



45th Annual William Blair Growth Stock Conference

June 5, 2025

Presentation Participants

Affirm

Michael Linford, Chief Operating Officer

William Blair

Andrew Jeffrey, Equity Research Analyst

Presentation

Andrew Jeffrey

Okay. Thank you all for joining us. I know it's been a long but productive 3 days. And I think we're ending it on a high note with Affirm. Let me just read the disclosures here quickly. So my name is Andrew Jeffrey. I'm the fintech analyst at William Blair, and I'm required to inform you that a complete list of research disclosures or potential conflicts of interest is on our website at williamblair.com. My pleasure to be able to introduce Michael Linford, the COO of Affirm. This is one of our favorite stories. It fits squarely into the theme of a shifting digital finance landscape. We think increasingly, demographically younger consumers. And even as we were just speaking, the general population at large is dissatisfied with traditional banking products, and Affirm offers a really high-value innovative solution to address those issues. With that, please go ahead.

Michael Linford

Thank you, and thanks, everybody, for taking the time. I know we are the last show of the concert. So very, very happy to spend a few minutes with you. I won't read you this, but more legal disclaimers. What I'd like to do today is orient everybody on what we're up to here at Affirm. I'll talk about how we started, what we've built, how we make money, what our financial model is, and then spend a little bit of time clarifying some misconceptions that maybe some of you have in this room or certainly that you've read in newspapers.

I always start these conversations in orienting people about Affirm with our mission. At Affirm, our mission is not just a thing that we put on the wall. It's not marketing fluff. It's truly who we are. A Board member of mine, and I were talking about this recently, and she observed that the thing about Affirm that stands out across every company she's worked with is that our mission is actually woven into the DNA of our company. Our product, our team, how we make decisions, it's guided by this. We deliver honest financial products that improve lives. That means we resist and will not do things that we think are bad for users. It also means that we occupy an important space in people's lives, which is their money, and we help them get the things that they want and need, and we do it with products that we think are better than what exists more broadly out there in the world.

There will be a little bit of preaching today, but not too much, but I am required to warn you that you will hear about our view of the state of consumer credit more broadly. We think it is time to reinvent credit. Here on this slide, you can see VHS tapes and land lines and snail mail. And we don't think it's that far of a leap to think about consumer credit in a similar way.

Consumer credit in the United States delivered through credit cards is largely unchanged for many decades. It exists how it's existed for a long time. It is not up to the modern standards of any other technology product that's out there. We believe that the future will be different. That technology can reinvent credit in ways that deliver better outcomes for consumers and merchants and better outcomes for the economy writ large.

Consumer credit is very good. It's a key part of our economy, and it's a key way in which merchants can continue to conduct commerce. Credit cards, though, we think they're going the way of the land line. Credit cards today, we think, should be accurately called buy now pay forever. The fundamental problem of credit cards in this country is that they are misaligned with consumers. They desire consumers to carry balances. Consumers -- CFOs and CEOs of credit card companies talk about declining balances like they're a bad thing. At Affirm, every one of our products amortizes and is forced to pay down very quickly and it stands out as being very different and yet it solves the same problem.

Yet, the credit card system today generates \$1.2 trillion in credit card debt in the United States, \$10,000 of average debt per household, and consumers also pay \$15 billion in extra fees, late fees per year. And this is

not just a feature of the financial systems, as we'll talk about in a second. There's a better way. But if you want to understand the mindset of credit card companies, think about the way in which they all squirmed when late fee legislation was being talked about. They don't understand how you can deliver credit products to consumers without crutches like late fees. This is the system that they like, and we think it's ripe for change. And what is that change? It's called Affirm.

These are not structural requirements. You do not need that level of balance in the United States, you do not need those level of fees in order to deliver consumer credit in this country. So what do we do that's different? Our product gives consumers a way to buy the things they want and need and pay for it over time without the fear of revolving debt, without late fees or any other gotchas and tricks that credit cards often rely on. Our incentives, therefore, are aligned with the consumer. We can only make money when consumers pay us back. We have a vested interest in ensuring that we extend credit to consumers who have the capacity, willingness and likelihood to repay us.

