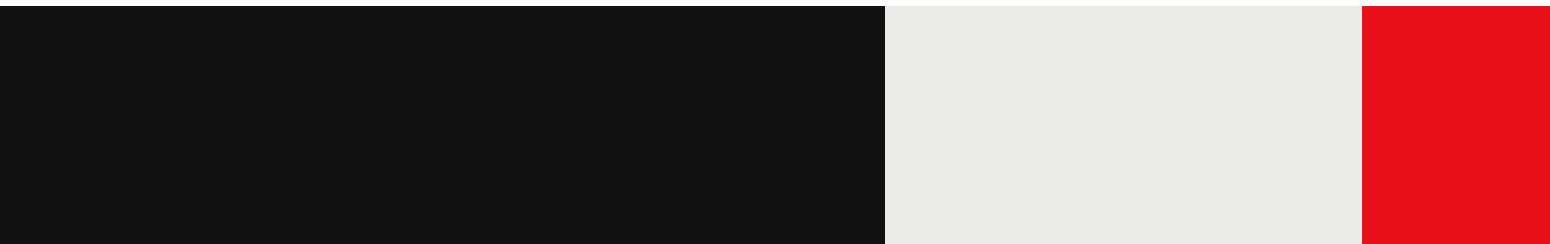



Block will curb spending in 2023 and focus on building out Cash App

Article



The data: Block's gross payment volume (GPV) reached \$53.16 billion in Q4, per its shareholder letter. The 15% year-over-year (YoY) increase is down from 45% the same period a year ago. Q4 gross profits grew 40% YoY, slowing from 47% the prior year.

How we got here: Three factors contributed to Block's Q4 performance.

- **Softer customer spending.** US GPV growth within discretionary verticals, primarily restaurants and retail, has been slowing since November, CFO Amrita Ahuja [noted](#) on Block's earnings call. This aligns with [overall retail spending trends in the US](#) during the last two months of the year.
- **Strength in mid-market sellers.** Sellers that generate more than \$500,000 in annualized GPV accounted for 39% of Square's GPV mix and were the firm's fastest-growing seller segment in the fourth quarter: **Profits from this group increased 16% YoY**, outpacing Square's 7% YoY profit increase (excluding buy now, pay later).
- **Global expansion.** Block introduced several of its products across global markets last year. With these expansions, gross profit outside of the US accounted for **17% of Square's total profit** in Q4, compared with just 9% in Q4 2021.

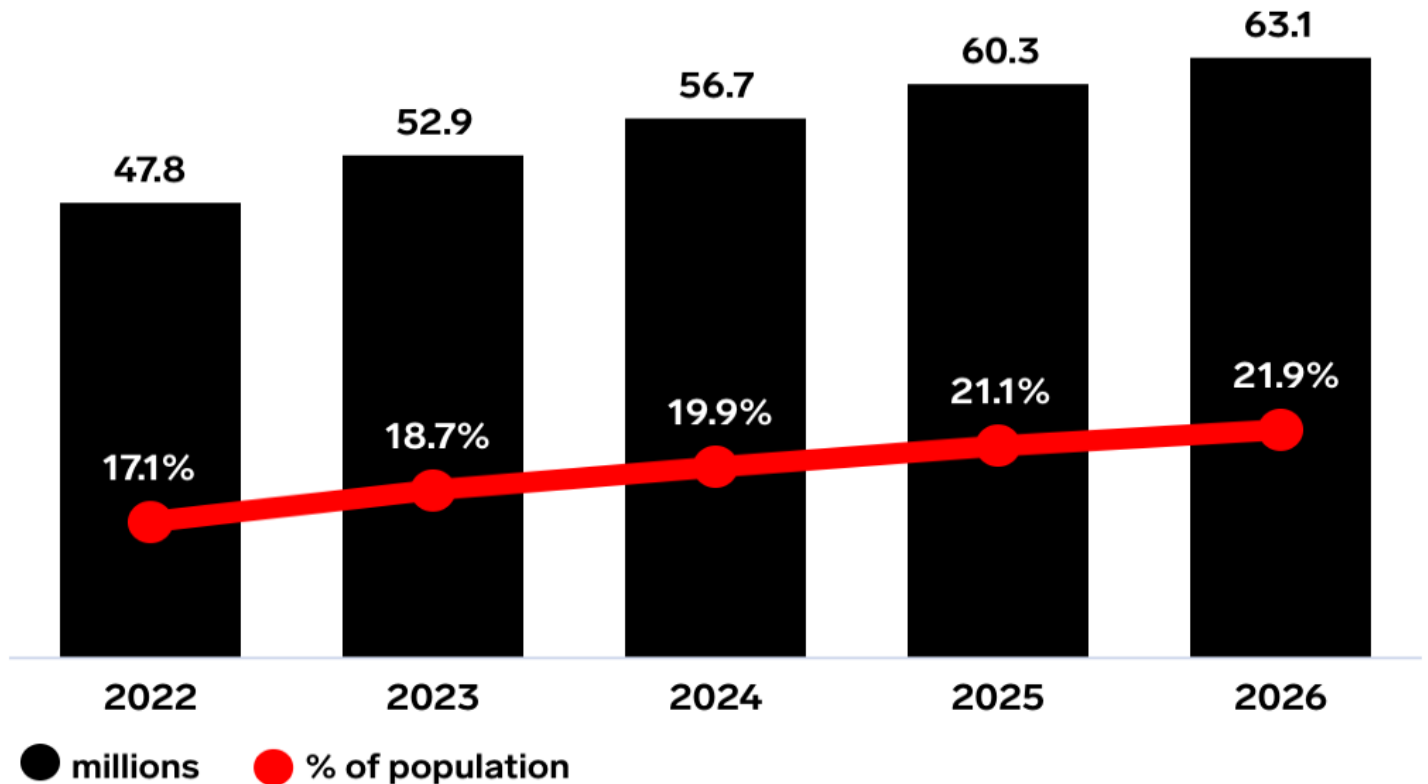
What's next? Block plans to be more judicious with spending and growth investments in 2023.

- The firm will slow hiring this year to minimize expenses. It plans to grow headcount by 10%—a modest increase compared with **last year's 46% boost**. Unlike other big-name fintechs, Block didn't announce layoffs in recent months, which may point to the strength of its business model and its performance outlook.
- Block will also curb **marketing and sales expenses, which grew 25% YoY in 2022**. It anticipates this segment's expenses to grow between 5% and 10% this year, driven by Cash App.

Block is putting a lot of focus on growing the Cash App ecosystem through products like [Cash App savings](#) and the Cash App debit card. The Cash App Card's broad use for everyday spending is increasingly making it top of wallet for customers, Ahuja said. The firm wants to find more "adjacent financial services that complement one another," said CEO Jack Dorsey—which may foreshadow future Cash App-centric solutions.

Cash App Users and Penetration

US, 2022-2026



Note: ages 18+; mobile phone users who have made at least one peer-to-peer (P2P) transaction through Cash App using a mobile phone in the past month

Source: eMarketer, March 2022

eMarketer | InsiderIntelligence.com

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