2026 Evercore Global TMT Conference

June 3, 2026

Presentation Participants

Affirm
Rob O'Hare, CFO

Evercore
Adam Frisch, Equity Research Analyst

Presentation

Adam Frisch

Okay. Thanks. We're going to get started here with Affirm, Rob O'Hare, CFO; Adam Frisch from Evercore ISI doing this as well. Thank you very much for being here.

Rob O'Hare

Thanks for having me.

Adam Frisch

This is being broadcast. So everybody out there, I hope you enjoy and can hear everything well. We're going to cover a bunch of stuff today with Rob. Obviously, growth, downside scenario, credit facility, all the stuff you would expect us to ask about with a few others as well.

Adam Frisch

So let's start off beyond buy now, pay later. I asked a question at the Investor Forum. Max really laid into it. We're not just buy now, pay later. Okay, Max. Okay. Okay. Okay, all good. But with the launch of Affirm Bank, it's clear that you have bigger ambitions out there. So let's talk a little bit about how you think the long-term vision is going to shape out a little bit and where you think all this is going to as you diversify away from just consumer transactions.

Rob O'Hare

Sure. And maybe I'll just use the opportunity to clarify a little bit on the bank charter that we're pursuing. I think it's really important to remember that we're creating a subsidiary bank that's going to be a part of Affirm. Affirm itself is not becoming a bank, right? And just in terms of our ability to continue to innovate and to continue to grow at rapid rates, we think that's a really important distinction. And so in the short run here, assuming the bank charter is approved, we would be collecting deposits as a way to diversify our funding base and potentially lower the cost of our funding base as well.

The charter that we're pursuing is an industrial loan company. And so there are going to be some limitations around how closely we can engage with the consumer and the sorts of consumer products that we can put in the hands of that consumer base. So really, in this first number of years, the bank is really going to do more, I think, on the funding side than it's going to do in terms of deepening the relationship with the consumer. That said, there are several products today where we utilize a partner bank to offer those products to consumers. And I think having the charter will allow us to sort of vertically integrate a bit more and to bring some of those workflows in-house and rely less on some of our bank partners, not necessarily turn them off, but potentially bring some of those flows in-house as a way to diversify.

Adam Frisch

What kind of products would those be?

Rob O'Hare

Well, just -- I mean, you think about like even just the basic buy now, pay later loans that we originate today, we utilize a partner, a bank partner to originate those loans. And over time, we would expect the originations to come more from the Affirm bank versus our partner bank. So I think pretty much everything we do, there's probably a bank partner somewhere in the product, even virtual cards and some of the issuances that we do there, we rely on a third-party bank partner. So I think over time, we're looking to bring those in-house. But it's more of an infrastructure and a diversification play than it is becoming a financial super app or something like that.

I think over time, we definitely have big ambitions to touch more of the consumers' financial life. And this bank charter is, I think, a good first step, but it's not the end all be all in the next couple of years.

Adam Frisch

So is the right way to frame it, I asked the question, other competitors out there are trying to do lots of things, whether it be the core account and then add EWA and add buy now, pay later eventually. Is that something that is more of a -- I don't know, I'll put a number on it, 3- to 5-year kind of endeavor as opposed to right now, you still got to launch outside the U.S. You're still chasing lots of verticals. You're still growing user base. You're still growing -- accelerating GMV. So it’s not like you're in a jam on growth. Is it more like, hey, we got a lot to execute on what we're doing today and then we can diversify over time? Is that the mindset?

Rob O'Hare

I think we have a right to win more of the consumer's wallet. I think the consumers that we work with, which are 27 million predominantly Americans today in the last year, they come to us for fair and honest financial products. And I think it's on us to make sure that we continue to widen the aperture and do as much with the consumer as possible. But right now, the killer app within Affirm is fair and honest financing.

And that's why consumers are coming to us. That's why they're opting into Affirm card to be able to get that that same suite of financing products at merchants that accept Visa, right, almost anywhere, in-store, e-commerce. So I think right now, we're seeing just the strength of the product offering we have is really, really resonating with consumers. And it's continuing -- we're continuing to deepen the relationship with our existing base through products like Affirm Card.

