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Affirm Holdings, Inc.

First Quarter 2022 Earnings Conference Call

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PRESENTATION

Operator

Welcome to Affirm Holdings Fiscal Year 2022 First Quarter Earnings Conference Call.

As a reminder, this conference call is being recorded.

I would now like to turn the conference over to Ron Clark, Vice President, Investor Relations, to begin.

Ronald Clark

Thanks, operator. Before we begin, I'd like to remind everyone listening that today's call may contain forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties including those set forth in our filings with the SEC, which are available on our Investor Relations website. Actual results may differ materially from any forward-looking statements we make today. These forward-looking statements speaks only as of today, and the company does not assume any obligation or intend to update them, except as required by law.

In addition, today's call may include non-GAAP financial measures. These measures should be considered as a supplement to, but not as a substitute for GAAP financial measures. Reconciliations to the most directly comparable GAAP measures can be found in today's earnings press release. which is available on our Investor Relations website.

Hosting today's call are Max Levchin, Affirm's Founder and Chief Executive Officer; and Michael Linford, Affirm's Chief Financial Officer.

And with that, I'd like to turn the call over to Max to begin.

Max Levchin

Welcome everyone and thanks for joining us on today’s call.

Q1 was yet another record quarter for Affirm as we continued to rapidly grow both sides of our network. We increased GMV to more than $2.7 billion during the period, which we closed with some really great momentum. We achieved our first-ever billion-dollar GMV month in September and had over 102,000 Active Merchants and 8.7 million Active Consumers at the end of the first fiscal quarter.

That said, we measure Affirm’s results and impact in years and decades—not months and quarters. This allows us to think strategically about delighting consumers and delivering value to our merchant partners while building an exciting brand on the foundation of trust. The seeds we planted years ago are just beginning to bear fruit: the growth of our network is accelerating, and my confidence in Affirm’s market position has never been stronger.

Deep tech-powered partnerships with exceptional platforms form a key part of our multi-year growth strategy. These are beginning to scale up, and we are continuously investing in delivering even more value for our partners with new ideas and products:

Our partnership with Shopify is showing really strong signs of scale and impact. We’ll touch on the exact numbers in a moment but glance at the Active Merchant number to get a good sense of how that is starting to take shape.

We continued to rapidly expand our partnership with Walmart. As recently announced, Affirm is providing Walmart’s consumers an efficient alternative to layaway for the holiday shopping season. In November, Walmart and Affirm will be marketing together across a variety of digital and physical channels, including TV Walls in over 3,900 Walmart Stores. Our deep engagement with this all-important partner helped meaningfully accelerate our GMV with Walmart over the last year. We see even more opportunities to serve Walmart and its consumers in the year ahead.

On the strength of our test results, we are also deepening our relationship with Amazon to help accelerate the growth of our network. Affirm will now serve as Amazon’s only credit card alternative in the buy-now, pay-later space through the next two Holiday seasons in the United States. Eligible Amazon customers in the United States will have the opportunity to use Affirm at checkout on Amazon, providing them a transparent and flexible way to pay at their own pace. Affirm will also be embedded as a payment method in Amazon Pay's digital wallet and become available to all consumers and merchants that use Amazon Pay at checkout in the U.S.

Finally, we continued to close, launch, and expand our enterprise partnerships. We launched American Airlines and Apple Canada, re-signed three-year deals with Priceline and Signet, launched a deeper integration with Target—which more than doubled our current Target business—and closed brand new partnerships with Newegg and Michael's.

Platform and merchant partnerships, and the strong growth of our consumer platform represent an incredible opportunity to expand the potential reach of our mission to hundreds of millions of people, and we are excited to bring them access to our honest financial products.

On a lighter note, I'm excited to share that we've launched our consumer holiday campaign just this week. You might catch it on social media, while streaming TV, and on billboards in several markets. The campaign explores the stupid and stressful things that can happen around the busy holiday season—from questionable gifts to regrettable behavior—and juxtaposes that with Affirm: the smart choice for paying at your own pace, with no late fees, no gotchas, and no regrets.

There is a lot to be proud of this quarter and even more to be excited about in the years to come.

Affirm's core strengths lie in risk management, capital markets execution, and putting our ability to solve hard technical problems toward building great products and creating consumer delight.

With the context of the Great Unbundling of the credit card, we gave you a sneak peek into parts of our product roadmap at our Investor Forum in September. Let me update you on the progress we've made on these products since.

After being put through its paces by hundreds of Affirmers, our Debit+ card is out in the wild, being further tested by consumers as we make our way through our waitlist and get it ready for gen-pop launch in the New Year.

We also shipped the first version of our SuperApp—while it's still very early days, and many versions will follow this one, I am excited to see the meaningful increase in consumer engagement that it has driven across products, particularly our Shopping platform.

Cashback rewards and Crypto Savings are both live in a pilot mode, which you may have seen in your Affirm app already or will soon.