Because we don't charge things like late fees and because we don't have delinquencies that drive additional interest income like credit cards, we must take the underwriting challenge very seriously, and we do. Because we have built a network that connects consumers and merchants together, we can also bring compelling offers to consumers that they won't be able to get in other terms. A fact that we like to talk about is the traditional credit networks separate out the cost to the consumer with the cost to the merchant. And Affirm is able to combine the two, bringing special promotional financing offers to consumers in a way that's honest and transparent.

The other thing about our products that's really important is that they have no compound interest and these are all closed-end installment loans. We say that a lot. But the thing that's important to know about that is that means that every day, our products are amortizing very quickly. That is beneficial to us as a company, and I'll explain a little bit more in a second, but it's beneficial to consumers, too. It's what helps keep them paying off their obligations very quickly. So if we think about what that means if you compare us to credit cards, underwriting. Credit cards are used to have an open line of credit, a revolving limit, say, \$30,000.

We approve every transaction at Affirm. Every time a consumer would like to purchase something, we have to approve the transaction. It's about a \$300 average at Affirm. We have a simple interest or no interest product, and importantly, when the consumer checks out, they see an interest amount that is capped. That is to say, if for some reason, the consumer misses a payment, there's no additional interest that we can earn. We've taken that incentive away from us to ensure that we never profit off of a consumer's misfortune or mistake. This stands in stark contrast to credit cards, which, of course, know that delinquencies drive additional interest income.

We never charge any late fees or junk fees. No reminder fees or snooze fees here at Affirm. We are built around an honest and upfront understanding of the cost of credit when you check out. And we bring the merchant into the mix unlike credit cards, where 25% of our business in fiscal Q3 had the merchant funding 0% APR incentives, which really do allow merchants to drive outsized benefit and consumers to benefit from that.

Bottom line, we're aligned to consumers in how we've built our product. And it's not just a thing about words on a piece of paper and preaching against what credit cards are, it is broad-based in its adoption. We are seeing and witnessing a secular shift in how consumers consume credit in the United States. Here at Affirm, we're up to over 20 million users. But if you survey consumers writ large, 3/4 of them have delayed a purchase, or would have delayed a purchase had they not used Affirm. Over half of them prefer BNPL over credit cards. And 35% of consumers under the age of 30 don't even have a credit card. 52% of consumers avoid credit cards overall. These facts are obviously dynamic and yet there's an underlying trend here.

Consumers have experienced the perils of revolving credit in some form or fashion. A story I like to tell about this, if you would allow it, I come from a very big family. I have 9 siblings. My mom, who was a bread

winner in my house, was a schoolteacher in Texas. Definitely not making a lot of money. When I joined Affirm, I found out, because she had kept it a secret from me, that she had over \$50,000 in credit card debt. And there's not a scenario in this world that she should have \$50,000 in debt.

So how did it happen? It didn't happen because she spent \$50,000 on something. She began to revolve and then the transactions compounded, and she put more on the card and they compounded and revolved and added up. That experience is not an extreme outlier. A large portion of this country has a friend, a family member, a parent who has dealt with that, and that has left the younger generations wanting to find a better way.

And so what does that mean? So here at Affirm, we've compounded our growth rate in purchase volume since we went public at 48% a year. I know CAGRs can lie because if you start from 0, the CAGR is infinity. I understand that point, we took a long time horizon here to show the growth rate of engagement with consumers on our business.

The interesting thing though is the last month of our fiscal Q3 and the first month of our fiscal Q4, as we outlined in our letter, are growing at over 40%. And so while the growth rate over the past 5 years has been strong, it's also strong right now. And these are reasons contextually about what's going on in the market and with credit generally and what's happening here at Affirm suggests that you see real consumer adoption of this new way to pay for things over time. And again, it's showing up in really big numbers. And we're the clear leader in this category.

We think we're about 1/3 of the GMV in North America and about half of the revenue in North America. That's because our product offering is different, and I'll talk more about that in a little bit. We are compounding and growing at a rate significantly faster than e-commerce growth rate and we're, we think, 3x larger than the next largest competitor on a revenue basis here in North America. That's how we started. Let's talk a little bit about what the product actually is in more detail, what we've built so far.

