



Q1 2022 Result Analysis

Block (Square) Inc.

May 2022



1. FINANCIAL KEY HIGHLIGHTS

1.1. Key Highlights

- Total Net Revenue in Q1'22 decreased ~USD1,096 million, or 22%, from USD 5,057 million in Q1'21. The main reason attributable to the decrease in revenue was a decrease in Bitcoin revenue of USD1,780 million or -51% from Q1'21.
- Bitcoin Revenue in Q1'22 decreased ~USD1,780 million, or -51%, from USD3,511 million in Q1'21. This decrease was driven by the decline in trading demand for bitcoin in Q1, 22.
- Overall Gross Profit of the Company stood at USD1,294 million in Q1'22, which is up by 34% compared to Q1'21.
- “Afterpay” (acquired by Square Inc.) has contributed revenue of ~USD 64.9 million in Total Revenue.
- Total Operating Expenses increased ~USD625 million in Q1'22. This rise is mainly due to an increase in product & development, sales & marketing, and general & administrative expenses by ~USD174 million, USD152 million, and USD248 million, respectively.

All figures are in USD '000, until otherwise stated

Particulars	Q1 2022	Q1 2021	% Change
Total Revenue	3,960,645	5,057,270	(22) %
-Bitcoin Revenue	1,730,793	3,511,068	(51) %
Direct Cost	2,665,685	4,093,769	(35) %
Gross Profit	1,294,960	963,501	34%
Gross Margin	33%	19%	
Operating Expenses	1,521,749	895,765	70%
-G&A Expenses	444,276	195,909	127%
Net Operating Income (Loss)	(226,789)	67,736	(235) %
Net Profit (Loss)	(204,199)	39,008	(423) %
Adjusted EBITDA	195,361	236,249	(17) %

- General and Administrative expenses increased USD248 million in Q1'22 or 127% from ~USD195 million in Q1'21. This increase is attributable to an increase in acquisition-related costs for “Afterpay” of USD42.4 million, a one-time charge of USD66.3 million for the acceleration of stock compensation with regards to the “Afterpay” acquisition; this also includes customer support, finance, and legal & compliance expenses of ~USD164.7 million.
- In Q1'22, the Company incurred a Net Profit (Loss) of (~USD204 million) which is mainly attributable to an increase in expenses related to the acquisition of “Afterpay” of ~USD111 million, ~USD31 million of amortization offset by an unrealized gain of

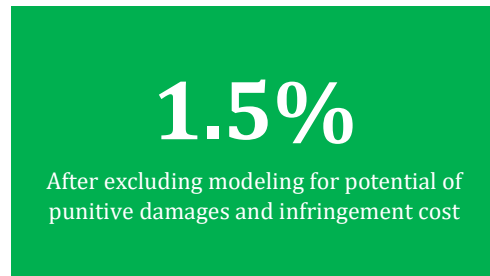
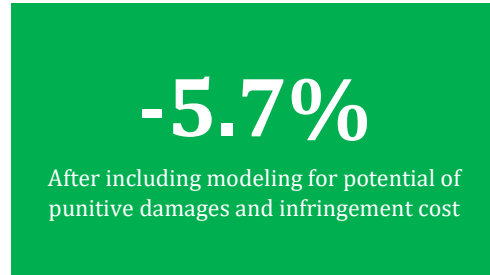


USD50 million from the revaluation of equity investments; and excluding these items, net loss was ~USD114 million.

- As per Veritaseum's earlier report prediction that the margins would decrease and the Company would incur losses, the Company incurred a loss of USD114 million even after excluding all the above items.

ACTUAL NET PROFIT (LOSS) MARGINS

VERITASEUM NET PROFIT (LOSS) MARGINS



- Square has expanded its offerings in Canada with Square Loans & On-Demand Delivery, and in Ireland, it launched Square Loyalty & Square Marketing, which increased Gross Profit in the market outside the US to USD78 million in Q1'22.

1.2. Financial Overview

Revenue

The Total Revenue decreased from ~USD5,057 million to USD3,960 million during Q1'21- Q1'22.

Transaction and subscription-based revenues increased to USD1,232 million and USD959 million in Q1'22 from USD959 million and USD557 million respectively. The positive growth in this segment was attributable to an increase in gross payment volume and by increase in BNPL (Buy Now Pay Later) platform. Also, an increase in the number of active Cash App accounts helped to generate revenue in Q1'22. The overall decrease is due to the decline in Bitcoin revenue of USD1,730 million in Q1'22.



