

Initiating Coverage:

# Block Inc. (NYSE: \$XYZ)

The Hottest Stock on the Block?

**Key Takeaway:** Block Inc. (\$XYZ) is solidifying itself as the dominating force at the intersection of financial services and digital payments. Block sets itself apart from competitors by offering businesses a comprehensive platform for payment processing and business development analytics through Square and simultaneously providing consumers with streamlined access to checking, savings, and brokerage accounts, short-term, simple interest loans, and peer-to-peer (P2P) transactions through Cash App. This is a competitive advantage that will enable Block to create a single, wide-ranging ecosystem comprised of both payment and banking services.

**Cash App Afterpay:** Block announced in March 2025 that it had completed its integration Afterpay, the buy-now-pay-later (BNPL) platform it acquired in 2022, with Cash App. Afterpay allows Cash App Card members to utilize BNPL for purchases, deferring full-price payment and instead opting for four interest-free payments, aligning with Block's broader goal of providing a comprehensive, user-friendly neo-bank that empowers users to easily and flexibly manage their finances.

**Cash App Borrow:** On March 13, Block announced that its industrial bank, Square Financial Services (SFS), received approval from the Federal Deposit Insurance Corporation (FDIC) to begin offering its consumer loan product, Cash App Borrow. Before this, SFS had only issued loans to businesses and offered interest-bearing business savings accounts through Square Loans and Square Savings, financed through an external partnership with First Electronic Bank. With SFS' approval to back Cash App Borrow, the bank will now originate the small, approximately 30-day loans (which are typically under \$100) offered to eligible consumers through Cash App.

**Bambū Partnership:** On June 12, Block reported that it partnered with Bambu Dessert Drinks, a Vietnamese dessert and beverage brand with approximately 70 locations nationwide, to implement Square's franchise payment and business analytics solutions, signaling Block's effort to integrate its systems with larger businesses.

**SPX Addition:** On July 23, \$XYZ was added to the S&P 500.

**Cash App Pools:** On July 29, Cash App announced that it would be launching pools, a peer-to-peer (P2P) payment feature integrated with Apple Pay and Google Pay that "enables group payments with just a few taps."

**Q2 2025 Earnings:** On August 7, Block had its Q2 2025 earnings call, in which leadership highlighted Cash App's reaccelerated gross profit growth of 16% YOY (with significant contributions from Cash App Card and Afterpay) and Square's 25% YOY international GPV growth (10% YOY overall GPV growth). The company raised its full-year guidance, expecting \$10.17 billion in gross profit (expected 14% YOY growth) and \$2.03 billion in operating income (an expected 20% margin).

**Valuation:** We initiate coverage with a \$100 PT.



Consortium Research Group  
FIG | Fintech  
August 18<sup>th</sup>, 2025

Stock Rating: Overweight

Price Target: \$100.00

Price: \$76.76

Potential Upside: 30.3%

Ticker: NYSE: \$XYZ

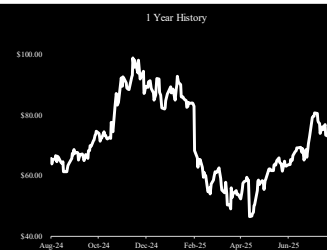


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## Company Overview

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**Block Inc.:** Block Inc. (formerly Square Inc.) is a financial services technology company, founded in 2009, that provides comprehensive and flexible point-of-sale (POS) and peer-to-peer (P2P) payment solutions, business analytics software, and business and consumer banking services. Block generates most of its revenue through Cash App subscriptions and fees, including Afterpay, Cash App's BNPL service, and Borrow, Cash App's short-term, small-value loan service. A significant portion of Block's revenue, besides that coming from Cash App, is generated through payment processing fees for Square POS merchants, subscriptions for Square's services, and loans to businesses originated from Block's industrial bank, Square Financial Services (SFS). Notably, Block has expanded some of its operations to include bitcoin solutions for the broader market, driven by the company's belief that blockchain technology will underpin 21<sup>st</sup>-century finance. These solutions include Bitkey, a self-custody Bitcoin wallet, and Proto, a provider of integrated Bitcoin mining hardware and software services.

**Square:** Square offers commerce solutions for small- to medium-sized businesses and intends to scale up to capture larger market players gradually. These solutions include POS terminals, software to run complex business operations, e-commerce tools (integrated with Weebly, Square's webhosting and site-management service), embedded financial services and banking products, BNPL functionality through Afterpay, and staff management and payroll capabilities.

