



Affirm CFO Fireside Chat

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Presentation Participants

Affirm

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Rothschild & Co Redburn

Harry Bartlett, Equity Research Analyst

Presentation

Harry Bartlett

I'm going to give a few seconds for people to join. But in the meantime, welcome to Affirm's fireside chat. They do these on a quarterly basis. My name is Harry Bartlett. I'm a fintech analyst here at Rothschild & Co Redburn. I'm very happy to be joined by Rob O'Hare, who's the CFO of Affirm. Rob, thanks for being with us today.

Rob O'Hare

Yes. Great to see you. Thanks for hosting this.

Harry Bartlett

Pleasure. Now look, in terms of the format of the call, so Affirm give the opportunity to retail investors to also put their questions to Rob. So the questions today are going to be a mix of my own and also some retail questions. So Rob, if you're happy, we'll crack on.

Rob O'Hare

Yes, sounds great.

Harry Bartlett

Great. So look, it's kind of hard to avoid the current environment at the moment. So maybe I'll start there looking at the consumer. So I guess given we're seeing kind of increasing geopolitical risk and I guess, depending on how long this lasts and we could see some spillover effects. I mean, I guess in terms of what you're seeing from the consumer in terms of demand in the credit side, maybe you can talk us through there. And I guess [indiscernible] has asked, how do you anticipate inflation and unemployment affecting your business?

Rob O'Hare

Sure. Maybe taking the questions in order. I mean, in terms of the elevated oil prices, it's really too early for us to see any sort of discernible trend coming out of this heightened environment that we're in. Demand continues to sort of pace along with sort of steady growth rates. It's been pretty consistent throughout the quarter. So really nothing that we can point to that would say the current elevated fuel prices are causing stress with the consumer, although in the long run, we would expect that this could have an impact if the current prices stay elevated. I think that's the question mark that we have on our side. It's just we don't know the severity or the extent or how long sort of this heightened environment will persist.

So in terms of how we operate our business, I mean, we underwrite every single transaction with every consumer every time. And so that allows us to stay current with our consumers, and we think that allows us to be really nimble if we do find ourselves in an environment where the consumer is seeing stress. Again, that's not what we're seeing today, but we're confident that we'll be able to operate in that environment if that's what happens next. So that gives us a lot of confidence that we don't necessarily need to predict what the impact of rising oil prices will be in 6 months. We can continue to be iterative and course correct and make sure that we set the right underwriting posture as we go.

And we're large enough now that we originate on average like \$150 million of loans a day. And so really looking at the early repayment signals that we see when the consumer gets to their first repayment event, which for us is typically 30 days after origination. So that's the best leading indicator that we have and looking at sort of that first payment event and the level of delinquencies that we see, that tells us if we have the right underwriting posture or not.

Harry Bartlett

Sure. Yes. I mean, I guess you've kind of touched on it there, but maybe you could talk about I guess if we're thinking about going into maybe a slightly more contractionary period, some of the tools -- other tools you might have in that scenario. And I know you've very helpfully disclosed in the past that you would expect kind of a 50% increase in credit stress leading to about a 10 percentage point reduction in GMV growth. So maybe for some of the investors, you could help to kind of contextualize that in terms of how you're thinking about the assumptions there and how that scenario might manifest.

Rob O'Hare

Sure. I mean maybe to level set, we run most of our merchant -- large merchant programs in a way where the sort of last loan that we would approve from a credit spectrum perspective is going to be breakeven or better. And so, when we're thinking about a situation where we feel like we need to tighten our underwriting posture, the loans that we're taking out of the system are not huge contributors to our profitability, right? We're sort of starting with breakeven loans at the low end of the spectrum. And we're going to find a new equilibrium point where with the added theoretical stress in the system, we'll set a new breakeven point and we'll underwrite and run the business to those levels.

