

Block Investor Day 2025 Transcriptions

Q & A Investor Day

Matt Ross 12:46:22

All right, we have arrived at the last session of the day before the demo Hall, which I'm personally very excited about. So we have about 45 minutes or so to just answer your questions directly. So we're going to have Jack and Rita Owen and Nick come back on the stage. I'll do my best to moderate from up here. We have a few mic runners running, you know, running different parts of the auditorium. And so if you have a question, just raise your hand and we'll try and get to you. Start with Brian and then Tim. First two hands I saw, go ahead. Jason, yeah.

Question 12:46:54

First of all, thank you very much for a tremendous presentation. Really appreciate all the detail. And what I really wanted to ask big picture is, just as we look at the guidance that you've laid out for 2026 as well as the subsequent couple of years, what do you see as just the biggest risks to these financial targets, putting the macro aside, and maybe as part of that, if you can talk about some of the embedded assumptions just around loan loss rates and any additional color on commerce enablement versus financial solutions versus Bitcoin, in terms of the gross profit build up. Thank you.

Amrita Ahuja 12:47:32

I can start on this. You know, the way we build our forecasts is we take the known trend lines in our business in very real time, and extrapolate them based on, you know, obviously the history of data that we have across the multitude of products that we've got across our ecosystems, and we extrapolate them for the months and quarters ahead. We then overlay that with a portfolio of new initiatives, many of which we shared today that we expect to launch in the weeks and months ahead, and when we'd probability weight that portfolio of initiatives as to when we expect that they would be released, and how they would compound to growth in the future. And so that really is the exercise that underpins what we shared today, specifically from a 2026, perspective, more of that growth, more of that waiting, obviously, is coming from the initiatives that we've already got in our portfolio and that we've been recently launching products, you know, Like our Cash App borrow product after pays. Integration with cash app card, in particular, the post purchase integration, which we've already scaled and will continue to scale, but also more nascent product launches in the future, like pre purchase and then with square what you'll see is the compounding growth of product innovation, as well as go to

market, some of the exit rates that Nick talked about continuing into the future will be, of course, incredibly guided by our marginal returns as to how we invest in that and how we expect that those investments to deliver growth into the future. From an execution standpoint, a lot of it, of course, comes down to execution, sorry, from a risk standpoint, a lot of it, of course, comes down to our ability to execute, whether it's measuring returns on a weekly and monthly basis so that we ensure that our investments are appropriately calibrated to growth, or it's measuring loss rates, for instance, on our financial services products or lending products to ensure that we've got the right inputs around our expansion efforts there, you know, but what we see today, we're incredibly excited about what we think we can deliver in 26 and beyond.

Question 12:49:51

Hey, Brian Bergen from GD count, thanks for all the detail. Nice job here. I wanted to dig in on the margin. Maybe do. Talk about the confidence in that margin outlook over the three year period, and particularly some of the key sources for you curious, as you guys are also going full on with goose and builder Bot g2 how you think about what that means for you, for needed workforce intensity in the company as well? Sure,

Amrita Ahuja 12:50:15

you know, there's a full gamut of costs that we can explain, and I think it's different movers across our different cost categories. From a personnel standpoint, I think you've already seen us over the past few years, get far more efficient as we look ahead, you know, functionalizing our company, working against a consolidated block roadmap together, being able to move people into squads so that they're working on the most high priority initiatives. I think that gives us a tremendous amount of urgency and speed, but it also gives us efficiency in how we deploy our resources to deliver impact and the returns on our teams. I think we are still in the very, very early days of that. I think the second piece, from a personnel standpoint, is automation. We can enable our current employee base to deliver more and more, to see higher returns from our existing employee base, and to ramp in the mid teens, from a gross profit growth perspective, without meaningful personnel investments above and beyond. How we enable our team from an automation perspective, there's a number of other non personnel cost categories, from variable costs with sales and marketing and risk loss. These are big categories where we want to continue to refine and get more and more efficient, but are mindful of investing there, where we see strong returns to drive growth. And then there's a number of other non personnel fixed categories, which are, you know, real estate, T and E, you know, software and cloud fees, professional, you know, consultant fees. There's, it's a big body of spend, and we are going to be fairly rigorous in how we scrutinize that spend to ensure that we can put more of our dollars in the categories that actually return for our customers.

jack 12:52:05

We do intend to go all in on automating through goose and all the tools that we build on top of it, and I would expect to be able to prove a lot more of that next year, but the number one priority for our company is to automate our company. Because if we can do that, we can do that for our sellers, we can do that for all of our customers, and we've already seen by investing in that we get entirely new product categories such as money bot and manager bot and everything around around builder bot as well. That acceleration will lead to things we're not talking about right now in terms of features and products as well. It just allows us to experiment much faster, build much faster, and get to product market fit much faster.

Matt Ross 12:52:50

Go to Tim next, and then this question over here, also.

