Affirm at Morgan Stanley TMT Conference

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James Faucette: All right. We'll go ahead and get started here this morning. Thank you very much, everybody, for joining us here to talk with Affirm. On the fourth day of our Morgan Stanley TMT Conference, I'm very happy to have Michael Linford, CFO of Affirm here.

But before I get started with Michael, I do have an important disclosure to read. Please see the Morgan Stanley research disclosure website at morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representatives.

Just as an introduction, I'm James Faucette, I lead fintech research for Morgan Stanley. And as I said, I'm very happy to have Michael here to talk about Affirm. And it's kind of, like in a lot of ways, I don't know what could be more daunting than saying, oh yeah, we're going to go and we're going to figure out how to not only change the way payments get made in some ways the way credit is extended, and build it all from scratch. You're a brave man, Michael, let me just say that.

Michael Linford: We certainly don't lack for audacious thinking.

James Faucette: Audacious ambition, right?

Michael Linford: We have it. That's for sure,

James Faucette: Right. Look, I think one of the places, the place I want to start this morning is that people in the investment community, and just like in life in general, we rely pretty heavily on our own anecdotal and personal experience to form our views of what's happening in the world. But a lot of times, that's different than reality. And so -- or at least the broad based reality. And so I'd like you to help us think about the demographic opportunities for Affirm. Who are the customers that you're reaching? Who do you resonate with most? And as you've kind of gone through this process of building the business, where have you been surprised on where you've seen adoption and maybe where you've been surprised where you thought you would and you haven't?

Michael Linford: Yes. I think it's kind of important to step back and throw a few facts on the table and then I have some anecdotes of my own that I think can help illustrate why we like our position quite a bit. We've transacted with over 40 million U.S. consumers. And those consumers, at least for us initially, tended to be more technology forward consumers. When we started the business 10 years ago, more than 10 years ago, the product resonated most with the most technology forward consumer, which at the time, the young consumer was the millennial. I have news. We're old now.

James Faucette: We got older.

Michael Linford: I know that because I am one. You actually have seen over the past several years of us maturing as a company, you've seen that consumer segment where I think we resonated the most early, really, really mature. And along the way, we built products that really serve a diverse set of transaction modes, a diverse set of consumer needs that are like very broad-based. And one of the things I think that is underappreciated about what we do is just how resonant our brand is across income levels, across credit posture and usage by consumers, and across even demographics like age.

My anecdote is this. I was leaving my home a few weeks ago, a few months ago, and it's a new house we have and this neighbor runs across the street to say hi to me. And he sees me wearing the Affirm hat, and he says, oh, do you work for Affirm? And I said, yeah, how do you know us? And he's like, oh, well, I've used you to buy guitars. And I was like, oh, what do you do? And he said, well, I'm a radiologist. And so my neighbor, who's a radiologist, is using Affirm to buy some guitars on Reverb. I head to the airport and I get a sandwich and the woman serving me a sandwich sees my hat and says, Affirm. And she says, “You guys take care of me”. And I can't think of a more higher-income spread than the airport service employee and the radiologist and our brand. In a short 1-hour window, I ran into consumers who understood and valued our brand in that very narrow spot.

I think it's a mistake to think about Affirm as being appealing to a particular income or a particular age or a particular demographic. It's a very broad-based thing, and that's because our product is capable of serving so many different modalities. We can do 0%, long term, short term, we can help consumers who are otherwise transactors get a little bit of extra float. We can help consumers who are truly trying to solve an affordability problem pay for a thing that's important to them over time. And I really don't think there's another brand in financial services that spans the demographics like ours does.

James Faucette: If that's been the case, and it's an interesting point, how is the -- like as you add new customers, what does that look like in terms of where, to your point, is like you first started with millennials, they got older, and so by definition, that's going to spread out the appeal from an age perspective by itself. Let alone what you're going to do from a product perspective. But how do you -- like where do you find the most initial traction? But then I guess let's take it a step further. What's the process by which you're retaining those customers and taking advantage of being able to get incremental spend with them?