So what that means is that we would expect to see some sort of slowdown in GMV. But in terms of the profitability headwinds, those should be pretty minimal because, again, most of our profitability is coming from sort of the middle to the upper part of our credit spectrum. And so taking sort of loans that were previously breakeven out of the system and finding a new breakeven point that, again, there's not going to be as much impact to the business at large.

But in terms of how we would implement those tightenings, there's a lot of levers that we have at our disposal. We can do things like asking the consumer to make a down payment upfront as part of the transaction. That helps us take risk out of the system if the consumer has some skin in the game, so to speak, and is paying down a portion of the loan on day 1. We can play with term lengths, shortening term lengths is another way to take risk out of the system for us.

And again, we can ask the consumer to give us more information as well. That's something increasingly that we're doing, especially for consumers that are sort of at that marginal point in our underwriting. If we can get some more information about the consumer's financial health, that can allow us to get to a yes or present a term -- a set of terms that would be sort of putting our best foot forward and making sure that we maximize conversion for the merchant partner there. So -- and then again, after all of those, we can also just adjust the minimum credit score that we would say yes to within a given merchant program.

Harry Bartlett

Sure. No, that's very helpful context. I guess one of the other areas of focus we're seeing in the market at the moment is this private credit narrative. You talked a lot about your kind of consistency of underwriting performance and the benefits that's given you from a funding perspective, not just in terms of demand, but also pricing. But we have seen obviously some concerns there. So I guess, given that, what would you say around the kind of interest of buyers in the market for Affirm loans? And is there kind of a plan B if that interest dwindles. So maybe you could just talk about how Affirm is positioned from a funding perspective and across the various channels.

Rob O'Hare

Well, I think I'd be remiss if I didn't call out our 2026-2 securitization, which literally just closed yesterday. Really a fantastic outcome in terms of what we saw and heard from the market. We launched with a \$500 million deal. We -- there was enough demand in the book for us to upsize that to a \$750 million deal. We were still something like 2.5x oversubscribed against that bigger quantum. We only did 3 days of marketing versus what typically we would do a 5-day marketing period. And so with all that, we were able

to price at an all-in spread of 116 basis points for what is a 3-year offering. If you compare that to our last 3-year offering, we actually brought spreads in by 8 basis points versus the deal we did in late 2025.

So like-for-like, I would say the demand for our ABS issuances is as strong as it's been, we were really, really happy with that outcome. And we, of course, acknowledge all of the volatility and turbulence out there from a macro perspective. But in terms of the deal we were just able to price, we came away really, really happy. And I think it's a testament to how we've been able to build our program on the capital side. We look for partners that are going to be here throughout the cycle and can work with us in size. And typically, ABS can be a way to start the relationship with a funding partner, and we look to deepen those relationships into forward flow and other formats as well.

So we feel really, really good about the health of the ABS market despite the headlines. And again, I think we've got a very, very recent data point here that supports that confidence. If we were to see some sort of dislocation in the ABS market, we've been really thoughtful about how we've crafted our capital program. ABS is just one channel that we utilize to fund the business. We also have committed forward flow loan buying relationships with several counterparties. We typically ask for at least a 2-year commitment from those counterparties. So we know that there's capacity there when we need it.

And then lastly, we utilize warehouse loans from several large bank counterparties and warehouses to get to your -- the second part of your question, warehouses is where we tend to keep most of our unused capacity. So if you look at the disclosures we have in our 12/31 filing, I think we had something like \$4 billion of untapped warehouse capacity. So if we were to see a dislocation in ABS, that's likely the channel that we would utilize a bit more to absorb the dislocation that we're seeing in ABS.

But it's important to remember, our ABS facilities typically have a 2 or 3-year revolving period. And so we're going to be able to utilize the funding vehicle that we just closed -- we're going to be able to utilize that capacity for the next 3 years before the facility starts to amortize. So we feel really, really good about our funding capacity. And again, I think we've built the program in a way where we can utilize -- we can sort of move in and out of various channels if for whatever reason the market does experience a dislocation.

