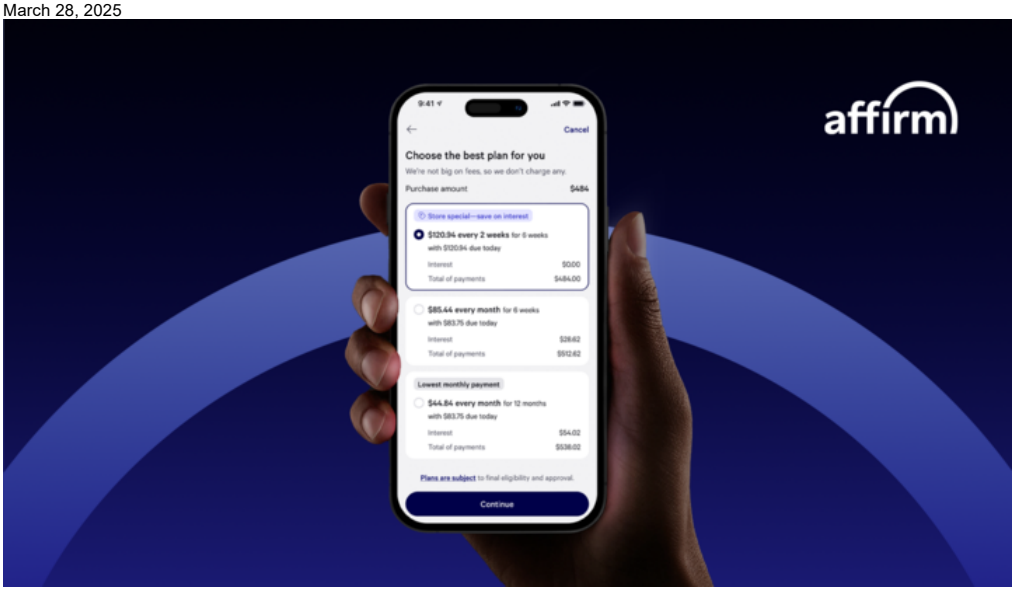
The Affirm difference: building a new kind of payments network with money and morality at its core

March 28, 2025



By Michael Linford, COO, Affirm

Over the past few weeks, there's been a lot of interest in the pay later industry. This isn't surprising given the continued news in our space, making today a good time to write down some thoughts around the key differences between leading players like Affirm and other fintechs.

As a company that's committed to engagement and transparency, we thought it was important for you to hear our perspective directly.

In short, we see some stark differences between business models. From how each company makes money, to the mix of volume, and overall practices.

Before diving in, two quick disclaimers for the avoidance of doubt:

1. At Affirm, we respect our competition. We welcome it as a powerful market force that can ultimately lead to better products for consumers and merchants. It also encourages us to push harder and faster.
2. Opinions can be biased – present company included – but *math* is not.

Junk fees vs. No fees

Affirm has been upfront in our approach to never charging any late fees, hidden fees, or other junk charges. Since our founding, we have said that we refuse to make money off of people's mistakes or misfortunes. Our business aligns our interests with those of consumers and merchants. Consumers can make better, and more informed, purchasing decisions when they are able to understand the full cost of credit upfront for each transaction.

All BNPL products are not created equal. In fact, most "BNPL loans do charge late fees", according to the CFPB. The agency found in one analysis that 11% of consumers were charged a late fee from a BNPL product. Late fees and other gimmicks contributed over 13% of revenue for the BNPL industry in 2021. But the denominator here included Affirm, and we never charge any late fees so the percentage is much higher for our competitors.

