

EQUITY VALUATION · BLOCK, INC. (NYSE: XYZ, FORMERLY SQUARE)

Block (XYZ): The Most Misread Name in Crypto

The market's two impressions of Block — cheap on revenue, risky on credit — both misread the income statement. Reported revenue overstates the business (a third is low-margin bitcoin pass-through), and the tripled loss line is mostly accounting timing. Read gross profit, read the provisions correctly, and a reasonably priced compounder appears — on one condition.

TON618 CAPITAL RESEARCH · XYZ \$78.72 · BTC \$62,352 · AS OF 13 JUL 2026 ·

≈\$83PROBABILITY-WEIGHTED FAIR
VALUE / SHARE · VS \$78.72
MARKET

Approximately fairly valued, with modest upside — conditional on one thing. Value gross profit, not the bitcoin-inflated revenue line; and read the tripled loss provision as mostly CECL front-loading on a loan book growing 175% (plus a one-time legal charge), not a credit blow-up. On that basis our scenario model supports **≈\$83 (bear \$39 / base \$81 / bull \$134)**, ≈6% above the market. The upside is real but conditional: it depends on Cash App Borrow's reserve book seasoning cleanly. The one number that decides the thesis — its 60–89-day past-due rate — doubled last quarter on a flat book. If it stabilizes, Block is a reasonably priced compounder; if it keeps climbing, the base case is too high.

4%

Of gross profit that is actually bitcoin — despite ~35% of REVENUE being bitcoin pass-through. Identity ≠ economics.

+27%

Q1'26 gross-profit growth (Cash App +38%) — the real top line, while revenue grew just +5%.

175%

Cash App Borrow origination growth driving the CECL reserve build that masks the underlying improvement.

≈0.41

Rolling 90-day beta to Bitcoin — lowest of the crypto complex; the stock made 52-wk highs in a BTC winter.

1 Executive Summary

Block screens cheap and reads risky, and both impressions come from the same place: its income statement is dominated by two things that aren't what they look like — bitcoin revenue that is almost pure pass-through, and a tripled credit-loss line that is mostly an accounting artifact. Strip both away

and a clearer business appears: a high-margin gross-profit engine growing in the mid-teens, split between a fast-scaling consumer neobank (Cash App) and a mature merchant acquirer (Square), with a genuine but low-economics Bitcoin identity attached. On our probability-weighted scenario model we estimate fair value at **≈\$83 per share (bear \$39 / base \$81 / bull \$134)** — roughly 6% above the market, i.e. **approximately fairly valued with a modest positive skew**. That modest upside is real but it is *conditional*: it depends almost entirely on one question, which we answer with the primary filings in Section 4 — whether the alarming jump in Block's loss provisions is the front end of a credit problem or the mechanical cost of a lending book growing 175% a year. Our read of the disclosure is that it is predominantly the latter. If that read holds, Block is a reasonably priced compounder; if the credit book is quietly deteriorating, the base case is too high.

The Current State of Block's Story

Block is two businesses wearing a Bitcoin costume. The first business is Square, the little white card reader that lets a coffee shop or a hair salon take payments; over a decade it has grown into a full suite of software and lending for small merchants. The second is Cash App, which began as a way to send friends money and has quietly become something much bigger — a bank account for tens of millions of mostly younger Americans, complete with a debit card, direct deposit, short-term loans, buy-now-pay-later, and, yes, the ability to buy Bitcoin. The Bitcoin costume is the third thing people see: the company renamed itself Block, its founder Jack Dorsey is one of the most vocal Bitcoin advocates in business, and it builds Bitcoin mining hardware, a self-custody wallet, and funds open-source Bitcoin development.

