



# Barclays 23<sup>rd</sup> Annual Global Financial Services Conference

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## Presentation Participants

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### **Affirm**

Brooke Major-Reid, Chief Capital Officer  
Zane Keller, Head of Investor Relations

### **Barclays**

Allison Gelman, Equity Research Analyst

## Presentation

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### **Allison Gelman**

Good morning, everyone. Thank you for joining us for our next fireside chat with Affirm here at the Barclays Global Financial Services Conference. My name is Allison Gelman, and I am a research analyst here at Barclays. Today, we have Brooke Major-Reid, Chief Capital Officer at Affirm; as well as Zane Keller, Head of Investor Relations. I appreciate you both being here, and let's get started.

### **Allison Gelman**

So just to start out, maybe for those less familiar with you, do you want to just provide a brief introduction on yourselves and your responsibilities at Affirm?

### **Brooke Major-Reid**

Sure. Good morning, everyone. It's great to be here. Thanks for hosting us, Allison. My name is Brooke Major-Reid. As Allison said, I'm Chief Capital Officer. I've been at Affirm just over 4 years. Capital at Affirm covers capital markets execution, all the things we do to fund the business, treasury, all of the operational and cash management pieces of running a corporate entity, bank partnerships, all our funding origination partnerships as well as card issuing and then all of the analytics and risk management functions that go into managing our funding facilities. It's a pleasure to be here, and the four years at Affirm has really been exciting in terms of the growth that we've experienced. So I'll turn it over to Zane.

### **Zane Keller**

Thanks again for having us here, Allison. I'm Zane Keller. I'm our Head of Equity Investor Relations at Affirm. I've been here for about 3 years now. It's been a really exciting time period also during that, lots of ups and downs, mostly ups. Prior to moving to IR, I worked on the buy side for about a decade covering financial services companies like those that are here at the conference today.

### **Allison Gelman**

Thank you, guys, for the introduction. So let's get into it. Affirm reported fiscal 4Q '25 earnings back on August 28. Highlights of the print include 43% year-over-year growth in GMV, which was driven partially by strength in 0% APR loans, which we'll get to in a bit. And the company also reached operating income profitability. Maybe just provide a quick recap of other key highlights of anything you want to mention on what you believe to be the biggest takeaways as we're heading into the new fiscal year?

### **Zane Keller**

Yes, it was a really banner fourth fiscal quarter. And for those of you that are less familiar with Affirm, our fiscal year ends at the end of June. So we just finished and reported our fourth fiscal quarter. And as Allison mentioned, the numbers are really phenomenal. I mean, GMV growth, 43% year-over-year. RLTC, which many people consider a proxy for gross profit, increased 37% year-over-year. It was our first quarter to be profitable on a GAAP operating income basis, which is a real milestone for us that we're quite proud of. On an adjusted operating income basis, we reported a 27% margin, up 4 percentage points year-over-year. So all the top and bottom line metrics were really, really strong.

And I think some of the other highlights you alluded to were the Affirm Card, which is one of our cornerstone products now, GMV on that more than doubled year-over-year. I think it was up 132%. The

number of cardholders also doubled or almost doubled year-over-year, and I think it grew 93% to a 10% attach rate. So the card portion of the business, which now is over 10% of total GMV, the card portion of the business is really, really booming. And then outside of that, we'll talk about this, I'm sure, in a little bit, 0% APR offers have really taken off. We mentioned that 0% monthly products grew over 90% year-over-year, and we're seeing really strong demand from our merchant partners and of course, consumers for those products. So I think all the financial metrics are heading in the right direction.

If you step back and take a 30,000-foot view, it's not just Affirm. I mean, the entire BNPL industry is booming. And if you look at all the top players, they're substantially outgrowing e-commerce. And I think what this signals is BNPL is now mainstream, both for consumers, but also for merchants. And it's no longer the case that we're viewed as being a nice-to-have or some type of niche product. Any type of especially e-commerce merchant is really now expected to have at least one BNPL option available at checkout. And that's driving adoption, not just the enterprise part of the market, but even down to the long tail, which is really exciting for us.

I'd say, the last opportunity or one of the remaining opportunities that's still clear for us is offline. Today, offline is less than 3% of our total GMV. To put that into perspective on card, it's an order of magnitude higher. And we're just scratching the surface. I don't think any industry -- any player in the BNPL industry has really figured out totally how to crack offline yet. And at least in the United States, the offline market is 6x the size of the online market. So if we can get even a few points of that, I think that implies that Affirm will be several times larger than it is today.