So, for consumers, what do they get? They get a flexible payment term. That is to say they always see choice. I'll show you some screenshots here in a second. They never pay any late fees or junk fees, simple interest only. And it's a transparent, easy-to-understand product for when the consumer checks out, they have a full understanding of the total cost that they might owe to complete the transaction. Merchants get insights, greater sales and conversion, they get less discounting, inventory management tooling and, of course, happy customers. As our consumer network grows, we become more important to merchants, as our merchant network grows, we become more important to consumers and the two really do feed each other to allow us to grow our business at these rates substantially higher than e-commerce growth rates.

We break down our product mix here and I'll explain why in a second. This is not actually how we operate the business. We use a product mostly today called Adaptive Checkout, which shows consumers a range of product offerings at all times. So, a consumer checking out might see one of these product types at different term lengths or they may see all 3 of these different product types depending upon the transaction specific context. But nonetheless, they are different. So, we talk about them to investors. Interest-bearing products, which make up the majority of our business today are monthly installment loans that have a merchant discount rate, a consumer APR that ranges between 0% and 36% and generally a term length between 3 and 60 months with the weighted average life of the asset of around 5 months. These are usually monthly repayments and about \$350 average order values. We also offer 0% monthly loans. Of course, those are 0% APR, merchants pay more for those loans that we facilitate in the platform, we earn more merchant fees. And of course, don't earn any interest income on those loans, similar term lengths and repayment schedules.

We also have a Pay in X business, which is probably the most widely understood product in BNPL is Pay in 4. We say Pay in X because we have a lot of different adjacent modalities, pay in 2, pay in 4, pay in 30 days. Think of those as short term, usually 0% APR loans that are usually bi-weekly in repayment frequency and

much lower average order value, around \$100. Our business today is about 3/4 interest-bearing and about 1/4 Pay in X or 0% monthly APRs.

So, for monthly installment loans, you see on the right-hand side here, what a consumer sees when they check out. They encounter us in the wild. They're shopping on a website and they would like to buy a bike from a bike store. They can see 3 different payment methods. You see here the first one shown here is a bi-weekly payment method and next is a 6-month loan and a 12-month loan. It's a common thing consumers will see when they're checking out with Affirm. That's why I mentioned before, while we talk about the products differently, the way it shows up in the real world is oftentimes interchangeable and a consumer can pick which installment option is best for them.

Pay in X, again, you think about what that does for a consumer, I'll cover this again in the misconception part of my speech today, but I think an important thing that folks in this room probably don't have an appreciation for is the level of usage that everybody in this room uses on their credit cards today. I'm going to go off on a limb and assume most of you do not revolve on your credit card. I'm going to go off on a limb and think that most of you don't think about your credit card as a borrowing device. And yet, I assure you, you borrow money with your credit card. You accumulate charges over a 30-day period, and then you make a payment 15 days later, which gives you about 45 days of working capital. And you may not think of it that way, but that's actually what you enjoy.

Pay in X achieves a very similar thing for users who don't want to use a credit card for reasons I showed above and achieves roughly 3 weeks of float for that consumer. It serves a very typical modality that all of us benefit from transacting on a credit card, but for users who for whatever reason, either they're revolving somewhere else and don't want to revolve on that next transaction or they have an aversion to credit cards, don't enjoy the benefit of that float that all of us in this room benefit from.

So, you have those products. We also have a marketplace. So, one of the things that in Affirm's history is we know we needed to service the loans after we originated them and we built an app to help service the loans. And once we had consumers in the app and engaging with us, we also knew that we needed to serve up our inventory of merchants and offers to consumers in a way that was compelling for them in order to find new ways they could use Affirm. Today, that shows up as merchant inventory deals inside the app as well as a direct-to-consumer product, where inside of our app, you can take out a virtual card and shop anywhere.

The idea here originally was we knew that we couldn't get distribution everywhere. And by using our app in a virtual card product, we could serve most merchant locations. And that product was very successful for us. And was the real reason we launched the Affirm card. The Affirm card takes the same idea but puts it on a physical piece of plastic. It combines the power of a pay-over-time solution with the convenience and understanding of the form factor that we all know, which is a card.