Here is the trap the costume sets. Block's headline revenue — about \$24 billion a year — looks enormous, and roughly a third of it is "Bitcoin revenue." But that Bitcoin revenue is almost entirely the price customers pay when they buy Bitcoin in Cash App, which Block books as revenue and then pays right back out to buy the coins. It keeps only a sliver — a few cents on the dollar. **Data shows** the real measure of the company is not revenue but gross profit — what's left after those pass-through costs — and on that measure Block earned about \$11 billion over the past year, growing 16%. Bitcoin trading contributes only about 4% of that gross profit. So the "Bitcoin company" makes almost none of its money from Bitcoin. **We believe** the market has largely figured this out — which is why Block's stock is near its 52-week high even as Bitcoin has fallen 50% — but the costume still distorts every revenue-based valuation ratio, and any honest analysis has to start by taking it off.

The harder question is the one underneath. In the most recent quarter, Block's provision for loan and receivable losses tripled, and the company swung to an operating loss. On its face that looks like a consumer-credit business cracking at a fragile moment in the economic cycle. But most of that increase, we find, is not losses being *incurred* — it is losses being *reserved for in advance*, because Cash App's lending book grew 175% year-over-year and, under the accounting rules, Block must book the full expected lifetime loss on every new loan the moment it is made. The revenue from those loans arrives later; the reserve arrives now. That timing mismatch, plus a one-time legal charge, explains most of the ugly quarter. Whether it explains *all* of it is the single most important judgment in this note, and we take it up directly in Section 4.

2 Investment Context

- **What the security is:** XYZ is a claim on two gross-profit streams — a growth consumer-fintech (Cash App) and a mature merchant acquirer (Square) — plus a small, high-visibility Bitcoin sleeve. Its earnings variance comes not from the crypto cycle but from the **consumer credit cycle**, because its fastest-growing product is lending.
- **The ticker changed; the company didn't.** Block moved from SQ to XYZ in early 2025. Financial history is continuous.
- **Price position:** XYZ trades at \$78.72, near its 52-week high (\$82.50), *nine months into a 50% Bitcoin drawdown* — the market's clearest statement that it no longer prices Block as a crypto proxy. Its crypto-correlation era (2020–21, when it traded with Coinbase) is over; its rolling 90-day beta to Bitcoin has collapsed to ≈ 0.41 , the lowest of the regulated crypto-adjacent complex (see the synthesis note).
- **Capital returns are now material:** Block repurchased $\approx \$2.3\text{B}$ of stock in FY2025 and \$636M in Q1'26, shrinking the share count from $\approx 620\text{M}$ to $\approx 595\text{M}$ in a year — a real per-share tailwind and a signal of management's own value view.

3 Business & Revenue Architecture

The one adjustment that governs the whole analysis: value gross profit, not revenue.

\$M	FY2024	FY2025	Q1'25	Q1'26	YOY (Q1)
Total revenue	24,121	24,194	5,772	6,057	+5%
— of which Bitcoin (pass-through)	10,358	8,503	2,330	1,796	-23%
Gross profit (the real top line)	8,889	10,360	2,290	2,909	+27%
— Cash App gross profit	5,239	6,336	1,380	1,908	+38%
— Square gross profit	3,599	3,935	898	982	+9%
Operating income	892	1,708	329	-172	swing
Net income	2,897*	1,306	190	-309	

*\FY2024 net income is not a clean anchor: it includes a $\approx \$1.5\text{B}$ one-time income-tax **benefit** — from a deferred-tax valuation-allowance release **and** a restructuring-related deferred-tax-asset recognition ($\approx \$1.9\text{B}$ of gross one-time benefits, net of ordinary tax) — against pretax income of only \$1,357M. Do not anchor on it.

The table tells the story revenue hides. FY2025 revenue grew 0.3%; **gross profit grew 16.5%**. Q1'26 revenue grew 5%; **gross profit grew 27%**, and **Cash App's gross profit grew 38% on flat segment revenue** — because low-margin bitcoin volume shrank while high-margin financial services grew. Every revenue multiple on this company is noise; the note prices gross profit and what survives below it.