**Cash App and Afterpay:** Cash App is a digital wallet that offers a range of consumer financial services, including direct depositing, investing in stocks and bitcoin, sending and receiving money, accessing short-term loans, and filing taxes. Afterpay is Cash App's integrated BNPL platform that allows users to purchase goods and defer payments in four interest-free installments either directly through merchant sites or as a feature of Cash App Card. Borrow

**Bitkey and Proto:** Bitkey, launched in 2023, is a self-custody wallet that features a mobile app, a hardware key, and a set of recovery tools, allowing users to securely store and access Bitcoin without worrying about security breaches or losing access to their wallet. Proto, which is expected to launch in the second half of 2025, will offer a bitcoin mining suite complete with integrated hardware, developed in collaboration with chip-maker TSMC, and software for miners to manage and analyze input and output metrics.

## Industry Overview

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**Payment Processing Systems and Business Analytics:** Square is a leader in the U.S. payment processing system industry and is expanding its services internationally, particularly in Europe, where approximately 15% of Square's annual revenue originates. Square offers an array of products to small- and medium-sized businesses that expand beyond POS hardware and business analytics software, including banking services. Estimates expect the industry will grow at an average CAGR of 12-15% from 2025 to 2030, which Square will benefit from, given its expanding international market share and leading domestic position. Square's focus on simplifying the running and management of complicated businesses through a single hardware and software product, rather than an array of disintegrated products or reliance on third-party providers, will be a key driver of growth.

**Consumer Financial Services:** Cash App is Block's consumer financial services product. Cash App predominantly competes with PayPal, Venmo, and Zelle. However, it has differentiated itself from its competitors by offering an array of integrated products and services beyond just the ability to send, receive, and hold cash. Furthermore, Cash App has a targeted customer base, namely those seeking a user-friendly banking

service that eliminates the need to open and maintain traditional checking and savings accounts, which includes teens, young adults, and low-income individuals. The 13+ age limit for Cash App, the ability for families to track and limit their children's spending with Cash App Card, and capabilities such as stock and bitcoin investment, as well as short-term borrowing, cater to these populations and promise to capture a growing population of people looking for an easy-to-use and comprehensive financial service app.

**Cryptocurrency Mining, Storage, and Payment:** The bitcoin and cryptocurrency mining industry is typically dominated by large players with extensive and state-of-the-art technology. However, Block, through Proto, is focused on democratizing the sector and offering individuals and smaller players the opportunity to participate in a growing industry that many believe will underpin 21<sup>st</sup>-century finance. This fits with the company's goal of creating an interconnected financial ecosystem based on blockchain technology, where consumers can easily mine their bitcoin, transfer it to their self-custody Bitkey wallet that they have complete control over (rather than some outside entity, such as Coinbase), and then use that bitcoin to spend money, accommodated by Square's POS terminals (which will begin accepting bitcoin as a payment at select locations starting in 2026). Overall, Block has the early-mover advantage when considering the expanding use of cryptocurrency as a mainstream payments and savings product. The company is well-positioned to capitalize on the stablecoin industry's growth within the United States and abroad and has reportedly explored the launch of its own stablecoin.

## Peer Comparisons

Comparable Companies						
\$mm						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
PYPL	\$74,550	\$74,760	17.2x	\$31,890	\$6,370	
SHOP	\$158,350	\$153,970	99.4x	\$9,380	\$1,420	
FI	\$79,280	\$107,870	23.9x	\$20,700	\$9,160	
AYDEN.AS	\$54,710	\$43,390	50.5x	\$2,010	\$955	
<b>Block, Inc.</b>	<b>\$44,740</b>	<b>\$39,140</b>	<b>15.7x</b>	<b>\$23,830</b>	<b>\$1,590</b>	

Ticker	LTM EV/EBITDA	Profit Margin	Operating Margin	Quarterly Revenue Growth YOY	Quarterly Earnings Growth YOY
PYPL	11.7x	14.3%	20.1%	1.2%	44.9%
SHOP	108.4x	17.2%	11.8%	26.8%	(149.8%)
FI	11.8x	15.7%	26.8%	5.1%	15.8%
AYDEN.AS	45.4x	45.9%	45.9%	23.0%	23.9%
<b>Block, Inc.</b>	<b>24.6x</b>	<b>12.4%</b>	<b>8.2%</b>	<b>(1.6%)</b>	<b>175.8%</b>