### **Allison Gelman**

That's a great recap. It sounds like there's a lot of exciting development for the company. You also issued FY '26 guidance. I want to touch on that. So as we head into the new fiscal year, what is the general outlook for Affirm? Where is your head at with all of this?

### **Zane Keller**

I think it's really just a continuation of the momentum we saw last fiscal year, right? So if you look at the outlook we provided for the first fiscal quarter, at the high end of the range of the guidance we provided, we expect GMV growth, I think, to be around 36% or 37%. We expect RLTC to outstrip that. We also expect to be again profitable on a GAAP operating income basis. So the days of being profitable on a non-GAAP basis, but not on a GAAP basis, those days we think are over. So it's really just a continuation of the trends.

And if you look at the outlook we provided for FY '26, we take -- I think it's a little bit of a unique approach in that we guide to a floor rather than a range. And so at the -- if you look at the implied numbers based on the floor, we expect GMV growth to be at least 25.5%. We also, again, expect to be GAAP profitable. And we view this very much again as a floor. We don't want to constrain ourselves on the high end. So we will definitely try to do better than that. But I think the outlook is quite bright.

We think about three major areas of priorities or opportunities in the fiscal year. And one is still the point-of-sale business. Again, that's -- 3/4 of our overall business is at merchant point of sale. I think that's still an underappreciated part of the business, right? Like it grows -- we disclosed the stat that dollar-based net expansion is 115% or more. And what that means is even if we didn't add a single merchant, the business will be growing 15 points year-over-year, which is a pretty incredible starting point, right, where if you just do nothing, you grow 15 points. But of course, we're not going to do nothing. We're going to add merchants and continue to expand card, which brings me to my next point.

I still think card is a huge opportunity for us. We're very excited about it in FY '26. The attach rate for the product is only ten percentage points of our active consumer base. We think long term, it can go much higher than that. There's another similar type of product out there that has a 40-plus percent attach rate. We don't see any reason why that couldn't happen for card as well. So we're quite excited about that. And

I'd say, internationally, very early days for us. We're really today only in North America. We launched in the U.K. within the past year, but it's still a very small portion of our overall business.

We mentioned on the earnings call that we expect -- we are already in friends and family testing with Shopify in the U.K. And of course, the GA launch will be to follow. And then we have our sights on some other markets. We've indicated that the next markets after the U.K. will be some combination of the Netherlands, Australia, France and Germany. We haven't put an exact timeline on those markets, but I think in the relatively near-term horizon, you'll hear more from us about those. So across the board, we've got so many different growth vectors. I think we have more growth opportunities than, frankly, resources internally to capitalize on them. So it's a really good problem to have.

### **Allison Gelman**

Really helpful, thank you. I wanted to ask what you're seeing in terms of delinquency rates in the business? Do you have any visibility in your data that you see on what types of consumers are defaulting on payments and maybe on what types of purchases or GMV categories that these delinquencies are happening the most in?

### **Zane Keller**

Overall, I'd say the consumer remains quite healthy. I mean, if you look at the credit metrics we reported at the end of last quarter, our delinquencies are actually down, right? So the main metric that we look at are 30-plus day delinquencies, particularly for monthly installment products. And those declined on both a quarter-over-quarter and year-over-year basis. We also closely track the charge-off ratio for both monthly installments as well as Pay in 4 loans, and those continue to be quite stable. So our charge-off rates for monthly installment products are about 3.5%.

For Pay in X loans, it's less than 1%, around 60 basis points. So we're really not seeing any pressure on the consumer, at least the consumers we're serving. And I think what's encouraging is as our transaction frequency increases, we're actually getting more and more data on the consumer, right? So if you went back 3, 4 years ago around the time of our IPO, kind of astonishing that our transactions per year at that time were only a little bit over 2. So we were seeing a consumer twice a year, that's it. Today, that number is 5.8 for Affirm overall. So we're seeing them now several times a quarter.

And for cardholders, that number is more than 20. So now we're actually seeing them once every few weeks. Of course, the ambition is to actually capture closer to everyday spend, which would imply transactions per user of 365 or so. We've got some work to do to get there. But every time we get to see the consumer, we're getting more and more data and building up a data asset, that makes us better at underwriting and better at presenting the correct offer. So yes, I'd say, on the consumer credit standpoint, we feel quite confident on that one.