Harry Bartlett

Sure. And maybe just as an extension to that, I mean, I guess, how are you thinking about kind of the on-versus off-balance sheet strategy? I know you've kind of moved a bit more towards off-balance sheet given the funding conditions and how favorable they've been. But how are you kind of thinking about that over the next 12 months or so?

Rob O'Hare

Yes. We really haven't given any sort of forward guidance around on versus off. I think if you look at our business historically, we've been roughly 50-50 between on and off. The ABS deal that I just spoke to, that's an on-balance sheet funding vehicle. The advance rates, though, are really, really healthy. I mean we're approaching, I think, 96.5% advance rate. So it's a really capital-efficient way for us to fund the business, and we retain a bit more of the loan economics than we would if we were to move a loan off balance sheet through a loan sale.

So I think there's always pluses and minuses. But I think what's important to us is that we're able to fund the business through sort of any kind of economic cycle. And I think as we sit here today, we feel really good about the capacity we have and just the low overall levels of utilization that we have against that total capacity.

Harry Bartlett

Sure. Great. Let's move on to the card. So we saw yet another strong quarter. It's up to kind of 16% of the GMV now, growing at 150% year-on-year. Can you talk about some of the factors that have caused GMV growth from the card to kind of accelerate over the last few quarters?

Rob O'Hare

Yes. I mean I think we're continuing to really tap into the core of our user base. And I think the functionality that we bring with Affirm Card of making it very seamless and easy to transact anywhere that accepts Visa. I think that's sort of the killer feature of the card. We did make a small change on the product side starting October 1, where cards that are -- transactions that are facilitated through a permanent pan or permanent card on one wallet partner in particular, those are now being counted as card transactions and as card volume because we moved that program from being onetime card-driven to being a permanent pan. And so in order to be consistent with what we've called card historically, the transactions from that program are now being counted.

So that did help drive a bit of a bend upward in the curve in terms of growth in users and in GMV. But yes, I mean, we've been really, really happy with the traction that we've seen with card. I think card is a great unlock for offline spend. Historically, both Affirm, but even BNPL at large has been very heavily concentrated within e-commerce. And what we're seeing with the card usage is that we see more than an order of magnitude, more mix from in-store purchases. And so we feel like we found a product that resonates with our base, and we're really excited to see it continue to scale.

Harry Bartlett

And I guess you talked about maybe the uptake of the card has exceeded some of your earlier expectations. So I mean how do you see penetration evolving over the medium term? Is it a situation where long term, Affirm Card is the primary distribution channel?

Rob O'Hare

I think we're still a ways from it ever being the primary distribution channel. I still think our model of continuing to win as much coverage of checkout as we can, we work with some of the largest and most sophisticated players in commerce generally. And that approach has served us really, really well. We're able to build profitable financing programs at our merchants, and that served as an on-ramp from a consumer perspective into our network. And right now, card continues to almost exclusively be sort of a second use product within our user base. So I think that model is serving us well.

When you look at the growth rates of card that we posted in the December quarter and have posted pretty consistently here for the last several quarters, I don't get the sense that we're at any sort of saturation point, far from it. And so I don't want to hazard a guess in terms of what ultimate penetration of our user base can be. But I think the good news is we continue to grow the overall user base at really, really healthy levels, and we're continuing to see more and more penetration of that user base and more and more of those individuals taking card out and using card pretty frequently as well. So again, I think that tells us that we're on the right path. And in the long run, again, I don't know what the ultimate ceiling is here. But again, it feels like we have a lot of headroom just given the growth we're seeing today.

Harry Bartlett

Yes. I mean you touched on the, I guess, the penetration of the user base, but I think one that you talked about in the past is the kind of trying to reach that \$7,500 spend per user. So maybe you can just talk a bit about how you bridge to that point. I mean, how do you go from, I guess, a product that's used maybe once or twice a month to kind of a regular top of wallet product and the sorts of product innovations you might see there?