Bitcoin: the identity is not the economics. Bitcoin generated \$8.5B of revenue in FY2025 but only **≈\$419M of gross profit** — about 4% of the company's total, at a ≈4% margin (and only ≈2% of gross profit in the seasonally quieter Q1'26). On the balance sheet Block holds **9,032 BTC** (≈\$0.56B at spot, cost basis ≈\$0.31B), still dollar-cost-averaging ≈150 BTC/quarter, plus the Proto mining-hardware venture, the Bitkey wallet, and Spiral's open-source funding. This is the deepest *philosophical* Bitcoin commitment in large-cap fintech attached to a P&L that is ≈96% non-Bitcoin. The total value at risk from a further 50% BTC decline — treasury mark plus a slice of trading gross profit — is low-single-digit percent of the equity. Block is the control group of the crypto complex: proof that the market can fully de-correlate a "Bitcoin company" when the economics say to.

Becoming a bank — the growth vector and the risk, which are the same thing. Financial Solutions revenue (Cash App Borrow, Afterpay/BNPL, Square Loans) grew from \$875M (Q1'25) to \$1,322M (Q1'26), **+51%**, originated increasingly through Square Financial Services, Block's FDIC-supervised industrial bank. Cash App has ≈59 million monthly actives generating ≈\$107 of gross profit each per year (FY25 Cash App gross profit ÷ actives) — a small fraction of what a bank extracts from a primary-account customer with deposits, lending, and interchange. Closing that ARPU gap is the entire bull case. But the instrument of the migration is *lending*, which is why the growth vector and the credit risk are the same fact — and why Section 4 is the pivot of the whole note.

EXHIBIT 1 · REVENUE OVERSTATES THE BUSINESS; GROSS PROFIT IS THE REAL TOP LINE



4 Financial Statement Analysis & Quality of Earnings — the pivot

We screened the statements against a standard earnings-quality checklist. Three items dominate, and the first is the most important judgment in this note.

(1) The tripled loss line is predominantly CECL front-loading, not credit deterioration — confidence: high on the mechanics. In Q1'26 the "transaction, loan, and consumer receivable losses" line jumped from \$170M to \$500M (+195%), swinging operating income from +\$329M to -\$172M *while gross profit grew 27%*. From the company's own MD&A table, **91% of that increase is loan losses** (+\$301M), and the drivers are mechanical:

- **Cash App Borrow's allowance was literally \$0 at December 2024.** The entire book and its \$435M reserve were created during 2025 by reclassifying loans from *held-for-sale* (previously sold, no lifetime reserve) to *held-for-investment* (full expected lifetime loss booked on day-one origination). The year-over-year comparison is apples-to-oranges: in Q1'25 these loans were not on the balance sheet as held-for-investment at all.
- **Originations grew 175% year-over-year.** Because these are ultra-short-duration, high-velocity loans, the provision (booked on origination volume) is structurally large relative to the ending balance.
- **The reserve-coverage ratio traces a textbook new-book seasoning curve** — 2.71% → 9.59% → 10.69% → 13.18% across the last four quarters — climbing from near zero toward a low-teens steady state as the book matures, while quarter-over-quarter balance growth collapses from +171% to +3.7%. Seasoning, not a step-change break.
- **Fraud/transaction losses — the cleanest "is the consumer cracking" read — rose only 8%.** Management states loss rates and portfolio credit performance "remained stable."