### **Allison Gelman**

Brooke, I have a lot of questions for you as well. I wanted to start out with you, Brooke, on how you're thinking more generally about the funding environment today, given that we, as many are aware, are potentially entering a falling rate environment?

### **Brooke Major-Reid**

Yes. The funding environment remains really constructive. And I think we're all really nice people at Affirm and great to work with, I would say. But credit has to be job #1. So without the credit and risk teams and the consistent performance, it would make our job, let's say, a little bit more challenging. So as a baseline, I think we have done a really great job serving our partners and our merchants as well in terms of really

maintaining good credit outcomes, which is the baseline for any sort of funding in the funding access, particularly when you're talking about some of the most sophisticated fixed income investors.

So I'm pleased to say we're in a moment where the funding environment is extremely healthy and constructive for us. There is demand across the board for our loans, not just in whole loan format, but across channels. We've consistently been issuing in the asset-backed securities market, which also remains healthy and constructive. We do 2 types of issuances there -- revolving, which is on balance sheet and off-balance sheet, which are static deals. So when we think about the broader landscape, our job is to ensure that funding is never a constraint or provides -- presents a limitation on the business and the growth. And so for us, it's really important to commit to ensuring that the credit outcomes remain strong, healthy and consistent.

And I just want to add that we have the structural advantage of underwriting every transaction. So as Zane mentioned, we see customers multiple times throughout a cycle. And our opportunity to evaluate their creditworthiness at any point in time is highly effective in that we're not extending a line. This is a point-of-sale transaction-based underwriting effort. So we get an opportunity to say, Mr./Ms. Customer, we really want to say yes to you, but at this time, we cannot do that on this basis or yes, but there's some sort of down payment or some other element in the transaction that we need to be able to say this is a good loan that will pay us back. We never charge late fees. We don't do any sort of reactivation fees. So our customers -- our best customers are the ones who pay us back, and that's it. And so every time we get an opportunity to have that assessment, it's a really valuable thing that then translates into our ability to generate the funding outcomes that we want for the business.

### **Allison Gelman**

And you touched on, on versus off balance sheet. I wanted to ask how we should think about Affirm's own balance sheet as a funding source over the longer term.

### **Brooke Major-Reid**

Yes. In terms of the funding mix, we look at it very constructively, and I'll touch on the interest rate piece because I neglected to do that, and I'll do that in this response. We are fine eating our own cooking. Again, we consider our funding partners as true partners in this. And so we have the mission and the goal of ensuring that our partners have the same outcomes as if we would have kept it on balance sheet. So we are willing to use our balance sheet. We just happen to have the ability to sort of evaluate which channels are most effective based on a number of criteria, capital intensity, what duration we want to have our funding extend to, the nature and the economics.

So we have a lot of different variables that we assess, but we are very -- more than willing to use our balance sheet. We have and -- but we want to make sure that from an ecosystem perspective, we're diversified in that -- we are wholesale funded, and we ensure that we can access multiple channels of capital in an efficient and effective way. And in terms of a falling rate environment, that's obviously accretive to the business, but there we have a mix of sort of fixed deals when we go to issue ABS, those are fixed. And there's a number of bilateral deals that are also fixed. So we sort of have to leg out of those transactions over time, but it's a net positive, obviously, accretive to the business as there is a portion of our book that is also tied to floating.

### **Allison Gelman**

That all makes a lot of sense. Brooke, also the topic of 0% APR loans, which we were talking about earlier, it's come up a lot recently given that they're growing so rapidly. I'm curious if your funding strategy changes at all overall, if your mix of GMV changes between these interest-bearing and 0% APR loans? And as a follow-up, do you send certain loans to certain partners? Or are most partners receiving a representative slice of Affirm's overall origination volume?

## **Brooke Major-Reid**

Yes, that's a really good question, particularly since we have seen sort of the growth in 0%. The basic short answer is no. We do not intentionally sort of look at the GMV and say, okay, this month, we're going to allocate this amount of 0% to this channel or not do vertical slice. So most of our facilities, a large proportion of our facilities or funding channels are vertical. So that's a representative sample of our GMV. However, we do have dedicated facilities that fund different products. So upfront, we have a facility that is dedicated to funding our Pay in X, that's a warehouse line on balance sheet.