Adam Frisch

Yes. Do you feel like some people -- going off script a little bit here, but do you feel like some people miss or underestimate the growth potential for what you're doing today? It's like, okay, well, last year was -- this year will be somewhere around 40%. Next year, it will be 35% and then 30% and then 25%, and that's it. Where I look at 3 secular tailwinds, it's geography, it's vertical and it's more users. Could this be a much more multi-year kind of growth cycle that you don't expect to see deceleration?

Rob O'Hare

We think the opportunity here is immense. I mean I think the addressable market that we're attacking first and foremost, is the $1.3 trillion of revolving credit card balances just in the U.S. alone, right? So yes, geographic expansion should be an accelerant to our current growth and a new growth vector for us in the medium to long term here. But even just the U.S. opportunity alone, it still feels like we're incredibly early in that opportunity.

Adam Frisch

I would agree with that. I think people underestimate that a little bit, to be honest with you. Okay. So let's switch gears a little bit, talking about the operating environment. Inflation is kind of heating up a little bit. We're seeing mixed reviews, economy is strong, lower end struggling a little bit more, and that's kind of the definition of the lower end. I think they're always on the verge of a recession anyway. So let's talk about how the current backdrop influences your your decisioning and your growth and all that? And which indicators are you watching most closely?

Rob O'Hare

Yes. I mean I think the most important thing for us at like a super high level is that our underwriting models are able to rank order risk. And by being able to rank order risk, we should be able to predict repayment rates, right? Ultimately, that's our job is to predict repayment rates and make sure that we set the aperture or the approval rate in such a way that we're going to drive predictable outcomes and that the losses that we will incur for a cohort of new loans is in line with our expectations. And so -- that's true in a good market. I know you want to talk a bit about sort of some downside scenarios and some hypotheticals there, but, honestly, it's kind of the same calculus in a stressed environment. We want to make sure that our models are current on where the consumer is and that when we originate a new loan cohort, which for us is about $100 million a day, that the repayment rates we're going to see against that $100 million of issuance is in line with expectations.

Again, the expectation is never that there's 0 losses for a cohort. We do take risk in our business, but that we're able to size that risk in advance and we're able to drive predictable outcomes against those expectations.

Adam Frisch

Yes. Total sense. Anything changed materially on the consumer health front in the last hour?

Rob O'Hare

Not today. No. I mean, again, I think it all comes down to us, like you mentioned it, one of the metrics that we track very closely is something called first payment delinquency. So again, for a new origination cohort, when they get to that first repayment event, which typically is about 30 days into the life of the loan cohort, what are the repayment rates and in turn, what are the delinquency rates and are those in line with expectations?

And if we see, frankly, deviation in either direction, if losses are -- or delinquencies rather are too high or too low, that would cause us to do an investigation and make sure that the model is sort of fitting to where the consumer is today, and we can make adjustments to the underwriting posture if we feel like the model for whatever reason isn't tracking as closely as we'd like.

So yes, the short answer, though, is we still see a really healthy consumer, and we haven't seen any sort of turn for the negative in the last weeks.

Adam Frisch

So on the macro side, you're watching unemployment and wage growth? On your particular business, you're watching first repayment?

Rob O'Hare

Yes. I mean I think we're obviously aware of the macroeconomic environment that we're in. But because the loans that we're originating are so short dated, I mean, the average term length is roughly a year. The weighted average life is even shorter. It's closer to 5 months. And so that fact alone allows us to be really nimble. It's also important to remember, we're not giving consumers an open to buy or a line of credit. We're sort of extending credit in like $250 increments. And so if there is a change for the worse or the better, frankly, in the macroeconomic environment, and we start to see stress on the consumer side, we can be really nimble, and we can sort of course correct and change our aperture really in a matter of days.

Adam Frisch

You talked about your average duration is about 5 months. That's obviously because the interest-bearing and 0% is making up 85-ish percent of the book, right? For Pay in X, it would be shorter than that...

Rob O'Hare

Yeah. It's a 6 week loan. Probably closer to 3 weeks.

Adam Frisch

Yes. And your average loan -- your average size -- was it $250?

Rob O'Hare

$250 -- $275.

