UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2022

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 001-39888

Affirm Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**84-2224323**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
650 California Street	
San Francisco, California	**94108**
(Address of principal executive offices)	(Zip Code)

(415) 984-0490
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value $0.00001 per share	AFRM	The Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of May 10, 2022, the number of shares of the registrant's Class A common stock outstanding was 226,270,872 and the number of shares of the registrant's Class B common stock outstanding was 60,159,497.

TABLE OF CONTENTS

	Page
Cover	1
Table of Contents	2
Part I - Financial Information	5
Item 1. Unaudited Financial Statements	5
CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)	5
CONDENSED CONSOLIDATED BALANCE SHEETS, CONT. (Unaudited)	6
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)	7
CONDENSED CONSOLIDATED STATEMENT OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS’ EQUITY (DEFICIT) (Unaudited)	8
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)	10
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, CONT. (Unaudited)	11
1. Business Description	12
2. Summary of Significant Accounting Policies	12
3. Interest Income	17
4. Loans Held for Investment and Allowance for Credit Losses	18
5. Business Combinations	20
6. Balance Sheet Components	26
7. Leases	29
8. Commitments and Contingencies	30
9. Transactions with Related Parties	31
10. Debt	31
11. Securitization and Variable Interest Entities	34
12. Investments	38
13. Fair Value of Financial Assets and Liabilities	41
14. Redeemable Convertible Preferred Stock and Stockholders' Equity	52
15. Equity Incentive Plans	54
16. Income Taxes	56
17. Net Loss per Share Attributable to Common Stockholders	57
18. Segments and Geographical Information	59
19. Subsequent Events	59
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	60
Item 3. Quantitative and Qualitative Disclosures About Market Risk	85
Item 4. Controls and Procedures	86
Part II - Other Information	87
Item 1. Legal Proceedings	88
Item 1A. Risk Factors	89
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	93
Item 3. Defaults Upon Senior Securities	93
Item 4. Mine Safety Disclosures	93
Item 5. Other Information	93
Item 6. Exhibits	94
Signatures	95

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Form 10-Q"), as well as information included in oral statements or other written statements made or to be made by us, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") , and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that involve substantial risks and uncertainties. All statements other than statements of historical fact contained in this report, including statements regarding our future results of operations and financial condition, business strategy, and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements may be identified by words such as "anticipate," "believe," "continue," "could," "design," "estimate," "expect," "intend," "may," "plan," "potentially," "predict," "project," "should," "will," "would," or the negative of these terms or other similar expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our future revenue, expenses, and other operating results and key operating metrics;
- our ability to attract additional merchants and retain and grow our relationships with our existing merchant and commerce partners;
- our ability to compete successfully in a highly competitive industry;
- our ability to attract new consumers and retain and grow our relationships with our existing consumers;
- our expectations regarding the development, innovation, introduction of, and demand for, our products;;
- our ability to successfully engage new originating bank partners;
- the availability of funding sources to support our business model;
- our ability to effectively price and score credit risk using our proprietary risk model;
- the performance of loans facilitated and originated through our platform;
- the future growth rate of our revenue and related key operating metrics;
- our ability to achieve or sustain profitability in the future;
- our ability to remain in compliance with laws and regulations that currently apply or become applicable to our business;
- our ability to protect our confidential, proprietary, or sensitive information;
- past and future acquisitions, investments, and other strategic investments;
- our ability to maintain, protect, and enhance our brand and intellectual property;
- litigation, investigations, regulatory inquiries, and proceedings;
- the impact of macroeconomic conditions on our business, including the impact of the COVID-19 pandemic; and
- the size and growth rates of the markets in which we compete.

Forward-looking statements are based on our management's beliefs and assumptions and on information currently available. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including risks described in the section titled "Risk Factors" and elsewhere in this Form 10-Q and our most recently filed Annual Report on Form 10-K. Other sections of this Form 10-Q may include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in, or implied by, any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements, events, or circumstances. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report or to conform these statements to actual results or to changes in our expectations. You should read this Form 10-Q and the documents that we have filed as exhibits to this report with the understanding that our actual future results, levels of activity, performance, and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

In addition, statements such as “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

Investors and others should note that we may announce material business and financial information to our investors using our investor relations website (investors.affirm.com), our filings with the Securities and Exchange Commission (“SEC”), webcasts, press releases, and conference calls. We use these mediums, including our website, to communicate with investors and the general public about our company, our products, and other issues. It is possible that the information that we make available on our website may be deemed to be material information. We therefore encourage investors and others interested in our company to review the information that we make available on our website. The contents of our website are not incorporated into this filing. We have included our investor relations website address as an inactive textual reference and for convenience only, and do not intend it to be an active link to our website.

Part I - Financial Information

Item 1. Unaudited Financial Statements

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except shares and per share amounts)

	March 31, 2022	June 30, 2021
Assets		
Cash and cash equivalents	$ 2,261,937	$ 1,466,558
Restricted cash	413,628	226,074
Securities available for sale at fair value	617,023	16,170
Loans held for sale	3,618	13,030
Loans held for investment	2,502,860	2,022,320
Allowance for credit losses	(159,475)	(117,760)
Loans held for investment, net	2,343,385	1,904,560
Accounts receivable, net	124,614	91,575
Property, equipment and software, net	141,658	62,499
Goodwill	547,393	516,515
Intangible assets	60,890	67,930
Commercial agreement assets	287,129	227,377
Other assets	230,451	274,679
Total Assets	**$ 7,031,726**	**$ 4,866,967**
Liabilities and Stockholders' Equity		
Liabilities:		
Accounts payable	$ 48,985	$ 57,758
Payable to third-party loan owners	35,962	50,079
Accrued interest payable	2,992	2,751
Accrued expenses and other liabilities	313,307	323,577
Convertible senior notes, net	1,705,624	—
Notes issued by securitization trusts	1,447,568	1,176,673
Funding debt	901,233	680,602
Total liabilities	4,455,671	2,291,440
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Class A common stock, par value $0.00001 per share: 3,030,000,000 shares authorized, 225,617,857 shares issued and outstanding as of March 31, 2022; 3,030,000,000 shares authorized, 181,131,728 shares issued and outstanding as of June 30, 2021	2	2
Class B common stock, par value $0.00001 per share: 140,000,000 shares authorized, 60,160,468 shares issued and outstanding as of March 31, 2022; 140,000,000 authorized, 88,226,376 shares issued and outstanding as of June 30, 2021	1	1
Additional paid in capital	3,987,881	3,467,236
Accumulated deficit	(1,419,506)	(898,485)
Accumulated other comprehensive gain (loss)	7,677	6,773
Total stockholders' equity	2,576,055	2,575,527
Total Liabilities and Stockholders' Equity	**$ 7,031,726**	**$ 4,866,967**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS, CONT.
(Unaudited)
(in thousands, except shares and per share amounts)

The following table presents the assets and liabilities of consolidated variable interest entities (“VIEs”), which are included in the interim condensed consolidated balance sheets above. The assets in the table below may only be used to settle obligations of consolidated VIEs and are in excess of those obligations. The liabilities in the table below include liabilities for which creditors do not have recourse to the general credit of the Company. Additionally, the assets and liabilities in the table below include third-party assets and liabilities of consolidated VIEs only and exclude intercompany balances that eliminate upon consolidation.

	March 31, 2022	June 30, 2021
Assets of consolidated VIEs, included in total assets above		
Restricted cash	$ 290,661	$ 142,385
Loans held for investment	2,214,932	1,743,810
Allowance for credit losses	(125,115)	(94,463)
Loans held for investment, net	2,089,817	1,649,347
Accounts receivable, net	8,195	8,209
Other assets	12,398	3,683
Total assets of consolidated VIEs	**$ 2,401,071**	**$ 1,803,624**
Liabilities of consolidated VIEs, included in total liabilities above		
Accounts payable	$ 2,960	$ 2,927
Accrued interest payable	2,941	2,613
Accrued expenses and other liabilities	12,433	3,820
Notes issued by securitization trusts	1,447,568	1,176,673
Funding debt	734,430	607,394
Total liabilities of consolidated VIEs	**2,200,332**	**1,793,427**
Total net assets	**$ 200,739**	**$ 10,197**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS (Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Revenue				
Merchant network revenue	$ 121,054	$ 97,999	$ 340,385	$ 290,894
Virtual card network revenue	23,169	13,809	69,122	30,587
Total network revenue	144,223	111,808	409,507	321,481
Interest income	134,599	94,530	390,256	222,624
Gain on sales of loans	52,484	16,350	141,153	47,344
Servicing income	23,456	7,977	44,242	17,235
Total Revenue, net	**$ 354,762**	**$ 230,665**	**$ 985,158**	**$ 608,684**
Operating Expenses				
Loss on loan purchase commitment	$ 46,853	$ 62,054	$ 163,796	$ 195,690
Provision for credit losses	66,294	(1,063)	182,581	40,389
Funding costs	15,824	14,665	50,277	37,077
Processing and servicing	43,371	21,368	110,421	51,668
Technology and data analytics	110,291	104,806	283,293	180,208
Sales and marketing	156,214	58,184	363,650	119,878
General and administrative	142,466	179,999	419,962	253,188
Total Operating Expenses	**581,313**	**440,013**	**1,573,980**	**878,098**
Operating Loss	**$ (226,551)**	**$ (209,348)**	**$ (588,822)**	**$ (269,414)**
Other (expense) income, net	172,139	(77,773)	68,507	(48,088)
Loss Before Income Taxes	**$ (54,412)**	**$ (287,121)**	**$ (520,315)**	**$ (317,502)**
Income tax expense (benefit)	259	(70)	706	105
Net Loss	**$ (54,671)**	**$ (287,051)**	**$ (521,021)**	**$ (317,607)**
Other Comprehensive Income (Loss)				
Foreign currency translation adjustments	$ 5,406	$ 2,829	$ 3,945	$ 5,048
Unrealized gain (loss) on securities available for sale, net	(2,105)	—	(3,041)	—
Net Other Comprehensive Income (Loss)	3,301	2,829	904	5,048
Comprehensive Loss	**$ (51,370)**	**$ (284,222)**	**$ (520,117)**	**$ (312,559)**
Per share data:				
Net loss per share attributable to common stockholders for Class A and Class B				
Basic	$ (0.19)	$ (1.23)	$ (1.86)	$ (2.60)
Diluted	$ (0.19)	$ (1.23)	$ (1.86)	$ (2.80)
Weighted average common shares outstanding				
Basic	285,641,820	233,309,590	279,570,015	122,161,508
Diluted	285,641,820	233,309,590	279,570,015	123,329,359

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENT OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(Unaudited)
(in thousands, except share amounts)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount				
Balance as of June 30, 2021	**269,358,104**	**$ 3**	**$ 3,467,236**	**$ (898,485)**	**$ 6,773**	**$ 2,575,527**
Issuance of common stock upon exercise of stock options	7,403,503	—	37,470	—	—	37,470
Issuance of common stock in acquisition	183,733	—	10,000	—	—	10,000
Vesting of restricted stock units	772,653	—	—	—	—	—
Repurchases of common stock	(821)	—	(4)	—	—	(4)
Stock-based compensation	—	—	104,879	—	—	104,879
Tax withholding on stock-based compensation	—	—	(39,817)	—	—	(39,817)
Foreign currency translation adjustments	—	—	—	—	(3,802)	(3,802)
Unrealized gain (loss) on securities available for sale	—	—	—	—	(279)	(279)
Net Loss	—	—	—	(306,615)	—	(306,615)
Balance as of September 30, 2021	**277,717,172**	**$ 3**	**$ 3,579,764**	**$ (1,205,100)**	**$ 2,692**	**$ 2,377,359**
Issuance of common stock upon exercise of stock options	4,689,973	—	21,674	—	—	21,674
Vesting of restricted stock units	803,263	—	—	—	—	—
Vesting of warrants for common stock	—	—	198,383	—	—	198,383
Stock-based compensation	—	—	101,920	—	—	101,920
Tax withholding on stock-based compensation	—	—	(72,963)	—	—	(72,963)
Foreign currency translation adjustments	—	—	—	—	2,341	2,341
Unrealized gain (loss) on securities available for sale	—	—	—	—	(657)	(657)
Net Loss	—	—	—	(159,735)	—	(159,735)
Balance as of December 31, 2021	**283,210,408**	**$ 3**	**$ 3,828,778**	**$ (1,364,835)**	**$ 4,376**	**$ 2,468,322**
Issuance of common stock upon exercise of stock options	1,258,865	—	8,171	—	—	8,171
Repurchases of Common Stock	(9,472)	—	(80)	—	—	(80)
Vesting of restricted stock units	1,318,524	—	—	—	—	—
Vesting of warrants for common stock	—	—	92,169	—	—	92,169
Stock-based compensation	—	—	113,005	—	—	113,005
Tax withholding on stock-based compensation	—	—	(54,162)	—	—	(54,162)
Foreign currency translation adjustments	—	—	—	—	5,406	5,406
Unrealized gain (loss) on securities available for sale	—	—	—	—	(2,105)	(2,105)
Net Loss	—	—	—	(54,671)	—	(54,671)
Balance as of March 31, 2022	**285,778,325**	**$ 3**	**$ 3,987,881**	**$ (1,419,506)**	**$ 7,677**	**$ 2,576,055**