We also have done in the past 0% securitization -- securitization of 0% loan portfolio. That's when we had sort of a larger quantum of longer-term 0% loans. So we actually fund that somewhat separately. Outside of those sort of nuanced funding channels that we have for those products, the large proportion of our funding facilities are representative slices, obviously, with the caveat that there are also concentration limits and things that get taken into consideration over time. As you sort of negotiate these deals, you have different people who have different concentration limits and things that we have to adhere to.

## **Allison Gelman**

This is a really helpful overview of the funding strategy. I did want to touch on forward flow partnerships. So Affirm has been ramping up various forward flow partnerships with partners like Sixth Street, PGIM and others. What impact does the growth of the private credit markets that we're seeing have on your business? And what is the overall outlook for funding from these forward flow partners?

## **Brooke Major-Reid**

Yes. We're really pleased with the reception we've got. I think, obviously, it's due to the credit performance and the fact that we've taken sort of a longer-term approach to these partnerships. I would say that the private credit landscape has really been accretive to us and I think broadly on the structured products landscape. But we tend to look at it as an opportunity to add scale, but also partners that we feel can be with us and grow through cycles.

So while we think of it as highly accretive, we've had these partnerships. We would like to think that we were sort of at the forefront of that anyway as different capital partners had different pockets that they were sort of investing in our loans to satisfy those healthy returns. So it's been terrific. The partnerships that we have signed, we're very proud of. And we look forward to continuing to engage investors, whether it be private credit or insurance, other types of fixed income investors, we look forward to sort of adding and growing with our existing partners as we see fit. We sort of have the -- a little bit of the luxury of going out even when times are difficult, making sure that we're being transparent.

So we have a pipeline of folks that we've been speaking to and engaging for a number of quarters, sometimes on the order of a year where we feel like that dialogue and conversation can lead to sort of a more longer-term accretive partnership as opposed to thinking of it as a moment in time where, okay, private credit is here now, so we're all going to sort of get up and do that particular thing. We take more of a long-term approach. And so the fact that we are in this moment where it's sort of democratizing access to structured products, and our loans and the returns that we generate, we like to think of it more as the ability to expand and extend our ecosystem with the high-quality partners in the private credit space as well.

## **Allison Gelman**

And one more on forward flow partnerships. I'm curious of the economics of these deals, do they change at all when the deal is structured as a pass-through rather than a whole loan agreement? And do you prefer one structure over the other? Just talk to the economics of how these forward flow partnerships are done?

## **Brooke Major-Reid**

Yes, that's a really, really good question. First, I would like to say, kudos to the team because we have sort of developed the sophistication and the bench to really meet investors where they are. So while we have different channels, ABS, bilateral private loan sale agreements, we have warehouse lines, we established a Master Trust, some of what we've done, particularly in pass-through structures is really sort of try to accommodate different types of investors who prefer a particular sort of operational dynamic as they get access to those returns.

So from the Affirm perspective in my seat, when I think about -- our Head of Capital Markets is actually here in the audience, Henry. When we think about what we are signing up for, whether it be in pass-through form or bilateral form, we are sort of agnostic. So if we are working with an investor that would prefer a pass-through format for different reasons, rated, unrated, they'd like someone to hold the residual. The economics to us is the same.

And sometimes marginally, it could be better because over time, that velocity will help give you another data point or read-through as more and more people get added to that ecosystem and pass-through format. But the bottom line is that the economics really don't change from our perspective. We've just developed the sophistication and the bench to meet different types of investors where they are structurally and how they sort of want to sort of get access to the returns in the portfolio.

## **Allison Gelman**

And switching gears a bit, remind us of your current choice in bank origination partners. What are the advantages of using fewer banking partners versus using maybe a more diverse range of partners? And are there good reasons to keep the flows concentrated? And do you expect any changes from the current strategy that we see at Affirm today?

## **Brooke Major-Reid**

Yes. So the bank origination partnerships that we enter into, we have Lead, Celtic and Cross River Bank. Our job, again, with everything that we're balancing both on the funding side and the origination side, we don't want a single point of failure. So again, we have every confidence in our bank partners, but our job is to ensure that, that ecosystem also remains diversified. So right now, we feel we have a good staple of originating bank partners. We are sort of always thinking about what could be next in terms of balancing efficiency with redundancy, right, in terms of that model. So we feel really good about our partnerships, but the team is always sort of looking at opportunities if we felt the need.