Question 12:52:55

Thank you. All right, great. This question is more for Nick, I think, but you talked about 300 salespeople in seat by the end of 2027 I think it was, and it was, you've given a lot of tools for them. So whether it's neighborhoods, the AI tools, you mentioned a stat today, around 50% of the leads coming in are coming from the partners. So it's kind of supercharging these salespeople. So with that as a backdrop, I was hoping you could talk about the Salesforce productivity, meaning, for these 300 people, what should we be expecting in terms of their contribution, whether it's to the acceleration over the next few years, or it's a per salesperson, or maybe, if you can't go to that level, maybe just, how does that productivity expectation compare to maybe the competitor sales people?

Nick Molnar 12:53:39

Yeah, so my anticipation is that this Telly sale, this field sales motion, should be able to get to the same size of our existing tele sales motion over the course of the next three years. Like that. That that's the scale of the opportunity if we want to get to 5050. Field is going to be the primary driver of our ability to step change the sales led cohort, and we're already seeing very clear line of sight. We are working really closely with our development teams on how do we better automate the sales motion? I would still estimate that about 50% of a rep's time right now is spent on admin and not spent selling, so we have a huge amount of room to give time back to our reps to make them more productive and to be able to drive more NVA per rep While we scale the count of reps from the field motion specifically, we are really early, and the ROIs that we put up on the screen are reasonably primitive in a sense of like how we're steering our reps on what, like, where to go. When to go. So for example, we don't presently have best routing path of the day for a rep of where they should go and when the reps are walking their local neighborhoods, and we know their lists, and yes, the TAM is reasonably under penetrated now, so that works, but there's a way to make them significantly more efficient than what they are

doing right now, or our present like Salesforce, way of working is designed for someone sitting at their desk. It's not designed for someone on the move. So how do we think about bringing that in where you know, if you walk into a store and you're trying to sell, you need to find the right moment that's at the right time when the person behind the counter has the space to listen to you, or wants to commit to finding the space to listen to you. There's a lot more science that can be brought into how we show up in the field, and our processes to date and our technology to date are not optimized for our field team, but we're really focused on making them optimize. So, like, the baseline of ROI, in my mind, is kind of like the starting point that gives us confidence, but I think we have a lot more room in finding efficiency of our reps and giving them better technology to help them automate and scale

Owen Jennings 12:56:17

and just one thing to add. From a development perspective, we have dedicated teams that are partnering with some of the teams at block that are a bit more operational in nature. So we have a dedicated development team that's working with sales and account management, similar thing for customer operations, similar thing for risk operations and compliance operations. And so there's folks across engineering, design and product whose entire job is to look at that workflow for, say, field sales or say for account management, and say, How am I going to automate that? How am I going to get that, that 50% number down to 30% 20% 10% and really excited about the progress we've made in the past few months.

Matt Ross 12:56:58

Adam, next, Darren do, hi

Question 12:57:05

arshida Robert Bernstein, so two questions. First on Cash App monthly actives, as we look out into the coming years, Amrita, you kind of guided to low single digit growth, but my question is given all the paybacks you're seeing, we talked about that today, the product velocity, all the network and neighborhood initiatives, why not aim for a higher number than the low single digit growth, fully recognizing that that number hasn't grown in the last couple of quarters. So this is an improvement, and you may be kind of working off of the recent trend line. And then a follow up, Amrita just on the guidance, the 17% gross profit growth guidance for next year, the 15% 2728 how should we think about that number, including the variable cost, all of them, including risk losses. Thank you. Sure.

Owen Jennings 12:57:55

I'll take the actives question. Appreciate the question. I guess one thing I just want to draw a distinction between is there's guidance, and then there's setting a goal. So you can bet that our personal goal and what the team is aimed at delivering will mean, you know, we're trying to meaningfully outperform anything that we put out there from a guidance perspective. And I'm really, really happy with the progress that we've made. Basically this spring, we kind of said publicly that we're making network expansion the number one priority for cash app. We've shipped a ton of improvements over the past several months, and we're now starting to see that flow through. So I talked about this a bit at earnings, where we're seeing that year over year growth rate accelerate, obviously off of a low base and not a place that we're happy with, but we're seeing really positive trends. And I'm looking at numbers on a daily basis, on an hourly basis, and really happy with what I'm seeing. There's also other levers that are going to drive the business, or we hope, to drive the business, that aren't necessarily factored in. I talked about in my speech. I talked about network enhancements. I talked about teams and families. I talked about multiplayer money. Obviously, neighborhoods is a huge potential tailwind. Where you're talking about, you know, 10s of 1000s of points of sale and essentially making each of them an upsell into cash app. There's entire new product lines that, you know, Brian boats talked about, the credit score, for instance. There's areas we didn't touch on today related to stable coins, related to cash for business. So I wouldn't read that as much as like a goal. I would read that more as guidance. And I think we're working every single day to outperform.