We also launched Affirm in Australia last week with our long-time enterprise partner Peloton. Extending our international reach by partnering with our merchants wherever they do business is an important facet of our growth strategy, and we see many more markets to come. Stay tuned.

Finally, Adaptive Checkout, the reinvention of our core business, is fully live in the market, has delivered an over 25% conversion lift, and has already been adopted by 44% of eligible merchants.

Let me go back to something I touched on briefly a moment ago. Affirm's core strength can be summed up to one thing: our extraordinary team. It's hard to overstate just how much of our success to date is rooted in the exceptional level of talent and sheer grit of our people.

The key strategic insight leading to the creation of the Great Unbundling thesis was the fear and loathing of the credit card by the millennial generation as they came of age after the financial crisis.

Related to this was the dramatic rerouting of the flow of intellectual capital. In the prior decade, the best and brightest technical minds flocked to Wall Street to learn and earn. Suddenly, they craved something else professionally: they needed a mission, a chance to fix the problems of the financial systems that had failed their families.

Our mission is at the very core of who we are. And the purity of our purpose (combined with a firm belief that any solution to societal problems must be self-sustaining and profitable to stand the test of time) has allowed us to attract amazing talent since the very early days of Affirm... many of whom are still here today, a decade later.

The output of our engineering team is a key reason why we have become the partner of choice for so many giants of commerce. Our partners rely on us to show up with solutions for scale, speed, and reliability, and to work tirelessly and intelligently to deliver results.

Our risk and data science teams were founded on the belief that traditional credit scoring excluded far too many people from access to credit and the conviction that alternative data sources can be utilized in creative and compliant ways to dramatically expand this access without compromising risk performance.

A very similar origin story is alive and well today in our Legal and Compliance team. Several of them hail from key supervising regulators like FDIC, the Fed, and the CFPB. Our commitment to winning the right way—with no fine print and no late or hidden fees—is what brought them to Affirm.

This update will become prohibitively long if I were to properly highlight each team and their contributions to our many successes so far, so I hope you will indulge me with just one anecdote featuring a great many Affirmers.

As we readied the rollout of ShopPay Installments (powered by Affirm!) in the late spring of this year, we needed a way to onboard several hundred thousand Shopify merchants: to review them for eligibility, identify and solve corner cases, vet them for regulatory and compliance issues. Of course, eventually, this would all be done by machine learning models examining the site content and scoring it. But to build this type of model, you need reasonable prior knowledge from previously approved merchants, and we hadn't yet accumulated enough of that at the time. At their regular reviewer capacity, Merchant Ops would take several months, and we wanted to launch in three weeks.

We had about 1,300 employees at the time. If a large percentage would manually review a few hundred shops each, we would be ready to launch within the time allotted and collect an excellent training set of data to build the models for automated approvals.

Within a day we had organized robust online training classes for our quote-unquote “volunteer” reviewers, a leaderboard (for those competing on review productivity) appeared, and Operation Shopapalooza was up and running. Execs and interns alike would finish their already busy workdays, pick up their next batch of Shopify merchant URLs, and get reviewing! Meanwhile, our machine learning team shipped new software tools every day to help automate more and more of the reviewer tasks.

I maintained a respectable top-20ish position on the productivity leaderboard but got completely overrun by Michael and his team a few days before the wrap…only to watch him get left hopelessly behind by the machine learning folks who had automated the review process after two weeks. We had the data, we’d built the models, and we were ready to launch.

It’s easy to dismiss this episode as a pandemic-era Zoom-addled startup antic, but I think it is very revealing. We have assembled perhaps the most formidable fintech team ever. And, in addition to talent, even ten years in, we have maintained the startup grit, and are never afraid to roll up our sleeves to achieve our goals.

I want to thank Affirmers for another excellent quarter, and a great beginning to an important year for our Company. It's a privilege to lead this team, and an honor to work with all of you.

Now off to Michael, who will take us through the numbers.

Michael Linford

Thanks, Max, and good afternoon, everyone. Our Q1 results demonstrate the powerful impacts that our team and our investments in technology are having on our business. But, before I get into the results for the quarter, I want to share some details about our expanded agreement with Amazon.

Although we just announced our original relationship with Amazon at the end of August, the results we've seen have enabled us to expand beyond our test that began earlier this year. We are now ramping towards general availability, which we expect to achieve by the end of the calendar year. Our expanded agreement makes Affirm the only credit card alternative in the "BNPL" space in the United States through January 2023. We are also excited to announce that Affirm will be embedded as a payment method in Amazon Pay at eligible U.S. merchants. The initial term of our amended agreement will go through January 2025.

Together with the team at Amazon, we crafted an agreement that aligns our interests with equity grants tied to our growth. Amazon will receive an initial grant of 1 million penny warrants and an additional 6 million that vest over the initial term of the contract when certain performance conditions are met.

Given Amazon's massive consumer base, we expect this partnership to help create a step-change in our network scale. To ensure continued alignment on that goal, Amazon has the opportunity to vest up to an additional 15 million warrants with a 100-dollar strike price, tied to the scale-up of our user network over the next 7 years.