High	108.4x	45.9%	45.9%	26.8%	175.8%
75th Percentile	45.4x	17.2%	26.8%	23.0%	44.9%
Average	40.4x	21.1%	22.6%	10.9%	22.1%
Median	24.6x	15.7%	20.1%	5.1%	23.9%
25th Percentile	11.8x	14.3%	11.8%	1.2%	15.8%
Low	11.7x	12.4%	8.2%	-1.6%	-149.8%

Block Valuation		
Implied Enterprise Value (25th Percentile)	\$	18,724
<b>Implied Enterprise Value (Median)</b>	<b>\$</b>	<b>39,140</b>
Implied Enterprise Value (75th Percentile)	\$	72,262

Implied Share Price (25th Percentile)	\$	31.15
<b>Implied Share Price (Median)</b>	<b>\$</b>	<b>64.64</b>
Implied Share Price (75th Percentile)	\$	118.97

Source: Yahoo Finance

## Investment Theses

**Square-CashApp Integration:** Block holds a unique market position by providing comprehensive payment services to both business and individual consumers through Square and Cash App, respectively. Block plans to

capitalize on this by integrating and consolidating these two distinct products into a single ecosystem, envisioning a world where consumers directly pay for goods through Cash App and their Cash App Card, which would then be processed for a minimal fee by Square POS terminals. Furthermore, merchants could utilize an integrated Cash App employee payroll service that connects directly to employees' Cash App deposit accounts. Since Cash App is well-suited for growth through expanding networks, this wide-ranging ecosystem could rapidly accelerate growth. For example, employees could get direct deposits into Cash App and then continue to utilize the service for other parts of their lives, including investment, savings, and spending.

Notably, integrating Cash App and Square could attract businesses seeking to avoid notoriously high credit card processing fees; Block could monopolize the entire payment process, thus being able to offer lower fees at a large volume to generate revenue. Another part of this integration that would benefit Block is the potential for an early-mover advantage in supporting cryptocurrency payments through Square and Cash App. For example, businesses have shown interest in introducing their stablecoins to avoid burdensome payment processing fees imposed by credit card companies. This interest promises to quickly become a reality within the United States with the GENIUS Act, which outlines a detailed regime for regulating stablecoins. Block has demonstrated its ability to take well-calculated risks within the crypto payments space, notably by introducing Bitcoin investment on Cash App in 2018. The company has reportedly been looking into launching its own stablecoin, and it possesses the perfect means to do so: its FDIC-insured bank, payment processing systems for businesses, and financial payment products for consumers. If Block were able to successfully play into its long-lasting initiative to introduce blockchain products to a broader customer base, it could stand to benefit tremendously.

All in all, Block's strategy of integrating the Square and Cash App ecosystems stands to give the company an ability to build its network of merchants and individual consumers, thus creating a larger financial ecosystem. Eventually, the integration will be accelerated by the network effect, where those who are not a part of the Block financial ecosystem are at a disadvantage, facing less efficient and more costly alternatives. Other companies are not positioned to quickly or effectively compete with this vision, as they lack the trifecta ecosystem composed of a competitive payment processing business, an industry bank, and a leading P2P payments app, all of which is bolstered by support rails for cryptocurrencies and stablecoins.

By far the most important drivers of growth for Block moving forward will be its ability to execute on its unique position between consumer and business financial services markets, capitalize on the growing cryptocurrency industry, and utilize the network effect to its advantage to gain market share. As reasoned by CEO Jack Dorsey, Block must first focus on interconnecting the Square and Cash App ecosystems while providing more services that allow businesses and consumers to handle their finances even more efficiently. If executed correctly – which Block is poised to do, given its clear strategy and impressive market position – Square and Cash App would then hit the tipping point where the network effect takes control, as businesses and consumers, especially those on the young end of the spectrum, quickly join the ecosystem.

**AI Beneficiary:** A core part of Square's business is the data analytics and company management services it provides to customers. Block has displayed its focus on leveraging artificial intelligence (AI) and large language models (LLMs) to improve its internal operations through "codename goose," an in-house agentic AI model capable of being run on different LLMs that can code, browse, and perform multiple tasks for developers at Block. Not only will goose, as well as future iterations of AI models and LLMs, streamline and make Block's software development more efficient, but it will also allow the company to benefit while testing a potential product that could be rolled out to Square customers. Square already has a similar AI software feature that permits businesses to connect a variety of LLMs to perform a variety of tasks, from drafting product descriptions to creating menus. As AI models – especially agentic models, or those capable of expertly performing a variety of tasks on their own with limited instruction – become more advanced, Block's Square stands to be one of the greatest beneficiaries, especially as it continues to capture more businesses through other