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENT OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT), CONT.
(Unaudited)
(in thousands, except share amounts)

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount				
Balance as of June 30, 2020	**122,115,971**	**$ 804,170**	**47,684,427**	**—**	**80,373**	**(447,167)**	**(302)**	**$ (367,096)**
Issuance of common stock upon exercise of stock option	—	—	388,246	—	1,741	—	—	1,741
Repurchases of common stock	—	—	(115,625)	—	(584)	—	—	(584)
Issuance of redeemable convertible preferred stock, net of issuance costs of $440	21,824,141	434,434	—	—	—	—	—	—
Vesting and exercise of warrants for common stock	—	—	5,074,398	—	67,645	—	—	67,645
Stock-based compensation	—	—	—	—	7,175	—	—	7,175
Conversion of convertible debt	4,444,321	88,559	—	—	(42,124)	—	—	(42,124)
Effects of adoption of new accounting standards	—	—	—	—	—	(9,980)	—	(9,980)
Foreign currency translation adjustments	—	—	—	—	—	—	405	405
Net Loss	—	—	—	—	—	(3,946)	—	(3,946)
Balance as of September 30, 2020	**148,384,433**	**1,327,163**	**53,031,446**	**$ —**	**$ 114,226**	**$ (461,093)**	**$ 103**	**$ (346,764)**
Issuance of common stock upon exercise of stock option	—	—	6,220,024	—	21,676	—	—	21,676
Repurchases of common stock	—	—	(12,100)	—	(199)	—	—	(199)
Issuance of preferred stock, net of issuance costs of $143	12,546	108	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	6,774	—	—	6,774
Foreign currency translation adjustments	—	—	—	—	—	—	1,814	1,814
Net Loss	—	—	—	—	—	(26,610)	—	(26,610)
Balance as of December 31, 2020	**148,396,979**	**1,327,271**	**59,239,370**	**$ —**	**$ 142,477**	**$ (487,703)**	**$ 1,917**	**$ (343,309)**
Issuance of common stock upon initial public offering, net	—	—	28,290,000	1	1,305,301	—	—	1,305,302
Issuance of common stock upon exercise of stock options	—	—	4,721,033	—	19,819	—	—	19,819
Issuance of common stock upon exercise of warrants	—	—	15,577,185	—	203,511	—	—	203,511
Issuance of common stock in acquisition	—	—	6,209,806	—	117,023	—	—	117,023
Vesting of restricted stock units	—	—	2,225,411	—	—	—	—	—
Repurchases of common stock	—	—	(1,666)	—	(3)	—	—	(3)
Conversion of redeemable convertible preferred stock	(148,396,979)	(1,327,271)	148,396,979	2	1,327,269	(11)	—	1,327,260
Stock-based compensation	—	—	—	—	187,883	—	—	187,883
Tax withholding on stock-based compensation	—	—	—	—	(127,566)	—	—	(127,566)
Foreign currency translation adjustments	—	—	—	—	—	—	2,829	2,829
Net Loss	—	—	—	—	—	(287,051)	—	(287,051)
Balance as of March 31, 2021	**—**	**—**	**264,658,118**	**$ 3**	**$ 3,175,714**	**$ (774,765)**	**$ 4,746**	**$ 2,405,698**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Nine Months Ended March 31,	
	2022	**2021**
Cash Flows from Operating Activities		
Net Loss	$ (521,021)	$ (317,607)
Adjustments to reconcile net loss to net cash used in operating activities:		
Provision for credit losses	182,581	40,389
Amortization of premiums and discounts on loans, net	(129,714)	(60,705)
Gain on sales of loans	(141,153)	(47,344)
Changes in fair value of assets and liabilities	(38,821)	45,310
Amortization of commercial agreement assets	72,804	50,097
Amortization of debt issuance costs	13,215	3,675
Amortization of discount on securities available for sale	968	—
Commercial agreement warrant expense	157,023	—
Stock-based compensation	280,113	192,363
Depreciation and amortization	35,607	12,092
Other	(5,725)	18,163
Purchases of loans held for sale	(3,869,327)	(1,640,672)
Proceeds from the sale of loans held for sale	3,868,919	1,599,554
Change in operating assets and liabilities:		
Accounts receivable, net	(42,467)	(6,461)
Other assets	28,018	(208,798)
Accounts payable	(8,773)	4,064
Payable to third-party loan owners	(14,117)	11,526
Accrued interest payable	240	2,535
Accrued expenses and other liabilities	28,545	128,602
Net Cash Used in Operating Activities	(103,085)	(173,217)
Cash Flows from Investing Activities		
Purchases and origination of loans held for investment	(7,529,324)	(4,313,834)
Proceeds from the sale of loans held for investment	1,330,341	348,195
Principal repayments and other loan servicing activity	5,867,583	3,002,351
Acquisition, net of cash and restricted cash acquired	(5,999)	(104,776)
Acquisition of commercial agreement assets	—	(25,900)
Additions to property, equipment and software	(59,254)	(12,414)
Purchases of securities available for sale	(770,047)	—
Proceeds from maturities and repayments of securities available for sale	191,854	—
Other investing cash inflows (outflows)	(10,775)	—
Net Cash Used in Investing Activities	(985,621)	(1,106,378)
Cash Flows from Financing Activities		
Proceeds from issuance of convertible debt, net	1,704,300	—
Proceeds from funding debt	2,776,245	2,413,905
Payment of debt issuance costs	(8,154)	(11,266)
Principal repayments of funding debt	(2,572,876)	(2,555,699)
Proceeds from issuance of notes and residual trust certificates by securitization trusts	499,494	1,396,229
Principal repayments of notes issued by securitization trusts	(233,723)	(144,503)
Proceeds from issuance of redeemable convertible preferred stock, net	—	434,542
Conversion of redeemable convertible preferred stock	—	(13)
Proceeds from initial public offering, net	—	1,305,301
Proceeds from exercise of common stock options and warrants and contributions to ESPP	67,740	43,815
Repurchases of common stock	(84)	(786)
Payments of tax withholding for stock-based compensation	(166,942)	(127,566)
Net Cash Provided by Financing Activities	2,066,000	2,753,959
Effect of exchange rate changes on cash, cash equivalents and restricted cash	5,639	4,510
Net Increase in Cash, Cash Equivalents and Restricted Cash	**982,933**	**1,478,874**
Cash, Cash equivalents and Restricted cash, Beginning of period	1,692,632	328,128
Cash, Cash Equivalents and Restricted Cash, End of Period	**$ 2,675,565**	**$ 1,807,002**

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

AFFIRM HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS, CONT.
(Unaudited)
(in thousands)

	Nine Months Ended March 31,	
	2022	**2021**
Reconciliation to amounts on consolidated balance sheets (as of period end)		
Cash and cash equivalents	2,261,937	1,623,672
Restricted cash	413,628	183,330
Total Cash, Cash Equivalents and Restricted Cash	**$ 2,675,565**	**$ 1,807,002**

	Nine Months Ended March 31,	
	2022	**2021**
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest expense	$ 34,325	$ 28,575
Cash paid for operating leases	11,989	9,726
Cash paid for income taxes	99	81
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Stock-based compensation included in capitalized internal-use software	39,691	7,792
Issuance of common stock in connection with acquisition	10,000	117,023
Securities retained under unconsolidated securitization transactions	22,067	—
Right of use assets obtained in exchange for operating lease liabilities	3,421	78,421
Additions to property and equipment included in accrued expenses	107	24
Issuance of warrants in exchange for commercial agreement	—	270,579
Conversion of convertible debt	—	88,559

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Business Description

Affirm Holdings, Inc. (“Affirm,” the “Company,” “we,” “us,” or “our”), headquartered in San Francisco, California, provides consumers with a simpler, more transparent, and flexible alternative to traditional payment options. Our mission is to deliver honest financial products that improve lives. Through our next-generation commerce platform, partnerships with originating banks, and capital markets partners, we enable consumers to confidently pay for a purchase over time, with terms ranging from one to sixty months. When a consumer applies for a loan through our platform, the loan is underwritten using our proprietary risk model, and once approved, the consumer selects their preferred repayment option. Loans are self-originated or funded and issued by our originating bank partners.

Merchants partner with us to transform the consumer shopping experience and to acquire and convert customers more effectively through our frictionless point-of-sale payment solutions. Consumers get the flexibility to buy now and make simple regular payments for their purchases and merchants see increased average order value, repeat purchase rates, and an overall more satisfied customer base. Unlike legacy payment options and our competitors’ product offerings, which charge deferred or compounding interest and unexpected costs, we disclose up-front to consumers exactly what they will owe — no hidden fees, no deferred interest, no penalties.

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The accompanying interim condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”), as contained in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), disclosure requirements for interim financial information, and the requirements of Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited interim condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto for the fiscal year ended June 30, 2021. The balance sheet as of June 30, 2021 has been derived from the audited financial statements at that date. Management believes these interim condensed consolidated financial statements reflect all adjustments, including those of a normal and recurring nature, which are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the full year or any other interim period.

Our interim condensed financial statements have been prepared on a consolidated basis. Under this basis of presentation, our financial statements consolidate all wholly owned subsidiaries and variable interest entities (“VIEs”), in which we have a controlling financial interest. These include various business trust entities and limited partnerships established to enter into warehouse credit agreements with certain lenders for funding debt facilities and certain asset-backed securitization transactions.

Our variable interest arises from contractual, ownership, or other monetary interests in the entity, which changes with fluctuations in the fair value of the entity’s net assets. We consolidate a VIE when we are deemed to be the primary beneficiary. We assess whether or not we are the primary beneficiary of a VIE on an ongoing basis.

Use of Estimates

The preparation of interim condensed consolidated financial statements in conformity with U.S. GAAP requires the use of estimates, judgments and assumptions that affect the reported amounts in the interim condensed consolidated financial statements and the accompanying notes. Material estimates that are particularly susceptible to significant change relate to determination of variable consideration for revenue, the allowance for credit losses, capitalized internal-use software development costs, valuation allowance for deferred tax assets, loss on loan purchase commitment, the fair value of servicing assets and liabilities, discount on self-originated loans, the fair

value and useful lives of tangible and intangible assets acquired and liabilities assumed resulting from business combinations, the fair value of contingent consideration related to business combinations, the evaluation for impairment of intangible assets and goodwill, the incremental borrowing rate used in discounting our lease liabilities, the fair value of available for sale debt securities including retained interests in our securitization trusts, the fair value of residual certificates issued by our securitization trusts held by third parties, and stock-based compensation, including the fair value of warrants issued to nonemployees. We base our estimates on historical experience, current events, and other factors we believe to be reasonable under the circumstances. To the extent that there are material differences between these estimates and actual results, our financial condition or operating results will be materially affected.

These estimates are based on information available as of the date of the interim condensed consolidated financial statements; therefore, actual results could differ materially from those estimates.