We're excited to deepen our relationship with Amazon to deliver an exceptional consumer experience, while delivering shareholder value. This deal is another proof point of our leadership as the enterprise partner of choice. Enterprises pick Affirm because we are the Technology leader, and we now have integrated relationships with partners representing approximately 60% of U.S. e-commerce. This is a big win and we are just getting started.

Now, let me turn to the quarter's results.

Looking at the big picture, we continued to expand our two-sided network, while delivering strong top-line growth and industry-leading unit economics. Zooming in...

- We scaled both our consumer and merchant networks dramatically, growing Active Consumers by 124% to 8.7 million, and increasing Active Merchants to a staggering 102,000, from just 6,500 last year

- GMV grew 84% and Revenue grew 55%—both ahead of our outlook. Excluding our largest merchant, that growth was even stronger: GMV grew 138% and Revenue increased 99%

•That top-line growth generated strong unit economics, with Revenue Less Transaction Costs up 103% to $112 million, or 4.1% of GMV, a 38 basis point increase

•Even as we significantly grew our network, we also improved our capital efficiency, demonstrating our disciplined approach to scaling. The equity capital we use to fund our loans decreased on a dollar basis by 36% from last year to just $140 million, representing less than 3% of our $5 billion Total Platform Portfolio

Given our strategic progress and strong Q1 results, we have raised our outlooks for GMV, revenue, and Revenue less Transaction Costs for fiscal year 2022, which I will discuss in detail in a moment.

Before I do that, let's walk through the results.

Unless stated otherwise, all comparisons refer to our first fiscal quarter of 2022 versus Q1 of fiscal 2021.

Active Consumers increased 124% to 8.7 million, which corresponds to a 1.6 million sequential increase from Q4, and over the past two quarters, we have added 3.3 million net-new consumers to our network.

One of the key drivers of the strong Q1 performance was the ramp of our partnership with Shopify, which has enabled merchants to provide their consumers with a fast, seamless pay-over-time product. After making Shop Pay Installments widely available in June, we have worked closely with Shopify to drive merchant uptake and consumer adoption. As part of that effort, in the first quarter we ran a limited-time promotion for Shopify merchants to demonstrate the impact of Shop Pay Installments. The success of that promotion and the ramp of our partnership accelerated the growth of our network.

While Shopify was a significant driver of user growth, we also experienced broad-based adoption across our other merchants and categories. Our recently acquired PayBright and Returnly businesses also contributed a combined 120,000 new consumers sequentially from Q4 and 1.3 million from last year.

Our partnership with Shopify also drove a more than 15 times increase in Active Merchants, from 6,500 in the prior year, to more than 102,000 in Q1. On a sequential basis, Active Merchants—which is calculated over a trailing 12-month timeframe—grew 3.5 times from the June-ending quarter. While a relatively small impact to the growth, I would also note that PayBright and Returnly added about 2,600 incremental merchants.

Moving to GMV...

We grew GMV 84% in our first quarter, to over $2.7 billion, exceeding our outlook. This growth reflects traction across all products and verticals and—our ability to serve a diverse set of merchants and consumers across a wide set of transaction types and sizes. Importantly, our strong growth reflects not only the new merchant partnerships we have signed, but also the deep partnerships we are forging with our existing merchants. Excluding our largest merchant, our GMV with merchants that have been on Affirm's platform for 12 months or longer grew 70%, reflecting an increasing share of cart within this group of merchants.

We delivered triple-digit GMV growth in several categories. Our Travel business grew eight-fold from last year's suppressed baseline, reaching a new high-water mark. Our strong position among broad-line retailers—including Walmart and Target—drove a 170% increase in GMV for this category compared to last year. The Apparel category also remained a real bright spot, growing 128% year on year, which—in our view—shows the value of strong low-AOV offerings when paired with high-AOV products. To sum it up, the quality, depth, and breadth of our merchant partners—as well as our ability to address a wider range of transaction types—are key areas of strength for Affirm...and they're delivering results.

In addition to helping our integrated merchant partners drive conversion, our direct-to-consumer virtual card product also delivered triple digit growth—growing 119%, demonstrating strong adoption of our offerings, particularly among returning consumers.

We had a strong quarter outside the U.S., as our Canadian business added over $100 million of GMV. We serve a wide range of merchants and large enterprises in Canada, including Apple, which launched in the first quarter and has exceeded our expectations to date. Beyond Canada, we see a great opportunity to expand internationally by bringing our products to more of the regions that our merchant partners serve. As part of that strategy, we are excited to deepen our relationship with Peloton by launching in Australia.

Our business with Peloton globally remained strong in the first quarter, with GMV more than doubling compared to the more normal quarter ended September 2019. As a reminder, in late calendar year 2020, Peloton transitioned to capturing transactions upon shipment—versus upon authorization—which makes our Peloton GMV comparisons skewed through the first half of our fiscal 2022. Peloton's concentration declined to 8% of our GMV this quarter compared to 29% in the year-ago quarter, and given our strong broad-based growth, no other merchant partner accounted for more than 5% of our GMV.