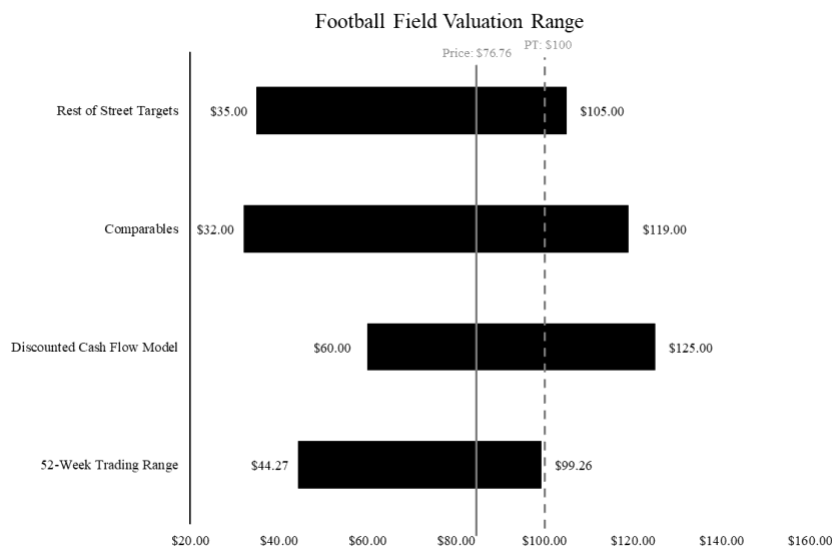
operations. AI would enable business owners and managers to efficiently execute a range of tasks, including evaluating business analytics to develop and implement new products. If incorporated properly into Square's overarching product, AI stands to be a significant efficiency boost for the company's customers, which would lead to Block capturing additional market share by outperforming competitors. This would eventually materialize in larger margins, catalyzed by top-line growth and lower costs.

**Consolidated Customer Base, Network Effects, and Consumer Resilience:** A significant risk taken by investing in Block is precisely one of its strengths: its increasing reliance on the network or ecosystem effect to obtain new customers and gain market share. Even though Block has successfully built up a strong Cash App network and strives to integrate it with Square's services gradually, significant risks include competition within the neo-banking and modern consumer financial services industry, as well as the company's reliance on subscription and processing fees to generate revenue through Square. However, Block has sharpened its focus on the consolidation of Square's and Cash App's customer bases, rather than pursuing expansion. This change-up from the failing previous strategy of relentless expansion could particularly accelerate Cash App's growth, given network effects and the broader industry backdrop of consumers moving from traditional banking services to having access to an app that enables rapid access to a variety of financial needs. Block stands to capitalize on this trend by building out the tools within Cash App, while also incentivizing current users – and businesses, as previously discussed – to utilize features beyond peer-to-peer (P2P) and bitcoin investment, including opening direct deposit and checking accounts, thus attaining a share of a growing market for banking-as-a-service (BaaS) apps. By attracting loyal customers that use Cash App for all of their financial needs, Cash App will see jumps in top-line growth, followed by rapid acceleration if the network effect takes hold as consumers and businesses hop on board to utilize Cash App's comprehensive suite of features, which are also being made interoperable with Square (e.g., payroll management).

On one hand, a significant risk to this strategy and Block's business as a whole is its reliance on macroeconomic growth and consumer spending – harsh pullbacks in either could potentially delay Block's strategic progress and financial growth. On the other hand, guidance suggests that Cash App's customer base is resilient, with many consumers continuing to deposit and spend, which was bolstered by transactions for gas and food. Cash App could also end up appealing to higher-income consumers in such a scenario as they strive to cut spending and streamline their financial planning. Small- to medium-sized businesses, especially those in the fast-casual food sector, tend to be locally supported and adaptable with loyal customer bases, which can help insulate them from economic downturn. McKinsey & Company data suggests that in some cases, revenues even *grew* for resilient retailers during broader macroeconomic slowdowns. Consumers' increased focus on cutting expenses may lead them to opt for cheaper fast-casual meals and in-person food purchases to avoid delivery fees. All of this would serve Square's business well, as it caters primarily to local fast-casual restaurants and food services.

## Price Target & Valuation

Our analysis gives \$XYZ a price target of \$100.00 and an Overweight rating.