Immaterial Correction of Prior Period Amounts

Subsequent to the issuance of our financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, which was filed with the SEC on September 17, 2021, we identified understatements in certain prior period amounts related to the fair value measurement of contingent consideration and stock-based compensation.

We remeasure the fair value of the contingent consideration liability recorded in connection with the PayBright, Inc. (“PayBright”) acquisition at each reporting date. An incorrect input in the Monte Carlo simulation used to estimate the fair value as of June 30, 2021, resulted in an understatement of accrued expenses and other liabilities of $5.6 million as of June 30, 2021 as previously reported.

We measure stock-based compensation based on the fair value of an award at the grant date and recognize expense over the vesting period of the award based on the estimated portion of the award that is expected to vest. An incorrect determination of the grant date and service inception dates for certain awards granted prior to our initial public offering (“IPO”), as well as incorrect treatment of expense recognition for certain terminated employees, resulted in an understatement of additional paid in capital of $4.5 million as of June 30, 2021 as previously reported.

Accordingly, we have corrected the relevant financial statements and related footnotes as of June 30, 2021 within these interim condensed consolidated financial statements from amounts previously reported. We have evaluated the materiality of these misstatements based on an analysis of quantitative and qualitative factors and concluded they were not material to the prior period financial statements, individually or in aggregate.

The following table provides the impact of the correction on our consolidated balance sheet as of June 30, 2021, as presented below (in thousands):

	As of June 30, 2021		
	As Previously Reported	**Adjustments**	**As Corrected**
Accrued expenses and other liabilities	317,951	5,626	323,577
Total liabilities	**2,285,814**	**5,626**	**2,291,440**
Additional paid in capital	3,462,762	4,474	3,467,236
Accumulated deficit	(888,381)	(10,104)	(898,485)
Accumulated other comprehensive income	6,769	4	6,773
Total stockholders’ equity	**2,581,153**	**(5,626)**	**2,575,527**

We also determined that stock based compensation previously recorded during the three and nine months ended March 31, 2021 was understated by $25.0 million, as the estimated fair value of RSUs granted during the three months ended December 31, 2020 did not reflect an increase in share value due to the anticipated IPO. Such matter was corrected and properly reported in our consolidated financial statements as of and for the year ended

June 30, 2021, and is prospectively corrected in the accompanying unaudited interim financial statements for the three and nine months ended March 31, 2021. As a result, the accompanying unaudited interim financial information for the three and nine months ended March 31, 2021 has been corrected to reflect the total combined increase in stock based compensation expense of $40.0 million from amounts previously reported.

We determined, based on consideration of quantitative and qualitative factors, that the errors had an immaterial impact, individually and in aggregate, on our previously issued financial statements. The following tables show the affected line items (in thousands) for the periods ended March 31, 2021.

	Three Months Ended March 31, 2021		
	As Previously Reported	**Adjustments**	**As Corrected**
Consolidated Statement of Operations and Comprehensive Loss			
Processing and servicing	21,335	33	21,368
Technology and data analytics	98,728	6,078	104,806
Sales and marketing	57,549	635	58,184
General and administrative	146,853	33,146	179,999
Total Operating Expenses	**400,121**	**39,892**	**440,013**
Loss Before Income Taxes	**(247,229)**	**(39,892)**	**(287,121)**
Net Loss Attributable to Common Stockholders	**(247,159)**	**(39,892)**	**(287,051)**
Net loss per share attributable to common stockholders for Class A and Class B:			
Basic	$ (1.06)	$ (0.17)	$ (1.23)
Diluted	$ (1.06)	$ (0.17)	$ (1.23)

	Nine Months Ended March 31, 2021		
	As Previously Reported	**Adjustments**	**As Corrected**
Consolidated Statement of Operations and Comprehensive Loss			
Processing and servicing	51,635	33	51,668
Technology and data analytics	174,130	6,078	180,208
Sales and marketing	119,243	635	119,878
General and administrative	220,042	33,146	253,188
Total Operating Expenses	**838,206**	**39,892**	**878,098**
Loss Before Income Taxes	**(277,610)**	**(39,892)**	**(317,502)**
Net Loss Attributable to Common Stockholders	**(277,715)**	**(39,892)**	**(317,607)**
Net loss per share attributable to common stockholders for Class A and Class B:			
Basic	$ (2.27)	$ (0.33)	$ (2.60)
Diluted	$ (2.48)	$ (0.32)	$ (2.80)

	Three Months Ended March 31, 2021		
	As Previously Reported	Adjustments	As Corrected
Consolidated Statement of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)			
Stock-based compensation - Additional Paid-In Capital	146,314	41,569	187,883
Net Loss - Accumulated Deficit	(247,159)	(39,892)	(287,051)
Balance as of March 31, 2021 - Total Stockholders' Equity	**2,404,021**	**1,677**	**2,405,698**

	Nine Months Ended March 31, 2021		
	As Previously Reported	Adjustments	As Corrected
Consolidated Statement of Cash Flows			
Cash Flows from Operating Activities			
Net Loss	(277,715)	(39,892)	(317,607)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock-based compensation	152,471	39,892	192,363
Net Cash Used in Operating Activities	**(173,217)**	**—**	**(173,217)**

Significant Accounting Policies

Except for the addition of policies described below for securities available for sale, there were no material changes to our significant accounting policies as disclosed in Note 2. Summary of Significant Accounting Policies of our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, which was filed with the SEC on September 17, 2021.

Securities Available for Sale

We hold certain investments in marketable debt securities and retained interests in our unconsolidated securitization trusts which are accounted for under ASC Topic 320, “Investments - Debt Securities” (“ASC 320”). We have classified these investments as available for sale, as defined within ASC 320. These investments are held at fair value with changes in fair value recorded in unrealized gain (loss) on securities available for sale, net within other comprehensive income (loss). As of the end of each reporting period, management reviews each security where the fair value is less than the amortized cost to determine whether any portion of the decline in fair value is due to a credit loss and/or whether or not we intend to sell or will be required to sell such security before recovery of its amortized cost basis. The portion of any decline in fair value which management identifies as a credit loss will be recognized as an allowance for credit losses through other (expense) income, net rather than unrealized gain (loss) on securities available for sale, net. To the extent management intends to sell or may be required to sell a security in an unrealized loss position, we 1) reverse any previously recorded allowance for credit losses with an offsetting entry to reduce the amortized cost basis of the security and 2) write-off any remaining portion of the amortized cost basis to equal its fair value, with this change recorded through other (expense) income, net.

Interest income for available for sale securities is recorded within other (expense) income, net.

Available for sale securities initially purchased with less than 90 days until maturity with quoted transaction prices in an active market are classified as cash and cash equivalents.

With respect to retained interests in our securitization trusts, we apply the guidance in ASC Topic 325, “Investments - Other” (“ASC 325”) relating to beneficial interests. Accordingly, we recognize interest income each

period based on the effective interest rate calculated using expected cash flows. Changes in the timing of expected cash flows are accounted for prospectively through an adjustment to interest income. When fair value is below amortized cost, we record an allowance for credit losses measured based on the difference between amortized cost and projected cash flows discounted at the effective interest rate. The allowance for credit losses is capped at the difference between amortized cost and fair value.

Refer to Note 12. Investments for additional information.

Sales and Marketing Costs

Sales and marketing costs include the expense related to warrants and other share-based payments granted to our enterprise partners. See Note 6. Balance Sheet Components for more information on these arrangements. Sales and marketing costs also include salaries and personnel-related costs, as well as costs of general marketing and promotional activities, promotional event programs, sponsorships, and allocated overhead. A portion of these costs related to general marketing and promotional activities are considered advertising costs within the meaning of ASC Topic 720, “Other Expenses” (“ASC 720”), and are expensed as incurred. Advertising costs totaled $12.2 million and $55.6 million for the three and nine months ended March 31, 2022, respectively, and $9.1 million and $24.4 million for the three and nine months ended March 31, 2021, respectively.

Recently Adopted Accounting Standards

Convertible Debt Instruments

In August 2020, the FASB issued Accounting Standard Update (“ASU”) 2020-06, “Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40),” which simplifies the accounting for convertible instruments. The guidance removes certain accounting models that separate the embedded conversion features from the host contract for convertible instruments. Either a modified retrospective method of transition or a fully retrospective method of transition is permissible for the adoption of this standard. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted no earlier than the fiscal year beginning after December 15, 2020. We early adopted the new standard effective July 1, 2021 on a modified retrospective basis. The adoption of the new standard did not have any impact on our financial statements as of the adoption date. As further discussed in Note 10. Debt, the Company issued certain convertible senior notes in November 2021, and the accounting for these instruments was based on the guidance in ASU 2020-06.

Recent Accounting Pronouncements Not Yet Adopted

Reference Rate Reform

In March 2020, the FASB issued ASU 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” Subject to meeting certain criteria, the new guidance provides optional expedients and exceptions to applying contract modification accounting under existing U.S. GAAP, to address the expected phase out of the London Interbank Offered Rate (“LIBOR”). This ASU is effective for all entities upon issuance as of March 12, 2020 through December 31, 2022. In January 2021, the FASB also issued ASU 2021-01, “Reference Rate Reform (Topic 848),” which provides additional optional expedients and exceptions applicable to all entities that have derivative instruments that use an interest rate for margining, discounting, or contract price alignment that is modified as a result of reference rate reform. This ASU is effective for all entities upon issuance as of January 7, 2021 through December 31, 2022. We have reviewed all our financial agreements that utilize LIBOR as the reference rate and determined there is no material impact to our interim condensed consolidated financial statements as of March 31, 2022. Throughout the remaining effective period for

ASU 2020-04 and ASU 2021-01, we will continue to evaluate the available relief measures within each of these amendments and will determine any impact on our consolidated financial statements and disclosures, as applicable.

Business Combinations

In October 2021, the FASB issued ASU 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,” which requires contract assets and contract liabilities, such as deferred revenue, acquired in a business combination to be recognized and measured in accordance with Topic 606 (Revenue from Contracts with Customers). ASU 2021-08 is expected to reduce diversity in practice and increase comparability for both the recognition and measurement of acquired revenue contracts with customers at the date of and after a business combination. The ASU is effective for fiscal years beginning after December 15, 2022 and should be applied prospectively to acquisitions occurring on or after the effective date. Early adoption is permitted, including for interim periods, and is applicable to all business combinations for which the acquisition date occurs within the beginning of the fiscal year of adoption. We are in the process of evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

Financial Instruments - Credit Losses

In March 2022, the FASB issued ASU 2022-02, “Financial Instruments— Credit Losses (Topic 326), Troubled Debt Restructurings and Vintage Disclosure” which addresses areas identified by the FASB as part of its post-implementation review of the current expected credit losses model or “CECL” previously issued in ASU 2016-13, “Financial Instruments — Credit Losses (Topic 326)”. The amendments in this ASU eliminate the accounting guidance for troubled debt restructurings by creditors while enhancing the disclosure requirements for loan refinancing and restructurings made with borrowers experiencing financial difficulty. In addition, the amendments require a public business entity to disclose current-period gross write-offs by year of origination for financing receivables and net investment in leases in the vintage disclosures. For entities that have adopted ASU 2016-13, ASU 2022-02 is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted if an entity has adopted ASU 2016-13. Amendments in this ASU should be applied prospectively except for the transition method related to the accounting for troubled debt restructurings in which an entity has the option to apply a modified retrospective transition method resulting in a cumulative-effect adjustment to retained earnings in the period of adoption. We are in the process of evaluating the impact of adopting this accounting standard update on our consolidated financial statements and disclosures.

3. Interest Income

Interest income consisted of the following components (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Interest income on unpaid principal balance	$ 95,253	$ 65,921	$ 266,868	162,666
Amortization of discount on loans	45,443	31,625	138,853	68,843
Amortization of premiums on loans	(3,407)	(2,373)	(9,139)	(6,449)
Interest receivable charged-off, net of recoveries	(2,690)	(643)	(6,326)	(2,436)
Total interest income	$ 134,599	$ 94,530	$ 390,256	$ 222,624

We accrue interest income using the effective interest method. Interest income on a loan is accrued daily, based on the finance charge disclosed to the consumer, over the term of the loan based upon the principal outstanding. The accrual of interest on a loan is suspended if a formal dispute with the consumer involving either Affirm or the merchant of record is opened, or a loan is 120 days past due. Upon the resolution of a dispute with the consumer, the accrual of interest is resumed, and any interest that would have been earned during the disputed period is retroactively accrued. As of March 31, 2022 and June 30, 2021, the balance of loans held for investment on non-accrual status was $1.5 million and $1.1 million, respectively.