While we are still in the early stages of our partnership with Shopify, we are already seeing some of the trends associated with the rapid growth of our Split Pay offering, which currently powers Shop Pay Installments. First, growth in lower AOV categories has accelerated, resulting in an expected AOV decline, from $661 one year ago to $402 in Q1. Additionally, we are seeing continued growth in frequency, as Transactions per Active Consumer rose 8% to approximately 2.3. Finally, we expect the growth in our Split Pay business—which has a generally lower merchant discount rate than our 0% APR business—to drive lower total revenue yields as a percentage of GMV, albeit with lower total transaction costs once we reach scale.

Now, turning to the financials...

The strength in GMV helped us deliver strong Q1 revenue growth. Net revenue of $269 million grew 55% year over year, and also exceeded our Q1 outlook. Total Network revenue grew 13%, but that figure masks much stronger underlying results. Excluding the merchant fees earned from our largest merchant partner in Q1, Total Revenue growth was 99% and Total Network Revenue growth was 81% in Q1.

As a percentage of GMV, Revenue was 10%, consistent with our outlook. The 190 basis-point decline from last year was driven by the mix shift away from longer-duration 0% APR loans.

On the expense side, we achieved significant leverage on Transaction Costs.

Total Transaction costs of $157 million grew 33% year-over-year compared to revenue growth of 55%. With the mix shift I described a moment ago, Loss on Loan Purchase commitment declined 22%, while improvements in our Capital program limited the growth of Funding Costs to 62%, despite growing liabilities we use to fund our loans by 76%.

Provision for Credit Losses grew at 120%, driven by the provision releases in the comparable period, but also reflecting the credit loosening initiated earlier this year. Our credit outlook and position remains the same as we discussed in our Investor Forum: we expect to continue to see the impact of credit loosening resulting in intentionally higher allowances, which in turn drive provisions for credit losses in each period.

The robust top-line growth and leverage in Transaction Costs resulted in higher Revenue less transactions costs which grew 103% to $112 million, or 4.1% of GMV.

With the strong growth and unit economics—as well as the massive opportunities we see for our business—we are continuing to invest for the long term. As Max discussed, in Q1, we continued to invest in building our team. We are also investing in marketing to build our brand and scale our network. This resulted in higher personnel costs and stock-based-comp in Technology and Data Analytics as well as Sales and Marketing. In Q1 Total Operating Expenses outside of Transaction Costs grew $190 million, driven by a $87 million increase in stock-based compensation, primarily due to the IPO in January. Excluding SBC, these expenses grew 125%.

GAAP Operating Loss was $166 million, compared to a loss of $33 million last year. Adjusted Operating Loss was $45 million in the quarter compared to an $8 million loss in the prior year.

Turning to our balance sheet, we delivered another strong quarter of GMV growth while continuing to drive greater efficiency from a capital perspective.

Total Platform Portfolio grew from $3 billion to $5 billion at the end of Q1, and we increased our overall Funding Capacity from $4.2 billion last year to $7.3 billion.

Our disciplined approach also drove a reduction of the Equity Capital we use to fund our business, from $220 million to just $140 million, despite growing our loans on the balance sheet by more than $800 million year over year. Accordingly, as a percentage of Total Platform Portfolio, Equity Capital Required fell to an all-time low of 3% from 8% last year.

Now looking to the year ahead, we expect the strategic progress we made in fiscal Q1—as well as the strength we are experiencing in consumer and merchant adoption—to help drive even stronger results for fiscal ‘22. Accordingly, we are raising our outlook for the year.

We now expect GMV to increase between 58 percent and 61 percent from fiscal year 2021 to between $13.13 to $13.38 billion. We expect Revenue of $1,225 to $1,250 million, representing year-over-year growth of 41% to 44%.

We expect Transaction costs of $645 to $655 million, resulting in Revenue less transaction costs of $580 to $595 million dollars.

Finally, we expect an Adjusted Operating Loss as a percentage of total revenue of 12 to 14 percent, as we continue to invest in the long-term growth of our business.

We expect weighted-average shares of approximately 290 million for the year, consistent with our prior outlook.

While these financial results do not include the benefit of our recently signed partnership with Amazon, we have included the impact of the penny warrants previously mentioned, with 1 million vesting upon signing, and 6 million vesting quarterly over the 3-year contractual period.

And, given these same trends we are also raising our outlook for our second fiscal quarter ending December 31, 2021. We now expect:

•GMV to grow 71 to 76% to $3.55 to $3.65 billion.
•Total Revenue of $320 to $330 million.
•Transaction Costs of $143 to $148 million
•Revenue less Transaction Costs of $178 to $183 million
•Adjusted Operating Loss as a Percentage of Revenue of 5 to 7 percent and...
•Weighted-Average Shares Outstanding of 285 million.

In closing, I want to add my thanks to the Affirmers who helped deliver such strong results. Our team is the best part of my job here and their continued ingenuity and hard work enables us to impact the lives of millions of consumers.