Adam Frisch

Yes, somewhere in that range. Okay. So let's talk about -- I think before I go into a downside scenario, I think investors take your customer base and say, people making less than $75,000, terrible cohort if you're about to enter a down cycle. And I think that's largely true if you're talking about traditional open-to-buy credit products. And what I'm talking to more and more investors about and because I've done this before in the company that I ran, we were micro duration. We were a matter of like 18 hours for -- until we could pull the funds out of the consumer's account. But it's a specific transaction at a specific moment in time for a specific consumer, and that's a completely different model than an open to buy. And so do you find this tug-of-war of trying to educate investors about why this is different?

Yes, it's the same cohort of or demographic of less than $75,000. That doesn't make them bad credit risk. It makes them bad credit risk if they have the bad product. But if they have the right product, this demographic, it's fine. It's a good fit. And I think that's what you guys found.

Rob O'Hare

Yes. And again, I wouldn't say that we skew high income or low income. I think we skew sort of median income. And really, our consumer base that we have today is a function of honestly, the merchant relationships that we've built over the last several years, and we're kind of everywhere that Americans shop. And so we look a lot like a cross-section of the U.S.

So yes, I mean, again, I think there's a lot of value in being current with the consumer, and we underwrite every loan every single time. And more than 95% of our transactions in a given quarter are coming from repeat borrowers. And if you look at the empirical data, the amount of risk loss that is in a loan does step down with each subsequent transaction that a consumer takes out with us, right? We are building a relationship here. Now of course, if we're in a stressed environment, that could change, and we can see good payers go to bad payers. And again, I think that's where it's important that we have a really short-dated book. We're giving loans out in very small increments, and we can course correct really, really quickly if we need to.

Adam Frisch

Average income is -- have you disclosed average income or FICO scores?

Rob O'Hare

It's in roughly the $75,000 a year range. Average FICO can fluctuate a little bit, but it's in sort of the 650, 660 range.

Adam Frisch

Okay. Cool.

Rob O'Hare

So it's sort of a prime to near prime borrower if you sort of put brackets around the medians.

Adam Frisch

Yes. Okay. Cool. Let's talk about downside scenario. So everything is going really well now, fairly steady. kind of feels like we should say we should be speaking more negatively just given the macro, but like the data is not showing it. It's not -- you're not seeing it. Chime is not seeing it. Cash App is not seeing it. All the peers are saying, we're not seeing it. So -- but let's just say, tomorrow morning, someone walks into your office and say, "Hey, Rob, we're seeing some data here that we need to talk about. We don't know what it is."

Let's just go through a scenario of we are about to enter a consumer-led recession or the consumer is about to take a major downtick, whether it's oil prices or some other thing that we don't know about yet. Let's go through that. How do you manage that downside scenario? What do you see first, which says, hey, we need a meeting on this? And then how does that progress through the system?

Rob O'Hare

Yes. The analogy that we've used historically is that we always have our hands on the steering wheel. So even in benign times, which I would classify today, frankly, as a pretty benign consumer and credit environment, even in benign times, -- the entire executive team is looking at the weekly credit report that the risk team is pulling together.

As I mentioned, first payment delinquencies at both the 4-day mark and the 30-day mark. Those are really, really important and a primary internal KPI that we manage the business to. And that, as I mentioned, that really is that sort of check on for the most recent cohorts, when they get to that first repayment event, did we get the underwriting right for where the consumer is today in terms of being stressed or not stressed. And so as much as the macro is, of course, important to our business, headlines about the cost of oil or rising unemployment rates. If it's not showing up in the delinquency rates internally, we're probably not actioning change proactively, to be honest.

We can do some things on the margin to shorten durations a bit more or potentially increase the level of down payments that we're asking a consumer, both of those take risk out of the system, and we can do that in a really lightweight or small way if we want to. But honestly, like in terms of actioning a company-wide change in our underwriting posture, we would really have to see it show up in the first payment delinquency data, putting aside something like maybe COVID, where it just was sort of this black swan event that the company actioned very quickly there. But if it's sort of a typical the stress is starting to creep into the consumers' financial lives, then it will show up in our data because, again, I think we originate enough loans that it's going to show up there, and we'll start to work on getting the models to sort of fit where the consumer is. And it may mean that we take some risk out of the system. We can do that in several different ways.