## Potential Downsides to Our Rating

**Competition Risk:** Block’s ambitious vision to disrupt the payments industry will not materialize without fierce competition from established and emerging players in the payments and BaaS sectors. Credit card companies will undoubtedly be a force to reckon with, especially as they rapidly change to remain attractive to both businesses and consumers by creating their own stablecoin payment rails and, if it comes down to it, lowering fees.

**Execution Risk:** Execution is vital to accomplishing Block’s impressive strategy. Unfortunately, the company has faced significant challenges within Square and other ventures (i.e., TIDAL, a failed music streaming platform), which have been reflected in \$XYZ’s more than 73% drop since its 2021 highs. While a clearer focus and renewed confidence, helped substantially by Cash App’s success, promise to turn things around, there is still considerable room for things to fall apart.

Our Price Target: \$100.00

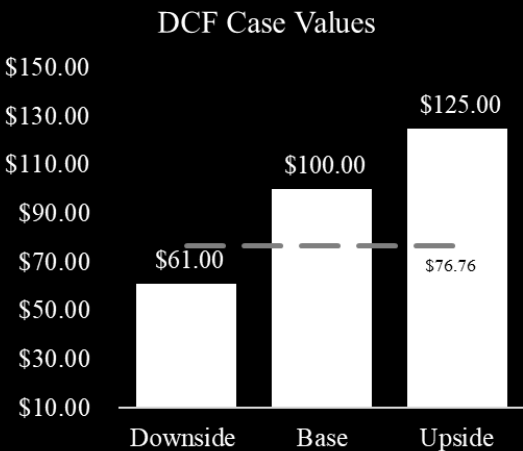
Block continues to integrate the Square and Cash App ecosystems, build out Cash App’s features, and obtain a healthy, growing customer base for Cash App. There is no significant economic downturn slowing Block’s growth. Top-line growth gradually accelerates as Cash App’s network effect takes the reins, and Square secures partnerships with a few key larger businesses, attracted by a comprehensive suite integrated with Cash App and AI-powered analytics and business tools.

Our Upside Case: \$125.00

Block creates an extensive Square-Cash App ecosystem faster than expected (1-2 years), quickly cutting fees and beating out competitors in the industry, while attracting troves of new businesses, fueling Square’s top-line growth of about 8% CAGR. Cash App rapidly becomes the social norm, with people using the app regularly for their credit, checking, and investment needs, as well as for P2P over competitors such as Zelle, PayPal, and Venmo, spurring expanding top-line growth averaging about 14% CAGR. Macroeconomic conditions remain strong and consumers continue to spend, underpinning Block’s growth.

Our Downside Case: \$61.00

Block fails to create a single Square-Cash App ecosystem effectively, and businesses instead continue to rely on credit card companies or turn to another company’s stablecoin model to cut costs. Square continues to attract small businesses but doesn’t create meaningful relationships with larger retail players. Cash App continues to grow (about 12% CAGR) but faces robust competition from solidified market leaders and new BaaS players in the race to become the go-to comprehensive consumer financial services app by being only mildly successful in incorporating business solutions and attracting younger populations.



## Projections

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Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	24,121	26,290	28,792	31,666	34,977	13.2%
EBITDA	1,191	1,410	1,612	1,858	2,145	21.7%
EBIT	1,038	1,250	1,440	1,654	1,904	22.4%
NOPAT	(30)	988	1,137	1,306	1,504	270.1%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	4.9%	5.4%	5.6%	5.9%	6.1%	5.6%
EBIT Margin	4.3%	4.8%	5.0%	5.2%	5.4%	4.9%
Revenue Growth	10.1%	9.0%	9.5%	10.0%	10.5%	9.8%
EBIT Growth	-1387.6%	20.4%	15.2%	14.9%	15.2%	-264.4%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	119.4x	183.2x	162.8x	142.5x	124.4x	146.5x
EV/Sales	1.8x	1.7x	1.5x	1.4x	1.3x	1.5x
EV/EBITDA	37.2x	31.4x	27.5x	23.8x	20.6x	28.1x
FCF Yield	0.8%	0.5%	0.6%	0.7%	0.8%	0.9%

## About \$XYZ

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Block, Inc. builds technology to increase access to the global economy. Each of Block's brands unlocks different aspects of the economy for more people. Square makes commerce and financial services accessible to sellers. Cash App is the easy way to spend, send, and store money. Afterpay is transforming the way customers manage their spending over time. TIDAL is a music platform that empowers artists to thrive as entrepreneurs. Bitkey is a simple self-custody wallet built for bitcoin. Proto is a suite of bitcoin mining products and services. Together, Block is helping build a financial system that is open to everyone.

