Block Investor Day 2025 Transcriptions

Thomas Templeton

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hello, okay, today, a lot of modern life works thanks to open protocols the Internet where you scroll and work and socialize and shop, your email, the Wi Fi you're connected to now, your wireless headphones and speakers, all these things just work thanks to open protocols. But money, money is different. Money is a tangled mess of closed systems and standards that only sort of work together between customers and cashiers are many layers of inefficiency and complexity. For as long as block has been a company, it's been our work to abstract away complexity from what should be very simple, moving money, money from buyer to seller, friend to friend, payroll to bank account. This is core to our purpose of economic empowerment, and while we do a good job abstracting away that complexity, the underlying system could be a whole lot better, more transparent, more secure, more open and sound. It could be open by default, like any of the other open protocols that make the modern world work, and this is why we spend so much time thinking about and talking about and working on projects in support of Bitcoin, because Bitcoin is an open protocol for money. It lets anyone, anywhere, anytime, move money without a bank or other third party intermediary. It's global, battle tested, and replaces trust that's in a handful of large entities with trust in code and math, removing institutional dependencies. And because it's a single Open Network, there's less friction, lower transaction cost, and none of the complexity and fragmentation of legacy financial rails. And that's all good for block because it can help us move faster, roll out products globally at lower cost, without needing to customize for countless local payment schemes, and really positions us to be and act more like an internet company. As a company, we're uniquely positioned to move Bitcoin forward, to be a leader in a technology that is beginning to behave more and more like everyday money, and we're focused on advancing Bitcoin through three key priorities. First is making Bitcoin more accessible. For years, we've made Cash App the easiest place to buy and send bitcoin, and now so square, we're giving sellers access to buy, sell and convert a portion of their sales into Bitcoin. Second is everyday utility. Just last week, we enabled millions of square sellers to accept payments in Bitcoin with a click of a button. And spiral has long funded developers to build on and improve Bitcoin at the protocol level. And third is security. We started with bitkey, giving customers a safe and easy way to own and manage their Bitcoin. The team behind bitcoin has revolutionized what self custody can be, and we launched proto, our Bitcoin mining hardware initiative. Now I want to spend the bulk of my time here today to talk about proto, or what's good for block as a business and good for Bitcoin as a network. Not really overlap. So why do we care about mining? From a network perspective, the whole Bitcoin project depends on it. It depends on it being robust, resilient and decentralized. If mining fails, Bitcoin fails full stop. And from a business perspective, mining and mining hardware in particular, has many of the hallmarks of an industry ripe for disruption. First, it's dangerously

centralized. One large company and a handful of small ones, all operating from a single country, essentially own the entire market, and that's bad for pretty much everyone, from mining operators to the Bitcoin network itself. Second, there's no meaningful choice. If you want to mine profitably at scale, you buy the same machines that everyone else has. Like it or not, and without any meaningful competition, there's been no incentive for the market leader to make even the most basic improvements to their offerings, no matter how much customers complain, the market leader doesn't have to listen at all, let alone take action to address any of those complaints. In all of this, we saw an opportunity. We started talking to miners about their pain points, what's wrong with their hardware, what hardware could be. And we decided that if the market leader wasn't going to listen their customers, we would and we heard a few things over and over, loud and clear. First, today's mining machines simply aren't optimized for modern infrastructure when it comes time to upgrade, which is every few years in this industry, miners face an expensive, wasteful process. They essentially have to start over with an entirely new fleet, dealing with significant labor, cost and downtime. Second, these machines aren't built to last, and when they break, and they break often, repairs become a nightmare. Parts are scarce. Maintenance requires hauling heavy machines off of racks into the repair centers, and the design itself makes repairs unnecessarily complex, and every minute of downtime is profit lost. And third, the software landscape is fragmented and inefficient. In our dozens and dozens of site visits, we never saw the same software setup twice. Instead of streamlining operations, current solutions actually complicate things, often providing incomplete information for operational decisions and requiring operators to run multiple systems to manage their fleet. These weren't just a few isolated complaints. We saw systemic problems across an entire industry. So naturally, we started looking at the market opportunity, and two things immediately stood out. First, the size of the market. It's massive. Bitcoins hash rate, which is the total computing power on the Bitcoin network, has expanded over 4x in the last three years alone. Miners are expected to generate $17 billion in revenue this year, with manufacturers generating up to $6 billion in hardware sales, with one supplier owning over 80% of the market. We've seen mining adoption only accelerate in recent years, and expect that this trend only strengthens as Bitcoin continues its path towards mainstream acceptance. The second is that barriers to entry are enormous. You need three things to compete in this space. The first is deep expertise in ASIC and hardware design. Second is established relationship with a semiconductor foundry. And third, and this is critical, you need an unwavering commitment to Bitcoin to ride out the market cycles for block. These actually aren't barriers. They're assets we already have. And we look at this way, realize we realized we weren't just well positioned to enter this space. We had a massive head start. Let me show you what I mean. First, it starts with the team, the team behind proto has shipped millions of hardware devices in dozens of markets for Square Cash, app and big key and before that, many of them spent years building category defining hardwares at companies like Apple and Tesla. We're talking about people who've shipped iconic products led world class engineering and supply chain teams and know how to scale high quality hardware. For 16 years, we put our devices in some of the toughest environments out there, busy kitchen, high traffic, coffee shop, retail stores, where they get used hundreds of times a day, and they work. They just work, and the numbers tell the story. We've shipped over 30 million square devices since inception. Secondly, through our years of manufacturing square hardware, we built a strong relationship with one of the premier semiconductor foundries in the