We talk a lot about loosening or tightening. It's so much more nuanced than that. I think the IR team does a bit of a disservice to the incredible risk team that we have internally. But yes, we can we can raise the minimum credit score for a given merchant. That's typically the bar that the transaction has to clear to be approved. We can be incredibly fine-grained. Some of our programs run at 92.6 is the score that you need to clear, we can go to 92.7 or 92.75. So we can be incredibly fine-grained there if we need to take risk out of the system. I already mentioned increasing the down payments for sort of the marginal borrower --

historically, if the consumer has some skin in the game with the transaction via down payment, we tend to see better credit outcomes there, better repayments.

We can shorten the length of the loans -- that takes risk out of the system for us, too. We can increase the APRs if we wanted to or needed to. There's just -- there are several things that we can do to take risk out of the system. And the good news is we can action them all really quickly. I think we've got a really well-defined playbook for how to roll this out across the merchant base.

Adam Frisch

And the change is going to be gradual, right? It's not like Wednesday afternoon, everything is fine and then Thursday morning, like everything explodes, right? This is going to happen really gradually. So where would you see -- if you were to -- this is the other thing we should talk about, everyone says, well, Affirm really hasn't seen a down cycle yet. And you could say, well, late '22, early '23 was kind of sort of it was short-lived. But when would you -- how long would it take for you to start saying, okay, our rates are starting to look like they're forming a trend. Is it a week or a month or...

Rob O'Hare

I would think typically if the new cohort of first payment delinquencies comes in and there's an elevation in terms of delinquencies versus expectation, that's all it takes to prompt an investigation. And when we do the investigation internally, we want to make sure that we really understand what's driving the deviation, right? Sometimes there can be a messaging bug or sometimes something could have changed with the merchant's configuration.

And so we're typically looking to understand is the stress that we're seeing in the data, is it limited to one merchant? Is it geographic? Or is it broad-based? And so the answer to that question will sort of inform how we triage the remedy. And again, we can be really quick in terms of raising the underwriting approval thresholds and about other sort of levers we have to take risk out of the system.

Adam Frisch

That's how we -- in the company that I ran, that's how we ran risk as well, right? Like there was one merchant where a few locations were driving our loss rates through the roof, so we just turned off those locations. Everything was fine.

Okay. So you look at all that data, and this happens gradually over a few weeks/months depending on what you're seeing in the data?

Rob O'Hare

Yes. But again, it's like really that first payment delinquency tells us a lot about... is the underwriting right? Like is the model set up properly to predictably drive credit outcomes? And if we see drift, we take that really seriously.

Adam Frisch

Yes. Is it a foregone conclusion that in a macro slowdown, you guys automatically have lower growth? Is it definitely a foregone conclusion? Or could you say, hey, if the traditional lenders pull back more people are going to want to go to buy now, pay later, we could actually see steady growth in a downturn even though we're scaling back on our risk.

Rob O'Hare

I think it's definitely possible. I mean, I do think Affirm and buy now, pay later broadly are taking -- continuing to take meaningful share within U.S. consumer wallets. So it's not out of the question that we could continue to grow through a downturn. But again, I think the most important thing is that we're driving predictable credit outcomes. That's important to Affirm, but it's also really important to our funding partners. And frankly, we're so aligned with the consumer we think it's good for the consumer, too. We don't want to put loans in the hands of consumers that can't afford them and won't be able to pay them back. We don't profit from that. It's not good for the consumer. It's not good for their financial lives. It erodes trust, right, between the consumer and Affirm. So really, again, we want to get it right, and I think we have every incentive to get the underwriting right.

Adam Frisch

Let's go through the -- let's continue on the track of the down cycle whenever it will happen. You guys perform well. I'm assuming margin stays relatively flat, right? You manage to the margin. Maybe growth fluctuates, maybe it's down, maybe it's steady, maybe it's up a little bit depending on how the market is changing. But on the other side of this, if we kind of look forward, people are going to say, you guys manage through the cycle pretty well because of the -- you are underwriting a specific transaction at a specific point in time.

Your algorithms are terrific on the risk side. And so the margins stayed flat. You didn't have any major losses or provisions or anything like that like the traditional creditors will have. And yes, maybe growth fluctuates it's down a little, up a little bit, whatever, but you guys sell through and now we're back to business.

