

Cash App propels Block to buoyant first quarter even as Square volume falls

Article

The news: Block raised its full-year profit guidance after **Cash App** use surged in the first quarter in spite of allegations it facilitates fraud.

- Gross payment volume (GPV) **reached** \$51.12 billion, up 17% year over year (YoY) but slowing from 31% during the same period a year ago. **Quarter-over-quarter (QoQ) growth dropped 3.8%**.
- Gross profits rose 32% YoY to \$1.71 billion, slowing slightly from 34% a year earlier.
- **Square's** GPV fell 5% YoY to a one-year low.

Cash App rises above allegations: In March, activist short seller **Hindenburg Research** **alleged** that Block's Cash App facilitates fraud and inflates its user numbers. Block later defended itself by **publishing details of how it handles fraud** and fake accounts.

But none of that held back Cash App:

- Cash App generated \$3.27 billion in revenues, up 33% YoY.
- GPV for Cash App Business, which relates to peer-to-peer transactions, hit \$4.90 billion, up 24% YoY.
- Cash App Card and its buy now, pay later (BNPL) platform contributed to that growth.
- In March, Cash App Card had **20 million monthly active users**, up 34% YoY. Average spend per user also increased.

Block has focused on **growing the Cash App ecosystem** through products like its debit card and Cash App savings. That push is paying off and overriding customer concerns that may have arisen after Hindenburg's allegations. But Block could be growing over-reliant on Cash App, especially given the relatively subdued performance of Square. That could create problems going forward if there is more fallout from Hindenburg's allegations.

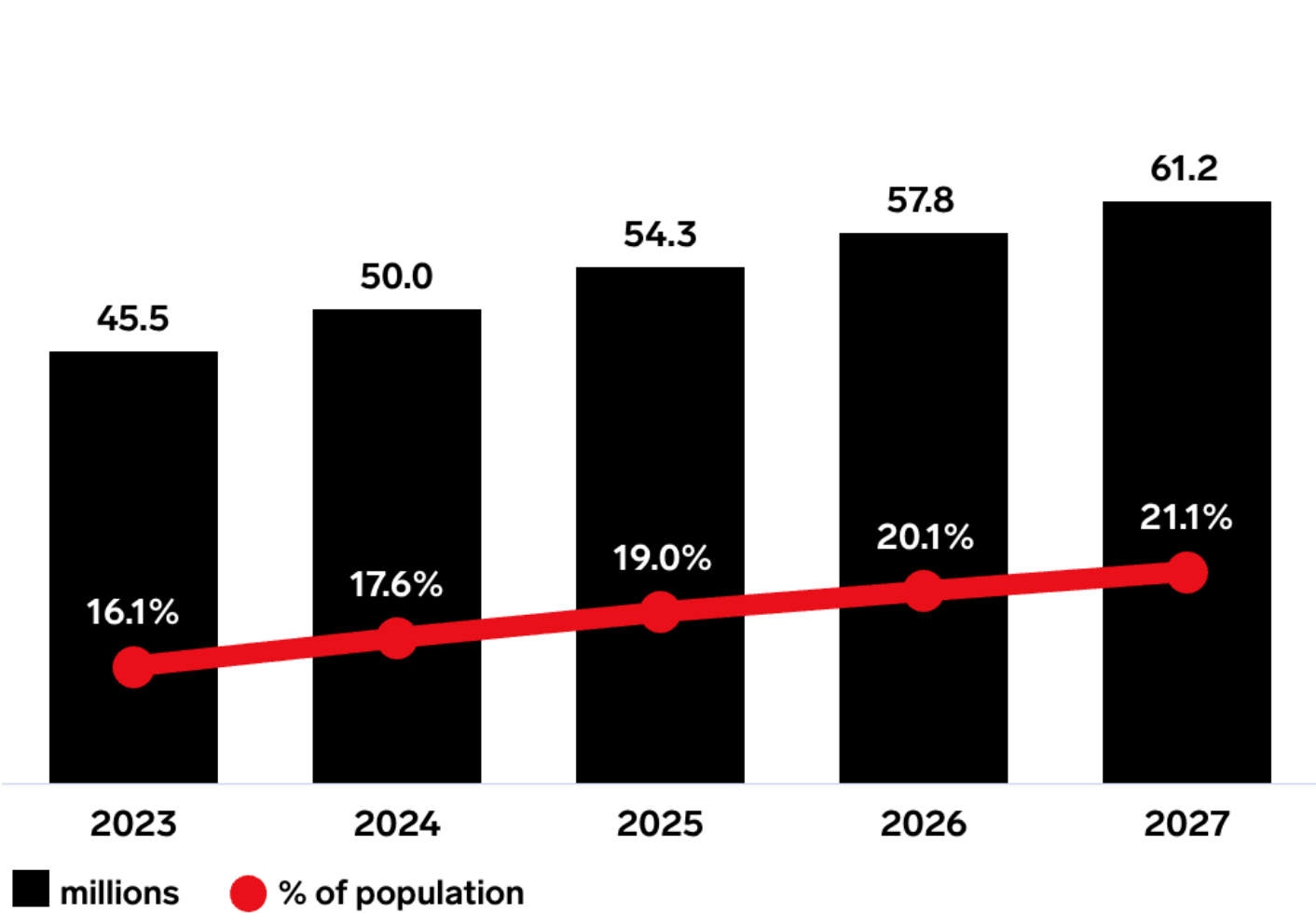
What next? On Block's Q1 **earnings call**, CEO Jack Dorsey outlined areas the firm is targeting for growth.

1. **Expansion in emerging markets.** Dorsey said Block was eyeing regions where the population with internet access will grow the fastest—including Africa, Latin America, Asia, and Oceania.
2. **Artificial intelligence.** Block plans to introduce machine learning across all its products and services, according to Dorsey, to improve efficiency and create new features for customers.

But Block stressed that spending would be more conservative in other areas. That includes recruitment, where it is deliberately slowing the pace of hiring, and sales and marketing.

Cash App Users and Penetration

US, 2023-2027



Note: ages 14+; mobile phone users who make a peer-to-peer (P2P) payment transaction using Cash App via mobile phone at least once per month

Source: eMarketer, April 2023

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