world. This isn't just about having a supplier, it's about having a strategic partner at the cutting edge of ASIC technology who can deliver for us. And our customers. Third, what ties us all together? Block is committed to Bitcoin for the long term. We see it as fundamental to the future of financial infrastructure, and we're investing accordingly. And this matters to miners. If they're going to be partnering with a key supplier, they want to know it's going to be around for years to come. And finally, we're doing this where others aren't. We're an American company designing and assembling our products in the United States, which is particularly attractive to American buyers. We're beginning to break up what has been a dangerous point of centralization in the harbor market, improving supply chain resilience and giving mining operators a much needed alternative to the single use machine monopoly of the past decade. Between the market opportunity, the customer needs and our unique capabilities, proto was a clear next step. We decided to build what the market was missing and what our customers overwhelmingly ask for Bitcoin miners, at their core are infrastructure investors. Their goal is simple, to maximize the return on their investments in power and sites and hardware. Every decision comes down to yield on infrastructure, whether it's power contracts, cooling designs, fleet management or the mining hardware itself, the math is the same, maximizing yield on every dollar invested. Proto was built to solve for that. We didn't just build another disposable, single use shoebox miner. We completely re imagined mining infrastructure. Rig is modular, durable and easy to repair, and instead of having to throw out and replace an entire fleet each upgrade cycle, mining operators can just buy hashboards, which is better, both for block and our customers. And on the software side, proto fleet only adds value, bringing together many of the functions that have historically required their own infrastructure, and people love it beyond the couple 100 people in person in Dalton at our launch, our live stream drew more than 90,000 views through Bitcoin magazine coverage, we made headlines in more than 300 publications across more than 30 countries, and longtime miners called it one of the most exciting developments in mining in a decade. All this together translated to hundreds of inbound sales inquiries and fleet beta request in just the first few days after launch, more than just sparking intense initial interest from the market. All of these features together, the modular design, the easily swappable hashboards and the durable infrastructure can create a completely different business model compared to legacy mining hardware. By making hashboards the core upgrade component, we've essentially created a razor, razor blade model. Our highest margins come from these hashboards, which are the parts customers need to upgrade every few years and stay competitive. It's good business for us, and it's a better deal for our customers, who save by reusing the razors, so to speak, through multiple upgrade cycles, and where customers see a software as another revenue stream, we're making our software completely free and open source. Why? Because we believe that miners who use our use and love our software will naturally gravitate towards our hardware solutions. It's a powerful lead generation tool that drives our core business. Today, our target margins mirror that of other manufacturers at 10 to 20% but this is where a technology and business model create a powerful combination with each new ASIC. We're pushing the boundaries of chip level efficiency. These improvements, we believe will drive higher margins as we deliver more value per board. Our vision is to deliver value to customers by pushing hashboard technology forward, shortening the path to profitability for operators, increasing hardware uptime and longevity and lowering the total cost of ownership, and we're building a business we believe has greater upside, one that sells less of the lower value commodity parts,

like chassis and fans, and more of the high value hashboards over time. And what really excites me about this is where we're headed is rig and fleet are just the first couple steps today, most of our addressable market is made up of large industrial miners. But that base is continuing to expand. Our total addressable market grows along two key vectors, first industrial miner demand. With each new ASIC generation that we produce, we believe our systems can deliver higher efficiency and better cost per Tera hash driving reoccurring fleet rest cycles across our growing install base. We expect this to create a compounding hardware demand profile, both from existing customers upgrading and new entrants scaling into the market. Second new customer expansion so. Advances in system design, from new form factors and cooling methods to more flexible power configuration are lowering the barriers to entry. These innovations expand mining into new environments and use cases, unlocking demand from small and mid scale operators, distributed power producers, new geographies and new types of customers, stepping back, this is a multi year growth opportunity. By continuing to invest in ASIC innovation and system design, we're positioned to serve the full spectrum of customers, from institutional miners to everyday users. Each advance in performance, accessibility and integration not only expands our total addressable market, but can also strengthen our long term competitive advantage. Ultimately, we're building a platform that connects the entire mining ecosystem across hardware and software, driving durable growth for block while advancing the broader decentralization and resilience of the Bitcoin network. Thank you.

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Applause.