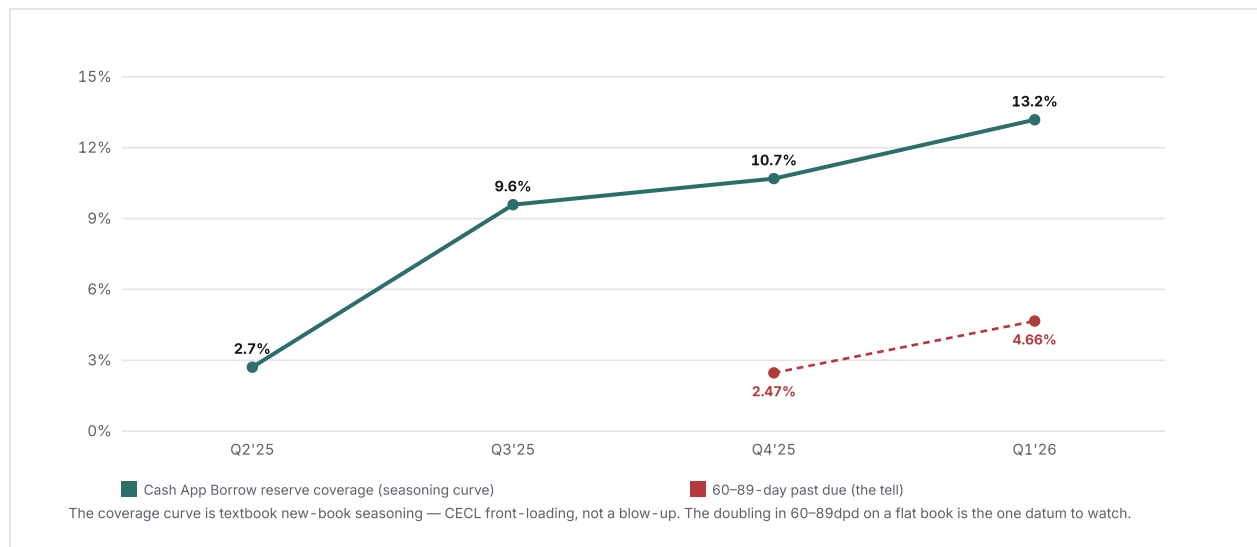
The one caveat that keeps this from "certain" (confidence: medium that nothing is building underneath): within the held-for-investment regime (Q4'25→Q1'26), coverage still rose 2.5 points *and the 60–89-day past-due rate nearly doubled, from 2.47% to 4.66%, on a nearly-flat book*. That is consistent with a seasoning book aging holiday-vintage originations into later buckets plus Q1 seasonality — but it is the single data point not fully explained by "growth plus accounting." **The tell to watch:** if Q2/Q3'26 coverage keeps climbing past the mid-teens on a flat or declining balance, the read flips toward genuine deterioration. As of Q1'26 it reads as seasoning, and we build the base case on that — with eyes open.

(2) The operating loss is largely non-operating in character. Beyond the CECL timing, the Q1'26 G&A line jumped \$366M (+74%) — but **69% of that (\$253.8M) is a one-time accrual for litigation and regulatory settlements**, per the MD&A. Normalized G&A ex-litigation rose ≈23%, roughly in line with 27% gross-profit growth. So the headline operating loss is the sum of (a) reserves booked ahead of the revenue they protect and (b) a one-time legal charge — not operational decay. Underlying operating economics improved.

(3) The balance sheet is roughly net-cash-neutral, not cash-rich. Cash \$6,858M + marketable securities \$617M against total debt of \$7,350M (senior notes plus two convertibles) nets to only ≈+\$126M; adding the \$563M Bitcoin treasury and \$88M of other equity gets to ≈\$777M (\$1.33/share). (This treats the ≈\$543M drawn on Block's asset-backed warehouse facilities as matched against the specific consumer receivables that secure it, and so excludes it; were it counted as debt, the net position would be roughly −\$400M.) The debt is otherwise well-structured (senior notes laddered 2030–2033 plus two deeply out-of-the-money convertibles struck at ≈\$299), and the buyback is funded from cash flow — but there is no large net-cash cushion under the equity. The per-share story is carried by the shrinking share count, not a balance-sheet fortress.

- Auditor Ernst & Young; timely filings; no restatements. **Block's earnings question is the credit book and one-time noise, not accounting integrity.**

EXHIBIT 2 · THE PIVOT: CECL SEASONING, NOT A CREDIT BLOW-UP



5 Valuation

5.1 What model the business dictates

Block's uncertainty lives in the consumer credit cycle, not the crypto cycle — so we do not normalize a BTC path (as in our Coinbase note). And because reported revenue is one-third pass-through, we value **gross profit and the normalized operating margin on it**, not revenue or unadjusted GAAP earnings (which are polluted by CECL timing, the one-time legal charge, and BTC marks). The workhorse: consolidated gross profit → normalized operating margin on gross profit → net income at a 24% tax rate → P/E, in three scenarios keyed to the credit outcome. Cross-checks: a segment view (Cash App as the growth/multiple driver, Square as the stable base) and a reverse valuation.