Max and I will now open the line for questions.

Operator

We will now begin the question-and-answer session.

The first question comes from James Faucette with Morgan Stanley. Please go ahead.

James Faucette

Thank you very much.

I'm wondering, Michael, you talked about previously expanding the credit box and the benefits that you get. You seem to be repeating that. Can you just talk about how that's progressed thus far and how we should anticipate that impacting on things like reserves, etc. going forward? Thank you.

Michael Linford

Again, consistent with as we talked about it at the Investor Forum, we ran the business at a very tight level coming out of COVID and have been on a path over the past year of slowly relaxing in the credit box. We've also seen the impact of mix in our business that would show up as well, but the governor for us is always that revenue less transaction costs. We think about credit as a thing that we control and choose, not something that happens to us.

That being said, we're generally very conservative in how we think about provisioning and the allowance that we maintain. We always want to be careful here and we do expect that some of that conservatism may show up in the Q2 guidance we've given for revenue less transaction costs where we do think that we're probably on the more conservative end of the allowance as we sit here today.

James Faucette

Got it. Makes sense.

Then Max, I wanted to ask you, when you look at the growth in the messaging and availability of Affirm, and you look at all the merchants that you're reaching now, how are you thinking about measuring that in terms as it relates to transactions per active user and how you would like to see that track? What kind of expectations should we be having as investors? Thanks.

Max Levchin

A great question. For a little while, as much as I enjoy setting obnoxious goals and trying to beat them, I think we should expect the denominator to overwhelm the numerator. We signed a bunch of really powerful partnerships with massive distribution tailwinds built into them, and so no matter how good we are at rolling out products that drive huge repeats, I suspect the second derivative there is going to get overwhelmed by the second derivative of sheer user growth. So, for a time the transactions per user, my guess is it will be hard to predict simply because the ramp-up of things like Amazon and even Shopify, which is still quite early, will be a little bit tricky to predict. That said, we want the transactions per users to be up and to the right as much as possible.

I think that the real step-change—and Michael will probably not let me talk about this next quarter but I hope to start talking about it a little later—there's going to be a very—in my opinion at least, there's going to be very different number of transactions per user for those that take on our Debit Plus product and the ones that haven't yet. The Debit Plus consumers, we expect them, we ask them, we welcome them to use the product daily. The idea there is to really start tracking into as often as you use your debit card. Obviously, that won't be a 100% of our user base for quite some time, especially as the user base itself grows, but we'll start talking about our super users, our power users and what they are really experiencing as an important metric for us, but those are the ones that we really expect to just have outsized DTPAU numbers.

James Faucette

Thanks for that, Max. Thanks, Michael.

Operator

The next question comes from Bryan Keane from Deutsche Bank. Please go ahead.

Bryan Keane

Hi guys. Congrats on the results and the progress. Wanted to ask about the Amazon extension here. Just want to be clear, what is new from previous? It looks like the exclusivity for one year in the warrants. Then secondly, just trying to think about timing, but it sounds like Amazon will happen this holiday season, so are we just being conservative and not putting it into the quarterly numbers because we don't know how big it will be? Just a little thought process around that. Thanks.

Max Levchin

Thank you. I think we are the sole, dedicated buy now pay later partner through Jan 23. That's important and powerful. Our last 8-K, I think said very, very explicitly, 'This is a non-exclusive pilot," so the most important qualitative change here is Amazon had their pick obviously of partners in the space, they tested, they tested us, we passed the test. We passed with flying colors and better. I think that's a very important qualitative matter here.

The Amazon Pay and vetting is new. That was not in the last conversation, which is important. We said it before and I'll say it again. The war for wallet placement to be a tender inside the important wallets is really kind of the next page in the history of financial services (inaudible) payments and it's important for us to be embedded in important wallets.

Frankly, the fact that we are ramping pretty quickly to this holiday season was not explicit in our last announcement. I think at the time we made it, we may have classified it as a hope, hope but not a strategy. We should be live in this holiday season presently.

That's the qualitative matters. Michael can describe the details of the financial arrangements as well.

Michael Linford

Yes, the warrants are new. To me, it's an important piece of aligning incentives. If you think about the posture of the relationship, you're dealing with someone as large and with as much scale as Amazon, it's a good thing to have them invested in the outcomes that are good for you and that's how we thought about it as we worked on that amendment.

In terms of why not have it in the forecast, yes, it's exactly right. Our approach to building forecasts and giving guidance is we need to see it before we commit to it. We're just now beginning the process of fully ramping this out. So, over the next couple of weeks and then throughout the rest of the holiday season we'll have a pretty good read and be prepared to give you some pretty clear guidance coming into the next quarter.

Bryan Keane

Excellent. Just one follow-up on the Shop relationship. How much further do we have to go before we get to a full run rate by quarter, or maybe some of the things that might happen to get us there? Obviously, it's off to a great start, but trying to figure out how much more room there is to grow, just to get to a run rate, is that a quarter or two, or is that going to be a several year process?