Rob O'Hare

I think that's right. Every recession is different, of course. So it's hard to be precise in this hypothetical. But I think what's important to remember is that we set up our financing programs and the other important thing is like every merchant is different. Every merchant has a different cutoff because there's just different product mix, there's different economics in each of our merchant relationships.

But in theory, we're setting every merchant relationship up and every financing program with a merchant such that the last loan that we approve is breakeven or better. And so if you do introduce stress into the system, what are we doing? We're raising the threshold for approval, and we're taking sort of marginally profitable or probably breakeven loans out of the system. And so it should not be a significant drag from a profitability perspective. We are giving up growth, of course. That's the KPI that we're going to see potentially soften. But again, we think that's important. We think that's important for the brand promise that we have to consumers. We think it's really important to the funding ecosystem that we've built as well that like if there is stress, we're going to course correct and we're going to manage through whatever credit environment we're in.

Adam Frisch

Okay. All right. I'm done with the downside.

Rob O'Hare

Let’s talk about happy stuff.

Adam Frisch

Did I kill that? Did I beat that one good enough?

Let's talk about underwriting. I was fascinated that you guys aren't really leveraging cash flow underwriting at all up until now, which is for those of you who aren't familiar with cash flow underwriting, it's getting 90-day transaction data from a third-party data aggregator where you can see inflows and outflows in the underlying account. The fact that you guys were able to do what you do without seeing that data is fascinating to me.

In my business, we wanted that data and we couldn't get it because we didn't qualify in the transaction type. But talk to me about cash flow underwriting and how much better you think this could make your system. Could you actually see -- could it -- are people underestimating the impact it could have to volume growth just because you're going to have much better data in addition to the algorithms that are already top of class.

Rob O'Hare

Yes. Look, I mean, there's a whole team at Affirm focused on developing and then testing and ultimately graduating the next underwriting model. And things like cash flow underwriting are just one ingredient that go into sort of the incremental gains that we see every time a model rolls out. I think we're on -- we call it POS -- point-of-sale model, I think we're on 13 now. The Company has been around for about 15 years.

So it's a huge effort. It takes about a year for us to develop these models, sufficiently test these models and prove to ourselves that the models are going to do better in terms of conversion rate for the merchant, credit outcomes for us, approval rates, like there's a whole bunch of criteria that are often diametrically opposed here to make sure that the model is truly better for everybody involved. So it's a really high bar. Again, cash flow underwriting is part of that. We ultimately -- we want to find a way to get to a yes with the consumer if we can, right? And so down payments are a part of that. Internally, we call them step-ups, asking for more information, that's where cash flow underwriting would come in. We really want to make sure that we have the fullest possible picture of the consumer's financial health before we get to that ultimate decision. So yes, I mean, I think it's really -- the early results are promising, and it's a really interesting way to sort of step up and try to get to that marginal approval where we can.

Adam Frisch

In your mind, what's the optimal percentage of transactions that would go through cash flow underwriting?

Rob O'Hare

I think the other thing to keep in mind is just most of our consumer transactions today are what we call repeat borrowers, right, meaning it’s not their first Affirm loan. So we tend to -- over a consumer's life cycle, we tend to rely more and more on the consumers' repayment history with us, like their Affirm file starts -- so I think where it helps us is just in some of the growth areas around acquiring new users at a new merchant maybe. So it can be really compelling there because sort of the early days of a merchant program are really critical to get on that steep trajectory of growth.

Adam Frisch

Yes. I know that firsthand. So cash flow won't necessarily be applied to everybody, but in certain use cases...

Rob O'Hare

Yes again, I think for a certain population it can be really compelling.

Adam Frisch

Yes, totally. I love that. Let's talk about credit. We've done a lot of work – post the controversy – not controversy, I forgot the name, Ridge. One of your creditors -- people in credit...

Rob O'Hare

Stone Ridge...

Adam Frisch

Stone Ridge. thank you. That was a middle age moment. Rob, thanks for bailing me out. So when Stone Ridge came out, we really delved into it and your creditors love you. They love the paper, and you take the same risk that they're taking. And I think one of the things that stood out to me early on was you guys said, like, look, we will forego growth to make sure that our creditors are happy because that's our lifeline for the next as far as the eye can see in terms of growth. So we don't really see a problem there. The ABS deal you just did was really great. The agreements you have with all your people in the credit facility are terrific. It's kind of like that concern has kind of come and gone. Do you still get a lot on that? Or is it...