5.2 Scenario valuation (normalized FY2027, \$M except per share)

	BEAR (25%)	BASE (50%)	BULL (25%)
Credit outcome	Consumer credit turns; Borrow/Afterpay vintage losses breach pricing; growth forced down to fix the book	CECL front-loading normalizes; book seasons cleanly; margins recover	Lending scales with losses in-model; ARPU gap closes
Gross-profit CAGR (2yr)	+8%	+15%	+22%
FY27 gross profit	12,806	14,520	16,341
Operating margin on GP	15%	20%	24%
Net income (24% tax)	1,460	2,207	2,981
Multiple	15×	21×	26×
Franchise value	21,898	46,347	77,496
+ Balance-sheet extras	777	777	777
Per share	≈\$39	≈\$81	≈\$134

Probability-weighted fair value ≈ \$83, roughly 6% above the market — approximately fairly valued with modest positive skew. The base case (\$81) sits right at the current price and assumes the credit book seasons cleanly, Cash App holds mid-teens gross-profit growth, and the operating margin on gross profit recovers to ≈20% (from FY25 GAAP 16.5%). The bear (\$39) is where the credit read is wrong.

5.3 Reverse valuation — the sobering counter-read

Stripping out balance-sheet extras, the market pays ≈\$46B for the franchise. At 20×, that requires ≈\$2.3B of normalized net income — which, on *flat* trailing gross profit, implies an operating margin of ≈28% on gross profit, well above the ≈20% normalized level and FY25's 16.5% GAAP. In plain terms: **today's price already banks meaningful margin expansion or continued double-digit gross-profit growth**. This is not a deep-value setup. Our scenario model's modest upside comes from growth *plus* a 21× multiple; the reverse valuation is the reminder that the price is not cheap on today's economics — it is fair *if* Block executes.

5.4 Relative valuation cross-check

PEER	P/E (TTM)	NOTE
PYPL (PayPal)	≈9×	Mature, low-growth payments — the ex-growth floor
SOFI / AFRM	≈20–25× fwd	Neobank / BNPL lender — the growth-and-credit comps
XYZ (Block)	≈28× on normalized earnings (\$2.80 normalized EPS)	Cash App growth premium over PYPL; credit risk discount to a clean grower

Block's 28× normalized multiple is ≈3× PayPal's — a premium the Cash App growth vector can justify, but only if the credit book behaves and margins expand. The multiple is the swing judgment; we hold the base at 21× (below the current 28×) to embed maturation.

EXHIBIT 3 · SCENARIO VALUATION VS THE MARKET PRICE



6 XYZ Versus Direct Bitcoin Ownership

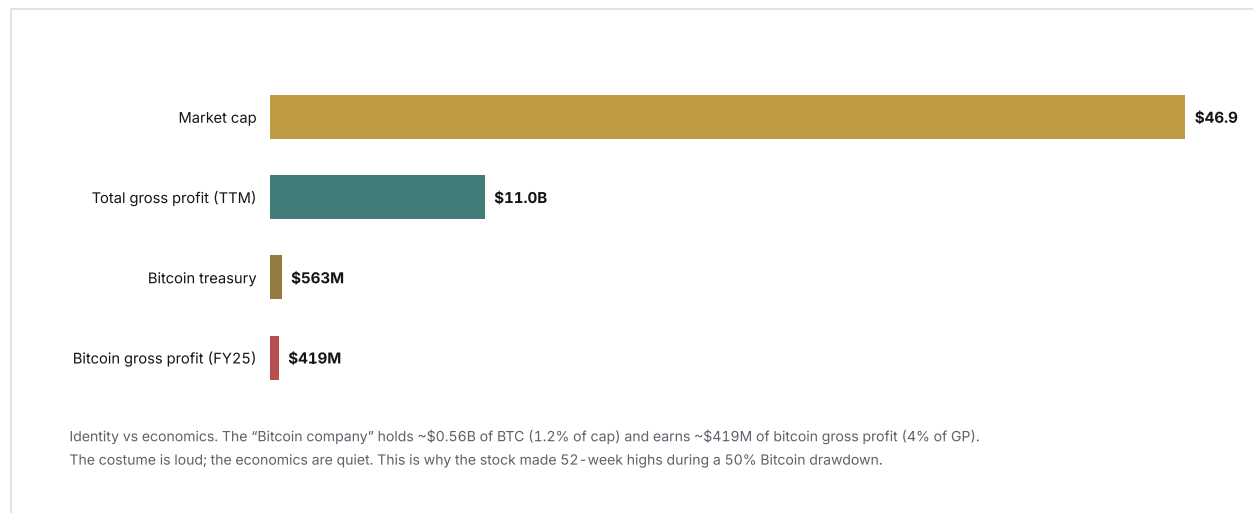
Block completes the trilogy's punchline. Three US-regulated franchises, three relationships to the same asset:

- **Coinbase:** crypto activity *is* the P&L; fair value swings ±60% across BTC scenarios, and the equity beats the coin in no modeled state.
- **Robinhood:** crypto is a ≈13% -of- revenue flow business; fair value moves single digits with BTC.
- **Block:** crypto is the founder's religion and ≈4% of gross profit plus ≈1.2% of market cap in treasury. Flexing Bitcoin across ≈\$40k / \$62k / \$110k moves Block's fair value by **nearly nothing** — and the stock made new 52-week highs *during* the Bitcoin winter. Block is the proof that the market can fully decouple a "Bitcoin company" when the economics warrant.

One honest asymmetry: Proto (mining hardware), Bitkey, and the DCA treasury policy give Block *optionality* on a hyperbitcoinization tail that Robinhood lacks — worth words, not dollars, in the base case.

And the tail runs both ways: were Dorsey to lever the balance sheet into Bitcoin, the beta would re-couple overnight. Today, neither is in the numbers.

EXHIBIT 4 · IDENTITY VS ECONOMICS: THE BITCOIN COSTUME



7 Special Situation: The Separation Question

The perennial speculation is that Block should split Square (mature, cash-generative, attractive to a strategic acquirer) from Cash App (a high-growth consumer bank that would command a richer standalone multiple). Conditional-gate read:

GATE	ESTIMATE	REASONING
Dorsey/board willingness	Low	Super-voting control, integration ideology, and the <i>name is Block</i> ; management has shown no appetite
Activist force despite dual-class	Low–moderate	Dual-class blunts activism; would require an unusually large, patient stake
Value uplift actually exists	The real test	Our segment view: Cash App (growth, ≈mid-20s× on its ≈\$6.9B GP stream) + Square (mature, low-teens× on ≈\$4.0B GP) <i>separate</i> modestly exceed the conglomerate, but not by enough to overcome the gates

Estimate: ≈5–10% within 24 months. The section earns its place for the SOTP discipline it imposes — it shows Cash App is where the value and the multiple live, and Square is the stable ballast — more than for the probability. Secondary situations: a bank-charter re-rating if Square Financial Services scales deposit funding, and the (economically small, narratively seismic) tail of a Bitcoin-treasury policy change in either direction — the perfect one-paragraph illustration of this note's identity-versus-economics theme.

8 Risk Factors

What makes ≈\$83 too high (the bear):

1. **The credit call is the note.** If the 60–89-day past-due creep (2.47%→4.66%) is the leading edge of genuine deterioration rather than seasoning, provisioning stays elevated, growth must be throttled to fix the book, and both earnings and the multiple compress. This is the dominant risk and the thing to monitor every quarter.
2. **Multiple compression.** At ≈28× normalized earnings, Block is priced as a grower; a growth stumble or a credit scare re-rates it toward PayPal's single digits fast.
3. **Consumer-cycle exposure.** Cash App's base skews younger and lower-income; a genuine consumer recession hits both spending (Square GMV, Cash App inflows) and credit (Borrow, Afterpay) at once.
4. **Square share loss.** Its +9% could slow toward flat under pressure from Toast (restaurants) and Fiserv/Clover (SMB).