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Cost of Revenue

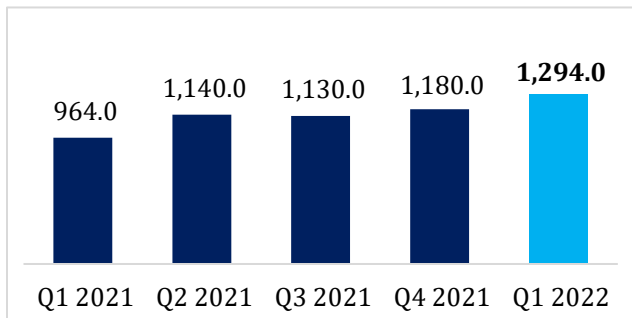
In Q1'22, the Total Cost of Revenue decreased ~USD1,428 million, or -35%, from USD4,093 million in Q1'21. Transaction and subscription-based costs increased to ~USD718 million and USD195 million in Q1'22. This overall decrease is mainly due to a decrease in Bitcoin cost of ~USD1,748 million,

Gross Profit

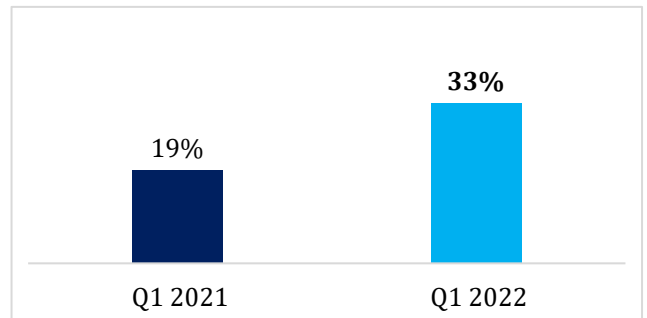
In Q1'22, the Total Gross Profit increased to USD1,294 million from USD963 million in Q1'21.

Square is creating approaches to improve economic access for its various users through adoption and expansion. The Company has improved its offerings by launching Square Loyalty and Square Marketing in Ireland during Q1'22. Square Gross Profit in the market outside the US increased to USD78 million in Q1'22.

Gross Profit (in USD million)



Gross Profit Margins (in USD million)



Total Operating Expenses

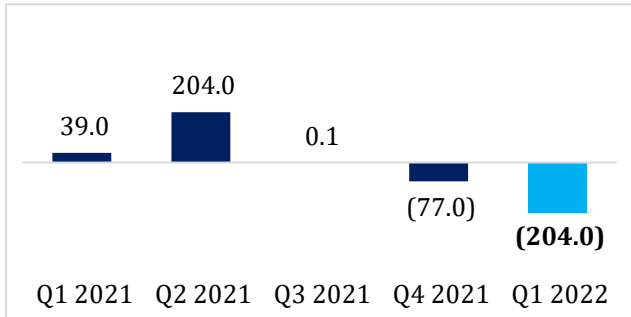
In Q1'22, the Total Operating Expenses increased to USD1,521 million from USD895 million in Q1'21. This increase is mainly due to the rise in product & development (USD174 million), sales & marketing (USD152 million), general & administrative(USD248 million), and Transaction, loan, and consumer receivable losses(USD70 million).



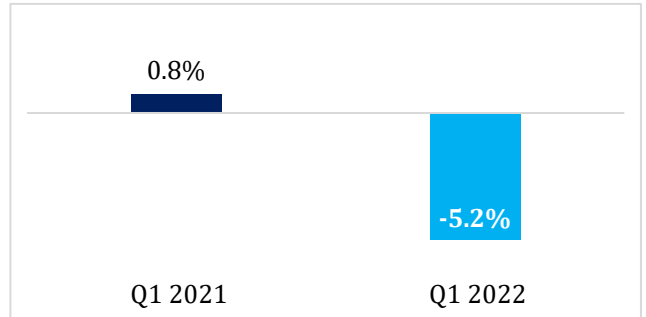
Net Profit (Loss) & Net Profit Margins

The Company has incurred a Net Profit (Loss) of (~USD204 million) in Q1'22, whereas the Net Margins decreased from 0.8% to -5.2% during Q1'21-Q1'22-

Net Profit (Loss) (in USD million)



Net Profit Margins (in USD million)





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