4. Loans Held for Investment and Allowance for Credit Losses

Loans held for investment consisted of the following (in thousands):

	March 31, 2022	June 30, 2021
Unpaid principal balance	$ 2,528,197	$ 2,058,863
Accrued interest receivable	20,390	15,466
Premiums on loans held for investment	8,580	7,071
Less: Discount due to loss on loan purchase commitment [1]	(29,196)	(53,177)
Less: Discount due to loss on self-originated loans [1]	(20,305)	—
Less: Fair value adjustment on loans acquired through business combination	(4,806)	(5,903)
Total loans held for investment	$ 2,502,860	$ 2,022,320

[1] As of June 30, 2021, discount due to loss on self-originated loans, in the amount of $6.2 million, was included with discount due to loss on loan purchase commitment.

The majority of the loans that are underwritten using our technology platform and originated by our originating bank partners are later purchased by us. We purchased loans from our originating bank partners in the amount of $3,013.8 million and $8,631.2 million for the three and nine months ended March 31, 2022, respectively, and $2,031.2 million and $5,620.8 million for the three and nine months ended March 31, 2021, respectively.

These loans have a variety of lending terms as well as maturities ranging from one to sixty months. Given that our loan portfolio focuses on one product segment, point-of-sale unsecured installment loans, we generally evaluate the entire portfolio as a single homogeneous loan portfolio and make merchant or program specific adjustments as necessary.

We closely monitor credit quality for our loan receivables to manage and evaluate our related exposure to credit risk. Credit risk management begins with initial underwriting, where loan applications are assessed against the credit underwriting policy and procedures for our self-originated loans and originating bank partner loans, and continues through to full repayment of a loan. To assess a consumer who requests a loan, we use, among other indicators, internally developed risk models using detailed information from external sources, such as credit bureaus where available, and internal historical experience, including the consumer’s prior repayment history on our platform as well as other measures. We combine these factors to establish a proprietary score as a credit quality indicator.

Our proprietary score (“ITACs”) is assigned to most loans facilitated through our technology platform, ranging from zero to 100, with 100 representing the highest credit quality and therefore the lowest likelihood of loss. The ITACs model analyzes the characteristics of a consumer's attributes that are shown to be predictive of both willingness and ability to repay including, but not limited to: basic features of a consumer's credit profile, a consumer's prior repayment performance with other creditors, current credit utilization, and legal and policy changes. When a consumer passes both fraud and credit policy checks, the application is assigned an ITACs score. ITACs is also used for portfolio performance monitoring. Our credit risk team closely tracks the distribution of ITACs at the portfolio level, as well as ITACs at the individual loan level to monitor for signs of a changing credit profile within the portfolio. Repayment performance within each ITACs band is also monitored to support both the

integrity of the risk scoring models and to measure possible changes in consumer behavior amongst various credit tiers.

The following table presents an analysis of the credit quality, by ITACs score, of the amortized cost basis by fiscal year of origination on loans held for investment and loans held for sale (in thousands) as of March 31, 2022:

	Amortized Costs Basis by Fiscal Year of Origination						
	2022	2021	2020	2019	2018	Prior	Total
96+	$ 1,162,905	$ 201,085	$ 44,799	$ 598	$ 1	$ —	$ 1,409,388
94 – 96	549,083	33,978	1,192	35	2	—	584,290
90 – 94	219,475	12,631	77	4	—	—	232,187
<90	59,324	426	3	—	—	—	59,753
No score[(1)]	165,593	29,002	5,115	626	127	7	200,470
Total loan receivables	$ 2,156,380	$ 277,122	$ 51,186	$ 1,263	$ 130	$ 7	$ 2,486,088

(1) This balance represents loan receivables in new markets without sufficient data currently available for use by the Affirm scoring methodology including loan receivables originated in Canada and Australia.

	Net Charge-offs by Fiscal Year of Origination						
	2022	2021	2020	2019	2018	Prior	Total
Current period charge-offs	(50,207)	(16,790)	(250)	(32)	(1)	—	(67,280)
Current period recoveries	2,080	2,479	777	669	250	190	6,445
Current period net charge-offs	$ (48,127)	$ (14,311)	$ 527	$ 637	$ 249	$ 190	$ (60,835)

Loan receivables are defined as past due if either the principal or interest have not been received within four calendars days of when they are due in accordance with the agreed upon contractual terms. The following table presents an aging analysis of the amortized cost basis of loans held for investment and loans held for sale by delinquency status (in thousands):

	March 31, 2022	June 30, 2021
Non-delinquent loans	$ 2,330,666	$ 1,939,976
4 – 29 calendar days past due	63,010	43,838
30 – 59 calendar days past due	33,471	17,267
60 – 89 calendar days past due	30,231	12,044
90 – 119 calendar days past due	28,710	6,759
Total amortized cost basis	$ 2,486,088	$ 2,019,884

We maintain an allowance for credit losses at a level sufficient to absorb expected credit losses based on evaluating known and inherent risks in our loan portfolio. The allowance for credit losses is determined based on our current estimate of expected credit losses over the remaining contractual term, historical credit losses, consumer payment trends, estimates of recoveries, and future expectations as of each balance sheet date. Adjustments to the allowance each period for changes in our estimate of lifetime expected credit losses are recognized in earnings through the provision for credit losses presented on our interim condensed consolidated statements of operations and comprehensive loss. When available information confirms that specific loans or portions thereof are uncollectible, identified amounts are charged against the allowance for credit losses. Loans are charged-off in accordance with our

charge-off policy, as the contractual principal becomes 120 days past due. Subsequent recoveries of the unpaid principal balance, if any, are credited to the allowance for credit losses.

The following table details activity in the allowance for credit losses (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Balance at beginning of period	$ 158,289	$ 124,992	117,760	95,137
Adjustment due to adoption of new accounting standard	—	—	—	10,083
Provision for credit losses	62,021	(993)	172,720	39,190
Charge-offs	(67,280)	(14,537)	(145,307)	(40,377)
Recoveries of charged-off receivables	6,445	4,292	14,302	9,721
Balance at end of period	$ 159,475	$ 113,754	159,475	113,754

5. Business Combinations

ShopBrain

On July 1, 2021, Affirm completed the acquisition of technology and intellectual property from Yroo, Inc. and entered into employment arrangements with certain of its employees (“the ShopBrain acquisition”). Yroo, Inc. is a data aggregation and cataloging technology company based in Canada (“ShopBrain”). The purchase price was comprised of (i) $30.0 million in cash and (ii) 151,745 shares of our Class A common stock issued to the shareholders of ShopBrain at closing.

The acquisition date fair value of the consideration transferred was approximately $40.0 million, which consisted of the following (in thousands):

Cash	$ 30,000
Fair value of Class A common stock transferred	10,000
Total acquisition date fair value of the consideration transferred	$ 40,000

The acquisition was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC Topic 805, “Business Combinations” (“ASC 805”). The acquired identifiable intangible assets have been recorded at their estimated fair values with the excess purchase price assigned to goodwill. The goodwill was primarily attributed to future synergies from integration and the value of the assembled workforce. The goodwill is expected to be deductible for income tax purposes.

The following table summarizes the allocation of the consideration paid of approximately $40.0 million to the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Intangible assets	$ 9,488
Total net assets acquired	9,488
Goodwill	30,512
Total purchase price	$ 40,000

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands):

	Fair Value	Useful Life (in years)
Developed technology	$ 9,488	3.0

The fair values of the intangible assets were determined by applying the replacement cost method. The fair value measurements are based on significant unobservable inputs, including management estimates and assumptions, and thus represents Level 3 measurements.

The transaction costs associated with the acquisition were approximately $0.2 million for the nine months ended March 31, 2022, which are included in general and administrative expense within the interim condensed consolidated statements of operations and comprehensive loss. There were no transaction costs associated with the acquisition for the three months ended March 31, 2022.

Pro forma adjustments would only include the additional amortization that would have been charged assuming the intangible assets had been recorded as of July 1, 2020. Such adjustments would not be material to the consolidated statements of operations and comprehensive loss for the three and nine months ended March 31, 2021.

Kite

On June 1, 2021, Affirm completed the acquisition of technology and intellectual property from Manhattan Engineering, Inc. and entered into employment arrangements with certain of its employees ("the Kite acquisition"). The purchase price was comprised of $26.0 million in cash, including $9.0 million held in escrow and subject to forfeiture if certain employees terminate within a stipulated time period.

The acquisition date fair value of the consideration transferred was approximately $24.8 million which consisted of the following (in thousands):

Cash	$ 26,000
Less: Fair value of contingent consideration asset	$ (1,241)
Total acquisition date fair value of consideration transferred	$ 24,759

The acquisition was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC 805. The acquired identifiable intangible assets have been recorded at their estimated fair values with the excess purchase price assigned to goodwill. The goodwill was primarily attributed to the value of assembled workforce. The goodwill is expected to be deductible for income tax purposes.

The following table summarizes the allocation of the consideration paid of approximately $24.8 million to the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Intangible assets	$ 6,975
Net assets acquired	6,975
Goodwill	$ 17,784
Total purchase price	$ 24,759

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands):

Table of Contents

	Fair Value	Useful Life (in years)
Developed technology	$ 6,900	3.0
Trademarks	75	1.0
Total intangible assets	$ 6,975	

The fair values of the intangible assets were determined by applying the replacement cost method. The fair value measurements are based on significant unobservable inputs, including management estimates and assumptions, and thus represent Level 3 measurements.

During the year ended June 30, 2021, we incurred transaction costs associated with the acquisition in the amount of approximately $0.2 million which are included in general and administrative expense in the consolidated statements of operations and comprehensive loss.

Pro forma adjustments would only include the additional amortization that would have been charged assuming the intangible assets had been recorded as of July 1, 2019. Such adjustments would not be material to the consolidated statements of operations and comprehensive loss for the three and nine months ended March 31, 2021.

Returnly

On May 1, 2021, Affirm completed a merger transaction with Returnly Technologies, Inc. (“Returnly”), a leading provider of online return experiences for direct-to-consumer brands. Prior to the merger transaction, Affirm owned approximately 1% of the outstanding shares of Returnly. By effect of the merger transaction, Affirm acquired all of the remaining outstanding shares, increasing its equity interest from approximately 1% to 100%. We have included the financial results of Returnly in our interim condensed consolidated financial statements from the date of acquisition.

The purchase price for the remaining interest was comprised of (i) approximately $71.5 million in cash and (ii) 2,989,697 shares of our common stock issued to the shareholders of Returnly at closing. We also issued 304,364 shares of our common stock, which are held in escrow and subject to forfeiture upon the termination of certain employees or if certain revenue milestones are not met. Because the future payment of the escrowed shares is contingent on continued employment, the arrangement represents stock-based compensation in the post combination period. Refer to Note 15. Equity Incentive Plans for additional information on the escrowed share arrangement.

The acquisition date fair value of the consideration transferred for Returnly was approximately $286.0 million, which consisted of the following (in thousands):

Cash	$ 71,484
Fair value of common stock transferred	214,475
Total acquisition date fair value of consideration transferred	$ 285,959

The acquisition date fair value of the equity interest in Returnly held by Affirm immediately before the acquisition date was $2.1 million, resulting in the recognition of a $1.6 million gain included in other (expense) income, net in the interim condensed consolidated statements of operations and comprehensive loss.

The acquisition of Returnly was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC 805. The acquired Returnly assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values with the excess purchase price assigned to goodwill. The goodwill was primarily attributed to future synergies from integration, new customer acquisitions, and the value of assembled workforce. Goodwill is not expected to be deductible for income tax purposes.