The point of the card is to deliver Affirm's installment loan capabilities to more places. You can use it offline, you can use at merchants that we're not integrated with. And the adoption of the card early has been phenomenal. We're up to 2 million cards with rapidly growing engagement. It's one of the things we're most proud of here at Affirm. And it's an important part of our longer-term strategy. We acquire users at the point of sale. When we acquire users, we're compensated. We make money when we acquire that user on that first transaction. And then we can reengage them both at other merchant sites as they see us at their checkouts, but also directly now with the Affirm card.

Our consumers are loyal and highly engaged. 22 million active consumers, 94% of our transactions are from repeat users, and we're about 5.6 average annual transactions per active consumer. Both the user growth and the frequency are scaling nicely. They both are growing at about 20% a year, which is where you get to our total GMV growth rate in the high 30s. And our distribution has been quite good. We're accepted at 60% of U.S. e-commerce, 90% of global companies are going to be addressable, we believe. And our active merchant count is 330,000 now. In the interest of transparency, that includes Shopify as a merchant partner and distribution partner of ours, which includes a lot of small merchants. I'm very proud

that we can serve those merchants, but I would not confuse one of those merchants with say, some of the largest e-comm players that we all know. But that distribution is very good, and yet it's early.

While we're proud that we're available at 60% of U.S. e-comm, that leaves 40% to go. And so for example, last quarter's letter, we announced that we were partnering with Costco to bring our product to the costco.com site. That's a good example of a very large, very important merchant that was unavailable to us that we've recently been able to bring into the network.

Let's talk briefly about how we make money. It sounds great so far, but we're a business and we're capitalists. So how do we actually turn that into a good business. If you look at our revenue, it breaks down compounded growth of about 36%. The total revenue around \$3 billion on a trailing 12-month basis. We make a little bit of money servicing loans on behalf of third-party loan owners. A little bit of money selling loans. We make money from interest income from consumers as well as some accounting around the amortization of discount. And we earn revenue from merchants, both merchant fees from directly integrated merchants, network fees we get on our card and virtual card product as well as affiliate fees for transactions we facilitate inside of our app.

How do we fund all of this? We use a mixture of forward flow, warehouse lines and both static and revolving ABS deals. We're a regular issuer in the ABS market. Three time, I believe, award-winning esoteric Issuer of the Year here at Affirm, very proud of our ABS program, but it's a small part of the total capital program, which we're really focused on ensuring that we scale all pieces up. I won't go through a ton of that in detail here today, but the key takeaway is roughly half of the volume ends up on our balance sheet, either in a revolving ABS deal or in a warehouse and the other half is sold to a forward flow counterparty.

Our revenue since inception, since we went public is compounding at about 41%. And again, to \$3 billion. Very proud of the progress that we've made when you measure things on a revenue basis. And even more proud about how much revenue less transaction cost. This is a measure that we use to talk about the unit economics in our business. We take that same revenue number that I just walked you through, and we back out credit losses, our funding costs, payment processing and servicing of loans and then some accounting on mostly 0% loans called loss on loan purchase commitment to get to a pretty good view of what we think each unit is creating. And so, we talk a lot about the 3% to 4% range in our business. We try to earn somewhere between 3% and 4% of the GMV that we generate on the platform on a net basis, and that's what this number is. Running a little bit above 4% right now above our long-term range, despite the growth rates that we're showing, which is, I think, pretty compelling. And we've gotten on the leverage bus. We have been showing real and meaningful growth in both adjusted and GAAP operating income at Affirm. We've made a commitment to get to GAAP operating profit this quarter. We've been running at very low GAAP operating losses for the past couple and believe that we will continue to grow GAAP operating profit from here. And on an adjusted basis, we've shown real growth in profitability in the past 12 months generating on the order of \$700 million in adjusted operating margin in the business. Really healthy bottom-line leverage in the business, really healthy revenue growth, really strong unit economics in a category that is anchored with real underlying fundamental change in consumer behavior. And we're just getting started. We get a question about the TAM of our business a lot. And there's a number of ways you can try to size it. I was with an investor recently, before this meeting. Who tried to take comps like Australia and tried to back into how much is driven by debit card usage in these markets. And I think that's a fine way to begin to think about potential market sizes. But I think a much simpler way is to look at \$1.2 trillion in e-commerce or \$1.2 trillion in revolving balances in the United States and realize that the market is very, very big.