Rob O'Hare

Yes. I mean, really, the target that we have of \$7,500 per cardholder of Affirm spend, that really is rooted in some industry data and some survey data that we've done within -- around sort of what we believe our core user is. And that's the rough discretionary spend that we would expect in a given year from a user with sort of the profile that we see in our business. So I think that's a target that just is focused on capturing as much of the discretionary spend that we can within our users.

And I think the way that we do that is just continuing to put the right offers in front of our users. Increasingly, that's a mix of 0% loans and interest-bearing loans. And I think our ability to go from 30 days out to 36 or in some cases, 48 months and then also on the other axis to do anything from a 0% APR up to a 36% APR, that allows us to be incredibly flexible in terms of the offers that we put in front of consumers.

And thus far, that served us really, really well to make sure that whatever the consumer rather is solving for, whether it's a low APR or longer terms that may help smooth out their monthly cash flow and help them manage their personal budgets. We can sort of be there with the right offers. And increasingly, we're using the data sets that we've been able to compile over almost 15 years to make sure that we're optimized as much as we can be in terms of that offer set that we're presenting to the consumer.

So I think we're still very early both in terms of overall card users, but even in terms of annual spend. And that's how we arrived at that target is really just looking at getting to a much higher percentage of share of wallet with our consumer.

Harry Bartlett

Sure. Very clear. We move on now to talk about the 0% APR. Again, another very strong driver of growth, strongest growth in terms of the products -- across your kind of 3 main products. In terms of penetration, where are you in terms of the number of merchants or I guess, volume of merchants in terms of those offering 0% APRs?

Rob O'Hare

Again, I think that we're never done there. As we -- as much as we've made a push to drive more 0% volume within our network, we still have several large merchants that aren't utilizing 0%. And so that tells me that there's definitely more room to go. And I think it's important to remember that we really believe that 0%'s are a great complement to the very profitable and the very nice and high-growth interest-bearing program that we have as well.

So I heard a little bit in your question. I don't think we're pivoting away from interest-bearing. We're looking to add more zeros as a complement to interest-bearing. And what we see in the consumer uptake is that even if a consumer starts with a 0% loan, there is still a high propensity for them to utilize an interest-bearing loan in their life cycle. So again, I think it's about finding the right mix of offers for consumers and understanding what works for a consumer for a specific transaction.

Again, for smaller dollar transactions, Pay in 4 may be the best offering for them. It's 0 interest when we do it. There's no late fees. But it is a very short-dated loan. And so for larger ticket items and more considered purchases, our consumers tell us that they really value the term length that we can go out to just because that allows them to get that monthly payment down to an affordable level. So again, it's -- there's definitely not a one size fits all. And I think given where Affirm is in its life cycle, we really want to make sure that we have a full set of offerings that can resonate with any consumer.

Harry Bartlett

Yes. I mean maybe just kind of touching on that. I mean, I guess, as a product, do you think that arguably 0%'s kind of open you up to a wider customer base and thinking maybe the higher income user who may not typically use interest-bearing or maybe if we think about international markets where maybe there's less kind of propensity to use credit products, do you think that has a wider product market fit?

Rob O'Hare

Yes. Again, I think it's a really important ingredient. And again, I think given where we were coming from in terms of our interest-bearing mix in the program where when we started to lean a bit more into 0%, I think it felt like adding more 0% made sense for the network overall. But it's really hard for us to pick one single loan product and say that's the best one for any given market just because we really do aim to support such a wide breadth of transactions and average order values.

And so -- and again, I think in the context of the merchants that we work with today and the merchants we hope to work with in the future, really having that flexibility around being able to support transactions across the spectrum and also flexibility around, frankly, how we construct the financing programs at a given merchant. Some of our largest merchants are very, very cost of acceptance focused and driving an interest-bearing program allows us to monetize the consumer side of the equation and craft a program that allows us to get that prominence at the point of sale with a large merchant and make it cost effective and help them reach both their cost and their conversion targets in their business.

So again, we really -- again, we try to craft programs that work for our consumers and work for our merchants, and it's really not -- we're not ever focused on one single product as the end all be all. Again, I think it's always sort of a multivariate calculus here to make sure we have the right program that works across a wide range of transactions.