Amrita Ahuja 12:59:31

And I'd also say on the actives front that, as I'm sure you see in your own model, Cash App, gross profit is levered pretty strongly to actives growth. So if we can outperform that actives growth, we obviously have shown a track record of, you know, dramatically growing ARPU within Cash App, you know, the amount of utility that customers are finding on a daily basis across the ecosystem, how money moves through all of those products, and the monetization rate on them. Has underpinned really dramatic growth from an ARPU perspective. And so to the extent that we can inflect the actives growth number that will that materially shows up in gross profit. So I think what we've shown today is based on our most recent track record, the compounding results that we've seen over the past six months. But obviously there's a lot more to do there. And the second piece, which is variable profit. I mean, I look, I think what you saw in the presentation is obviously margin expansion, not only in 26 but in the next three years. We also shared incremental profit margin expansion from 25 and into the next three years. We, as I said earlier, will tolerate risk loss growth on \$1 basis, and you'll see that show up in our PNL as we expand these lending products, but we're going to be incredibly watchful to ensure that the returns on that growth, the margin on originations, continues to be within our target levels. And so our ability to respond to any changes there and to profitably grow the unit economics on the individual lending products themselves, continues to deliver over time. So I'd expect to see, you know, variable margins as well, expanding in line with those with those broader rates. All right,

Matt Ross 13:01:20

so we're gonna go to Adam right here in the middle, if you want to raise your hand, then we'll go to Darren right next to him, and I'll come up front for Hamish. Thanks.

Question 13:01:30

Really nice job today presenting all this. I think you kind of created a bit of a clearing event in increasing the aperture of the visibility into the income statement, getting a little bit more away from just gross profit growth and expanding into the adjusted operating income line, is the right way to look at this, given the headwinds. Nick that you described, a little bit on the square side, more sales force driven higher merchants, which is a little bit lower margin, but you're driving a lot more operating income growth. And it looks like, on the cash app side, maybe a little bit of the reverse gross profit is growing a little bit faster than the contribution to the adjusted income growth. Is that. Is that the right way to think about it? But the building blocks are there on both sides of the business, to drive EBIT to drive, I keep saying, adjusted operating income growth. And then Nick, if you could just talk about your Salesforce ads and where they're coming from and what you're looking for as you build this group. Thank you.

Amrita Ahuja 13:02:22

So in the first part of the question, if I understand it right, some of the incremental areas of growth. So for square, it's maybe larger sellers, international markets. And then for Cash App, our lending products come at lower blended margins today than the core, you know, payments and software business. I think that's right, what we're seeing, though, is, as you know, as we orient increasingly to variable profit dollars generated, and we expect to grow that, you know, with discipline over time, we can, we can see an overall blended profile across the mix of our products continue to deliver margin expansion. And that's, you know, accreting from a leverage standpoint as we strictly manage the fixed cost base. I hope that answered your question,

Nick Molnar 13:03:05

yeah. And then so yeah. I mean, we think about this as dollar variable profit growth like that's the way. Ultimately, the more dollar variable profit growth we can drive, or acceleration of that year on year growth curve, the more that flows through into operating income. So when I'm looking at our opportunity, yes, we're like managing to a margin profile outcome, because we don't just want to drive GPV for GPV sake. But there are also some realities of how network effect is unlocked in a B to B led business where people do respect certain people in their neighborhood, certain sellers in their neighborhood. There are staples and icons of neighborhoods that really shift the perception. And then in partnership, you can actually like demyth some of the realities of what people might think of with square through someone that they or that they already respect. So when we're running a campaign with Katz's Deli or the founder of bluestone lane is on the front page of the FMB, you know, trade magazine talking

about our hardware, that is a way better campaign for us than us running our own marketing campaign. I still we're definitely not at the efficiency like we're not maxed out on our efficiency frontier of our marketing spend. In my mind, we want to keep pushing it as long as it's going to drive inbound lead volumes and quality inbound leads that go down to the bottom of funnel and translate to an actual closed win rate. But you know, we have such a meaningful portion of our leads today come from our marketing spend, and as we keep pushing it, we're seeing that marginal profile prevail. So, you know, there's like, there's, how do we keep driving lead? How do we keep driving the channels that will drive. Of leads while we scale our our team, because if you scale your team and you have no leads, they're going to be the inefficiency will start to show up and start to prevail. Field reps don't need leads. They need territories where you're under penetrated, where you know that if they run the right routes, you're going to achieve the right ROI outcomes with win rates, tele sales, some of our other teams, that's like enterprise. That's where we start to get more into kind of the lead, the lead routing piece. I do think International is a really interesting piece here, and I spoke about the different variable profit margin profiles of international versus the US business. But we're driving MVA growth of 70% at the moment, like it's these are really big numbers and and I think we can keep pushing in that territory of growth rate if we play our cards right. So I'm really focused on field. I'm focused on starting to build the right up market motions. Some of our leader, our leadership from the early days of afterpay is now leading those motions and starting to build that out on the square side. And then there are some newer things, like reseller scaling, scaling field and being really focused on international The