Michael Linford: Yes. Again, I think if you think about us having transacted with over 40 million consumers and 17 million of which have touched us in the last year, we talk a lot about if you just change the time horizon from a year to 18 months, the numbers change dramatically. And so -- and if you shorten it, it's a different number, too, although spread between quarterly and annual active is nowhere near the spread between annual and 18 or 24 month active.

James Faucette: Got it. Got it.

Michael Linford: And so I think there's an insight there around like we have historically served a less frequent purchase mode. The canonical example is you're buying an exercise bike. You don't need that but every three, five years. Or a mattress. Those are categories that we really got early traction on as a company.

If you look at our trends recently with respect to engagement, frequency, transactions per user, those numbers are moving steadily up and that's intentional. We're -- one of our goals is to make as many transactions as possible, and so part of the investment we've made in the diversity of products is to serve more transactions. And why that's so important is, at the end of the day, our job is to help consumers get the things they want and need, help merchants grow their business. And to do that, we want to serve as many transaction modes as possible where we have a reason to be different and advantageous to the consumer and to the merchant. Not every transaction fits that. We always like to talk about things like purchasing cars is probably a thing we're never going to touch. It's really far away from us. But most of the transactions a consumer goes through in their daily life are transactions that we can actually add value to and we want to build products to do that. And we take a product orientation to that. One of the reasons we're so excited about Affirm Card is it gives users a chance to use Affirm in a lot more use cases. It opens up offline. It opens up even transactions that they don't want to pay for over time. They can pay for it now. And the work on diversity of products, the work on serving more modes is how you get that retention and engagement up.

The repeat rates today are very high, and I think that's a good thing. We're very happy with where those repeat rates are. And we still think we have a lot of room to grow. There's a lot of users who are not Affirm users, and we feel like we're still in the early innings of penetrating the U.S. consumer base.

James Faucette: You said an interesting thing there, and I want to dig into the Affirm card in just a second. But your emphasis on product and product capability is really interesting. Especially since, as you said, it's like auto feels like a very long way away for you. But most people that have been in this space, generally they end up adding autos pretty quickly. And they look at it like, well, why not? We have the relationship. We -- it's incremental revenue, and at the very least, it builds a relationship that we can go back and hopefully turn into more frequent. Can you just explain like why you look at that a little differently than what maybe others have done historically?

Michael Linford: Well, first of all, as you can imagine, it's something that, like everything we do, it's been debated and discussed inside the building as it should be. But the reason we think categories like that don't make sense for us is they're big in a sense that they have lots of GMV or purchase volume attached to it, and maybe even a lot of margin dollars there. But they don't drive the sort of engagement. You buy a car every three, five, 10 years, whatever the time horizon is. You're not buying a car four times a year which are Affirm frequency, and that's too low for us.

We want to mean something to more transactions and not just more dollars. Although dollars too. And so I think our focus right now is on finding ways to serve as many consumer transaction modes as possible because we think it's a lot more durable. The things like auto or other larger purchases are just so infrequent and so less deep in connection, even if you're paying off those loans for a long period of time, you're not as engaged with the provider of credit like we are. And again, we think about it less as just the provision of credit to a consumer and much more in the engagement in their financial lives. And we think infrequent purchase modes like that are just too far away from things that actually matter to us.

James Faucette: Got it. Let's talk about the Affirm Card, and that's been a focus not only of investors, but certainly from you and the team for a while now. And look, it's been great to see the ramp in the Affirm Card cardholders. Maybe you can just level set for us what your kind of run rates are in terms of number of users you're adding per month, number of cardholders, and how we should benchmark that against kind of that 17 million active number that you mentioned earlier?