We don't want to be doing it at the time we need to. So we're always evaluating the ecosystem. But right now, we feel we have very good, stable bank partnerships. Over time, whether it's concentrated in one versus another, we have frameworks internally where we evaluate the allocation and what's happening with our -- and assessing our bank partners, and we feel we have a very good model, which sort of signals to us whether we need to do something in sort of the near or long term in terms of those partnerships.

## **Allison Gelman**

And as a follow-up to that, do you find that there is still demand or appetite of some sort from these banking partners who want to be part of this loan origination process? And moreover, have the negotiations or renewals with these partner banks, have they gotten easier? Have they gotten more difficult over recent years?

## **Brooke Major-Reid**

Yes. The first question is there's a tremendous amount of appetite. We engage various people and there's sort of a handful of core banking partners that actually do this that we call BaaS, Banking as a Service. And we've been in conversations with all of it just as a matter of prudence and just things that you should do as you manage the business. So there's -- I think, I would say, the opportunity set is there and quite healthy.

In terms of just the ability to renew, those renewals have gone well over time, and we haven't had any sort of challenges or folks not wanting to renew with us. So that's been a really good process as well. But as with anything, we're risk managers at heart as a company, if nothing else. So as we think about where we want to be in terms of these partnerships, we're always sort of thinking 2 and 3 steps ahead. So far, we've had a really good track record with our bank partners in terms of renewals as well.

### **Allison Gelman**

Zane, I also wanted to make sure we hit on Affirm Card, everyone's favorite topic or Max's favorite topic. On the Q4 call, Max did mention that there are many exciting features and boosts and all sorts of things that are going to soon be announced on Affirm Card. So while we wait for all of those to be announced, maybe just give us a sense of the loan profile of an Affirm Card transaction and how that compares to a typical Affirm user at e-comm?

### **Zane Keller**

Yes. Thank you. There are 2 differences, I would say, for card versus e-comm. The first is, as we mentioned earlier, the mix of offline transactions is much higher. So again, the stat for Affirm overall is about 3% of our spend is offline. That number we've said for card is an order of magnitude higher. So you're talking about more than 30%. And what that does is it gets you into categories and merchants that we would probably otherwise never be able to serve. So you think about somebody using Affirm at a gas station, at a restaurant, realistically speaking, that's just not merchants we're ever going to be able to address using our point-of-sale led business.

And that leads to the second difference that you're getting into much smaller ticket and also higher frequency transactions. So again, cardholders today tend to use card more than 20x per year. Some use it a lot more than that. And it gets us more back to that consumer. And that just means at the end of the day, we're getting more and more data, which we can use to better underwrite that consumer.

### **Allison Gelman**

So we hit on Affirm Card. I also wanted to hit on Adaptive Checkout. So Adaptive Checkout, perhaps nothing new for Affirm, but it does seem that it has become a more complex and a more AI-driven product over time. Maybe just talk through what Adaptive Checkout does for you and what it does for your merchant, and why it's such an important part of Affirm's growth algorithm?

### **Zane Keller**

If you think about what Adaptive Checkout is, it basically at a foundational level, allows us to customize the offer for each transaction. So that's very different than most forms of consumer finance, right, where if you take your credit card today to a merchant, it's a one-size-fits-all model, right, where your APR is set at the line of credit level, you have a line of credit issued initially and the loan terms don't change, right? So whatever agreement you have with the card issuer, it does not vary at the merchant level.

So if you think about Adaptive Checkout, it's almost like a Rubik's cube, if you want to use that analogy, where every single transaction, we are turning the cube to present the offer or set of offers that we think are most likely to appeal to that consumer and also the ones that we can approve, right? So let's use like a basic example. One consumer goes to an online travel agency or an OTA, they want to book a ticket for

\$300 to go to New York -- from New York to San Francisco, let's say. So that consumer, they might want a Pay in 4 offer or maybe a very short duration monthly installment loan, like a 3-month offer.

Let's think about a different consumer that goes to an online travel agency, they're booking a family trip to Europe. That might be a \$10,000 ticket between hotels, rental car, airfare, et cetera. For that consumer, a Pay in 4 product is not going to work, right? They need a much longer duration product. So for them, we can show them what about a year-long loan, what about a 24-month long loan, just as an example. And so that ability to flex the offer terms in real time, and again, not just the duration of loan, we can do something like asking for a down payment, which I think you mentioned earlier, Brooke, we can bring the merchant in to help finance it, right?