Matt Ross 13:06:11

other thing I would add Adam is we talk a lot about payments pricing on market, but there's also a software opportunity that's pretty meaningful. And as you move up market, you attach more software the pricing and packaging work that we launched at Square releases a month ago is also an opportunity to sell more software to our customers and help them run their businesses more effectively, which has a monetization benefit, of course, Darren. Next

Question 13:06:31

question. It's Darren Beller. This is probably more for Owen and for Jack, but for some years now, we've talked quite a bit about the connection of the ecosystem as being a big aspiration of the company, cash, app and square, and I'd love to hear more tangible examples of what you think is actually going well today, and more importantly, what you see as potentially showing milestones of success in a year from today or two years from today that have said you would look back and say you really did succeed in connecting the ecosystems. To me, that's one of the biggest potential differentiators of block going forward.

jack 13:07:05

Yeah, I can start. I think the biggest proof point ultimately is going to be neighborhoods, because it's a real product that both our our sellers and our Cash App customers will value. I do believe it'll drive significant usage for both of those ecosystems. We were not able to do that over the past few years for a number of reasons, technical personality, like organizational and whatnot. So being able to see actual sellers and actual individuals use it on a on a increasingly regular basis, and what it could potentially unlock for them is massive, but that's just one part. Like everything that we talked about last last week with Bitcoin also is referencing how we we pull our ecosystems together, and how they can actually play off one another to the positive. So I think you know over this, over the next six months to a year, we'll have a lot of proof points. We're excited to show you all on why these two ecosystems can really scale together. And we're one of the few companies in the world that have both sides of the counter, and we intend to fully take advantage of that in every single way in order to get more customers on in both of those ecosystems, I can

Owen Jennings 13:08:24

just add, add a few thoughts I really wanted to lay out, kind of how we think about our capabilities and then our brands really just being interfaces on top of them at the at the start of my talk, because I think it gets to your question. So I think there's already a number of ways in which we are and we have been connecting our ecosystems that's not necessarily incredibly visible to customers, and this was part of the goal around functionalization. So right now we have, like, a singular AI stack built on top of goose and that agent substrate, and that's powering money bot, and that's powering manager bot. It might not visibly feel to a customer like we're connecting the ecosystems, but it's letting us move faster. It's letting us build incredible things in a matter of weeks or a matter of months. Similarly, we now have a singular financial platform across the entirety of block, versus having one for square having one for cash app, so on and so on and so on and so forth. So I think that we've made a lot of progress just in terms of our ability to move more quickly, our ability to get rid of duplication at the company, in terms of things that are going to really affect the customer experience, and where you kind of get that combinatorial benefit that we've been talking about, I agree, neighborhoods is probably like the biggest thing to watch in the immediate term. But really, on the development side, what we're doing now as like one product development team is we're looking at every piece of square. We're looking at every piece of cash, app, every piece of after pay. And we're saying, How can we provide differentiated value here? So. There's a few other touch points that I would think about. One of them is obviously the integration of cash app and after pay in the US. I think that's absolutely massive. So going back to the previous question, you know, we're working toward having that tailwind of Cash App actives in terms of us Afterpay actives coming into cash app, I think similarly, we continue to focus on our payment stack with cash app, card and Cash App pay. So the more payments that we can get at Square sellers with cash app, card and Cash App pay, the better that we can make that experience, both for consumers and for merchants. If you think about things like rewards, or if you think about things like processing costs or what have you, that's why I think dollars on lightning or Bitcoin transactions on USD was such a massive announcement to talk about today, and then I touched on it a bit in my in my talk, but I think the

employee network and the staff network is a pretty meaningful opportunity here. Increasingly, you're so you're seeing us build more and more features and products in the cash app that are broadening the aperture of cash app into like, basically, whatever is related to your financial life, you should be able to manage it within Cash App. And so we have, you know, millions of staff members who work at small businesses on the square side. We also see a very large number of new staff members on an annual basis. And to the extent that we can make cash app just the default banking platform to get paid instantly for work that you do in a given hour or a given day, that's going to be pretty massive. But I guess more more broadly, I would say basically, we're looking at every single capability, and then how can we expose that to a given customer through a given interface? And how can we add more value by leveraging capabilities across our brands? Okay, so

Matt Ross 13:11:45

we're gonna go to Hamish next, who's a very front row, and then Tenjin after after that. Jack.