Michael Linford: Yes. We've been adding cards at a pretty steady clip. I think we're up to about 700,000 cards as of last quarter. And that rate of additions is pretty linear in our earnings materials. You've got that chart that shows the rate of growth and its really flat line and flat meaning the slope is up and to the right and not second higher order curve. And that's a really good thing. We like the way in which the product is growing naturally. It's kind of settled into this natural growth rate where the cards are coming in very organically. We're not doing anything to stimulate it, not doing a lot of marketing besides on our own surfaces. And the rate that you're seeing is kind of the natural adoption rate of the product that you would see, and we're letting that continue to grow very organically. And that's a really good thing because it is growing quite quickly.

And the thing we talked about in November at our Investor Forum and I'll repeat now is that the spend by users on those cards and where they're kind of trending to in terms of annualized spend, has held up very consistently. And that's impressive because you would expect some selection with the early days of the card to be more towards your most engaged users. It is definitely the best way for people to repeat on Affirm, and so the most engaged users are the earliest adopters. And what's really interesting I think to the good is that those users have stayed engaged in very similar levels as the card has continue to roll out. And that's a really positive thing for the fundamentals of the product. The product itself is resonating in a way.

And I think that's a really exciting thing, and I think we're just so stinking early on it. I know that sometimes investors and analysts want to like compress the timeline from like idea to being a market-leading product. And the truth is, these things do take some time to get out there and to grow and in full phase. And we're really excited with the progress that we're making. The total penetration of our marketplace business, the rest of our direct-to consumer business, is about two million users or so active. And so we think that's a good number to think about as a way point. Clearly, we're going to continue to grow the user base and we're going to continue to grow the network, but we think several million users on the card is a pretty realistic midterm target.

James Faucette: When you think about that several million, a couple of things I want to ask about there. But let's go back to utilization. What are some of the initiatives you're doing, you've taken to drive utilization of Affirm Card in-store? Because most persons are still in-store. Having the physical card makes that easier from just a purely have it in the wallet, pull it out. But talk about like how you can increase incentives or incent people to use that and what the level of usage is in-store. Because I look at that as like the easiest way or the most direct way to increase the frequency of use that you're trying to drive.

Michael Linford: Yes, I completely agree with you. I think there's a lot of reasons for us to be really excited about the card. I think maybe at the very top of the list is it opens up Affirm which these consumers, who are all repeat consumers, you have to be a good standing Affirm user in order to get the card, it opens up the ability to take that experience they had a great outcome with online and let them do it offline in a way with a form factor that they're really used to.

Most transactions are offline, most purchase volume is offline. And while almost all transactions now have a digital touch point, meaning the consumer engages with some sort of technology along the way in which they're purchasing, whether they're researching the product or even using a digital payment method, there still is the final tender delivery being done today with cards in the physical point of sale. And we've had this direct-to-consumer product that we'll sometimes call internally Affirm Anywhere, and it's this product that lets you generate a virtual card and then use it online and you can put it in your Apple Pay or your Google Pay wallet.

But it's a very friction full experience. The experience of that product is you go through an application, you get approved, take the number, if you're using it online, you're copying and pasting the number and the security code and expiration date. Like we just put a lot on the user to do that. And it was still 10% of our business. And the insight there is that the thing that's the killer feature of what we do is enabling consumers purchasing power to get the things that they want and need is so killer. And yet, we put up these roadblocks. We made it very hard to use that in more purchase modes. The thing about the card that's so easy to get and why now 30% of our transactions are happening offline, is because we took all of that great stuff we do in Affirm and we put it in a form factor that was as simple as tapping or swiping a card. And that is so exciting because we've taken a lot of that friction out. We've allowed a great way to deliver these financial products, those purchase modes.

And it's really exciting because that is a huge area of growth for us. And frankly, I believe very strongly that what we're doing right now is tapping into the latent demand. Frankly, we're not even steering that, we're not even pushing it. There's not a complicated reward system. There's not a lot of marketing happening on the card. And these are all things that remain upside for us when we figure it out, but what you're seeing right now is just the consumers behaving very naturally. Again, just like the adoption of the card, it's kind of the organic adoption, the behavior on the card right now is very organic as well.