Harry Bartlett

Sure. Maybe let's move on to kind of margins. I think one of the areas that people have been talking about quite a lot is the kind of mix shift to 0% and the kind of potentially dilutive effect that has on net take rates. And obviously, there's a lot of offsets in there. But I guess if you're thinking about the business and the mix going forward, how do you balance some of those lower net take rate products versus growth?

Rob O'Hare

Well, again, I think we've got a long-term range that we've established of wanting to be in the 3% to 4% revenue less transaction cost as a percentage of GMV, that's a mouth full. And for the last several quarters, we've been operating sort of at or above the high end of that range, pretty close to 4% for most of the recent quarters. And so 0% to your framing, right, 0% can be a way to forgo some income. We're not getting interest income in those transactions from the consumer. And so it's a way for us to mix into a slightly dilutive loan product, but we do think it's an important part of having a full product offering to a range of consumers.

So as I said previously, we think it's a really important ingredient to the overall business. And when I look at the business from a financial perspective, again, we're printing unit economics that are at or above the high end of our long-term range of 4%. And then as you go down the P&L as well, we've driven really, really nice operating leverage in the business over the last several years as well.

So I think the business is performing very well from a financial perspective. And for us, it's really making sure that we drive strong units and drive operating leverage, of course, but also that we maximize the opportunity that we think we have as a market leader in the U.S. and making sure that we continue to reach as many merchants and as many consumers as possible, just given everything that we're able to bring to bear in various financing offers.

Harry Bartlett

Sure. One of the things you talked about previously within the card is the very strong weighting of card towards interest-bearing products, which helps to kind of, I guess, offset some of the lower MDRs. So I guess looking to the latest quarter, the card seems to be becoming a really strong vehicle for distributing 0%. So maybe you could just give us some color there and how this kind of plays into your thinking and I guess, the overall economics.

Rob O'Hare

Yes. Card is obviously one of the fastest, if not the fastest-growing part of our business. And to your point, the mix of interest-bearing loans within card has historically always been above our overall company mix of interest-bearing. So really, product mix is probably the single biggest driver of product economics or product profitability and card benefits from a very high interest-bearing mix, and that was still true in the December quarter as well. So as much as we are leaning a bit more into 0%'s, I think we also have card with really, really strong growth rates, sort of bringing that interest-bearing mix back a bit, too. And the interchange that we collect on card transactions is very, very healthy.

And so on an all-in basis, I mean, card is arguably our most profitable product, depending on how you define products at Affirm. But that collection, those loans -- and the other thing that's important to remember, because it is almost exclusively a repeat use product, getting through that first transaction, the first transaction with a new consumer tends to be the riskiest from an empirical basis. And so because we're benefiting from positively selected and repeat borrowers that we've already underwritten once, that does help take some of the credit losses out of the product as well. So that combination of really high interest-bearing mix and then a pretty favorable credit setup, those 2 things contribute to a really, really nice profitability in the card.

Harry Bartlett

Sure. Yes. So just on the subject of pricing. We've got a question here from Amanda and she says, what's Affirm's long-term strategy to maintain competitive advantage and continue growing market share?

Rob O'Hare

I think for us, I think that one of the things that is unique about Affirm, particularly in the U.S. is the breadth of loan products that we offer. Most of our competitors are very highly concentrated within Pay in 4 transactions. And there's a lot to like about Pay in 4 transactions. But if you just look at how the product works, you really are dependent on a relatively high merchant discount rate. The merchant is driving the lion's share of the revenue in those transactions. And so I think it can be difficult to penetrate some of the more cost of acceptance focused large retailers in the U.S. if Pay in 4 is your only product offering.