Question 13:11:54

Maybe a question for you, one of the things you've had in home is the importance of product velocity, and it feels like there's been a massive change there, organizationally over the last couple of years. Where are you on that journey? Are you able to characterize that and what more do you have to do to where you want to be?

jack 13:12:11

Yeah, I think we've we've certainly done what we need to do. From a structural standpoint, I think the rest of it comes down to mindset and more accountability and putting into practice. The tools we're using are very advanced, and we are ahead of the game in most of these things. Goose has not only been successful at our company, but other companies such as stripe and Databricks like it. It's a model that actually works, and part of its power is that we're completely model independent. So it can be a front end to any model, whether it be open source or one of the bigger corporate frontier models. So it allows us a lot of flexibility in applying it to the work. So I would say that we have had significant velocity shifts over just the past six months, but every single month is going to get better and better and better as we get more of the team to use the tools as we understand like, where we can we can fill the gaps and like, really apply this technology even more, but most of it's making sure that we get this mindset, my last slide, fully integrated into the culture, and that's going to be a big part of my entire focus, our leadership team's focus, and making sure that we have an organization that really lives up to those, those three things that changes our velocity completely. So we made major strides. All the structural stuff is more or less done now, just like putting into practice again and again and seeing it compound.

Matt Ross 13:13:48

Okay, tension up here, and then I'll go to Dan over here.

Question 13:13:55

Thank you. Thanks, Matt. I guess I just want to share a couple reactions maybe to your session. Jack, if that's okay, and get your your feedback on it. So from a mission standpoint, the mission has always been pretty consistent, right? Economic Empowerment, I think you shifted that to include autonomous economic empowerment, if I heard that correctly. So that's one observation, big push towards autonomy. And then the second one, when you talked about inflections, my reaction was that, in the past, most of these inflections were from established products, and then you, you know, bring those to the mass markets, or, you know, to the underserved. But I think the one that you called out, I think it was what data, and then AI, I would say those are less established, right? So, so I'm curious how that this inflection might be different as you're moving the mission more towards autonomy. Is the market ready for autonomous tools? Is it ready for Bitcoin? How are you thinking about that within the the framework of past inflections that have worked very well for. The company, if you follow my my question, and I know in the past, Jack, you've talked about horizon 123, I don't know if that that thinking applies here or not. Sorry for the long winded question,

jack 13:15:10

My sense is that any company that doesn't build a platform for autonomy is going to become irrelevant because the frontier labs will take more and more of those use cases, and our intention is to lead this effort and not to not to react to it. And I think you're right in terms well, I would say that all those other three inflection points, those were not established products at all, like, especially for the people that we served, all of them were, you know, certainly looking at like these use cases and broadening the access, but they weren't established in our customer set, and establishing them in our customer set, and then building on top of them so that we could go more a market is where we really won. We We believe there's a massive opportunity which is differentiated and unique in the sense of having real time living data fed into models that we create and we control, that other companies are trying to take from companies like ours and ingest them so they can build similar services, but we have all that today, so we think it's really important to focus on this concept of proactive intelligence, noting that most of the AI models today are trained on old, dead data from the internet. They don't have access to the fundamental data that we have every single second of every single day as people just use our product, and all these models are becoming more and more commodity, especially given all the open source models coming out of China. So it gives us a very unique vantage point, and gives us an ability to actually level the playing field for our customers and for ourselves and move faster than you know we were, we were able to in the past. So I do see it as an inflection point. I

do see it as something that transforms our company, and we intend to lead on it. But, you know, words are meaningless. We're going to prove it. We're going to prove it to you in terms of Bitcoin, again, like this represents a shift and an opportunity for us to reduce a singular dependency on the current financial system and networks and provide other options and provide our sellers the ability to really push their customers Where they go so they don't have to pay fees. There's economic incentive to this. It's not just being about crypto. It's not just using cool technology. There's economic incentive and economic freedoms that this technology gives our seller customers and our individual customers. And this is just the beginning. It's not just about payments and transactions. There's a whole category of services that we can build on top of this open stack. But payments is obviously the most fundamental and the most important.

Owen Jennings 13:18:10

Just one quick add on, from a from a product perspective, I think we've done a good job on the square side and cash side of just obfuscating away from the complexity. And so you had a you had a question about readiness, I think the question is like, I believe there's some customers who perhaps don't care that. Let's say money bot is running on, let's say GPT five, one versus cloud sonnet 4.5 versus an open source model. What they care about is that, you know, they're able to save up a rainy day fund, or they're able to get good financial advice from Moneybot. I think similarly, you don't necessarily have to believe that 10s of millions of customers are going to, like actively choose to pay in Bitcoin tomorrow or next month. We can obfuscate a lot of this complexity. What they care about is that, you know, their transaction goes through for their coffee, and what sellers care about is the transaction goes through, and also maybe I'm paying less. So it's our job as like a design and engineering led company, to obfuscate away a lot of the stuff that we're talking about here and just build incredibly simple experiences that customers love. And I think that's more so what we're getting at.

Matt Ross 13:19:15

So I'll go to Dan over here and then question on the backbench back there.