The following table summarizes the allocation of the fair value of the consideration paid and the previously held equity interest of approximately $288.1 million to the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Cash and cash equivalents	$	3,788
Accounts receivable, net		9,585
Property, equipment and software		127
Intangible assets		45,900
Other assets		1,830
Total assets acquired	$	61,230
Accounts payable		594
Accrued expenses and other liabilities		6,205
Total liabilities assumed	$	6,799
Net assets acquired	$	54,431
Goodwill		233,623
Total fair value of consideration transferred and previously held investment	$	288,054

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands):

		Fair Value	**Useful Life (in years)**
Developed technology	$	16,200	3.0
Merchant relationships		29,200	5.0
Trade name		500	1.0
Total intangible assets	$	45,900	

The fair value of the merchant relationship intangible asset was estimated by applying the income approach, which is based upon the discounted projected future cash flows attributable to the existing merchant relationships. The fair value of the developed technology intangible asset was determined by applying the replacement cost method. The fair value measurements are based on significant unobservable inputs, including management estimates and assumptions, and thus represent Level 3 measurements.

During the year ended June 30, 2021, we incurred transaction costs associated with the acquisition costs in the amount of approximately $1.8 million which are included in general and administrative expense in the consolidated statements of operations and comprehensive loss.

Unaudited Pro Forma Information

The following table reflects the pro forma consolidated total revenue and net loss for the periods presented as if the acquisition of Returnly had occurred on July 1, 2019 and combines the historical results of Affirm and Returnly. This supplemental unaudited pro forma information is based upon accounting estimates and judgments that we believe are reasonable and includes certain adjustments to conform accounting standards to U.S. GAAP. This supplemental unaudited pro forma financial information has been prepared for illustrative purposes only and is not necessarily indicative of what actual results would have occurred, or of results that may occur in the future.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2021		2021	
Revenue	$	234,271	$	618,356
Net loss	$	(291,597)	$	(329,540)

PayBright

On January 1, 2021, Affirm Canada Holdings Ltd. (“Affirm Canada”), a subsidiary of Affirm, and Affirm acquired all outstanding stock of PayBright, Inc., one of Canada’s leading buy now, pay later providers, for approximately $288.8 million. We have included the financial results of PayBright in our interim condensed consolidated financial statements from the date of acquisition.

The purchase price was comprised of (i) approximately $114.5 million in cash, (ii) 3,622,445 shares of our common stock issued to the shareholders of PayBright at closing and (iii) 2,587,362 shares of our common stock held in escrow and subject to forfeiture if certain revenue milestones are not met. On January 12, 2021, these shares were reclassified into an aggregate of 1,811,222 shares of our Class A common stock and 1,811,222 shares of our Class B common stock issued to the shareholders of PayBright at closing and an aggregate of 1,293,681 shares of our Class A common stock and 1,293,681 shares of our Class B common stock held in escrow.

The acquisition date fair value of the consideration transferred for PayBright was approximately $288.8 million, which consisted of the following (in thousands):

Cash	$	114,490
Fair value of common stock transferred		116,989
Fair value of contingent consideration		57,275
Total purchase price	$	288,754

For further details on our fair value methodology with respect to the contingent consideration, see Note 13. Fair Value of Financial Assets and Liabilities.

The acquisition of PayBright was accounted for as a business combination and reflects the application of acquisition accounting in accordance with ASC 805. The acquired PayBright assets, including identifiable intangible assets and liabilities assumed, have been recorded at their estimated fair values with the excess purchase price assigned to goodwill. The goodwill was primarily attributed to future synergies from integration, new customer acquisitions, and the value of assembled workforce in Canada. Goodwill is not expected to be deductible for income tax purposes.

The following table summarizes the allocation of the consideration paid of approximately $288.8 million to the fair values of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Cash and cash equivalents	$	8,219
Restricted cash		1,469
Loans held for investment		89,570
Accounts receivable, net		1,537
Property, equipment and software, net		586
Intangible assets		16,653
Other assets		5,651
Total assets acquired	$	123,685
Accounts payable		6,579
Accrued interest payable		23
Accrued expenses and other liabilities		193
Funding debt		85,310
Total liabilities assumed	$	92,105
Net assets acquired	$	31,580
Goodwill		257,174
Total purchase price	$	288,754

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands)

		Fair Value	Useful Life (in years)
Developed technology	$	6,127	3.0
Merchant relationships		9,505	4.0
Trade name		1,021	5.0
Total intangible assets	$	16,653	

During the year ended June 30, 2021, we incurred transaction costs associated with the acquisition costs in the amount of approximately $2.4 million, which are included in general and administrative expense in the consolidated statements of operations and comprehensive loss.

Unaudited Pro Forma Information

The following table reflects the pro forma consolidated total revenue and net loss for the periods presented as if the acquisition of PayBright had occurred on July 1, 2019 and combines the historical results of Affirm and PayBright. This supplemental unaudited pro forma information is based upon accounting estimates and judgments that we believe are reasonable and includes certain adjustments to conform accounting standards to U.S. GAAP. This supplemental unaudited pro forma financial information has been prepared for illustrative purposes only and is not necessarily indicative of what actual results would have occurred, or of results that may occur in the future.

	Nine Months Ended March 31,	
	2021	
Revenue	$	617,340
Net loss	$	(347,511)

6. Balance Sheet Components

Accounts Receivable, net

Our accounts receivable consist primarily of amounts due from payment processors, merchant partners, and servicing fees due from third-party loan owners. We evaluate accounts receivable estimated to be uncollectible and provide an allowance, as necessary, for doubtful accounts. This allowance was $12.0 million and $4.1 million as of March 31, 2022 and June 30, 2021, respectively.

Goodwill and Intangible Assets

The changes in the carrying amount of goodwill during the nine months ended March 31, 2022 were as follows (in thousands):

Balance as of June 30, 2021	$ 516,515
Additions	33,410
Effect of foreign currency translation	(2,532)
Balance as of March 31, 2022	$ 547,393

Refer to Note 5. Business Combinations for a description of additions to goodwill during the nine months ended March 31, 2022. No impairment losses related to goodwill were recorded during the nine months ended March 31, 2022 and 2021.

Intangible assets consisted of the following (in thousands):

	March 31, 2022			
	Gross	Accumulated Amortization	Net	Weighted Average Remaining Useful Life (in years)
Merchant relationships	$ 38,657	$ (8,335)	$ 30,322	3.8
Developed technology	39,967	(12,715)	27,252	2.2
Trademarks and domains, definite	1,538	(718)	820	2.8
Trademarks and domains, indefinite	2,146	—	2,146	Indefinite
Other intangibles	350	—	350	Indefinite
Total intangible assets	$ 82,658	$ (21,768)	$ 60,890	

	June 30, 2021			
	Gross	Accumulated Amortization	Net	Weighted Average Remaining Useful Life (in years)
Merchant relationships	$ 38,951	$ (2,192)	$ 36,759	4.5
Developed technology	30,176	(2,930)	27,246	2.8
Trademarks and domains [1]	3,769	(194)	3,575	3.3
Other intangibles	350	—	350	Indefinite
Total intangible assets	$ 73,246	$ (5,316)	$ 67,930	

(1) As of June 30, 2021, trademarks and domains included both definite and indefinite intangible assets.

Amortization expense for intangible assets was $5.5 million and $16.4 million for the three and nine months ended March 31, 2022, respectively, and $1.2 million for both the three and nine months ended March 31, 2021. No impairment losses related to intangible assets were recorded during the three and nine months ended March 31, 2022 and 2021.

The expected future amortization expense of these intangible assets as of March 31, 2022 is as follows (in thousands):

2022 (remaining three months)	$ 5,406
2023	21,416
2024	19,287
2025	7,274
2026 and thereafter	5,011
Total amortization expense	$ 58,394

Commercial Agreement Assets

In July 2020, we recognized an asset in connection with a commercial agreement with Shopify Inc. (“Shopify”), in which we granted warrants in exchange for the opportunity to acquire new merchant partners. This asset represents the probable future economic benefit to be realized over the four-year expected benefit period and is valued based on the fair value of the warrants on the grant date. We recognized an asset of $270.6 million associated with the fair value of the warrants, which were fully vested as of March 31, 2022. During the three and nine months ended March 31, 2022, we recorded amortization expense related to the commercial agreement asset of $16.7 million and $50.7 million, respectively, and $16.7 million and $48.0 million for the three and nine months ended March 31, 2021, respectively, in our interim condensed consolidated statements of operations and comprehensive loss as a component of sales and marketing expense.

In January 2021, we recognized an asset in connection with a commercial agreement with an enterprise partner, in which we granted stock appreciation rights in exchange for the benefit of acquiring access to the partner's consumers. This asset represents the probable future economic benefit to be realized over the three-year expected benefit period and is valued based on the fair value of the stock appreciation rights on the grant date. We initially recognized an asset of $25.9 million associated with the fair value of the stock appreciation rights. During the three and nine months ended March 31, 2022, we recorded amortization expense related to the asset of $2.0 million and $6.0 million respectively, and $2.1 million for the three and nine months ended March 31, 2021, respectively, in our interim condensed consolidated statements of operations and comprehensive loss as a component of sales and marketing expense.

In November 2021, we entered into a commercial agreement with Amazon.com Services LLC and Amazon Payments, Inc. ("Amazon") and granted warrants in exchange for certain exclusivity and performance provisions and the benefit of acquiring new users. In connection with the agreements, we recognized an asset of $133.5 million associated with the portion of the warrants that were fully vested upon execution of the agreement. The asset was valued based on the fair value of the warrants on the grant date and represents the probable future economic benefit to be realized over the approximately 3.2 year remaining initial term of the commercial agreement. For the three and nine months ended March 31, 2022, we recognized amortization expense of $10.2 million and $16.0 million respectively, in our interim condensed consolidated statements of operations and comprehensive loss as a component of sales and marketing expense. Refer to Note 14. Redeemable Convertible Preferred Stock and Stockholders' Equity for further discussion of the warrants.

Other Assets

Other assets consisted of the following (in thousands):

	March 31, 2022	June 30, 2021
Operating lease right-of-use assets	$ 52,391	$ 57,828
Derivative instruments	43,437	2,880
Prepaid payroll taxes for stock-based compensation	35,172	111,278
Equity securities, at cost	33,172	11,278
Prepaid expenses	23,271	21,069
Processing reserves	21,240	14,042
Other receivables	15,055	26,423
Other assets	6,713	29,881
Total other assets	$ 230,451	$ 274,679

Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands)

	March 31, 2022	June 30, 2021
Contingent consideration liability	$ 119,008	$ 153,447
Operating lease liability	67,905	74,952
Collateral held for derivative instruments	44,859	2,780
Accrued expenses	44,493	47,674
Commercial agreement liability	—	25,357
Other liabilities	37,042	19,367
Total accrued expenses and other liabilities	$ 313,307	$ 323,577

Our acquisition of PayBright included consideration transferred and shares held in escrow, contingent upon the achievement of future milestones. We classified the contingent consideration as a liability and will remeasure the liability to its fair value at each reporting date until the contingency is resolved. As of March 31, 2022, the fair value of the contingent consideration liability was $119.0 million. For further details on our fair value methodology with respect to the contingent consideration, see Note 13. Fair Value of Financial Assets and Liabilities.

In January 2021, we recognized a liability in connection with a commercial agreement with an enterprise partner of $25.9 million. As of March 31, 2022, we have fully settled this liability.

7. Leases

We lease facilities under operating leases with various expiration dates through 2030. We have the option to renew or extend our leases. Certain lease agreements include the option to terminate the lease with prior written notice ranging from 180 days to one year. As of March 31, 2022, we have not considered such provisions in the determination of the lease term, as it is not reasonably certain these options will be exercised. Leases have remaining terms that range from less than one year to nine years.

We have elected the practical expedient allowing the combination of lease and non-lease components by class of underlying asset. We have also elected the short-term lease exception and will not recognize right-of-use assets or lease liabilities for qualifying leases with a term of less than 12 months from lease commencement.