And so I think what's been really advantageous to Affirm is our ability to craft financing programs that meet the merchant's cost of acceptance needs, but are also nicely profitable for us and also convert well and put offers in front of consumers that resonate with those consumers as well. So I think that sort of that triangle of conversion, cost of acceptance for the merchant and profitability for us, I think we've been able to win across all 3 of those considerations. And we do it by crafting a program that has maybe some 0% volume to drive conversion for the merchant, but also we can build an all interest-bearing program if we need to, that will still convert plenty well for the merchant and help them lower their cost of acceptance.

So again, we -- similar to the 0% question, we can sort of build a program that optimizes for the merchants' needs, and we have a lot of confidence that we'll figure out ways to make that program drive growth for the merchant and can drive increased levels of conversion over time too through optimization.

Harry Bartlett

That's great. I mean I guess just on the subject of kind of competition and some of the areas where you have innovated, I guess, on products. I'm interested to talk about AdaptAI and BoostAI, sort of uptake you're seeing from merchants. And I guess, how important those tools have been in terms of when you're having conversations with new merchants?

Rob O'Hare

Yes. AdaptAI is sort of on our direct-to-consumer side of the house, and those optimizations are live and running, and we control those surfaces and AdaptAI really helps us optimize the set of offers that we present to a consumer for any given transaction and making sure that we're driving as much conversion and as much take-up is the term we use, take-up by the consumer. So those are live today and helpful.

On the BoostAI side, I think we're still relatively early in that market opportunity. And really what Boost is doing is it's taking a pretty static financing program that was hard coded into our historical merchant agreements and we're partnering with merchants to find ways to dynamically optimize the offer set. So maybe moving away from a static 3, 6 and 12-month set of offers that the merchant might be presenting on their sites to finding the right set of offers across a range of AOVs. It's sort of a dynamic calculus to make sure that we drive as much conversion for the merchant, as much GMV as possible and also making sure that we drive strong unit economics throughout those optimizations on the Affirm side, too.

So it does take a lot of trust with the merchant and just -- it does require repapering our contracts. And so we're in the early innings of getting that rolled out. But it's something that's really exciting because what we've seen in the early data is it's GMV lift for the merchants. It's higher take-up for our consumers, which means we're putting a better offer in front of them. And it's -- we're benefiting from the increased GMV, but it's also better unit economics for us as well. So it really is a win-win-win across merchants, consumers and Affirm. And so we're confident that we're on the right track. It's just -- there is a lot of blocking and tackling with merchants to just get through some of these amendments that we need to get this fully rolled out.

Harry Bartlett

Sure. Let's move on to talk about some of the longer-term trends. Agentic commerce, I know it's received a lot of attention. I know we're still kind of in the foothills of that. But quite recently, we heard that OpenAI was kind of retreating from its instant checkout within ChatGPT after only 5 months. So it seems like we're kind of shifting back to a world where transactions may be completed in websites or in apps rather than this kind of new model that people were expecting. I guess, did that new surprise you? And how does that change how you're thinking about the agentic commerce opportunity?

Rob O'Hare

I don't think it changes anything on our side. We fully expect to have a seat at the table if consumer demand moves to agentic to facilitate transactions. I think looking at the size of our consumer base in the U.S., right, Affirm is clearly a financing option that consumers want and that consumers need. And so we would expect to be a player in any sort of updated protocol that does roll out or there may be multiple protocols for a while here as well.

So I think if you look at what we've been able to do in terms of e-commerce, we use the term internally. We embrace channel conflict. We've been able to partner directly with merchants. We also have large partnerships like Shopify, where we're able to leverage existing platforms, merchant base and distribution to accelerate our growth. And so we fully expect to be -- we've done similar things with Apple Wallet and Apple Pay Later program as well.

So we would expect to be anywhere that consumers are shopping. And if that moves into an agentic world, then we would fully expect to be a part of those transactions as well. And again, I think that's something that our merchants are going to want, and I think it's also something that consumers will want.

Harry Bartlett

Sure. Well, nice Shopify reference -- a nice segue on to my next question. So we think about international, you launched in the U.K. in 2024. You started ramping throughout last year. I mean, where are you with

your ramp with Shop Pay Installments in the U.K.? And I guess, what needs to be done in terms of going to that automatically switched on for new merchants?