James Faucette: At the risk of sounding or asking an excessively pithy question, can I just ask you on this point of like, okay, as you were generating the virtual card and those steps, etc., and then you had the idea like, oh, let's give them a card, etc., I guess my potentially excessively pithy question is, in your audaciousness and ambitions, is there sometimes -- are you -- have you felt like you were trying to reinvent too many wheels? And then is there a learning from that I guess?

Michael Linford: There's totally a learning there. This is an old anecdote, but I think it's quite relevant. We spent a long time debating at Affirm if we should have a physical card or not. And the debate went back and forth around physical cards are horse and buggy. One of my product leaders told me if you referred to a physical card, it's horse and buggy, and we're a technology company, so we should build technology products. And my, because I'm not a product person or technology genius, my cheeky answer, pithy answer back was, I don't think it's horse and buggy. It's the wheel, and you don't reinvent it, it just works.

And I think that's actually where we landed, and I think that's proved out where there are certain pieces that are payments infrastructure that aren't worth reinventing and finer delivery maybe is one of those in the physical store. Still really important that we're building technology products to support it and enable the experience and it's still very important that we did the digital experience right, but that last mile being on a physical card I think is a thing that we probably spent too much time -- although, for what it's worth, I don't think we were that late to it because I think you need a network of scale for these things to be successful, right? We're very proud with the adoption that you're seeing. But if our network were one-third or one-fifth the size as it was five years ago, it would have been really difficult to feel excited about the card like we do right now.

James Faucette: Yeah, no. That's understandable. I'm not worried so much about the timing, I just wonder like how does that influence the way you think about future product development?

Michael Linford: Yes. I think the most important thing for us is always removing friction where there doesn't need to be it. Sometimes friction is important, sometimes friction is necessary. But where it doesn't need to be there, it's our job to keep the consumer and the merchant and start with their problems and solve them. And I think the big learning here with the card early is that we were solving a real problem for the consumer. We're enabling them to purchase in modes where they wanted to that we made it too difficult before.

James Faucette: On this point is, Max, at least to my ear, seems to have suggested that ultimately when a new user comes to Affirm, they'll automatically be shipped the Affirm Card. How -- like what -- is that A), is that what he meant when I heard him talk about it? But if that is, or anything close to that, what do we have to get to, to get into reset stage?

Michael Linford: Yes, I think there is a version of the world where every user of Affirm has a card. That is a good long-term aspiration. I think more near term, as I mentioned before, I think we're pretty happy with the rate at which the product is growing organically. I think trying to tip the scales in one direction or the other and doing anything unnatural is a little bit -- it's probably not the right time to do that for the product. We're really content with this natural measured and thoughtful adoption of the product that's -- it's not like we're forcing it up or down. We're not depressing it. It's kind of just growing in its natural state, and we quite like that. I think what Max was pointing out is that there is a scale point at which the whole thing tips to where that isn't just a component of the business, but it's a key part of having an Affirm relationship is having a card. And I think that's a great aspiration for us, but I think it's probably a bit down the road. I would like to say Max is from the future.

James Faucette: Right, right. Especially this point of like ideas, investors compressing timeframes --

Michael Linford: Totally. If you want to compress timeframes, then yes, we're going to do it tomorrow. But the reality is, it's probably a few years away. And that, at least as much as anything, is like right now it's a small part, a high growth and high engagement, but a small part of the total thing that we do. And we hope it is the dominant thing. And I think it is. I've said this before, and I say it here, is I truly believe that it's the most valuable thing that we're doing today. And then if you fast forward several years down the road, it's going to be one of the most important things that we've built.

James Faucette: Let's talk about use of the Affirm Card. I think you've said it's about 90% interest bearing with the residual split between Pay Now and Pay in 4. How do you think that GMV mix will ultimately evolve? And I guess when I first heard Max talk about the card, I thought that it would be maybe a bit more balanced between interest-bearing and Pay Now or Pay in 4. What's your sense there? And are there some friction areas as to why we haven't seen greater adoption of use of an Affirm Card for Pay Now transactions?