Rob O'Hare

I think we still get questions there, especially for investors that are maybe new to the story who just want to understand all the mechanics and sort of the broader funding ecosystem. But yes, if you asked me for one KPI on the health of our funding ecosystem, I would say the terms that we get in the most recent or the next ABS deal is probably the best leading indicator of just the health of that environment in that market. And right now, I mean, honestly, we're seeing spreads at all-time lows on a like-for-like basis across recent deals. And so it feels like the market is really healthy.

Adam Frisch

And they like quality. And if things go south, they're going to flock more to quality. And if you guys are viewed as that quality paper, then...I think that's okay. I think that's a good outlook for you.

Let's talk about guidance a little bit, switching gears -- from the investor forum, you built a great reputation for kind of beating and raising guiding conservatively, you make it look easier than it is. I know you guys make it look easy...it ain't as easy as you guys make it look. But if the 25% medium-term GMV growth target proves to be conservative over time...

Rob O'Hare

At least. You forgot two words there. At least.

Adam Frisch

At least 25%. I have a greater than sign on my question here.

Rob O'Hare

Yes, it's important. It says a lot.

Adam Frisch

Sorry. Needed my glasses to get that one. So with the at least 25% growth, people are going to love the correction by the way, I'm just thinking about all the investors on the call here, they're going to love that correction. Where do you think the upside comes from?

Rob O'Hare

Gosh. I mean if you look at sort of the drivers of our growth today, right, both point-of-sale and the direct-to-consumer businesses are both growing far in excess of the at least 10% we called out for both of those programs. So again, like if we outperform that, it's because we're sort of maintaining what we're doing today, right?

And then we've got sweeteners on top that we called out with international becoming a bigger part of the story over the next several years. And then we've also got, I think, really good irons in the fire around both Affirm Edge and Agentic, too. So look, I think we've got two programs and projects that could be meaningful in the medium term that we're not ascribing any sort of growth to in that at least 25% target in Agentic and Affirm Edge. So I think those could be contributors to outperformance. And again, just the base business today, both sides, POS and D2C are both growing significantly more than 10% today. So I don't think we're not -- we're not like envisioning a world that doesn't already exist. I think it's just about continuing to execute and continuing to sort of grow with the primary drivers that have fueled us to date.

Adam Frisch

It's worth reiterating that the Agentic and Edge aren't really in the numbers yet.

Rob O'Hare

Yes.

Adam Frisch

They're not in your -- that's all.

Rob O'Hare

And I think that's appropriate, right? Hopefully, you've seen from us over the years that we tend to be pretty measured about signing up for big numbers for new programs. We have a lot of confidence that we've got the right playbooks and tools to make these programs large where we can, but we do take a pretty balanced view and a pretty conservative view on new things generally. So it doesn't mean we're not excited about them, but just in terms of how we guide.

Adam Frisch

Yes, that's the right way to do it. No sense setting up for failure and false expectations, right? Okay. So it's everything you're seeing today plus a couple of other things that could be more meaningful, et cetera.

Rob O'Hare

Yes.

Adam Frisch

Okay. Cool. And you did say at least 25.

Rob O'Hare

At least.

Adam Frisch

That could be the title right here. Maybe we'll do that.

Okay. Let's switch to RLTC guidance. I thought you'd go to like 3.5% to 4% but like 3.75% to 4% -- that's a tight range for RLTC. You and I have had this conversation offline. I think RLTC was viewed as kind of like a all-in measure about consumer health, but there are so many factors in there, like gain on sale and there are so many factors in RLTC. It's not really a proxy -- a pure proxy for consumer health. So the 3.75% to 4%, like is there a message that you're trying to send folks with that narrow range?

Rob O'Hare

I think that maybe the broadest message would just be that we feel like we have good visibility into the business. And I think that's rooted in the fact that we've been really active on the ABS side from a funding perspective, same on the forward flow side as well. And so we have a pretty good sense for where the funding is going to come from.