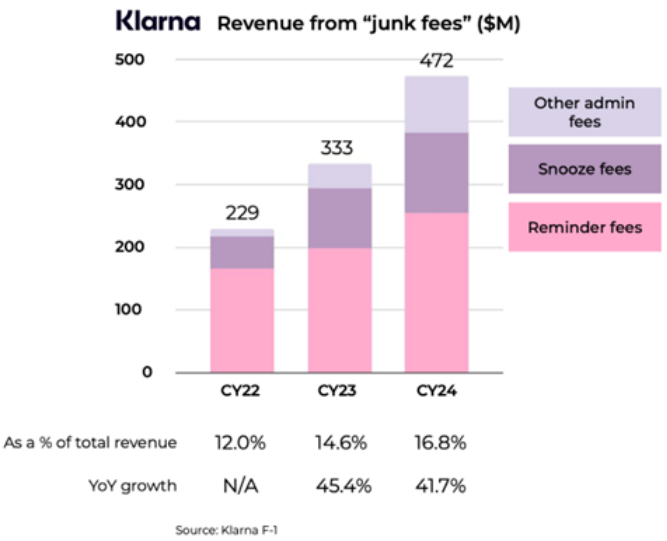
<table>
<tr><th></th><th>affirm</th><th>afterpay</th><th>Klarna</th></tr>
<tr><td>Late fees
Reminder fees</td><td rowspan="3">None</td><td>💰</td><td>💰</td></tr>
<tr><td>Snooze fees</td><td rowspan="2">None</td><td>💰</td></tr>
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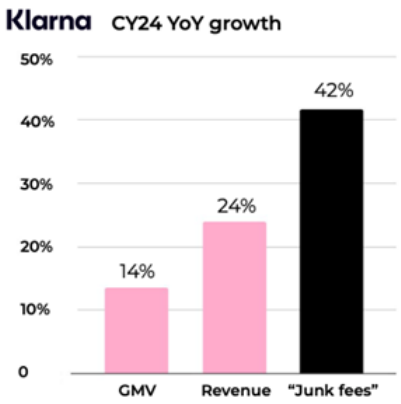
For example, in its F-1, Klarna claimed it has "minimized" late fees and that 99% of the consumer loans it extends are paid back on time. However, Klarna generates quite a lot of revenue from the junk fees it charges consumers. To be exact, these junk fees accounted for $472 million in 2024, and comprised 17% of Klarna's total revenue and roughly half of their margins when adjusting their reporting to match Affirm's on an apples-to-apples basis. These junk fees include:

- Reminder fees, which Klarna describes as a “penalty applied when a consumer does not pay on time” (aka late fees);
- Snooze fees, which is when a consumer pays a fee to move a payment date; and
- Other administrative fees, such as fees for issuing one-time cards.

What stands out to us is that this ratio is similar to what we see with many credit card companies. While our competitors claim to be a better alternative, Affirm actually delivers on it.

Collectively, these junk fees grew at a faster rate (42%) in 2024 than the rest of Klarna’s revenue (24%), implying they represent an important source of growth for the company.





We’ve built our business without fees designed to be a crutch for poor underwriting because we think it’s better for consumers and generates better outcomes for all involved.

This also helps to differentiate us when it comes to merchants, who are looking to convert sales while doing right by their customers. We can optimize our partnerships because we are vertically integrated — we don’t outsource underwriting or other critical functions like capital markets activities. This enables us to drive better conversion for merchants and safe access to credit for consumers while delivering great business results for Affirm and our capital partners.

Affirm is an alternative to credit cards

Building the first payment network of its kind as an alternative to credit cards was, and still is, an audacious idea. There is no template for Affirm to follow, which is why our business is so unique. We often compete for the same real estate as other pay later providers, but we solve *very* different problems for both consumers and merchants.

To put it simply, Affirm does the hard work. Dividing a purchase into four biweekly installments is easy. Our underwriting advantages enable us to serve a wide range of transactions, from 30 days to 24, 36, or even 60 months, while maintaining disciplined credit policies with our bank partners.

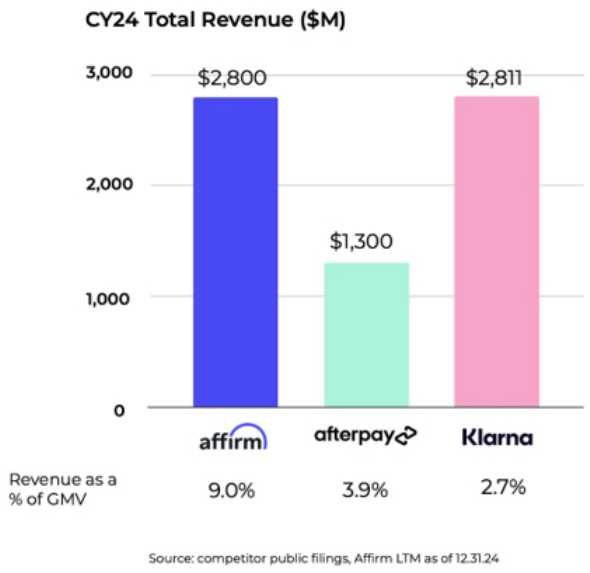
Approximately 85% of our volume is monthly installment loans, both 0% APR and interest-bearing. We’re also able to offer tailored and targeted merchant-funded credit offers. This could mean a special 0% APR promotion or a longer repayment term. The result is more value for the consumer and therefore more growth for the merchant where they’re shopping. This is an important point of competitive differentiation, which is reflected in our results.