Rob O'Hare

Yes. I think we're working towards that end goal of being auto on for merchants within the Shopify platform in the U.K. And I think we're at a pretty similar point in the program life cycle. We went through this same phase that we're in now in the U.S. before we had the bigger launch. And right now, it's just about making sure we understand how conversion works within the program and making sure that the program is as optimized as it can be before we get ready for this sort of step function change in scale that would come with a broad auto-on release within Shopify.

So I think we're right on schedule in terms of that progress. And having gone through the U.S. rollout, I think this is a really important stage to make sure that we're ready for the volume that can come through a platform like Shopify.

Harry Bartlett

Sure. And I guess maybe we think about your next leg of growth beyond the U.K. I mean, I guess, to what extent can you more rapidly roll out Shop Pay across your merchants in Continental Europe? I know you talked about Australia and I guess some of the steps that need to go in place there?

Rob O'Hare

Yes. I mean, obviously, outside of our existing markets, which today are the U.S., Canada and the U.K., I mean, we will need new and different licenses to operate outside of our existing 3 geos. So that's something that we'll need to prioritize and bring in-house before we're ready to launch a new program. And yes, we fully -- we don't think that we're done expanding with Shopify after the U.K. So we're excited to get the U.K. right, to your point earlier, there's still some work to be done to get that fully launched. And then we'll start to talk about new markets when they're a little bit closer to being live.

Harry Bartlett

Sure. Let's go to another deal that you've announced recently is QuickBooks. So I mean it looks like a very interesting partnership, \$175 billion online payment volumes. Maybe you could just talk a bit about this opportunity and your expectations, I guess, in terms of adoption.

Rob O'Hare

Yes. I mean it's a really exciting partnership. We're -- the first phase of the program will be bringing Affirm financing programs to business-to-consumer invoices through the QuickBooks platform. So we want to make it as frictionless as possible for consumers to pay those invoices with our set of financing offers. And we're -- I think when we look at some of the KPIs within the program that's existed historically, it's a large enough average order value that I think a lot of the strengths that Affirm has around underwriting every transaction and also being able to go longer on terms to smooth the consumers' cash flow. I think it's a really nice setup for us in terms of the sweet spot of the invoicing program that exists and what we're able to do on the Affirm side.

So it's really, really early. We are live with an increasing number of merchants today, and we're hoping to continue to scale that over the course of this month. So lots to like so far, but it's so, so early that with our existing base of business, it won't be material this year, but it's a program that we're really excited about.

And I think more than anything, it's a great expansion into the services vertical, which is, I think, historically an area where BNPL has been underpenetrated. I think Affirm has been underpenetrated as well. So we have a lot of confidence that what Affirm does should work really, really well in that end market. And we're excited to partner with a market leader like Intuit to broaden our reach.

Harry Bartlett

Very clear. So maybe we talk about the bank license next. So obviously, there's a funding benefit here, but maybe you could just talk about some of the other benefits you expect to see from a kind of cost and a product velocity perspective.

Rob O'Hare

Yes. Yes. I think one of the things that we're the most excited about is just being able to have Affirm participate in more of the value chain within our product offerings. And so if you envision a world where -- we do have a banking subsidiary. That subsidiary could be an originator of loans, which just allows us to be that much closer to the consumer and a bigger portion of the product flow generally. So there's enough growth in our business. And I think the true sort of ramp of the bank and the scaling of the bank will play out over a handful of years, assuming we are granted the license.

And so we're really not thinking about turning off any of our existing banking partners, and we would expect that with all the growth and scale that's on the come at Affirm that the bank subsidiary would just be a part of that growth and a participant in that growth alongside our existing partners. So originating loans is one area, issuing cards can be another area where we utilize bank partners. And I think over time, we may be able to bring more of that flow in-house or at least have some redundancy through the Affirm Bank for those workflows. So those are some of the early things, but we are several years out from, again, having a bank that's scaled. And we also want to leave a little bit of surface area to cover at our investor forum in May for the bank topic.