Max Levchin

I'll give a qualitative answer as is my custom and Michael may or may not want to add a little bit more.

Probably the most important thing to understand about us as a company, we don't build a thing and start selling it and roll it out and that's it. The reason Shopify partnered with us, the reason all these great enterprises look at us and say, "This is the right partner for us, " is because we come into a relationship with a plan to build more stuff. If you look at the pace of growth at Walmart, which has been a partner for numerous years, it's growing at an accelerating clip. It's not because somehow, things have ripened on a tree and now they're ready to pick. It's because we continued to invest in the relationship and build new code. The whole sort of DNA of Affirm is let’s build things that help us grow faster, so we are in control of that growth. It makes it a little bit harder to predict too, but if we do it right, it will accelerate. That's probably the most important takeaway.

I don’t know if Michael wants to commit to a forecasting schedule, but I just wanted to make sure that that part is clear.

Michael Linford

I would just add in a qualitative comment that we're not yet fully optimized there. We're really excited with the traction that we are seeing, but there's a lot of work left to do and I think that we've got many precedents here as we think about enterprise ramps. They don't happen in weeks and months, they happen in quarters, and oftentimes even years. That's the horizon with which we're investing effort to optimize this program. We think there's still a lot of work to do and we're definitely not near the peak.

Bryan Keane

Okay, great. Thanks for the color.

Operator

The next question comes from Jason Kupferberg from Bank of America. Please go ahead.

Jason Kupferberg

Thanks, guys. Yeah. I just wanted to start on Amazon as well. Should we expect that you will monetize the Amazon volume more on the consumer side than the merchant side? Will these mostly be interest-bearing loans? Is there the opportunity to perhaps use the third-party manufacturer model that you used with Walmart?

Then, just on the exclusivity element, was just wondering if Affirm is anyway subject to that as well in terms of doing business with any of Amazon's competitors? I didn't see anything about that in the 8-K, but just wanted to check.

Michael Linford

On your first question, the product that is currently live on Amazon.com is an interest-bearing product which is skewed towards consumer monetization. Although of course, we will monetize that either by keeping it on the balance sheet or selling it to capital partners on a forward-flow basis and so it won't necessarily hit the interest income line on the income statement. That's the part that’s live today. However, we have the opportunity and desires to eventually broaden the whole portfolio for Amazon.com, but also importantly with inside of Amazon Pay where that relationship is going to start with a wide set of products.

As for the questions around the nature of our unique relationship, we are not obligated to not serve any partner. We generally don't agree to that in any context. We think it's very important for our network to remain open.

Jason Kupferberg

Okay, great. Then just as a follow-up, I wanted to see if we can get an update just on the non-Peloton GMV growth guidance for the year. I wasn't sure if all of the GMV raise is coming on the non-Peloton side. I think previously you were talking about 70% to 75% for the fiscal year and I wanted to see what that looks like now. Thanks.

Michael Linford

We're not going to update any forward-looking number for Peloton except to say that the Q1 results for us on Peloton did exceed our internal estimates, and there's certainly nothing that we've seen to suggest that we should be changing our outlook overall in light of where that business is at.

Jason Kupferberg

Okay. Great. Congrats on the results.

Operator

The next question comes from Ramsey El-Assal from Barclays. Please go ahead.

Ramsey El-Assal

Hi. Thanks for taking my question this evening. I also wanted to ask a clarifying question on Amazon. Is the use of Affirm on the platform for baskets over $50 or for individual products on Amazon that are priced higher than $50? It's a bit of a nuance, but it actually makes a difference when we try to put pen to paper and model it out.

Max Levchin

Initially it will be for baskets over $50. The way that integration works today is it's at the checkout and as we work to get the up-funnel presentment, that will probably be limited to a more narrow set of items.

Ramsey El-Assal

I see. Okay.

I wanted also to ask about travel and ticketing as a percentage of total GMV. It looked like it fell this quarter to about 10% versus about 14% last quarter. I'm figuring a lot of that problem may have to do with mix and the Shopify ramp, but I'm just trying to figure out whether there's also some kind of Delta impact in there. Then, what expectations around the travel recovery are included in your guidance?

Max Levchin

The travel business did have a slight sequential decline period-on-period, which probably is a result of COVID, but there is also really strong seasonality in that business, and of course that seasonality has been heavily impacted by all of the COVID trends. The year-on-year growth of course, it's still extremely strong, given the low baselines. I think we've been pretty careful not to put too much risk in the guidance around travels, so we're not really assuming any sort of further resurgence in travel. We talked about last year that travel at 10% was a good number for us and we think that's still probably the case.

Ramsey El-Assal

Got it. Thank you so much.

Operator

Our next question comes from Tim Chiodo from Credit Suisse. Please go ahead.