Several leases require us to obtain standby letters of credit, naming the lessor as a beneficiary. These letters of credit act as security for the faithful performance by us of all terms, covenants and conditions of the lease agreement. The cash collateral and deposits for the letters of credit have been recognized as restricted cash in the interim condensed consolidated balance sheets and totaled $9.6 million and $9.9 million as of March 31, 2022 and June 30, 2021, respectively.

The discount rate used in determining the lease liability for each individual lease was derived from a corporate yield curve which corresponded with the remaining lease term as of July 1, 2020 for leases that existed at the adoption of Leases (ASC Topic 842) (“ASC 842”) and as of the lease commencement date for leases subsequently entered into or modified after July 1, 2020.

The impairment expense related to leases during the three and nine months ended March 31, 2022 was not material to our interim condensed consolidated statements of operations. For the three and nine months ended March 31, 2021, we recognized impairment expense of $11.1 million for several of our operating lease right-of-use assets, included in general and administrative expense on our interim condensed consolidated statements of operations and comprehensive loss.

Total lease expense incurred for all locations totaled $3.9 million and $11.4 million for the three and nine months ended March 31, 2022, respectively, and $4.1 million and $12.0 million for the three and nine months ended March 31, 2021, respectively. Total lease expense incurred for short term leases with a term 12 months or less totaled $0.1 million and $0.3 million for the three and nine months ended March 31, 2022, respectively, and $0.2 million and $1.1 million for the three and nine months ended March 31, 2021, respectively.

We have subleased a portion of our leased facilities. Sublease income totaled $0.9 million and $2.3 million during the three and nine months ended March 31, 2022, respectively. There was no sublease income during the three and nine months ended March 31, 2021.

Lease term and discount rate information are summarized as follows:

	March 31, 2022
Weighted average remaining lease term (in years)	5.2
Weighted average discount rate	4.6%

Maturities of lease liabilities as of March 31, 2022 are as follows (in thousands) for the years ended:

2022 (remaining three months)	$ 4,075
2023	15,832
2024	15,812
2025	16,119
2026 and thereafter	25,638
Total lease payments	77,476
Less imputed interest	(9,571)
Present value of lease liabilities	$ 67,905

8. Commitments and Contingencies

Repurchase Obligation

Under the normal terms of our whole loans sales to third-party investors, we may become obligated to repurchase loans from investors in certain instances where a breach in representation and warranties is identified. Generally, a breach in representation and warranties would occur where a loan has been identified as subject to verified or suspected fraud, or in cases where a loan was serviced or originated in violation of Affirm's guidelines. We would only experience a loss if the contractual repurchase price of the loan exceeds the fair value on the repurchase date. The aggregate outstanding balance of loans held by third-party investors or unconsolidated VIEs was $4,036.4 million and $2,453.9 million as of March 31, 2022 and June 30, 2021, respectively, of which we have recorded a repurchase liability of $2.3 million and $2.1 million as of March 31, 2022 and June 30, 2021, respectively, within accrued expenses and other liabilities in our interim condensed consolidated balance sheets.

Legal Proceedings

From time to time, we are subject to legal proceedings and claims in the ordinary course of business. The results of such matters often cannot be predicted with certainty. In accordance with applicable accounting guidance, we establish an accrued liability for legal proceedings and claims when those matters present loss contingencies which are both probable and reasonably estimable.

Toole v. Affirm Holdings, Inc.

On February 28, 2022, plaintiff Jeffrey Toole filed a putative class action against Affirm and Max Levchin in the U.S. District Court for the Northern District of California (the "Toole action"). The Toole complaint alleges that Affirm violated Sections 10(b) and 20(a) of the Exchange Act, and Rule 10b-5 promulgated thereunder by issuing and then subsequently deleting a tweet from its official Twitter account on February 10, 2022, which omitted full details of Affirm's second quarter fiscal 2022 financial results. Toole seeks class certification, unspecified compensatory and punitive damages, and costs and expenses.

Vallieres v Levchin, et al.

On April 25, 2022, plaintiff Michael Vallieres filed a derivative lawsuit in the U.S. District Court for the Northern District of California against Affirm, as a nominal defendant, and certain of Affirm's current officers and

directors as defendants based on allegations substantially similar to those in the Toole action. The Vallieres complaint purports to assert claims on Affirm's behalf for breach of fiduciary duty, gross mismanagement, abuse of control, unjust enrichment, and contribution under the federal securities laws, and seeks corporate reforms, unspecified damages and restitution, and fees and costs.

Concentrations of Credit Risk

We have substantial credit risk primarily in our consumer loans held for investment and in our cash and cash equivalents. We maintain our cash and cash equivalents in accounts at regulated domestic financial institutions in amounts that may exceed FDIC insured amounts. We believe we are not exposed to any significant credit risk in these accounts.

We are exposed to default risk on both loan receivables purchased from our originating bank partners and loan receivables that are self-originated. The ultimate collectability of a substantial portion of the loan portfolio is susceptible to changes in economic and market conditions. Loans receivables are diversified geographically. As of March 31, 2022 and June 30, 2021, approximately 12% and 15%, respectively, of loan receivables related to customers residing in the state of California. No other states or provinces exceeded 10%.

Concentrations of Revenue

For the three and nine months ended March 31, 2022, there were no merchants that exceeded 10% of total revenue, and for the three and nine months ended March 31, 2021, approximately 20% and 31%, respectively, of total revenue was driven by one merchant.

9. Transactions with Related Parties

In the ordinary course of business, we may enter into transactions with directors, principal officers, their immediate families and affiliated companies in which they are principal stockholders (commonly referred to as related parties). Some of our directors, principal officers, and their immediate families have received loans facilitated by us, in accordance with our regular consumer loan offerings. As of March 31, 2022, the outstanding balance and interest earned on such accounts is immaterial.

10. Debt

Debt encompasses funding debt, convertible senior notes and our revolving credit facility.

Funding Debt

Funding debt and its aggregate future maturities consists of the following (in thousands):

	March 31, 2022	June 30, 2021
2022	$ 208,468	$ 104,159
2023	—	460,289
2024	393,480	22,705
2025	—	—
2026 and thereafter	308,858	102,203
Total	$ 910,806	$ 689,356
Deferred debt issuance costs	(9,573)	(8,754)
Total funding debt, net of deferred debt issuance costs	$ 901,233	$ 680,602

Warehouse Credit Facilities

Through trusts, we entered into warehouse credit facilities with certain lenders to finance the purchase and origination of our loans. Each trust entered into a credit agreement and security agreement with a third-party as administrative agent and a national banking association as collateral trustee and paying agent. Borrowings under these agreements are referred to as funding debt and these proceeds from the borrowings can only be used for the purposes of facilitating loan funding and origination, with advance rates ranging from 79% to 88% of the total collateralized balance. These trusts are bankruptcy-remote special-purpose vehicles in which creditors do not have recourse against the general credit of Affirm. These revolving facilities mature between fiscal years 2024 and 2029, and subject to covenant compliance, generally permit borrowings up to 12 months prior to the final maturity date of each respective facility. As of March 31, 2022, the aggregate commitment amount of these facilities was $1,975.0 million on a revolving basis, of which $702.0 million was drawn, with $1,272.7 million remaining available. Some of the loans originated by us or purchased from the originating bank partners are pledged as collateral for borrowings in our facilities. The unpaid principal balance of these loans totaled $803.7 million and $664.1 million as of March 31, 2022 and June 30, 2021, respectively.

Borrowings under these warehouse credit facilities bear interest at an annual benchmark rate of LIBOR or an alternative commercial paper rate (which is either (i) the per annum rate equivalent to the weighted-average of the per annum rates at which all commercial paper notes were issued by certain lenders to fund advances or maintain loans, or (ii) the daily weighted-average of LIBOR, as set forth in the applicable credit agreement), plus a spread ranging from 1.65% to 4.00%. Interest is payable monthly. In addition, these agreements require payment of a monthly unused commitment fee ranging from 0.00% to 0.75% per annum on the undrawn portion available.

These agreements contain certain customary negative covenants and financial covenants including maintaining certain levels of minimum liquidity, maximum leverage, and minimum tangible net worth. As of March 31, 2022, we were in compliance with all applicable covenants in the agreements.

Other Funding Facilities

Prior to our acquisition of PayBright on January 1, 2021, PayBright entered into various credit facilities utilized to finance the origination of loan receivables in Canada. Similar to our warehouse credit facilities, borrowings under these agreements are referred to as funding debt, and proceeds from the borrowings may only be used for the purposes of facilitating loan funding and origination. These facilities are secured by PayBright loan receivables pledged to the respective facility as collateral, mature in 2022, and bear interest based on a benchmark rate plus a spread ranging from 1.25% to 4.25%.

As of March 31, 2022, the aggregate commitment amount of these facilities was $419.0 million on a revolving basis, of which $172.3 million was drawn, with $246.8 million remaining available. The unpaid principal balance of loans pledged to these facilities totaled $199.5 million as of March 31, 2022.

These agreements contain certain customary negative covenants and financial covenants including maintaining certain levels of minimum liquidity, maximum leverage, and minimum tangible net worth at the PayBright subsidiary level or the Affirm Holdings level. As of March 31, 2022, we were in compliance with all applicable covenants in the agreements.

Repurchase Agreements

We entered into certain sale and repurchase agreements pursuant to our retained interests in our off-balance sheet securitizations where we have sold these securities to a counterparty with an obligation to repurchase at a future date and price. The repurchase agreements each have an initial term of three months and subject to mutual agreement by Affirm and the counterparty, we may enter into a repurchase date extension for an additional three month term at market interest rates on such extension date. As of March 31, 2022, the interest rates were 1.58% for 2022-X1 and 1.79% for 2021-Z1 and 2021-Z2 on the senior pledged securities and 3.23% for 2022-X1and 3.44%

for 2021-Z1 and 2021-Z2 on the residual certificate pledged securities. We had $36.2 million and $13.9 million in debt outstanding under our repurchase agreements disclosed within funding debt on the interim condensed consolidated balance sheets as of March 31, 2022 and June 30, 2021, respectively. The debt will be amortized through regular principal and interest payments on the pledged securities. The outstanding debt relates to $42.7 million and $16.2 million in pledged securities disclosed within securities available for sale at fair value on the interim condensed consolidated balance sheets as of March 31, 2022 and June 30, 2021, respectively.

Convertible Senior Notes

On November 23, 2021, we issued $1,725 million in aggregate principal amount of 0% convertible senior notes due 2026 (the “2026 Notes”) in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended. The total net proceeds from this offering, after deducting debt issuance costs, were approximately $1,704 million. The 2026 Notes represent senior unsecured obligations of the Company. The 2026 Notes do not bear interest except in special circumstances described below, and the principal amount of the 2026 Notes does not accrete. The 2026 Notes mature on November 15, 2026.

Each $1,000 of principal of the 2026 Notes will initially be convertible into 4.6371 shares of our common stock, which is equivalent to an initial conversion price of approximately $215.65 per share, subject to adjustment upon the occurrence of certain specified events set forth in the indenture governing the 2026 Notes (the “Indenture”). Holders of the 2026 Notes may convert their 2026 Notes at their option at any time on or after August 15, 2026 until close of business on the second scheduled trading day immediately preceding the maturity date of November 15, 2026. Further, holders of the 2026 Notes may convert all or any portion of their 2026 Notes at their option prior to the close of business on the business day immediately preceding August 15, 2026, only under the following circumstances:

1) during any calendar quarter commencing after March 31, 2022 (and only during such calendar quarter), if the last reported sale price of the Class A common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

2) during the five business day period after any five consecutive trading day period (the measurement period) in which the trading price (as defined in the indenture governing the 2026 Notes) per $1,000 principal amount of the 2026 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company’s Class A common stock and the conversion rate on each such trading day;

3) if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or

4) upon the occurrence of certain specified corporate events.

Upon conversion of the 2026 Notes, the Company will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at the Company’s election. If we satisfy our conversion obligation solely in cash or through payment and delivery, as the case may be, of a combination of cash and shares of our common stock, the amount of cash and shares of common stock, if any, due upon conversion will be based on a daily conversion value (as set forth in the Indenture) calculated on a proportionate basis for each trading day in a 40 trading day observation period.