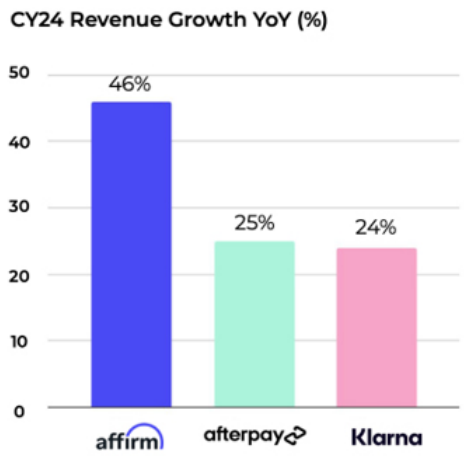
Given our approach, we only make money when consumers pay back their loans. This requires us to only extend access to credit that is repaid. We excel at that, and it is why we’ve attracted such world-class capital partners.

On the flip side, most pay later providers mainly focus on really short-term loans. To be clear, short term loans can also help consumers; this is especially true when they are offered without fees like reminder fees. While short-term loans made up 14% of our volume last calendar year, they make up the vast majority of our competitors' offerings.

Growth trajectories and margin profiles confirm Affirm’s market-leading position

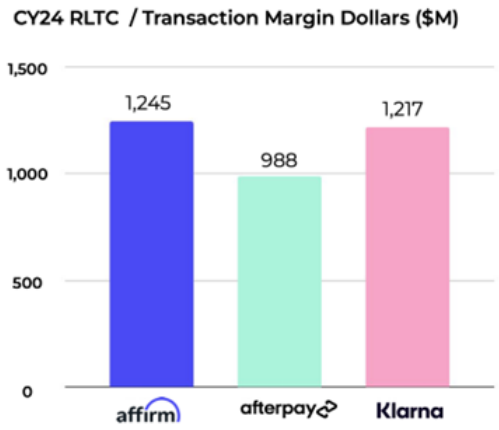
Among the companies we analyzed, Klarna and Affirm generated about the same revenue in CY 2024. When it comes to revenue growth, Affirm was the fastest growing of the group at 46%, followed by Afterpay at 25% and Klarna at 24%. To put our growth rate in perspective, Affirm increased revenue by almost $900 million in 2024, exceeding Klarna's total U.S. revenue, their largest market.

