

Square pushes into the BNPL space with \$29B Afterpay deal

Article

The news: Square [plans](#) to acquire Australia-based buy now, pay later (BNPL) provider Afterpay in a whopping **\$29 billion** deal that's set to close in Q1 2022.

The acquisition gives Square access to Afterpay's more than **16 million** customers and nearly **100,000** global retail partners. Square plans to integrate Afterpay—which lets customers pay

for purchases in four interest-free biweekly installments—into both its seller- and consumer-facing ecosystems.

What this means: Square's entrance in the BNPL market is set to make waves as competition grows between incumbent BNPL providers and new players.

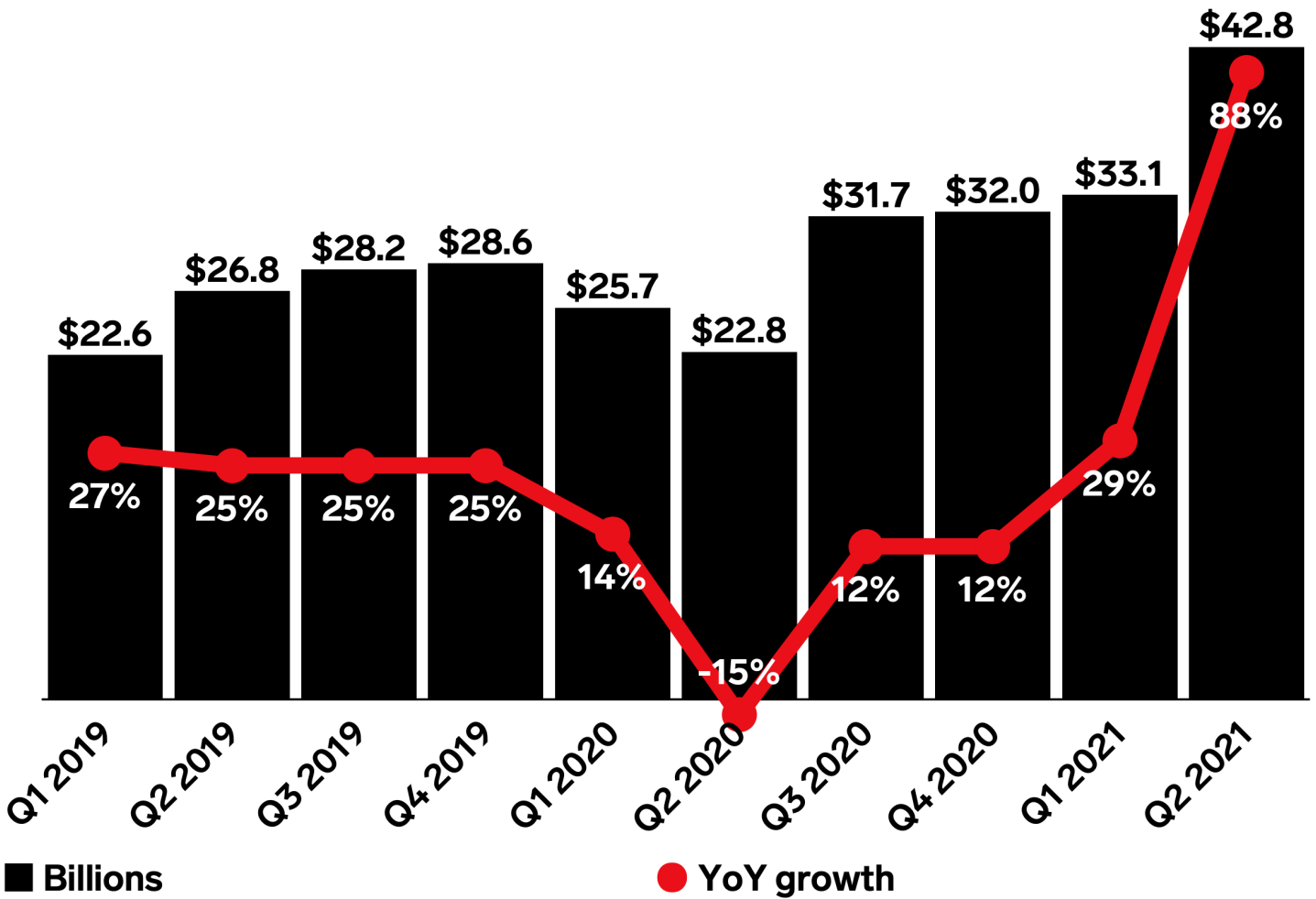
BNPL's popularity soared last year during pandemic-driven financial uncertainty as consumers embraced flexible payment solutions: US BNPL users hit **24.9 million**, up **114.8%** compared to 2019, [per](#) Insider Intelligence forecasts. This year, the market is set to widen to **45.1 million**—pushing new entrants, like **PayPal**, into vying for a piece of the market and adding pressure on incumbent providers to maintain their share. Sweden-based BNPL giant **Klarna**, for instance, has gone on an [acquisition spree](#) to build out its solution and maintain its competitive edge.

The opportunities:

- **Afterpay can help Square unlock access to a lucrative market and keep up with one of its key competitors.** Global BNPL spend is set to hit **\$680 billion** by 2025, up from **\$353 billion** spent in 2019, [per](#) Kaleido Intelligence. Square is likely to capture a generous piece of that market if it brings Afterpay—which is set to hold a 30% share of the US market this year, [per our](#) forecasts—to its own merchant base. Joining the BNPL space can also help Square keep up with its major rival, PayPal, which [introduced Pay in 4](#) last year.
- **The acquisition will also enable Square to push its payment and selling tools to a wider merchant base.** Afterpay has a vast merchant partner network, setting up a cross-promotion opportunity for Square, which specializes in payment and selling tools. As the BNPL space heats up, [differentiation](#) becomes more important—and so if Afterpay can incorporate some of Square's merchant tools, it can stand out from competitors exclusively focused on payments.

The big takeaway: Square's acquisition arrives on the heels of strong Q2 results: Its gross payment volume (GPV) [increased 88%](#) year over year, with seller GPV accounting for **90%** of total GPV, and Cash App Business GPV accounting for the rest. Making Afterpay available to its sellers can help induce more sales and bolster the company's GPV and revenues.

Square Gross Payment Volume



Note: year-over-year growth

Source: Square, 2021

Methodology: This data is from Square's Q2 earnings statement published on August 2, 2021.

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