No sinking fund is provided for the 2026 Notes. We may not redeem the notes prior to November 20, 2024. We may redeem for cash all or part of the notes on or after November 20, 2024 if the last reported sale price of our Class A common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive) during any 30 consecutive trading day period (including the last trading day of such

period) ending on, and including, the trading day immediately preceding the date on which we provide notice of redemption at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid special interest, if any.

If a fundamental change (as defined in the Indenture) occurs prior to the maturity date, holders of the 2026 Notes may require us to repurchase all or a portion of their notes for cash at a repurchase price equal to 100% of the principal amount of the 2026 Notes, plus any accrued and unpaid interest to, but excluding, the repurchase date. In addition, if specific corporate events occur prior to the maturity date of the 2026 Notes, we will be required to increase the conversion rate for holders who elect to convert their 2026 Notes in connection with such corporate events.

The convertible senior notes outstanding as of March 31, 2022 consisted of the following (in thousands):

	Principal Amount	Unamortized Discount and Issuance Cost	Net Carrying Amount
Convertible Senior Notes	$ 1,725,000	$ (19,376)	$ 1,705,624

The 2026 Notes do not bear interest. In the three and nine months ended March 31, 2022, we recognized $1.0 million and $1.4 million, respectively, of interest expense related to the amortization of debt discount and issuance costs in the interim condensed consolidated statement of operations and comprehensive loss within other (expense) income, net. As of March 31, 2022, the remaining life of the 2026 Notes is approximately 56 months.

Revolving Credit Facility

On January 19, 2021, we entered into a revolving credit agreement with a syndicate of commercial banks for a $185.0 million unsecured revolving credit facility. This facility bears interest at a rate equal to, at our option, either (a) a Eurodollar rate determined by reference to adjusted LIBOR for the interest period, plus an applicable margin of 2.50% per annum or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the rate last quoted by The Wall Street Journal as the U.S. prime rate, and (iii) the one-month adjusted LIBOR plus 1.00% per annum, in each case, plus an applicable margin of 1.50% per annum. The revolving credit agreement has a final maturity date of January 19, 2024. The facility contains certain covenants and restrictions, including certain financial maintenance covenants, and requires payment of a monthly unused commitment fee of 0.35% per annum on the undrawn balance available. We executed our right to terminate the revolving credit agreement effective December 15, 2021and no early termination penalties were incurred. We had not drawn on the facility and there was no outstanding balance to be repaid. Upon termination, we accelerated $1.2 million of issuance costs which were recorded in other (expense) income, net.

On February 4, 2022, we entered into a revolving credit agreement with a syndicate of commercial banks for a $165.0 million unsecured revolving credit facility. This facility bears interest at a rate equal to, at our option, either (a) a Secured Overnight Financing Rate (“SOFR”) rate determined by reference to the forward-looking term SOFR rate for the interest period, plus an applicable margin of 1.85% per annum or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the rate last quoted by the Wall Street Journal as the U.S. prime rate and (iii) the one-month forward-looking term SOFR rate plus 1.0% per annum, in each case, plus an applicable margin of 0.85% per annum. The revolving credit agreement has a final maturity date of February 4, 2025. The facility contains certain covenants and restrictions, including certain financial maintenance covenants, and requires payment of a monthly unused commitment fee of 0.20% per annum on the undrawn balance available. There are no borrowings outstanding under the facility as of March 31, 2022.

11. Securitization and Variable Interest Entities

Consolidated VIEs

We consolidate VIEs when we are deemed to be the primary beneficiary.

Warehouse Credit Facilities

We established certain entities, deemed to be VIEs, to enter into warehouse credit facilities for the purpose of purchasing loans from our originating bank partners and funding self-originated loans. Refer to Note 10. Debt for additional information. The creditors of the VIEs have no recourse to the general credit of Affirm and the liabilities of the VIEs can only be settled by the respective VIEs' assets; however, as the servicer of the loans pledged to our warehouse funding facilities, we have the power to direct the activities that most significantly impact the VIEs' economic performance. In addition, we retain significant economic exposure to the pledged loans and therefore, we are the primary beneficiary.

Securitizations

In connection with our asset-backed securitization program, we sponsor and establish trusts (deemed to be VIEs) to ultimately purchase loans facilitated by our platform. Securities issued from our asset-backed securitizations are senior or subordinated, based on the waterfall criteria of loan payments to each security class. The subordinated residual interests issued from these transactions are first to absorb credit losses in accordance with the waterfall criteria. For these VIEs, the creditors have no recourse to the general credit of Affirm and the liabilities of the VIEs can only be settled by the respective VIEs' assets. Additionally, the assets of the VIEs can be used only to settle obligations of the VIEs.

We consolidate securitization VIEs when we are deemed to be the primary beneficiary and therefore have the power to direct the activities that most significantly affect the VIEs' economic performance and a variable interest that could potentially be significant to the VIE. Through our role as the servicer, we have the power to direct the activities that most significantly affect the VIEs' economic performance. In evaluating whether we have a variable interest that could potentially be significant to the VIE, we consider our retained interests. We also earn a servicing fee which has a senior distribution priority in the payment waterfall.

In evaluating whether we are the primary beneficiary, management considers both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIEs. Management assesses whether we are the primary beneficiary of the VIEs on an ongoing basis.

Where we consolidate the securitization trusts, the loans held in the securitization trusts are included in loans held for investment, and the notes sold to third-party investors are recorded in notes issued by securitization trusts in the consolidated balance sheets.

As of March 31, 2022, we consolidated Affirm Asset Securitization Trust 2020-Z1 ("2020-Z1"), Affirm Asset Securitization Trust 2020-A ("2020-A"), Affirm Asset Securitization Trust 2020-Z2 ("2020-Z2"), Affirm Asset Securitization Trust 2021-A ("2021-A") and Affirm Asset Securitization Trust 2021-B ("2021-B"). Each securitization trust issued interest-bearing notes and residual certificates to finance the purchase of the loans facilitated by our platform. At the closing of each securitization, we contributed loans, facilitated through our technology platform and purchased from our originating bank partners, with an aggregate outstanding principal balance of $2,024.3 million. The 2020-Z1 and 2020-Z2 securitizations are secured by static pools of loans contributed at closing, whereas the 2020-A, 2021-A, and 2021-B securitization are revolving and we may contribute additional loans from time to time until the end of the revolving period. For the 2020-Z2 securitization, we purchased $27.9 million of loan receivables from our third-party loan buyers which were then contributed to the trust.

For each securitization, the residual certificates represent the right to receive excess cash on the loans each collection period after all fees and required distributions have been made to the note holders on the related payment date. For 2020-Z1, 2020-A, 2021-A and 2021-B, all notes were sold to third-party investors and we retained 100% of the residual certificates issued by the securitization trusts. For 2020-Z2, all notes were sold to third-party investors and we retained 93.3% of the residual certificates issued by the securitization trust, and a third-party investor holds the remaining 6.7% of the residual certificates in 2020-Z2. The residual trust certificates held by third-party investors are measured at fair value, using a discounted cash flow model, and presented within accrued expenses and other liabilities on the interim condensed consolidated balance sheets. In addition to the retained residual certificates, our continued involvement includes loan servicing responsibilities over the life of the underlying loans.

The following tables present the aggregate carrying value of financial assets and liabilities from our involvement with consolidated VIEs.

	March 31, 2022		
	Assets	Liabilities	Net Assets
Warehouse credit facilities	$ 839,670	$ 751,419	$ 88,251
Securitizations	1,561,401	1,448,913	112,488
Total consolidated VIEs	$ 2,401,071	$ 2,200,332	$ 200,739

	June 30, 2021		
	Assets	Liabilities	Net Assets
Warehouse credit facilities	$ 688,197	$ 614,882	$ 73,315
Securitizations	1,115,427	1,178,545	(63,118)
Total consolidated VIEs	$ 1,803,624	$ 1,793,427	$ 10,197

Unconsolidated VIEs

As of March 31, 2022, Affirm Asset Securitization Trust 2021-Z1 (“2021-Z1”), Affirm Asset Securitization Trust 2021-Z2 (“2021-Z2”) and Affirm Asset Securitization Trust 2022-X (“2022-X1”) were unconsolidated VIEs. We did not retain significant economic exposure through our variable interests and therefore we determined that we are not the primary beneficiary as of March 31, 2022.

2021-Z1

On May 5, 2021, the notes under 2021-Z1 securitization were issued as a single class: Class A in the amount of $320.0 million (the “2021-Z1 notes”). The 2021-Z1 notes bear interest at a fixed rate of 1.07% and have a maturity date of August 15, 2025. Principal and interest payments began in June 2021 and are payable monthly.

The 2021-Z1 securitization is secured by a static pool of loans which were contributed at the closing date to the 2021-Z1 trust. The loans contributed at closing were facilitated through our technology platform and purchased from our originating bank partners, with an aggregate outstanding principal balance of $351.0 million. Of the loans sold to the 2021-Z1 trust, we purchased $41.4 million of loan receivables from one of our third-party loan buyers, which were contributed to the trust at closing.

At closing, we retained 5% of the 2021-Z1 notes and 86.9% of the residual certificates issued by the 2021-Z1 trust. The third-party loan contributor received 13.1% of the residual certificates at closing. On May 17, 2021, we sold a majority of the residual certificates retained at closing, comprising 81.9% of the par value, to five third-party investors. Subsequent to this sale, we retained only a 5% vertical interest in the 2021-Z1 trust via our ownership of

5% par amount of the 2021-Z1 notes and 5% par amount of the residual interests. We were required to retain these interests for compliance with U.S. risk retention rules.

We initially consolidated the 2021-Z1 trust at closing due to retaining a majority of the residual interest. However, upon completing the subsequent third-party sale of 81.9% of the residual certificates on May 17, 2021, we determined that we no longer had significant economic exposure through our variable interests and as such, we determined that we were no longer the primary beneficiary as of this date.

Upon deconsolidating the 2021-Z1 trust, we recognized a gain of $16.7 million, primarily driven by the gain on sale of the loans sold to the trust at closing.

2021-Z2

On November 10, 2021, the notes under 2021-Z2 securitization were issued as a single class: Class A in the amount of $260.0 million (the “2021-Z2 notes”). The 2021-Z2 notes bear interest at a fixed rate of 1.17% and have a maturity date of November 16, 2026. Principal and interest payments began in January 2022 and are payable monthly.

The 2021-Z2 securitization is secured by a static pool of loans which were contributed at the closing date to the 2021-Z2 trust. The loans contributed at closing were facilitated through our technology platform and purchased from our originating bank partners, with an aggregate outstanding principal balance of $287.5 million. Of the loans sold to the 2021-Z2 trust, we purchased $192.5 million of loan receivables from one of our third-party loan buyers, which were contributed to the trust at closing.

At closing, we retained only a 5% vertical interest in the 2021-Z2 trust via our ownership of 5% par amount of the 2021-Z2 notes and 5% par amount of the residual interests. We were required to retain these interests for compliance with U.S. risk retention rules. The third-party loan contributor received 95% of the residual certificates at closing.

On the closing date of the 2021-Z2 trust, we recognized a gain on sales of loans sold to the trust of $6.1 million, which is included within gain on sales of loans in our interim condensed consolidated statements of operations and comprehensive loss.

2022-X1

On February 9, 2022, the notes under 2022-X1 securitization were issued as a single class: Class A in the amount of $366.5 million (the “2022-X1 notes”). The 2022-X1 notes bear interest at a fixed rate of 1.75% and have a maturity date of February 16, 2027. Principal and interest payments began in April 2022 and are payable monthly.

The 2022-X1 securitization is secured by a static pool of loans which were contributed at the closing date to the 2022-X1 trust. The loans contributed at closing were facilitated through our technology platform and originated by us or purchased from our originating bank partners, with an aggregate outstanding principal balance of $406.2 million. Of the loans sold to the 2022-X1 trust, we purchased $258.3 million of loan receivables from one of our third-party loan buyers, which were contributed to the trust at closing.

At closing, we retained only a 5% vertical interest in the 2022-X1 trust via our ownership of 5% par amount of the 2022-X1 notes and 5% par amount of the residual interests. We were required to retain these interests for compliance with U.S. risk retention rules. The third-party loan contributor received 95% of the residual certificates at closing.