So a classic example I'd like to use, there's a -- I won't name the exact merchant, but they're in the fashion and apparel industry. They're quite well known for their workout and their yoga clothes. And so I go there and for a \$300-plus transaction, you can get a 0% long -- 0% APR, 6-month long installment loan, whereas if you're just buying socks from them, maybe that's \$20, \$40, there's not going to be any form of 0% APR monthly installment loan offered by us. So that ability to flex the offer in real time means you're putting the right offer in front of the right consumer for the right transaction.

And what that ultimately allows us to do is build a data asset. And I think Michael, our Chief Operating Officer, alluded to this briefly on the earnings call we had a few weeks ago now. Over time, as you're getting more and more transactions, more and more data, not just about the consumer, but also about the merchant, also about maybe even the SKU, it allows you to more deeply underwrite each incremental transaction. And it's not just a matter of credit approvals, it's again, do you know you're putting the exact right offer in front of that consumer, which is the most likely offer to convert. And as you do more and more of that, you get better and better at it and it really spins the flywheel faster and faster.

And at the end of the day, the company that has the most amount of data, the most transactions is probably going to be the best provider in the space. And so it's certainly the case that we think BNPL as an industry, I don't think it's winner takes all, but it's probably winners take most. And that's actually what you're seeing in the industry structure, right, where 90% of the industry, at least in North America, is really captured by 4 players.

### **Allison Gelman**

It sounds like a really important part of the strategy. Brooke, I wanted to touch on international a little bit more. Zane mentioned it earlier when discussing the outlook. But Affirm currently operates in the U.S. and in Canada and has expanded into the U.K. over the past year. Curious how your capital strategy is planning to evolve as Affirm does expand international? Are there different things you need to do in different markets? Or does the strategy kind of just go full steam ahead as you've been doing in the U.S. and Canada?

### **Brooke Major-Reid**

Yes. Thanks, Allison, we have the privilege in North America of having some tailwinds with respect to the types of capital, the depths of the market. So stepping back, again, our ecosystem is comprised of on-balance sheet ABS, which we issue now through our Master Trust. We have off-balance sheet ABS, which we call our static deals. We have the bilateral agreements in terms of loan sales, what we call, forward flow agreements that we have stood up and obviously in different structures as well. And then we have our warehouse, which is now our warehouse channel, which actually early days, we start -- that's where we started, and that's now folded into the Master Trust.

So across the North American landscape, mostly the case in the U.S., we sort of have a depth and a breadth of access to capital that doesn't necessarily translate in terms of international markets. So I just want to start with that. And in Canada, we've sort of employed the similar strategy, not so much on the

ABS side. We look forward to doing that at some point. When you think about global expansion, though, there are a couple of key things, again, starting with credit outcomes that we must generate for our partners. But when you think about what the market is like there for -- in terms of access to capital, warehouse lines is something that we would sort of more lean into as we're ramping.

Scale is important. So the volume and quantum of loans that you originate and ability to finance that across channels is something that we have to consider. Sort of in the sort of non-U.S. markets, those are sort of smaller pockets, sort of the ABS public issuance market, if you think about how we issue in the U.S. today. So we'd likely think about leaning on more on-balance sheet constructs. As we said -- as I said earlier, we have no issues eating our own cooking. So as we're ramping, we use some of our cash to make sure that we understand the performance. We're entering the market constructively, and we lean into something like a warehouse line where we're exposing our partners to something that's better and well understood.

And over time, you layer in other funding strategies like maybe the bilateral or private, maybe private ABS to the extent that, that's available, but more along the lines of forward flow at scale if over time, that's something that's accretive to the business. So we sort of have the benefit of the technical things that we have stood up and learned and executed on in the U.S. to leverage in international markets, but with the understanding that those markets have sort of their unique capital access and structures that may not translate as well. So we're very well aware and prepared to fund the business credibly in those markets, and it would largely look like an on-balance sheet solution versus ABS or any sort of broader public market issuance. But we very much look forward to leaning into those markets as they sort of grow and become more relevant in international markets.

### **Allison Gelman**

It sounds like there's a lot of work to be done. Zane, I have to ask, are there any imminent plans to go beyond the U.K. at this point? Anything you can say there?