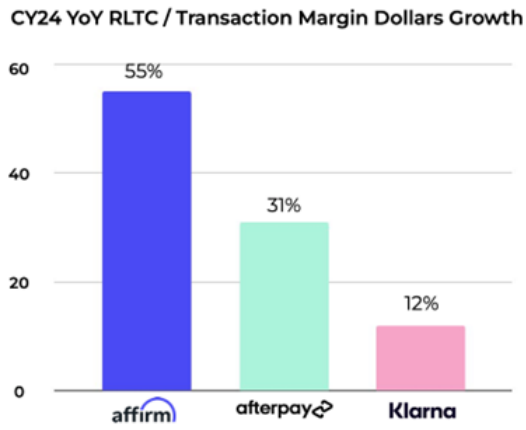




Source: competitor public filings, Affirm LTM as of 12.31.24

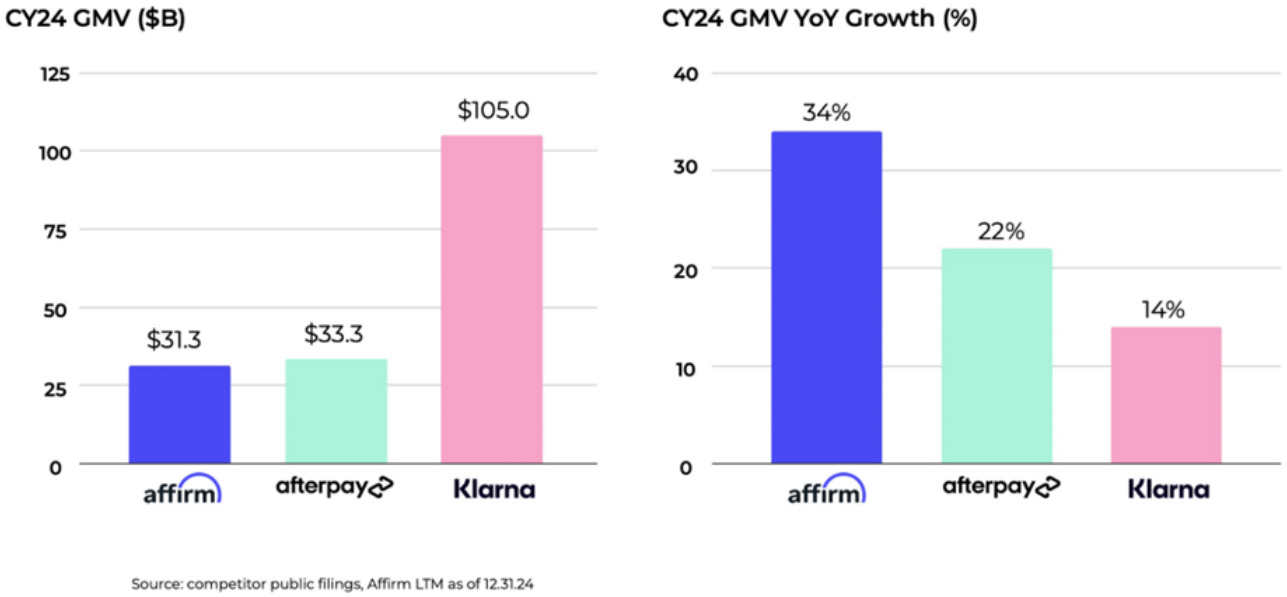
Affirm also led the group in terms of margins. Each player defines their margin metric in a slightly different way. For simplicity purposes, we compared each company's reported margins, which at Affirm is revenue less transaction costs (RLTC). Overall, Affirm generated the most RLTC in total dollars, which also grew by more than 50%.





Source: competitor public filings, Affirm LTM as of 12.31.24
Metrics used: for Afterpay, disclosed revenue minus disclosed 'cost of revenues' from Block's 10k; for Klarna, transaction margin dollars
Revenue Less Transaction Costs ("RLTC") is a non-GAAP financial measure. Information about Affirm's use of non-GAAP financial measures is provided in its most recent Shareholder Letter, which was furnished to the Securities and Exchange Commission as Exhibit 99.1 to a Current Report on Form 8-K filed on February 6, 2025, under the headings "Key Operating Metrics, Non-GAAP Financial Measures and Supplemental Performance Indicators" and "Use of Non-GAAP Financial Measures." Reconciliations of GAAP results to non-GAAP results are provided in the Appendix of this presentation.

Affirm stands out from the pack given our performance on growth, margins, and scale. Among the providers analyzed, Affirm is growing both volume and revenue the fastest while maintaining significantly higher margins.



Source: competitor public filings, Affirm LTM as of 12.31.24

This also showed up as Affirm brought in roughly the same amount of revenue as Klarna ($2.81B vs. $2.80B) despite having much lower GMV ($105B vs. $31B), which further underscores the strength of our business model and unit economics.

Merchants and consumers appreciate Affirm because we provide honest financial products that enable people to pay over time from weeks to years without any tricks or gimmicks. In doing so, we provide more value to our consumers, merchants, and capital partners. This is the Affirm difference.

Appendix

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

The following tables present a reconciliation of transaction costs, revenue less transaction costs to their most directly comparable financial measures prepared in accordance with GAAP for each of the periods indicated.

	Twelve Months Ended December 31, 2024
	(in thousands)
Operating expenses	
Loss on loan purchase commitment	$ 216,414
Provision for credit losses	552,856
Funding costs	397,613
Processing and servicing	388,480
Transaction costs (Non-GAAP)	**$ 1,555,363**
Technology and data analytics	531,563
Sales and marketing	549,545
General and administrative	530,074
Restructuring and other	4,852
Total operating expenses	**$ 3,171,397**
Total revenue	**$ 2,800,203**
Less: Transaction costs (Non-GAAP)	(1,555,363)
Revenue less transaction costs (Non-GAAP)	**$ 1,244,840**