## Disclosures & Ratings

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Consortium Equity Research does not hold any professional relationships with any reported equities.

**Overweight** means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Block, Inc.	
Discounted Cash Flow	
Active Case:	2 Base
Current Share Price	\$76.76

DCF Analysis (\$mm)																
	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024	12/31/2025	12/31/2026	12/31/2027	12/31/2028	12/31/2029	12/31/2030	12/31/2031	12/31/2032	12/31/2033	12/31/2034	12/31/2035
Stub						0.63	1.63	2.63	3.63	4.63	5.63	6.63	7.63	8.63	9.63	10.63
Discount Period						0.18	0.87	1.87	2.87	3.87	4.87	5.87	6.87	7.87	8.87	9.87
Revenue	9,498	17,661	17,532	21,916	24,121	26,290	28,792	31,666	34,977	38,799	43,222	48,553	54,321	61,284	69,430	78,988
Revenue Growth	0%	86%	-1%	23%	10%	9%	10%	10%	10%	11%	11%	12%	12%	13%	13%	14%
Square	3,529	5,193	6,700	7,033	7,682	8,250	8,786	9,392	10,075	10,847	11,721	12,711	13,834	15,110	16,562	18,218
CashApp	5,968	12,315	10,626	14,682	16,248	17,850	19,814	22,081	24,706	27,753	31,300	35,438	40,281	45,965	52,656	60,554
Other	0	152	206	201	192	190	192	194	196	198	201	203	206	209	212	215
EBIT	(19)	161	(608)	(81)	1,038	1,250	1,440	1,654	1,904	2,199	2,545	2,955	3,440	4,018	4,706	5,529
EBIT Margin	0%	1%	-3%	0%	4%	3%	3%	3%	3%	6%	6%	6%	6%	7%	7%	7%
Tax Expense	11	9	57	78	156	262	302	347	400	462	535	621	722	844	988	1,161
Effective Tax Rate	-58%	6%	-9%	-97%	15%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%	21%
NOPAT	(29.68)	152.04	(665.58)	(158.46)	881.37	988.00	1,137.27	1,306.42	1,504.41	1,736.91	2,010.77	2,334.35	2,717.87	3,173.83	3,717.58	4,368.01
D&A	65	94	132	162	153	160	173	204	241	285	336	398	471	558	663	790
Capex	138	134	171	151	154	155	173	213	260	317	384	465	561	678	818	987
Changes in NWC	286	36	2,191	971	508	750	864	985	1,127	1,293	1,489	1,719	1,992	2,315	2,700	3,160
UPCF	(389)	76	(2,896)	(1,119)	373	243	274	312	358	411	474	548	636	739	863	1,011
PV of FCF						239	254	266	280	296	313	332	354	378	405	435

Weighted Average Cost of Capital (\$mm)		Terminal Value		Terminal Value	
		Perpetuity Growth Method		Exit Multiple Method	
Market Risk Premium	3.94%	2034 FCF	\$1,011	2034 EBITDA	\$6,319
Beta	1.35	Growth	2.50%	EV/EBITDA Exit Multiple	21.0x
Risk Free Rate	4.39%	Terminal Value	\$15,777	Terminal Value	\$132,699
Cost of Equity	8.54%	PV of Terminal Value	\$6,796	PV of Terminal Value	\$57,159
Weighted Average Cost of Debt	3.50%	PV of Projection Period	\$3,552	PV of Projection Period	\$3,552
Tax Rate	21.00%	PV of Terminal Value	\$6,796	PV of Terminal Value	\$57,159
Cost of Debt	0.33%	Implied TEV	\$10,348	Implied TEV	\$60,711
Total Equity	\$44,524	(-) Debt	\$6,122	(-) Debt	\$6,122
Total Debt	(\$262)	(+) Cash	\$6,384	(+) Cash	\$6,384
Equity/Total Capitalization	87.91%	Implied Equity Value	\$10,610	Implied Equity Value	\$60,973
Debt/Total Capitalization	12.09%	Basic Shares Outstanding	610	Diluted Shares Outstanding	610
WACC	8.87%	Implied Share Price	\$17.40	Implied Share Price	\$100.02
		Upside/Downside	-77.33%	Upside/Downside	30.3%
		Implied Exit BF EV/EBITDA	1.9x	Implied PGR	7.0%
		Blended Share Price			
		Perpetuity Growth Method	0%		
		Exit Multiple Method	100%		
		Blended Share Price	\$100.02		
		Upside/Downside	30.31%		