Of course, we're going to grow and we're going to need more funding along the way. But just the sort of layers that we've been able to put into the funding base, we've done 3-year ABS deals that are at fixed cost of borrowing. So it does insulate us against a movement upwards in an upwards rate environment. Similarly, with the trajectory that we're on with Affirm Card and also just where we are with both Shopify and Amazon, our 2 largest merchant programs, we just feel like we've got really good line of sight into how those programs should perform over the next several years, certainly from a profitability perspective. And that gives us confidence that some of the error bars, the error bar being a point wide, just that felt like more room than we needed for these next several years of operating.

Adam Frisch

Okay. So it's a tight range, which I think is good because it almost like removes that from the equation kind of thing, right? So even though people probably still have a stroke if they see a 3 handle, somewhere around 4%, I think, is great.

I remember the comment we made at a group lunch. I said, Rob, if you do 3.9 you suck, if you do 4, you’re good, if you do 4.1, you like walk on water. And you looked at me like…seriously?

Rob O'Hare

And again, it's just -- again, like coming in, I mean, we're at the tail end of our budgeting cycle for next year. And just as we think about all the levers, as we think about all the building blocks for growth and profitability in a given year, again, we just -- it just feels like the error bars we have on those are just a lot smaller than maybe they were 5 years ago when we established that 3% to 4% range.

Adam Frisch

And I think it's good for the narrative, too, because it pushes everything to GMV growth and margins.

And that's really what you -- at this stage of your development, that's really what the story is about. How fast are you growing and are you increasing your profitability?

Rob O'Hare

Yes.

Adam Frisch

It doesn't need to be more complicated than that. Okay. Let's switch gears again. We got a little under 10 minutes left. As CFO, how do you think about capital allocation? We need to -- over the next couple of years. You seem focused obviously very heavily on organic growth as you should. GMV is accelerating year-over-year ex Walmart. How do you think about M&A? How do you think about buybacks? How do you think about dividends? Talk about how you rank all these.

Rob O'Hare

Yes. I mean I think just maybe pointing to some of the things that we've done historically, we've been pretty active around buying back the convertible issuance that we did in 2021. That first convertible bond that we did is going to mature in Q4 of 2026. So we've been chipping away at that, especially there was a period of time where those bonds were trading at a pretty meaningful discount. And we felt like that was kind of a no-brainer move in terms of capital allocation with sort of buying those back -- buying back that future liability at a pretty meaningful discount.

And so I think that served us well. And so when there's been opportunities to allocate capital to something that we think has a really, really high return, we've done it. I think we're still very early, though, in generating cash. I'm really proud of the cash that we generated in the last year, but it's still early days there. And we spent a lot of time today just right here talking about recession planning and recession scenarios, and we do stress testing ourselves within the capital team and the treasury team to make sure that if that rainy day comes that we feel good about the balance sheet that we've built and our ability to fund the business in any environment and through the cycle. So it's -- cash is an important part of how we think about stress testing and scenario planning for a downside scenario.

So it's a high bar for us to sort of distribute cash externally. That's true with M&A. It's true with buybacks. It's true with dividends. I would say we are -- we do have a team that fields both inbound calls on the M&A side as a potential acquirer, and we also are out trying to meet people in our industry and in adjacent industries. So it wouldn't surprise me if in the next 5 years, we did something on the M&A front, but there's a really high bar for those opportunities given our own internal development chops. And it's going to have to be the right opportunity, and it's really hard to predict the timing of that. It's going to be idiosyncratic, I think. So look, I think over time, buybacks are probably potentially a way that we could return capital to shareholders. But I think it's just -- it's early enough for us today that we haven't made a commitment there.

Adam Frisch

I mean personally, I'd rather see M&A because it will drive the growth story. I think buybacks and dividends. I think dividends at your stage are not really appropriate. Buybacks, you could argue when the stock is down, but the stock is so volatile, like it was 83 and 43 and now it's back up. like you're not a hedge fund. But let's talk about M&A. Bring us into the exec committee meeting when M&A is being discussed. And is there -- what would make sense for you guys to do? Would it be, hey, this company has a product that we think would go really well and a bunch of users and active members that we think we -- is it that? Is it something tangential? Is it -- take us like into that conversation about what you -- just generically.

