

BLOCK (SQ) Case Study

SQ was a holding in **The Valkyrie Balance Sheet Opportunities ETF (Nasdaq:VBB)** as of 12/14/2021.

VBB is an actively managed ETF available through Nasdaq that invests in innovative public companies with exposure to bitcoin. Ask your financial advisor or search your online account for "VBB".

SHARE PRICE	140.64*
MKT CAP	81.58 billion*
BTC HOLDINGS	8,027
BTC HOLDINGS VALUE	335,536,627
BTC % MKT CAP	0.4%
LOCATION	SAN FRANCISCO, CA
CEO	JACK DORSEY
FOUNDED	2009
IPO DATE	NOVEMBER 2015
URL	www.squareup.com

*data as of 3/18/22

What is Block's core business?

The payments company Square changed its name to Block in December 2021, after its CEO Jack Dorsey quit a similar role at Twitter to focus full time on crypto and payments. Block has five business lines: Square, Cash App, Spiral, Tidal, and TBD54566975. Nearly all of their operating profits come from the core businesses of Square and Cash App. Spiral and TBD54566975 are crypto-focused businesses.

Square is Block's original business that focuses on payments technology. Over 62% of the gross payment volume from Square's point-of-sale systems come from merchants with under \$500,000 in annual revenues. In January 2022, Block acquired Afterpay, which allows merchants using Square payment technology to offer buy now, pay later systems to their customers.¹

While Square's focus is on facilitating credit and debit payments at small businesses, Cash App is a consumer-facing business that integrates with Square's merchant services, allowing consumers to pay directly using Cash App Pay. Cash App facilitates consumer payments and is moving to encourage users carrying balances in the app, whether through mobile check deposits, direct deposits, or even cash deposits facilitated at physical locations such as Walgreens and Family Dollar.² Cash App has been facilitating bitcoin transactions since 2018, recently integrating access to Bitcoin's Lightning Network which can reduce the cost of bitcoin investing.³ In Q3 2021, the revenue from seller services was \$1.39 billion, while Cash App had bitcoin revenue of \$1.82 billion and \$578 million in other revenues from Cash App loans and banking. Bitcoin revenue is the price of the bitcoin sold to consumers which exceeds the cost at which Cash App purchased the bitcoin to facilitate those transactions.

1 <https://investors.block.xyz/news/news-details/2022/Block-Inc.-Completes-Acquisition-of-Afterpay/default.aspx>

2 https://s29.q4cdn.com/628966176/files/doc_financials/2021/q3/SQ-3Q-2021-Shareholder-Letter.pdf

3 <https://decrypt.co/90424/jack-dorsey-block-square-bitcoin-mining>

What is Block's Bitcoin investment strategy?

Block's crypto ambitions are discussed in an October 2020 white paper, which announced an initial purchase of 4,709 bitcoins.⁴ That stake has recently increased to over 8,000 bitcoin. This bitcoin investment is both insured and largely held in cold storage. Additionally, Block is moving into the crypto mining business. Concerned about the noise and unreliability of current ASIC mining rigs, Block is seeking to build an energy-efficient mining system that can be used in home settings.⁵ Block is also working on building a physical bitcoin wallet as well as a decentralized bitcoin exchange tbDEX.



4 <https://decrypt.co/90424/jack-dorsey-block-square-bitcoin-mining>

5 <https://fortune.com/2022/01/13/jack-dorsey-block-bitcoin-mining-square-crypto/>



Disclosures

The Valkyrie Balance Sheet Opportunities ETF is an actively managed ETF. The Fund seeks to provide investors with capital appreciation. There can be no assurance that the Fund will achieve its investment objective.

This document does not constitute a recommendation of any investment strategy or product for a particular investor. Investors should consult a financial advisor/financial consultant before making any investment decisions.

Investing involves risks. The loss of principal is possible. The Fund investment objectives, risks, charges and expenses should be considered before investing. The fund may not be suitable for all investors. The prospectus contains this and other important information, and it may be obtained at <https://valkyrie-funds.com/>. Read it carefully before investing

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Any applicable brokerage fees and commissions will reduce returns.

VBB is indirectly exposed to the risks of investing in bitcoin through its investments in companies with exposure to bitcoin. Bitcoin is a new and highly speculative investment

Bitcoin and bitcoin futures are a relatively new asset class. They are subject to unique and substantial risks, and historically, have been subject to significant price volatility. The value of an investment in the Fund could decline significantly and without warning, including to zero. You should be prepared to lose your entire investment.

The Shares will change in value, and you could lose money by investing in the Fund. The Fund may not achieve its investment objective.

The Fund is distributed by ALPS Distributors, Inc. Valkyrie Investments and ALPS Distributors, Inc. are not affiliates.

VLK 1000210

This is a new ETF with limited operating history