Any time a consumer would otherwise revolve we think they should Affirm instead. And then if you layer on offline commerce, the market starts to get enormously big for us. So we feel really unconstrained with our market size here in North America. And then, of course, we'll go overseas. We have announced that we are live in the U.K. and announced that we'll be live in Continental Europe as well as Australia going into the future.

Okay. Lastly, I'm positive a lot of you have seen headlines about the category. And I'm positive for those who haven't followed it really closely, you may have even believed things that you read. I thought I'd take a second and just paint a few pictures for everybody in the room around our demographics and around some misconceptions that maybe you have coming in. It's a big mistake to think about the Affirm consumer as being one that biases extremely low income or low credit quality. The Affirm consumer is really representative of the U.S. consumer overall. We think that roughly 80% of the population is addressable for us. Certainly, there's folks on either end of the income and credit spectrum where we can't serve.

They're either so wealthy that they would only take out 0% loans or they are not creditworthy, and we can't profitably extend them credit. But for most of the country, we can serve them, which is why we are able to have such traction with the largest merchants in the United States, merchants like Amazon. Our average FICO is 652, a little bit below, but in line with national average and average income of \$74,000 right in line with the average income in the U.S. It's important to note the Affirm customer is not low or high, it's very average, very median consumer.

We talk a lot about it being down the middle. And I mean that both geographically and of course, demographically. A typical Affirm consumer is a typical U.S. consumer. And our credit outcomes stand out very favorably. This is, by far, my favorite chart we produce, and we produce a lot of charts here at Affirm for investors. This compares Affirm's 30-day delinquencies against major credit card issuers as well as an index from dv01 that tracks a number of other lenders. And if you see here Affirm is the bottom line in that chart, our delinquencies are lower than the credit card industry writ large, despite the fact that our portfolio has 42% of nonprime receivables. What's really important about that is that is measured by FICO and so these are consumers who FICO believes can't generate prime-like credit results and our portfolio generates delinquency trends that are better than portfolios that are weighted higher on average FICO and it's not an accident.

There are 2 reasons why we can do this. The first is that we're really good world-class data scientists and machine learning experts. I'm not, but the team is. They're very good at this. And what that means is we can build models that sort risk very effectively. And because we are a 21st century company, and we are not a landline, we can take advantage of all of the data that's out there to build a really compelling and up-to-date credit model in real time.

The second is that our business model, the thing that I talked about being aligned with the consumer forces us to say yes or no to a consumer every time they would like to transact with us. Because we do understand the importance of driving good credit results, that means we don't extend credit to consumers who we don't think can pay us back. And because we don't have open lines that can run away and experience runaway, we have the ability to shape the credit outcomes in line with what we want. We like to say that the credit outcomes at Affirm are ones that we choose to generate in the business that do not happen to us. The output is the growth that we have in the business, but we generally decide the level of credit risk that we can accept despite the fact that there is a lot of our portfolio that is subprime. Now I'll note that it's still 60% prime.

Another question that we get a lot is around competition. And I know that it's a growing market, growing very quickly and lots of players in the market and lots of news being made by players in the market. And we'd like to remind folks that we are not competing on price. We have been able to generate consistent merchant fees despite pretty extreme competitive environments over the past 4 years. And the reason for that is our product drives really good results for merchants and consumers understand that value and merchants who understand it, understand the value of the consumer network that we bring to them. And then if you think about how we stack up against competition, if I have one plea of the world writ large, is to acknowledge the differences that exist between us and other BNPL players. We do not charge late fees. We do not charge snooze fees or admin fees. And another misconception, we actually furnish to the credit bureaus.

Our product is positioned at a middle of America consumer who otherwise would be using revolving credit products. This is a more average and typical consumer not a consumer who is trying to avoid participation in the financial system. And with that, I believe we're done.