Question 13:19:21

Hey guys, really, really interesting analyst. Thanks again. Maybe just a question on the on all the lending stuff. I mean, the one thing that I came away, by the way, Danielle from Museum, sorry about that, is how good the lending is, right? Like the loss rates are very low, and I think a lot of people don't understand it. I think that's a big overhang on the stock. And so my question is basically like, do you Would you consider maybe consistently providing more data, maybe even making it a separate segment that shows, okay, here's everything we do in lending, and here's everything else, because the data speaks for itself, and it looks really good. There's no reason to not put it out there. That just may be a question on me. Yeah.

Amrita Ahuja 13:20:06

I mean, Matt, you should speak to this too, but I think a big part of what you're hearing from us today is a commitment to increased regular disclosure and transparency on these quickly ramping parts of our business, whether it's important parts of our business, whether it's, you know, on square go to market, or it's on Cash App, lending, or what have you I think a big part of the reorientation of the revenue categories is to highlight the pieces that come from financial services. Now there's more in there than just lending, but certainly lending is a key piece of that, and everything from, you know, margins on our originations our roics, like these are incredibly strong metrics that we're tracking on a daily, weekly basis, and so we do commit to sharing more of that on a regular basis.

Matt Ross 13:20:54

Yeah, just add so there's a chart or slide in amrita's presentation that showed originations by borrow, and BNPL showed variable profit. Return on invested capital. Our plan is to share that information going forward. As Amrita said, we seek people's feedback on what we shared today, and so let us know what you all think it's worth. Just pausing for a second, that was one of my favorite slides in the entire entire day, 50% origination growth, 28% return on invested capital, 2% variable profit margins that have been stable throughout the last several years. It's just, I think the team that managed their underwriting risk boats, who was up here, and everyone else with him, has done an absolutely exceptional job. And it's worth reflecting on the fact that that scale, that growth, those returns, just, I do not think exist anywhere else

Nick Molnar 13:21:41

can I? Can I make a couple of points? I think lending is a super powerful block. I think when you actually look at gross profit profiles across like fintechs, others internationally, that we believe are great businesses, it always comes back to lending. And access to liquidity is one of the most valuable things that you can give a human. And we're seeing we're seeing that. And the reason why we are so uniquely placed that it is a superpower is because we didn't start our life lending someone \$2,000 over a 24 month period, and making a decision today that we have to live with for the next 24 months. We have such fast velocity of our book, short duration loans, small average order value, small ticket sizes, highly diversified. We're dealing with millions of consumers every single month, and that's like a very unique thing that we have designed that is fundamentally the opposite of the broader financial services ecosystem. So when you see that there's like, pressure in the market on loss rates, and you see that we've been able to hold our loss profile while significantly scaling the fact that risk loss is up on \$1 or like, a year on year. Metric is an irrelevant point of view when you're growing borrow at 134% year on year, and the velocity is prevailing and you're assessing each loan or each order every single time. So I think we have a job to do to keep reinforcing that our lending is different from everyone else's lending,

and our lending is the most real time lending that happens in the market, because we're looking at it on such a short order basis with such high velocity. And that's why you're at over 100% return on equity as a result of the annualized returns that are. You know, our margin profiles prevail. So I think this is the thing we have to keep leaning into and and like, hold it and be proud of it, because it's a superpower for block.

jack 13:23:44

Yeah, and this DNA started all the way back with square capital, which is now called square loans. I think one of the most undervalued aspects of our business is the data and understanding we have of our customers. And now that we have these tools such as AI, we can do something even more magical that is cohesive with lending, but, you know, really allows us to tie so many use cases together with that understanding.

Matt Ross 13:24:12

So there's a question on the back back row here.

Question 13:24:16

Hello, hello. My name is Cameron McKenzie. I came actually down from Vancouver, Canada, because I'm so impressed with what Jack and Jim created many years ago, and all the incredible things you guys are doing and showing us today. You mentioned cats deli, but Purdy's chocolates is a chocolate company that I grew up with, and the local family in my town, Vancouver, building for durability was something you mentioned earlier, and this focus on teens and capturing teens financial literacy. I am an investment advisor with RBC Dominion securities, and we talk about financial literacy all the time, but the sticking of that is not what you are providing with teens and the bigger picture. Of why I came down here was to learn about the blockchain and the Bitcoin. And it's a yes or no question, probably to Jack, but is Bitcoin awareness an obligation for block? No. Thank you. Keep your head down and keep doing what you're doing.