### **Zane Keller**

No, we haven't put an exact timeline on what those next markets will be. For those of you with really good memory, we actually used to be in Australia at the time we were brought out there by one of our then largest merchant partners. So we do have some relatively limited history in the market. It's not totally new to us. But beyond saying that, Australia, Netherlands, France and Germany will be the next markets. We haven't given any time frame for that yet.

### **Allison Gelman**

Very exciting. And do you think enterprise partnerships are the way you go about that expansion? Is that what you leverage the most when going international?

### **Zane Keller**

I think what's nice about our international expansion strategy is we already have pretty large, whether it's enterprise merchant partnerships or enterprise, I would say, wallet and partnerships such as with Shopify. So Shopify is a good example where when we expanded to Canada, we went out there with them. And now in the U.K., they are going to be one of our launch partners. And that gets you a huge scale simply by flipping a switch, right? By turning on Shopify in the U.K. you can get access to quite a number of merchants and also conceptually GMV.

And I think we'll follow that same model in other countries as well, right? Shopify itself has a global business. They're as excited about us supporting them in some of these countries as we are supporting them. So whether it's Shopify or some of the other enterprise merchants that you all might be familiar

with that also have large businesses in the U.K. and Australia and elsewhere, we're very excited to support those and share more at the appropriate time.

### **Allison Gelman**

Very exciting. Perhaps particularly topical today, but I wanted to hit on the competitive environment. Brooke, what do you think Affirm is doing differently on your funding strategy versus what competitors are doing? And what is enabling you to continue executing in the funding market at such a high -- at such an impressive level at this point?

### **Brooke Major-Reid**

Yes. It's interesting because the funding environment and how we execute, we believe, is so differentiated because we take a long-term view. There's a reason we don't refer to the deals we do with individual institutions as trades or transactions. We refer to them as partnerships. And that, I think, is highly differentiated at our scale. We very much are humbled by the fact that wholesale funding can be difficult and being in markets in great times is really great. And when things get volatile, you want to have the same consistent experience just like we had in terms of weathering those cycles.

So building those partnerships, I think, is highly differentiated and taking a long-term view. You get the opportunity to really have a partner understand the business such that the volatility isn't something that creates agita or sort of a negative reaction when things aren't sort of going as smoothly, this is the first thing. The primary thing I should have started with is underwriting is hard. Getting good credit outcomes consistently, underwriting is a thing. And I think we have the ability to do it much better than our competitors. As Zane was alluding to, when you're able to sort of offer a full spectrum of product offerings and term lengths, we started at Affirm at sort of the highly considered longer duration loan products. Most of our competitors sort of have remained in the Pay in X and shorter installment loans.

When you're looking at that much more highly considered discretionary new sort of coming into sort of the more day-to-day spend, which we have, and you're not charging late fees, you're not benefiting when a customer has an issue, you have to be really, really good at underwriting and sort of assessing credit and managing credit over time. So the sophistication of the team, the ability to hang in there and have the conversations that you need to have in the great moments with your partners as well as the not-so-great moments has really afforded us the ability to be highly differentiated as a partner, but also in terms of the quality of the assets that we produce and the fact that we have no issues saying this is a partnership that's not good for us. It may be the bellwether and sort of banner thing to do in the market, people are announcing deals.

But when we announce a deal or when we sign up to engage with a partner, that is the product of a multi-month and sometimes multiyear effort that the team has undertaken and sort of lived through cycles. So I think the fact that we've approached it with a long-term perspective, our job is to fund the business ahead of need, fund it sustainably, efficiently and with good economics. That requires you to be consistent not just in your approach, but in the nature of the relationship that you have with your partners through cycles.

So don't know how other folks run their capital businesses and capital markets, but we take great pride in the fact that we establish partnerships and think about our funding platform long term, we're never the last basis point haggler, we have a healthy respect for the market and our partners and what they need to deliver, but we are also great stewards and fiduciaries of the business, and we always feel like there is a happy medium and a win-win on both sides. So if nothing else, our approach to the market is healthy, constructive and built around partnerships that are sustained for both sides.

### **Allison Gelman**

And I think we're out of time. So we'll leave it there. Thank you guys both so much for being here at the conference and for this great fireside chat.

**Brooke Major-Reid**

Thank you for having us, Allison. Thank you, everybody.

**Zane Keller**

Thank you, Allison.