Tim Chiodo

Thanks a lot for taking the question. I wanted to dig in a little bit on Shop Pay installments. Just wanted to see if you could give us some context on the pricing dynamic there. When you're offering the product into Shopify merchants, are they being presented a different price based on their size or their AOV or a specific vertical or category they're in? Are the larger Shopify merchants able to negotiate this? Just wanted to see if you could bring to life how that works. Then I have a quick follow-up also related to Shop Pay Installments.

Max Levchin

Obviously, there's quite a lot of nuance for a merchant's relationship with Affirm and Shopify as they get up in scale. Generally speaking, there is a rate that merchants encounter as we bring your product to market, and depending on some of the sort of the other partner relationship with the shop they may or may not see changes to it, but generally speaking it's reasonable to expect that the largest merchants on Shopify probably have a human that talks to them about the prices and some of the smaller ones have a price that they can click to accept and everything.

Tim Chiodo

Perfect. Okay. Thank you, Max., The follow-up is more around the GMV guide. I apologize if I missed it, but I know that last quarter when you gave the initial guidance for the year you mentioned that split pay including Shop would be roughly 10% to 15% of the total mix of GMV. Is that still roughly the portion that we should be expecting, or did that maybe move a little higher?

Michael Linford

We're not updating the guide for that number, but what we will say is that in Q1 we were right in the middle of that range for split pay overall.

Tim Chiodo

Great. Thanks a lot, Michael. I appreciate it.

Operator

The next question comes from Andrew Jeffrey from Truist. Please go ahead.

Gus Galà

Hi. This is Gus stepping on for Andrew. Generally thinking about the industry, in your view, is it moving more towards direct integrations? Related to that, how do we think about MasterCard 's announcement today launching an open loop BNPL products?

Max Levchin

I think generally speaking it's a fairly varied landscape out there. If you are a platform hosting numerous merchants or serving merchants, as in, for example, on the back end, whether it's processing or other types of merchant services, those are natural points for direct integration for Affirm. I think that's something that you can expect to continue. Obviously, we pride ourselves on our engineering chops so , when we come into these partnerships we come in with a view to make it more efficient, make it faster, introduce new transactional semantics, which may be potential for consumers and merchants, and I think all of that is just something that we certainly intend to continue doing.

In terms of MasterCard's announcement, it doesn't really change our world at all, to be honest, in the sense that our network’s differentiation is ability to see and benefit from the SKUs embedded in transactions, being able to utilize some sort of an end-to-end connectivity that we have being both—to map it to a traditional network’s issuer acquirer and then we're all three at all times which allows us to build some pretty unique products and services.

I think the MasterCard announcement and VISA’s one before that were all targeted at bringing along other credit issuers that may want to play in the BNPL space, which I think is good. In general, moving away from revolving credit towards installments, close-ended loans is just healthier for the end consume, so it’s positive for the industry, I'm glad that MasterCard is stepping up to support it. We'll continue building our unique thing, and I'm glad to see the industry moving towards products that we pioneered.

Operator

The next question comes from Andrew Bauch from SMBC. Please go ahead.

Andrew Bauch

Hey guys, thanks for taking my question. Active customer growth continues to trend pretty strongly quarter-over-quarter. Maybe I was just wondering, has anything evolved in your strategy? Is it still kind of word of mouth or are you guys being a little bit more aggressive on the customer acquisition front? Thanks.

Max Levchin

By far the most important growth of consumers for us comes from our merchant partners. I've said it before and I'll say it again: our number one growth strategy is signing best, most popular, most successful merchants and delivering conversion and uplift for them so that they and Affirm can benefit together. So that's what we continue doing. That budget is largely represented in our engineering budget, to put it in financial terms, perhaps.

You'll see us step out a little bit of our comfort zone. That is to say, we've never done a regional marketing campaign and super cool. Very uncomfortable territory for me maybe three or four years ago, something that we had to learn a couple years ago and now look at us, we're taking out pretty things like TV commercials. And so, you'll see us do more of that. That is fundamentally about teaching the end consumer that BNPL is here. It's important. Half of Americans we surveyed—and we do surveys all time—have now expressed interest in using products like ours and the other half doesn't know what it is, which means that it's on us to educate the market and explain what this is and how it's fundamentally different from your credit card. It's less scary, much more on your side, and then within that narrative how Affirm is unique in the sense that we don't charge late fees. We don't do nasty things like deferred interest and you owe and various other gimmicks. That is something that we'll continue doing. And one thing that we've learned in the context of understanding how to tell our own story, perhaps where we learned it is as we got larger, more sophisticated, we partnered with a huge number of our merchants, in particular, our enterprise partners, to promote our product in the context of their offerings.

If you looked at Affirm five, six years ago, the idea of saying, "Hey, here's a really compelling deal." It could be in a bicycle or a couch, or an article of clothing. Right now, pay later is something that you will see from a bike vendor. Something that I might encounter in my spare time, brew now pay later is another line I've seen recently. We tend to have a lot of our partners in the coffee space given my personal addiction, and so on and so forth. As we learn how to drive these consumer messages we sort of learn a lot about marketing. We also understood how to leverage the channel that our merchants have that are natural and native to them, how we can put both our intelligence and technology and dollars to work there.