Matt Ross 13:25:17

Then we love Purdy's chocolates too. Actually, a question right next to you, if you want to just pass the mic one person over,

Question 13:25:27

yeah, Sean Emery Avery and company, you know, on the bot side, you know, how do you think of if usage across the board ramps up, and how that affects maybe margins? But then, even more importantly, I think monetization of it. And then second, you know, on the Cash App investing side, you know, how breadth, depth Do you want to go there? You know, some of the competitors are pretty deep at this point. I couldn't drive engagement over time. So that's kind of the second question.

jack 13:25:54

Yeah, the on the on the bot side, first, you know, we want to for money, but we want to provide someone with something that is equivalent to having a personal CFO, and we think that's extremely valuable. We think giving time back is extremely valuable, and we want to price it ultimately according to that, but we have a lot to prove before we get there, and we want to earn the trust that it's actually doing the right things for people and they find real value in it, and that is exactly what we're testing right now on manager bot. It's the same thing, which is, we believe that, you know, this should be equivalent to hiring a COO or manager for your business, and that if it's truly automating your business in the same way that we intend to automate our business, that's extremely valuable and should be priced accordingly. We think there's an opportunity with Builder Bot as well, for companies like ours, but also for smaller businesses that we've historically served over 16 years and certainly upmarket. We don't have immediate plans on how to package and productize that. But we do think there's a lot of opportunity to do so, and we will be looking at it just a couple of

Owen Jennings 13:27:07

things to add, just from a cost perspective, as we think about money bot and manager bot ramping. Feel pretty good about it, not too concerned, as Jack said, you know, eventually you can kind of figure out the pricing just for just for those things. But then in terms of of money bot and how it actually flows through, I think it's actually a pretty, it's a pretty incredible system from a product perspective. Because, you know, we've spent the past decade on all these like life cycle models and personalization models and next best action models, etc, you've kind of had to hide that behind the other things. It either seems like it feels like a like a crummy push notification, or you're kind of like building that on a different UI this, it truly is giving customers suggestions. And so then the way that I expect that to flow through, or how you could imagine it flow through, is just cross sell, upsell and engagement, new product adoption. We're already seeing instances of folks who are starting to use savings, starting to use investing, or what have you, from their conversations with with money bot. The other thing is, to the extent money bot can really differentiate, it's a huge value prop for a given customer who uses Cash App, maybe periodically, to bring their entire financial life onto Cash App, because now you have this conversational CFO that you can chat to about everything that you do on the cash app side. So I do think there's a lot of upside as well. It's not just on the cost side for investing, just just where we're focused right now is investing products that serve the vast, vast majority of Americans. We

don't have any immediate term plans to do, you know, short selling or margin loans or what have you. Like the vast, vast majority of Americans do not need those tools, and so we'll continue to invest. There's some interesting features we can build, but I wouldn't expect us to go 100% deep in the in the investing world, in the immediate term. Yeah,

Amrita Ahuja 13:28:55

I'll just add in tying your connection back to our guidance. We don't include meaningful gross profit opportunities related to our AI initiatives in the guidance that we laid out today, we do include some modest costs, I think, as I mentioned in my presentation, about \$130,000,000.26 related not only to AI, but neighborhoods and after pay, pre purchase. So some newer initiatives that we'll be ramping next year. We've included investments against but AI may be tying to Tintin's question earlier is more nascent, and I think business models will evolve. At the very least, you can imagine things like retention and cross sell through some of these AI, conversational, proactive intelligence means, but potentially business models on top of that, and that's not what's factored in the guidance today. That's upside potential.

Matt Ross 13:29:44

All right, so the back of the room some really quiet, or maybe it's been missing hands the whole time. But anyone in the back rows have any questions? Question over here?

Question 13:29:57

Thank you. Ken Seskie, autonomous research. I wanted to ask about monetization of cash app it feels like Cash App modernization has had different drivers and contributors over the years, right, starting with instant transfer initially, then you moved on to Cash App card active penetration has increased your driving growth with cash app borrow, when you think about the next leg of growth, are there one or two products outside of borrow that you think can really help contribute to gross profit growth over the next few years? I think Emerita, you said there were a number of product launches in the works. And then I also saw the think there was a reference to Cash App score and potentially leveraging that data and selling that data. Thank

Owen Jennings 13:30:43

you. Yeah, I can talk about this from a from a product development perspective, and then I'll let Amrita tie it together in terms of the plan. I think on the cash app side, there's no shortage of new product lines that we can build. I think we're in a really, really unique place where we started with peer to peer. We've layered in a new financial service basically every year over the past decade, and we've had market fit, and we have strong attach rates with all these products in a way that, frankly, you know, some of the other competitors in the peer to peer space don't,

and a lot of that is because where we started was serving those who were traditionally underserved by the financial system. And so the attach to cash card is really high, and the attach to borrow is really high, and the attach to Bitcoin is really high, and so on and so forth. So one way that you can think about it is just to redefine the world's relationship with money, you have to serve basically every transaction type. So what are some markets that cash app is not playing in right now, where customers are transacting? Those are the sorts of things that you could imagine us building, whether it's in, you know, one year, three or five years, and there still are a number of categories where we aren't playing I think that, you know, more specifically, I think the credit credit score internally, and also, you know, potentially externally, is an incredible example of what could be a new product line. You know, there's other products that are out there in the FinTech space that we could easily build ourselves or integrate with. And then I think, more broadly, really, the commerce side will continue to be a huge tailwind for us. I think cash at pay, we're really just getting started, and we see tremendous demand. And then there's so much that we can do with cash at pay, with dollar on lightning with how we think about building these payment networks. And so I think there's, there's a number of, you know, potential multi 100 million dollar gross profit lines that are, that are kind of coming down the pike. I think

Matt Ross 13:32:31

you have time for one more question. I can't see who it is back there, but yeah, perfect.