What makes ≈\$83 too low (the bull):

1. **Cash App network effects.** 59M actives compounding ARPU toward bank-like levels is how the bull beats every multiple argument; each \$10 of ARPU-gross-profit closure is ≈+\$590M of gross profit.
2. **CECL optics reverse.** As the loan book stops growing at 175%, provisioning normalizes and reported earnings *inflect up* mechanically — the mirror image of today's ugly optics.
3. **Buyback tailwind.** ≈\$2.3B/yr of repurchases at a shrinking share count is a quiet, compounding per-share lift our forward count only partly credits.
4. **Bitcoin/Proto tail** — a genuine hyperbitcoinization leg would make the "4% of gross profit" framing look clever-but-wrong via Proto and narrative re-rating.

Framework note. As with the other two notes in this set, the disagreement worth having is about *earnings* — here, specifically, about *credit* — not about multiples. Our verdict is deliberately conditional: it is a bet that Block's disclosure means what it says about loss rates remaining stable. We have stated the exact number that would prove us wrong.

9 Catalyst Calendar

WHEN	EVENT	WHAT TO WATCH	DIRECTION / MAGNITUDE
≈Aug 6, 2026	Q2'26 earnings	Cash App Borrow coverage ratio and 60–89dpd trend on a flatter book; gross-profit growth; adjusted operating margin	The credit tell (Section 4) — the single most important read; two-sided, high magnitude
Ongoing	Consumer-credit macro (delinquencies, unemployment, savings rate)	Whether the cycle turns while the loan book is young	Negative if it turns; the bear trigger
Quarterly	Cash App ARPU / actives / inflows	Progress closing the ARPU-to-bank gap	Positive if inflows-per-active and gross-profit-per-active rise
H2 2026	Buyback pace	Shares outstanding trajectory	Positive per-share tailwind
Event-driven	Proto revenue / Square deposit-funding milestones	First material Proto revenue; Square Financial Services deposit scale	Slow-burn optionality; we pay for little of it in the base case

10 Ten Open Questions, Answered Against the Model

1. Is the tripled loss line CECL or credit deterioration? Predominantly CECL front-loading + a held-for-investment reclassification + 175% origination growth — high confidence on the mechanics, medium confidence nothing is building underneath. The coverage curve is textbook seasoning; the 60–89dpd doubling is the one caveat to watch.

2. What does Block actually earn, normalized? Stripping BTC marks, the one-time legal charge, and CECL timing, ≈\$1.7B normalized net income on ≈\$11B trailing gross profit — ≈\$2.80 EPS, a ≈28× multiple at \$79.

3. Why ignore the revenue line? Because ≈35% of it is bitcoin pass-through at ≈4% margin; gross profit (\$11B, +16%) is the real scale of the business, and it grows far faster than revenue.

4. What does \$79 require? On flat gross profit, a ≈28% operating margin (vs ≈20% normalized) — i.e., the price already banks margin expansion or continued mid-teens gross-profit growth. Not cheap; fair if Block executes.

5. How big is the real Bitcoin exposure? ≈4% of gross profit and ≈1.2% of market cap in treasury; fair value barely moves across BTC scenarios. The identity is not the economics.

6. Cash App vs Square — what's each worth? Cash App ($\approx \$6.9\text{B}$ GP, growing $\approx \text{mid-20s\%}$) carries the value and the multiple; Square ($\approx \$4.0\text{B}$ GP, $+9\%$) is stable ballast. A separation modestly increases the sum but not enough to clear the control gates.

7. What multiple does a lending - monetized customer base deserve? Between fintech and bank — we hold $21\times$ base (below today's $28\times$) to embed maturation; the bull argues the neobank scales before the multiple mean - reverts.

8. Is Square a stable annuity or slow share loss? Base case: stable at $\approx +9\%$, needing only "doesn't melt." The risk is Toast/Clover pressure; we do not underwrite acceleration.