All things being equal, you will see us do even more of that because we found this to be very efficient. I would not expect us to plunk millions of dollars into things like digital acquisition or mail drops, or anything, so the standard behaviors in the industry.

Andrew Bauch

Then I just wanted to touch upon Debit Plus. I was one of the lucky ones to be selected part of the beta program. I noticed that that program is upwards of 0.5 million people now. I thought that number was ultimately going to be a little bit less before the end of the year. Should we take that as an indication of stronger demand for Debit Plus than what you had originally anticipated, or is there some other variable that we should be considering?

Max Levchin

I was literally bracing myself for you to say something like, “And then I got declined,” or something like that, but I’m glad you didn’t.

I use my Debit Plus four to five times a day and I haven't been declined since the early alpha, but I'm still in the nightmare of being declined for a card swipe comes to me from my teenage years, and also in the annals of Affirm's history.

It's hard to decide whether the pretty overwhelmingly positive support for Debit Plus that we've gotten from our users is more or less than we expected. We ran another email to our entire unit base saying, “Hey, Debit Plus is actually real. If you’re on a waiting list, sit tight, it’s coming. If you’re not on a waiting list, maybe you should.” Then it moved. The waiting list itself grew by another double-digit percentages just on the strength of the single announcement within our own user base, so we’re growing against the zero cards one year ago, so it will be infinite growth no matter how we slice it, so I think it'll be great. Ask me again in a few quarters how well we're doing.

All signs points to it will be good, but I will channel my inner Michael and say, “Put Excel spreadsheet down and forecast nothing.” We will not know what this thing will look like for a while. We're not budgeting any volume, any revenue in. It's a product that we're bringing out there because it's unique. There's really nothing like it out there. Forecasting is a fool’s errand. We think it's awesome. I literally swiped my card buying a bag of beans yesterday and the guy next to me in line said, “Whoa, that was so cool,” because, first, on purpose, I split a transaction right in front of him on my phone and he was like, “Whoa man. What was that?” And so, when we have a few millions of those happening, we'll be able to forecast how many more we'll have.

Michael Linford

So, sit back and enjoy the experience. Got it. Thanks, guys.

Max Levchin

Actually, can I ask you a question?

Andrew Bauch

Yeah, absolutely.

Max Levchin

Are you liking the card? Do you like the card? Do you like the user experience?

Andrew Bauch

Yeah, the experience is pretty seamless. The feature to pay back and fore is pretty intuitive and I feel like the overall smoothness of the app and moving from page to page is pretty easy.

Max Levchin

Nice. Excellent. If you're on the 1.099 version, which may or may not have been pushed to you yet, you'll see like a 4x improvement in the loading speed of a transaction list on the front pane. It's really, really embarrassing what it was until the 1.099, but once you get to 1.1 it'll be super-fast. Sorry.

Max Levchin

Customer research moment.

Operator

Our last question comes from Chris Brendler from D.A, Davidson. Please go ahead.

Chris Brendler

Hi, thanks for taking my question. Michael, it seems like the bigger issue, given all the success, is going to be how you fund all this growth. I'd just love to hear an update on how you're thinking about the funding picture. Also on the off-balance sheet securitizations, that tends to create some challenges potentially on the balance sheet. I don't see the securitization asset on there anymore, so how are you modeling that? And even as you open the credit box too, do you expect the securitizations to be as successful as credit losses are to normalize? Thanks so much.

Michael Linford

Your first question first. We grew total platform portfolio by about $2 billion. We added about $820 million on the balance sheet, made up of about $1.1 billion that we securitized on the balance sheet, and about $250 million reduction in the warehouse funding, which is probably a little bit tighter even than we'd like to run it. That's what drove the really efficient equity capital required number that we posted this quarter. Of course, the rest of it grew off-balance sheet with the biggest piece being forward flow. I think that strategy is going to continue to be in play. Today, we closed another zero-coupon securitization, or 0% financing program securitization, and continue to have real success in that market despite the rate movements and the loosening of the credit box. We're not convinced that we're going to have a real struggle there. And yet, as we've always discussed, our approach to capital is to ensure that we've got multiple sources to fund the business and we're not going to be wed to any one funding model or lever and continue to invest in growing capacity across all of our funding types.

Chris Brendler

What about the opportunity to grow deposits as an alternative funding source as you go? Maybe fast-forward three to five years ago. You don't want to be wholesale funded obviously, so it seems like a huge opportunity and a potential solution to this problem of having too much growth.

Michael Linford

I certainly appreciate the too much growth problem. Our capital team works really hard to ensure that we've got adequate capacity and they wake up every day ensuring that we can fund the business. Today our deposits are held by Cross River Bank and not a source of funding for the business, but we will always keep an eye on other alternative methods as we scale this business at a pretty rapid clip.

Chris Brendler

Thanks so much. Congratulations.

Operator

Ladies and gentlemen. This concludes today's call. You may disconnect your lines. Thank you for participating and have a pleasant day.