Question 13:32:36

Jeff Cantwell, from C 40 research. Thanks a lot, Nick, I thought your presentation was really good. And Owen, yours as well. Owen, you highlighted using Bitcoin for payments, and you call that a paradigm shift. Question I have is, how does block plan to help do its part in facilitating the adoption, both on the merchant side, open up that aperture, but also with consumers. It just strikes me that you guys have a lot of experience with Bitcoin over the years, and you'd have ideas on driving consumer adoption, because, as we all know here in the US, at times, there could be a solution in search of a problem mentality with payments. I guess I'm just curious, you know, what the plan is around driving adoption, or how you see that playing out over time, and then jack this probably is the most important question you'll ever get asked from the sell side. Are you? Satoshi Nakamoto, thanks.

Owen Jennings 13:33:32

All right, I'll kick it off. Nice two parter there. So I think, I think we're really good at driving customer behavior shifts. One fun thing that I like to do is think about when I started at block 12 years ago. Our readers were all swipe, and everyone was we're kind of in a tizzy about this whole EMV thing, and like, building the dip reader and so on and so forth, and then all of a

sudden you get tap. And we did a really good job of kind of like, moving customer behavior forward, both on the seller side and also on the buyer side. And now it's probably just like an afterthought that we were ever swiping cards for many of you, but that was really core to our business. And so there's a lot of learnings in there. I think one is keep it simple so like, we can obfuscate away a whole bunch of complexity. I don't think the average American is going to necessarily deeply understand or care that much about the Lightning Network and what the I2 means versus the I1 and they don't have to. We don't have to. We don't have to put that front and center for them. And then I think second is just build an incentive structure that works. That's why, you know, I'm so excited about what Brian was talking about with neighborhoods. I'm so excited about cash, app, green, we have a ton of leverage in the business, and so we can build incentive programs both on the acceptance side as well as on the buyer side in order to drive adoption of any given product or any given form of payment. And so that's what I would say. It's like. If we keep it simple and we get the right incentive structure, then that will just. Positively over time, and it'll be a similar sort of thing, where in X number of years, you'll look back and it's like, wow. Can you believe that we were doing it this way, when like this is clearly so much better for everyone involved. That's like by and large. How I think about it,

jack 13:35:12

I think the incentive structure is there, and I think the cost savings is obvious, and our merchants will lead the way, and it's just a matter of trying it a few times where you see that value. And I'm sure you all have had experiences where you're starting to see more and more cash only signs, and I think that only increases over time. So this provides another alternative on the Satoshi question, the most beautiful thing about Bitcoin is that question does not matter at all anymore. It's an open protocol taken over by a community that wants to see an alternative to an option. And if it was important to Satoshi, there's a simple way they can prove who they are, so we'll wait for that day. But just as a way to close this out, I really mean what I said in the in the beginning about giving us critical feedback. So we had a lot of questions today, but our emails are always open. If you email me, you can discover my email address. I'm not gonna say it right now, but you can discover it. I read everything. I may not get back in a reasonable timeframe or at all, but I take all the input, and it's really important that we get this critical feedback. If there's anything you don't understand about our business, if there's anything confusing, if there's something that you think is off strategy or just does not make sense and never has, then please send it our way and we will consider it and we will take it to heart, and we'll make sure that we improve it in any way that we can. The most important thing for us is that we're building something valuable for our customers, and we believe that we have something that is truly unique. We believe we have these capabilities that are very hard to build up into and to maintain. And we're believe, we believe that we are again in a leadership position from a technology and design standpoint, and that's what I want you to hold us accountable to. And if you see us straying from it, then speak up, be frank, be critical and be brutal, because we're only going to get better because of because of that. So it goes for all of you in the room, but also all of you in retail watching from afar. Please share the feedback, and we'll only improve from it.

So thank you. We have so much gratitude, gratitude for you all, for your time, for your belief and your patience, and we're going to make good on all of it. Thank you.

Amrita Ahuja 13:37:44

Thank you. Maybe one last, last thing, Jack probably doesn't want me to say this. He may or may not be Satoshi, but it is his birthday today, so what better way to celebrate with than with 200 of your closest friends? Hopefully you see him down in the demo Hall. Please go down and check out all of our products that are down there. Meet other employees and sing Jack, happy birthday.

Matt Ross 13:38:08

Thank you. Thank you all