Michael Linford: Yes. The stats are right from a GMV perspective, not from a transaction count perspective.

James Faucette: Right, right, right. Okay, that makes sense.

Michael Linford: I's really important that you separate that out, right? It takes a lot of cups of coffee to equal a jacket purchase. And I think the thing that is I think very apparent about our brand and how consumers think about us, is that we definitely resonate with consumers when they're thinking about how they're going to afford or pay for the thing that requires some consideration. I don't think most people we serve are thinking about how they'll afford the cup of coffee. They are definitely thinking about how they're going to pay for the jacket or the bike or the pair of shoes that they're buying. I think those modes clearly resonate the most.

I think the thing I'm pretty positive on is that we have as much Pay Now volume as we do despite the fact that our card really has no rewards ecosystem in it, it has nothing to encourage consumers to put down their transacting device on a credit card or their other debit products as we don't have that deep relationship that a bank has with the consumer. I'm actually pretty excited that we are where we are. And yes, that remains a thing that we would love to have more of.

We've talked about it as being mostly interest-bearing, which the economics of the product on a GMV basis is very good. And if it ends up being higher Pay Now, then there's some pressure on the unit economics. But obviously, that's all incremental in a way that's really constructive for us and more engagement. But the engagement thing is why we would look at it on a transaction count basis. Because using your card, again, for true daily spend is I think tit won't probably move the GMV needle as much as it will the transaction account needle.

But yeah, I think it remains important for us to do, but you mentioned it earlier, our ambition is pretty unlimited. And I think one lesson that we have definitely taken to heart over the past year and a half is the value of focus. We're trying really hard to stay focused on making sure that we're meeting that consumer where they are and where they want to be. And again, creating the environment for it to do what it's doing organically and not try to force it into something it doesn't want to be.

James Faucette: Let's talk a bit about the move to the economics of the business and that kind of thing. And starting kind of at the top, can you comment on what you're seeing right now in terms of approval rates? In the middle of 2023, you'd indicated the fee approval rate was around 50%, so I'm wondering if it's stayed fairly consistent or how that may be moving around, especially as you've been able to change some of the interest rate caps?

Michael Linford: Yeah. That number is an end-to-end conversion number. We've never really talked about approval rates because they're really just part of the total end-to-end conversion. At the end of the day, the thing we do for merchants is drive conversion. And the way you do that can be -- can vary quite a bit even within the context of approval rates.

It is definitely the case though that our product with where we have the economics at today is really well positioned. I think the last quarter's revenue less transaction costs as a percentage of GMV came in materially higher than we had thought it was going to for the quarter due to really strong execution on the pricing initiatives we've talked about, great execution in the capital markets, and really excellent credit performance. And that serves us very well. It allows us to be very growth-oriented in the product. And I think that's a really important insight.

If you think about the way we talk about all of our costs and revenue inputs, we're very thoughtful around taking all the revenue we can in the transaction, understanding all the costs and trying to serve as many users as we can. And so, I think part of the reason we had strong growth in units last quarter is because a lot of those things were lining up really well for us. And that's a reflection of a lot of really good disciplined work over the past year and a half. And that's something that we're definitely not taking lightly, but we do think puts us in a very different camp. The performance that you've seen on our asset is very differentiated than what you see in the rest of the unsecured consumer space.

James Faucette: And can you elaborate that a little bit? I mean, just it looks like when we track at least the ABS traded loan data, etc., that seems to be the case. For sure you guys saw stabilization really before most anybody else, even taking into account differences in FICO performance or FICO scoring, etc.

Michael Linford: Yes. I think we've always talked a lot about what our advantages are vis-a-vis credit. And I really think that a lot of folks met that with some level of skepticism or even something more than that. And I think the past year in particular has been a pretty clear demonstration of our ability to drive very specific credit outcomes.