9. Does the buyback matter? Yes — $\approx \$2.3\text{B/yr}$ at $\approx 595\text{M}$ shares and falling is a real per - share tailwind our forward share count only partly credits.

10. What would move us to the bull? Two clean quarters of seasoning (coverage stabilizing, dpd receding), Cash App ARPU visibly closing the bank gap, and Square holding $+9\%$. Then fair value migrates toward $\$110\text{--}130$ with no Bitcoin bull required — and we would update on the evidence.

11 Conclusion

Block is the most misread name in the regulated crypto complex, and both directions of the misreading come from its income statement. The bears see a "Bitcoin company" cracking under credit losses; the bulls see a cheap stock on a huge revenue base. Both are looking at the wrong lines. Reported revenue overstates the business (a third is low - margin bitcoin pass-through); the crypto exposure is $\approx 4\%$ of gross profit; and the frightening loss line is mostly the accounting cost of a lending book compounding 175% a year. Underneath sits a mid-teens gross-profit compounder — a scaling consumer neobank stapled to a mature merchant acquirer — priced at roughly fair value with a modest positive skew. Our $\approx \$83$ estimate is deliberately conditional: it is a bet, backed by the disclosure, that Block's loan losses are timing and not trouble. The entire thesis reduces to a number the reader can watch each quarter — Cash App Borrow's coverage ratio and its 60–89-day past-due rate. **If they stabilize, Block is a reasonably priced compounder that the market has correctly de-crypto-fied; if they keep climbing on a flat book, the base case is too high and the bear is the story. Everything else — the Bitcoin costume, the overstated revenue line, the ugly headline quarter — is noise around that one signal.**

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directional exposure, though this note argues Block's equity value is nearly insensitive to the bitcoin price. As of publication the Fund holds **no position in XYZ**, long or short. The Fund receives no compensation from any party in connection with its research.

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DATA, METHODS & LIMITATIONS

Data as of 2026-07-13: SEC EDGAR (Block 10-K FY2025 acc. 0001628280-26-012254; 10-Q Q1'26 acc. 0001628280-26-032200; 10-K FY2024 acc. 0001628280-25-007376), FMP (quotes). Gross-profit and segment figures, the Cash App Borrow credit-quality tables (coverage ratios, 60–89-day past due, origination growth), the G&A one-time litigation accrual, the bitcoin gross-profit and treasury figures, the debt schedule, and the buyback pace are taken from the primary filings. The central credit judgment (CECL front-loading vs deterioration) is a reasoned read of the disclosure with the stated caveat; scenario probabilities, normalized operating margins, and multiples are analyst judgment. Cash App Card actives and gross-profit-per-active are disclosed by Block only in its quarterly shareholder letter, not the 10-K/10-Q, and are used only qualitatively. An adversarial claim-verification pass against the primary filings was completed prior to publication: every load-bearing figure — the full Cash App Borrow coverage-ratio seasoning curve (2.71/9.59/10.69/13.18%, recomputed from the raw dollar tables across four quarters, two of which sit outside the two headline filings), the 60–89-day past-due doubling, the \$253.8M one-time G&A accrual, and the four-period revenue/gross-profit/segment table — reconciled exactly to SEC EDGAR. Two minor clarifications were added as a result (the composition of the FY2024 one-time tax benefit, and the treatment of the asset-backed warehouse facilities in the net-cash bridge).

SELECTED SOURCES

- Block, Inc. Form 10-K FY2025 (CIK 1512673, accession 0001628280-26-012254); Form 10-Q, period 2026-03-31 (accession 0001628280-26-032200); Form 10-K FY2024 (accession 0001628280-25-007376) — SEC EDGAR (gross profit by segment, Cash App Borrow credit-quality tables, indebtedness note, bitcoin note, share-repurchase disclosure).
- Financial Modeling Prep (quotes and comparables); rolling 90-day BTC beta computed from Schwab daily closes vs CoinMetrics BTC reference rate (see the TON618 synthesis note).

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