Harry Bartlett

Sure. Maybe we ask one question, but feel free to defer. I mean, I guess we talked about kind of costs and the benefits there. But -- where do you see opportunities from a revenue standpoint? I guess longer term, is the vision to position Affirm as a kind of provider of installment credit in any situation where customers underserved or penalized by large banks beyond BNPL? And I guess along those lines, we've got a question from Karen who's asked, will we ever see Affirm finance vehicles or homes?

Rob O'Hare

I mean, right now, there's a pretty bright line around secured lending. So we don't want to repossess goods from our consumers. So I think autos and homes is a no today -- forever is a long time. So that may change. But today, I think that's a pretty clear no for us. And I think the other piece of the question, I'm going to defer to May.

Harry Bartlett

Okay. Fine. Great. Well, let's move on to talk about the FIS and the Fiserv deals. It seems like the opportunity here in terms of the overall TAM could be huge. So I guess the question really is how well you can penetrate that TAM. So maybe you can give some insight into how you go about distribution? And I guess, any early feedback you've had from the conversations with banks and perhaps the differences in how we should think about FIS and Fiserv.

Rob O'Hare

Well, I mean, I think generally, we're utilizing the same approach and would have the same vision across both platforms. There can be some differences just in terms of the average size of bank that the various platforms work with. But really, like in a nutshell, the idea and the pitch to banks is there are several small-to medium-sized banks that have meaningful debit programs and large customer bases. And we can see in our data and the bank can probably see in theirs that they're going elsewhere for financing, right?

They're utilizing credit cards, whether it's Capital One or Citi or whomever to consummate their considered purchases. And with the Affirm Card functionality, we can bring that to the bank's existing debit programs and allow them to participate in those swipes a lot more than they are today and also, again, to sort of maintain or probably grow their share of wallet with their existing consumers.

So I think right now, we're in the very, very early stages of having conversations with banks. I think the conversations are resonating with banks, but it's a lot of work for us to do to build this functionality into the various banking cores. And we're excited to continue to have the conversations on the sales side to hopefully land some early pilot bank partners here.

Harry Bartlett

Great. And then I think we've had a question here from Ajmal on kind of capital, I guess, maybe slightly longer term. But I guess, how do you think about implementing share repurchase programs or dividends? And then I guess, from a distribution perspective, once you reach that point?

Rob O'Hare

Yes. I mean I think today, we do have an existing buyback program for our convertible bonds. And so that's been the place historically where we've returned capital to shareholders, but just by delevering and being opportunistic about how and when we buy back our convert. So I think with that program and the relatively near-term maturity for our 2026 convertible bonds, I think that's where you're going to see us continue to lean in, in terms of capital allocation.

And then in the longer run, again, I think we're still relatively early in being a profitable company. We're really proud of the cash flow generation that we're seeing in the business today. But I think over time, we'll start to give more time and thought to capital allocation just as we see the business continue to mature. And yes, again, right now, I think the convert is what's sort of front and center for us.

Harry Bartlett

Sure. And then I guess kind of on the same topic, I mean, how do you think about new acquisitions? I guess, Felix asked here, do you think is it a way to accelerate your expansion?

Rob O'Hare

I think so. I mean I think we have a corporate development team that is very active in terms of working through inbound opportunities that we receive, but also prospecting within various sort of product expansion areas, new markets. So I think it's a really nice complement. I think M&A can be a really nice complement to our existing product and engineering capabilities. And again, there's always a sort of -- could we go faster if we bought something? I think that's often a question we ask internally, and I think that will be our program going forward as well.

Harry Bartlett

Sure. Well, Rob, that's been great. I think we've just about run out of time, but thanks very much for your time today. And yes, look, if anyone has any questions, please follow up with Zane or Maggie from the Affirm's IR team.

Rob O'Hare

Awesome. Thanks, Harry. Really appreciate all the questions.

Harry Bartlett

Thanks.