And there's two things I'd like to talk about there, because one is, we are really good underwriters. We have very good models. I would put our data scientists up against pretty much anybody's in the world. Our models are very good. We're able to take lots of data from the bureau data and from the consumers' purchases and repayments with us and build really effective sorting algorithms. We're really good at it. But I think that's only part of the picture.

The other thing is we have a fundamental advantage, vis-a-vis pretty much all other unsecured consumer providers, in that we are looking at every transaction and deciding on the transaction level. That gives us the ability to make adjustments more quickly. It gives us a more nimble approach to managing credit. And the flow of applications allows us to make changes to the credit outcomes in a very dynamic way.

I think what you're seeing with a lot of the credit card companies right now is a somewhat inevitable flow-through in rising delinquencies because they're without tools to affect any other outcomes. Their business models are built in a way to let that be the way they operate. Our business model is built in a way where delinquencies are bad, credit outcomes are really important to us, and we dial the business and navigate through environments like you've seen this past year with a lot of intentionality. And that's the most important thing. So long as our credit outcomes are in our control, we're able to effectively price that with the capital markets, with the merchants, and we can drive the kind of outcomes that you've seen that strike in the past couple of quarters.

James Faucette: Let's talk about that credit performance specifically. Like I said, we track the ABS traded loans, and we've seen a modest sequential increase in 30-plus day delinquencies, kind of towards 3%, but that's still a variable amount below the high watermarks we saw with prior vintages. What I'm really thinking about is, as we look at that, how should we contextualize where those DQs are at, especially as you incrementally penetrate Amazon with the new higher rates that you have there? But at the same time, it seems like we're starting to see more 0% promotion availability coming with your merchants. How do we think about it directionally?

Michael Linford: We don't provide any sort of outlook on delinquencies or even any specific outlook on credit. We do provide outlook to how we actually run the business. And so -- and maybe just really quickly, why this matters, how we run this business and then what we're seeing. Why this matters, credit costs are one of our biggest costs. And we run the business on a real strong focus on making sure unit economics are in line, and it matters to us. But importantly, it also matters to the capital markets. We are -- we fund our business both with the ABS markets, which you're talking about, with forward-flow partners who buy the whole loan, and those folks care a lot about the loss content and the asset we create. And it's a real important input to how we decide where and how we can extend credit. The cost of capital is very real. And there, the results have been really strong. The ABS deal that we did beginning of this year, we were able to price at an all-in cost of less than 6%. That is like extremely good execution. And that reflects capital markets reflecting back to us the quality of the credit outcomes that we're driving in a way we think is really constructive, and so it matters a lot to our business.

How we run the business is, as I mentioned before, we have a lot of flow of applications, and we're able to pick and choose where we think credit outcomes need to go. And you're right that some of our product sets have lower loss inherently, the 0% promotion. Some of our credit products have slightly higher loss content, but all within the range of things that we get compensated for. Credit outcomes for us are really important, but we have not and would never imply that we figured out some way to eliminate credit losses. You can't do that. What you can do is accurately predict them and then have the flow of loans so that you can generate the units that you want. And that's what we're seeing.

If you think about where we're at now is you're seeing credit outcomes that are right where we want them to be. Last quarter's results were exceptionally flat both year-on-year and quarter-to-quarter and that wasn't an accident. that's where we wanted it to be. When we see any sort of stress in the system, we react to it, and we can react to it very quickly and we have more tools to do so than pretty much everybody. And so what we're seeing is a pretty stable credit environment. And that allows us to be pretty front-footed around how we want to continue to grow the business.

James Faucette: Just last couple of things here. Rewards program. You talked about that, Max has talked about it, and as a way to obviously drive engagement, and we've seen lots of examples where rewards programs are very successful in doing that. But how should we think about what that may look like? And more importantly, from a financial perspective, the potential impact on the 3% to 4% RLTC margins that you're running right now?

