable expenses	186,529	366,926	849,902	1,309,851
Cash App gross profit less variable expenses	8,306	90,742	375,676	760,996
<b>Cash App structural margin (% of Cash App gross profit)</b>	<b>4%</b>	<b>20%</b>	<b>31%</b>	<b>37%</b>
Fixed expenses				
Less: Fixed personnel expenses (G&A and product development personnel)				288,530
Less: Professional fees and subscriptions (including add backs for acquisitions)				123,375
Less: Facilities expenses				105,797
Total fixed expenses				517,702
Cash app gross profit less variable and fixed expenses				243,294
<b>Cash App adjusted fully burdened profit margin (% of Cash App gross profit)</b>				<b>12%</b>





## Square Margins - Reconciliation to GAAP

**Variable expenses** are investments that we incur to drive the next dollar of gross profit growth, and these typically scale with gross profit. These include discretionary expenses such as sales & marketing investments and teams, customer success teams, as well as non-discretionary expenses such as risk loss.

**Fixed expenses** are investments that may drive longer-term growth, and generally do not scale with an additional dollar of gross profit. These include expenses such as our product and general & administrative teams, professional fees incurred, and corporate overhead expenses such as rent & facilities.

(\$ in thousands, unaudited)	2018	2019	2020	2021
Square gross profit	1,072,496	1,390,427	1,507,831	2,316,671
Variable expenses				
Less: Transaction, loan, and advance losses	80,248	112,224	131,975	61,188
Less: Marketing expenses (marketing expense, partnership fees, hardware marketing, onboarding costs)	114,924	148,530	199,111	308,665
Less: Variable personnel expenses (sales & marketing personnel, contractor personnel, travel & entertainment)	116,334	134,573	165,763	255,210
Less: Cloud storage and processing	32,037	39,100	51,715	72,479
Less: Taxes and licenses	11,426	19,235	20,437	18,334
Total variable expenses	354,969	453,662	569,001	715,876
Square gross profit less variable expenses	717,527	936,765	938,830	1,600,795
<b>Square structural margin (% of Square gross profit)</b>	<b>67%</b>	<b>67%</b>	<b>62%</b>	<b>69%</b>
Fixed expenses				
Less: Fixed personnel expenses (G&A and product development personnel)				575,746
Less: Professional fees and subscriptions (including add backs for acquisitions)				118,373
Less: Facilities expenses				122,203
Total fixed expenses				816,322
Square gross profit less variable and fixed expenses				784,473
<b>Square adjusted fully burdened profit margin (% of Square gross profit)</b>				<b>34%</b>



## Fixed Expenses

**Variable expenses** are investments that we incur to drive the next dollar of gross profit growth, and these typically scale with gross profit. These include discretionary expenses such as sales & marketing investments and teams, customer success teams, as well as non-discretionary expenses such as risk loss, or Cash App peer-to-peer expenses on transaction costs and risk loss.

**Fixed expenses** are investments that may drive longer-term growth, and generally do not scale with an additional dollar of gross profit. These include expenses such as our product and general & administrative teams, professional fees incurred, and corporate overhead expenses such as rent & facilities.

(\$ in thousands, unaudited)	2015	2017	2019	2021
Total gross profit	345,195	839,306	1,889,685	4,419,823
Fixed expenses				
Plus: Fixed personnel expenses (G&A and product development personnel)	129,923	243,310	464,090	886,433
Plus: Professional fees and subscriptions (including add back for acquisitions)	38,185	56,594	68,140	252,713
Plus: Facilities expenses	35,022	50,066	109,238	236,332
<b>Total fixed expenses</b>	<b>203,130</b>	<b>349,970</b>	<b>641,468</b>	<b>1,375,478</b>
Total fixed expenses (% of gross profit)	59%	42%	34%	31%



## Gross Profit excluding Caviar - Reconciliation to GAAP

(\$ in thousands, unaudited)	2015	2016	2017	2018	2019	2020	2021
Total gross profit	345,195	576,038	839,306	1,303,700	1,889,685	2,733,409	4,419,823
Less: Caviar contribution to total gross profit	(462)	6,967	15,578	36,369	41,590		
<b>Gross profit excluding Caviar</b>	<b>345,657</b>	<b>569,071</b>	<b>823,728</b>	<b>1,267,331</b>	<b>1,848,095</b>	<b>2,733,409</b>	<b>4,419,823</b>



## Square Gross Profit - Reconciliation to GAAP

(\$ in thousands, unaudited)	2015	2016	2017	2018	2019	2020	2021
Square gross profit	345,283	564,022	776,633	1,072,496	1,390,427	1,507,831	2,316,671
Less: Hardware contribution to Square gross profit	(14,497)	(24,255)	(20,978)	(25,611)	(51,880)	(52,688)	(75,506)
Less: Starbucks contribution to Square gross profit	(23,155)	9,142					
<b>Square gross profit excluding Hardware and Starbucks</b>	<b>382,935</b>	<b>579,135</b>	<b>797,611</b>	<b>1,098,107</b>	<b>1,442,307</b>	<b>1,560,519</b>	<b>2,392,177</b>



## Free Cash Flow - Reconciliation to GAAP

We define free cash flow as net cash provided by (used in) operating activities adjusted to eliminate for the effects of settlements receivables, customers payable, settlements payable, and PPP loans less purchase of property and equipment. We believe that it is useful to exclude the effects of customers payable, settlements receivables and settlements payable because the amounts represent customer transactions, move in tandem, and which may result in significant fluctuations depending on timing of the end of reporting period and whether such date is a bank holiday or a weekend. Accordingly, we do not believe such changes are reflective of the cash generation from our ongoing operations. Additionally, we exclude the effects of PPP loans as we believe the amounts are not reflective of our ongoing operations. We include the impact of purchases of property and equipment because we consider these capital expenditures to be a necessary component of our ongoing operations.

(\$ in thousands, unaudited)	2014	2015	2016	2017	2018	2019	2020	2021
Net cash provided by (used in) operating activities	(112,379)	21,123	23,131	127,711	195,109	327,630	173,110	847,830
Addback: Changes in settlements receivable	50,361	27,420	177,662	305,831	(245,795)	326,596	547,484	346,217
Reversal of:								
Changes in customers payable	(49,971)	(69,547)	(172,446)	(242,310)	215,378	(181,520)	(371,598)	(171,555)
Changes in settlements payable		(13,105)	(38,046)	(63,637)	60,651	(41,697)	(143,528)	(15,249)
Purchases and originations of PPP loans							873,579	681,849
Sales, principal payments, and forgiveness of PPP loans							(452,593)	(688,091)
	(111,989)	(34,109)	(9,699)	127,595	225,343	431,009	626,454	1,001,001
Less: Purchase of property and equipment	(28,794)	(37,432)	(25,433)	(26,097)	(61,203)	(62,498)	(138,402)	(134,320)
<b>Free cash flow</b>	<b>(140,783)</b>	<b>(71,541)</b>	<b>(35,132)</b>	<b>101,498</b>	<b>164,140</b>	<b>368,511</b>	<b>488,052</b>	<b>866,681</b>