Rob O'Hare

Sure. I think it's more likely to be something tangential. And I think tangential for us can either mean tangential in terms of a product category or tangential in terms of a geographic market. Like if you look at arguably the best M&A deal that we've done to date, it was probably the acquisition of PayBright in Canada, where we had an opportunity to acquire and merge with, frankly, the market leader for buy now, pay later in Canada. And it was a business that looked a lot like Affirm. They thought really deeply around how they treated the consumer. They were winning an incredible roster of merchants they had just won Apple's first-party hardware business in Canada, right?

So I think it's something like that where we look at the business, and we feel good about how they've treated the consumer. We're not looking for revenue models that are overly dependent on fees, right? That's a huge part of our promise to the consumer. So yes, I think it's a really high bar, but I think ultimately, the corporate development team, they should be expanding our product development efforts, right? They should be able to sort of get to the 2 or 3 things that are maybe below the line for internal development, but still long-term valuable to the overall strategy to the business.

Adam Frisch

Okay. That's great color. Let's focus the last couple of minutes we have on AI. You guys touched on the shareholder letter, how it's driving productivity. Remind us how it's doing that from the cost side, I guess, it's kind of table stakes at this point, but how you see it kind of driving growth as well?

Rob O'Hare

Yes. I mean we're still at a point in our development where we just -- the only shortage is capacity to get these ideas built, right? I mean there's no shortage of ideas. And so we've really pushed the product and engineering teams to utilize AI more in their development cycles. And we actually did an AI tooling week in late January, where we sort of shut down development at the company for a week to let some of the early sort of leaders in terms of utilizing AI at Affirm work with the rest of the engineering team to sort of show and share wins. And it's actually been incredible.

The uptake of AI usage, we shared in the letter a table that showed the percentage of our poll requests, so sort of the software features that are being shipped and integrated into the code base. I think we're now up to like more than 60% of a week's poll requests coming from AI-aided development. So the team has really embraced these tools, and it's a meaningful step function change in terms of the throughput of development that we've seen. And then if you double-click and go a level deeper for me as CFO, we're also seeing really nice efficiency, like our cost per pull request is actually going down, even though we have brought on some new vendors and there's some new cost in terms of tokens, the rate at which we're using these tokens to ship software means that we're still more efficient in terms of the cost to develop a feature or a piece of software.

So I think that's really important. I think that all said, we've done a pretty good job of getting our arms around the spend early, and I think we have the right tracking in place. And so there is, of course, still work to be done around optimizing. I think one of the things we're starting to do a bit more around is just making sure that the model or the token type that we're using is rightsized for the job, right? We want -- we don't need the cutting-edge cloud token to sort of check the weather, right? So like making sure that we're using the right model for the right job. That will be another layer of optimization that we'll do. But yes, it's been really awesome to see the acceleration in development internally.

Adam Frisch

Are you monitoring the cost of tokens?

Rob O'Hare

Of course. I mean, the answer is yes.

Adam Frisch

But like is it a big piece or a growing piece of the P&L, where you're like that's a big -- that's getting to be a much bigger number, and that's good because we're offsetting that cost with not hiring as much in certain areas and things like that. So the efficiency of a token versus a human is obvious, right?

Rob O'Hare

Yes. And again, I think we've got a really robust road map internally. And so we are continuing to add to the team. We're doing it, I think, in a pretty measured way in terms of headcount growth. But right now, we're adding the token costs and we're growing the size of the team as well, and that's working for us. I think we're really happy with the throughput we're seeing. But yes, we need to build financial plans that are aware of all these things. I think we've done a good job of that and all of the token costs are factored into our near-term guide and our medium-term guide as well.

Adam Frisch

We could end it on this one. I think at the last lunch we held, it was right around the time one of your kind of sort of not competitors made a major headcount reduction and you said, hey, if you look at your gross profit per employee, it would be what they would be post RIF. So you run really efficiently. It's obviously a really incredible management team. So do you see AI more as a continuous growth driver as opposed to a cost reduction? Or is it a combination of both?

Rob O'Hare

We do. I think right now, it's very much more the former. Like I said, yes, we are still continuing to add human beings to help develop more software, and they're using AI tools to get there faster and more efficiently. But we haven't done sort of AI-driven layoffs.

Adam Frisch

Okay. All right. I have a bunch more questions, but we're out of time.

Rob O'Hare

All right. Thanks.

Adam Frisch

Thanks, Rob. Yes, appreciate it. Thanks, everybody.