Michael Linford: I feel like I can't go to any investor event without reconfirming our commitment to 3% to 4%, so I'll do that again here. That number is unchanged. We've been pretty consistent on that, and we'll continue to run the business there. I think in the scenarios where we're above that range, which you could certainly draw some of those out if you're a macro prognosticator. Say we're above that, there's opportunities for us to reinvest some of that product in 0% offers or other high converting things to keep our merchants and consumers more engaged in the platform.

And of course, we have the opportunity to control those unit economics if we're below that through the things that I've talked about with respect to things like credit and even term length and the kind of offers that we show in our adaptive checkout. We're going to keep running at that range. I think the ways in which we're going to do rewards, how we're going to do it, that's still very much for the future to discuss. Nothing to break here. But we know we need to make some progress there, and so it is an area that we're working on, but nothing specific to talk about.

James Faucette: Let's turn back to funding. You mentioned your ABS deals, that they've done really well. As a matter of fact, it seems like you guys have been able to get to be pretty programmatic in execution -- and the last several deals seem like they've gotten progressively better at least as it relates to advanced rates and levels of oversubscription. To your point, I think you mentioned earlier is that you're really differentiated in that market in terms of like what you can bring to investors. How are you thinking about the frequency with which you will take product to the ABS market? And what are the implications there for forward flow demand? And how does that evolve mix of on balance sheet versus off balance sheet?

Michael Linford: Yes. We really like the quality of execution our team has done, a really great job of really, like you say, being programmatic, and that's been a priority for us. I think that with all the volatility we reflected on the fact that we have an opportunity to do better at being programmatic. Because the ABS investors will spend time with us, we want them. We want to be there. We want them to have done that work and have that work carryover deal to deal, and they want that, too. And so I think consistency is a priority for us.

In fact, I think you're going to see us continue to be very programmatic and that means that you'll see us regularly in the market. I think the frequency with which is somewhat dependent upon more specifics around like the business and the volume flows in the business, and then some things related to the rest of the capital strategy. But I think ABS investors should continue to feel like we're programmatic and regularly in the market. And I think equity investors should see that, too.

I think in terms of the mix across our funding channels, the answer is the same as it's always been in that. We think all 3 of our funding channels are really important. We will keep all 3 channels as part of our business. And we don't let the good times or the harder times in any one channel, any of the conditions distract from the priority strategic objective of building those 3 channels up. Which means we'll continue to be active issuers in the ABS market, both on and off balance sheet, consolidated and deconsolidated deals. You're going to see us continue to do and grow our forward-flow business, where I think we're real beneficiaries of the strong credit performance and a lot of the macro factors that have gone into the private credit phenomenon that's talked a lot about. We're beneficiaries of that. And the warehouse lines that we use are still really important for us to operate the business. And so just because we have great execution in the ABS market does not mean we'll just hit it all the way there. And equally, we're never going to do something that prevents our ability to build a good off-balance sheet forward flow program.

James Faucette: In the last minute here, you set some objectives for minimum growth rates for the year, which ends for you at the end of June in your fiscal year. How should we think about like the likely drivers of and what we should be paying attention to as to be indicators where you might end up closer to that minimum level of growth versus higher?

Michael Linford: I think macro matters a lot. And I think when we think about planning the business in the near term, we're very mindful of the macroeconomic environment that we're in. Which fortunately right now is a pretty benign environment. We've got very high rates. However, we've really done a great job in the business of operating our units at a really healthy level in this rate environment, and so we quite like this rate environment.

I don't feel like a cut is actually something that we need or want, but employment is really important to us. And I think the kind of tight labor market and the full employment is a huge beneficiary to us. And so that's a factor that I think needs to be set. And then look, the rest of our execution. We have a lot of opportunity. We still have opportunity in distribution and engagement with the consumer, and our ability to execute there will push us to the higher end.

James Faucette: Got it. Well, thank you very much. Appreciate your time today, Michael. And any follow-ups, I'm sure he's happy to take questions. Thank you very much. Have a good day.

Michael Linford.: Thank you.