On the closing date of the 2022-X1 trust, we recognized gain on sales of loans sold to the trust of $13.1 million, which is included within gain on sales of loans in our interim condensed consolidated statements of operations and comprehensive loss.

The following tables present the aggregate carrying value of financial assets and liabilities for unconsolidated VIEs where we hold a variable interest but are not the primary beneficiary:

	March 31, 2022			
	Assets	Liabilities	Net Assets	Maximum Exposure to Losses
Securitizations	$ 817,633	$ 766,651	$ 50,982	$ 44,092
Total unconsolidated VIEs	$ 817,633	$ 766,651	$ 50,982	$ 44,092

	June 30, 2021			
	Assets	Liabilities	Net Assets	Maximum Exposure to Losses
Securitizations	$ 305,414	$ 304,567	$ 847	$ 16,850
Total unconsolidated VIEs	$ 305,414	$ 304,567	$ 847	$ 16,850

Assets of unconsolidated VIEs include the carrying value for loans held in the 2021-Z1, 2021-Z2, and 2022-X1 trust and cash held in the collection and reserve accounts established for the trust. Liabilities include the outstanding principal balance of the 2021-Z1, 2021-Z2, and 2022-X1 notes.

Maximum exposure to losses represents our exposure through our continuing involvement as servicer and through our retained interests. For 2021-Z1, 2021-Z2 and 2022-X1, this includes $42.7 million in retained notes and residual certificates disclosed within securities available for sale at fair value in our interim condensed consolidated balance sheets and $1.4 million related to our servicing asset and receivables disclosed within other assets in our interim condensed consolidated balance sheets.

Additionally, we may experience a loss due to future repurchase obligations resulting from breaches in representations and warranties in our securitization and third-party sale agreements. In connection with 2021-Z1, 2021-Z2 and 2022-X1, this amount was not material as of March 31, 2022.

Retained Beneficial Interests in Unconsolidated VIEs

The investors of the securitizations have no direct recourse to the assets of Affirm, and the timing and amount of beneficial interest payments is dependent on the performance of the underlying loan assets held within each trust. We have classified our retained beneficial interests in 2021-Z1, 2021-Z2 and 2022-X1 as “available for sale” and as such they are disclosed at fair value in our interim condensed consolidated balance sheets.

See Note 12. Investments and Note 13. Fair Value of Financial Assets and Liabilities for additional information on the fair value sensitivity of the notes receivable and residual certificates. Additionally, as of March 31, 2022, we have pledged the 2021-Z1, 2021-Z2, and 2022-X1 retained beneficial interests as collateral in connection with a repurchase agreement as described in Note 10. Debt.

12. Investments

Marketable Securities

Marketable securities include certain investments classified as cash and cash equivalents and securities available for sale, at fair value, and consist of the following as of each date presented within the interim condensed consolidated balance sheets (in thousands):

	March 31, 2022	June 30, 2021
Cash and cash equivalents:		
Money market funds	$ 1,461,956	$ 143,241
Corporate bonds	854	—
Commercial paper	73,689	—
Securities, available for sale:		
Certificates of deposit	54,048	—
Corporate bonds	185,432	—
Commercial paper	133,437	—
Government bonds		
Non-US	35,775	—
US	165,624	—
Securitization notes receivable and certificates [1]	42,707	16,170
Total marketable securities:	$ 2,153,522	$ 159,411

[1] These securities have been pledged as collateral in connection with sale and repurchase agreements as discussed within Note 10. Debt.

Securities Available for Sale, at Fair Value

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of securities available for sale as of March 31, 2022 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Certificates of deposit [1]	$ 54,168	$ 27	$ (147)	$ —	$ 54,048
Corporate bonds [1]	187,580	5	(1,299)	—	186,286
Commercial paper [1]	207,302	11	(187)	—	207,126
Government bonds					
Non-US [1]	36,008	—	(233)	—	35,775
US	166,285	—	(661)	—	165,624
Securitization notes receivable and certificates [2]	43,394	—	(557)	(130)	42,707
Total securities available for sale	$ 694,737	$ 43	$ (3,084)	$ (130)	$ 691,566

[1] Certificates of deposit, corporate bonds, non-US government bonds and commercial paper include $74.5 million classified as cash and cash equivalents within the interim condensed consolidated balance sheets.

[2] These securities have been pledged as collateral in connection with sale and repurchase agreements as discussed within Note 10. Debt

The amortized cost, gross unrealized gains and losses, allowance for credit losses, and fair value of securities available for sale as of June 30, 2021 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Securitization notes receivable and certificates	$ 16,144	$ 29	$ —	$ (3)	$ 16,170
Total securities available for sale	$ 16,144	$ 29	$ —	$ (3)	$ 16,170

As of March 31, 2022 and June 30, 2021, there were no material reversals of prior period allowance for credit losses recognized for available for sale securities.

A summary of securities available for sale with unrealized losses for which an allowance for credit losses has not been recorded, aggregated by investment category and the length of time that individual securities have been in a continuous loss position as of March 31, 2022, is as follows:

	Less than or equal to 1 year		Greater than 1 year		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Certificates of deposit	$ 29,846	$ (147)	$ —	$ —	$ 29,846	$ (147)
Corporate bonds	177,798	(1,299)	—	—	177,798	(1,299)
Commercial paper	126,289	(187)	—	—	126,289	(187)
Government bonds						
Non-US	35,775	(233)	—	—	35,775	(233)
US	165,624	(661)	—	—	165,624	(661)
Securitization notes receivable and certificates	42,707	(557)	—	—	42,707	(557)
Total securities available for sale [1]	$ 578,039	$ (3,084)	$ —	$ —	$ 578,039	$ (3,084)

[1] The number of positions with unrealized losses as of March 31, 2022 totaled 113.

There were no securities available for sale with unrealized losses for which an allowance for credit losses had not been recorded as of June 30, 2021.

The length of time to contractual maturities of securities available for sale as of March 31, 2022, were as follows:

	Within 1 year		Greater than 1 year, less than or equal to 5 years		Total	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Certificates of deposit	$ 54,168	$ 54,048	$ —	$ —	$ 54,168	$ 54,048
Corporate bonds	153,996	153,310	33,584	32,976	187,580	186,286
Commercial paper	207,302	207,126	—	—	207,302	207,126
Government bonds						
Non-US	31,762	31,656	4,246	4,119	36,008	35,775
US	166,285	165,624	—	—	166,285	165,624
Securitization notes receivable and certificates [(1)]	32,067	31,510	11,327	11,197	43,394	42,707
Total securities available for sale	$ 645,580	$ 643,274	$ 49,157	$ 48,292	$ 694,737	$ 691,566

(1) Based on weighted average life of expected cash flows as of March 31, 2022.

Gross proceeds from matured or redeemed securities for the three and nine months ended March 31, 2022 were $949.3 million and $1,584.8 million, respectively.

There were no portfolio sales or associated realized gains or losses for available for sale securities for the three and nine months ended March 31, 2022.

Non-marketable Equity Securities

Non-marketable equity securities which do not have a readily determinable fair value are measured at cost less impairment, if any, and adjusted for changes resulting from observable price changes in orderly transactions for an identical or similar investment in the same issuer (the “measurement alternative”).

Unrealized and realized gains and losses on the investment due to impairment or observable price changes in orderly transaction for an identical or similar investment of the same issuer, if any, are recognized in other (expense) income, net on our interim condensed consolidated statements of operations and comprehensive loss and a new carrying value is established for the investment upon such recognition.

Equity investments without a readily determinable fair value held at cost were $33.2 million and $11.3 million as of March 31, 2022 and June 30, 2021, respectively, and are included in other assets within the interim condensed consolidated balance sheets.

There have been no unrealized or realized gains and losses due to observable changes in orderly transactions and we did not record any impairment for the three and nine months ended March 31, 2022 or March 31, 2021.

13. Fair Value of Financial Assets and Liabilities

ASC Topic 820, “Fair Value Measurement” (“ASC 820”) establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

- *Level 1:* Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Financial Assets and Liabilities Recorded at Fair Value

The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2022 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds	$ 1,461,956	$ —	$ —	$ 1,461,956
Corporate bonds	—	852	—	852
Commercial paper	—	73,689	—	73,689
Restricted cash:				
Securities available for sale:				
Certificate of deposit	—	54,048	—	54,048
Corporate bonds	—	185,434	—	185,434
Commercial paper	—	133,437	—	133,437
Government bonds:				
Non-U.S.	—	35,775	—	35,775
U.S.	—	165,624	—	165,624
Securitization notes receivable and residual trust certificates	—	—	42,707	42,707
Total securities available for sale	—	574,318	42,707	617,025
Servicing assets	—	—	4,620	4,620
Derivative instruments	—	43,437	—	43,437
Total assets	$ 1,461,956	$ 692,296	$ 47,327	$ 2,201,579
Liabilities:				
Servicing liabilities	$ —	$ —	$ 5,606	$ 5,606
Performance fee liability	—	—	1,584	1,584
Residual trust certificates, held by third-parties	—	—	489	489
Contingent consideration	—	—	119,008	119,008
Profit share liability	—	—	1,878	1,878
Total liabilities	$ —	$ —	$ 128,565	$ 128,565

The following tables present information about our assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2021 (in thousands):

	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents:				
Money market funds	$ 143,241	$ —	$ —	$ 143,241
Restricted cash:				
Securitization notes receivable and residual trust certificates	—	—	16,170	16,170
Servicing assets	—	—	2,349	2,349
Derivative instruments	—	2,880	—	2,880
Total assets	$ 143,241	$ 2,880	$ 18,519	$ 164,640
Liabilities:				
Servicing liabilities	$ —	$ —	$ 3,961	$ 3,961
Performance fee liability	—	—	1,290	1,290
Residual trust certificates, held by third-parties	—	—	914	914
Contingent consideration	—	—	153,447	153,447
Profit share liability	—	—	2,464	2,464
Total liabilities	$ —	$ —	$ 162,076	$ 162,076

There were no transfers between levels during the periods ended March 31, 2022 and June 30, 2021.

Assets and Liabilities Measured at Fair Value on a Recurring Basis (Level 2)

Securities Available for Sale

As of March 31, 2022, we held marketable securities classified as available for sale. Management obtains pricing from one or more third-party pricing services for the purpose of determining fair value. Whenever available, the fair value is based on quoted bid prices as of the end of the trading day. When quoted prices are not available, other methods may be utilized including evaluated prices provided by third-party pricing services.

Derivative Instruments

Our primary objective in holding derivatives is to reduce the volatility in cash flows associated with our funding activities, arising from changes in interest rates. We do not employ derivatives for trading or speculative purposes.

As of March 31, 2022, we used a combination of interest rate cap agreements and interest rate swaps to manage interest costs and the risk associated with variable interest rates. Neither the interest rate caps or the interest rate swaps have been designated as hedging instruments.

As of March 31, 2022 and June 30, 2021, the interest rate caps and interest rate swaps are in a net asset position, and classified as Level 2 within the fair value hierarchy, based on prices quoted for similar financial instruments in markets that are not active. The fair values are presented gross within other assets and offsetting collateral received by the counterparty is presented as a liability within accrued expenses and other liabilities on the interim condensed consolidated balance sheets. Any changes in the fair value of these financial instruments are reflected in other (expense) income, net, on the interim condensed consolidated statements of operations and comprehensive loss.

Assets and Liabilities Measured at Fair Value on a Recurring Basis using Significant Unobservable Inputs (Level 3)

We evaluate our financial assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them each reporting period. Since our servicing assets and liabilities, performance fee liability, securitization notes and residual trust certificates, contingent consideration, and profit share liability do not trade in an active market with readily observable prices, we use significant unobservable inputs to measure fair value. This determination requires significant judgments to be made.

Servicing Assets and Liabilities

We sold loans with an unpaid balance of $2,042.5 million and $5,647.5 million for the three and nine months ended March 31, 2022, respectively, and $756.7 million and $2,013.2 million for the three and nine months ended March 31, 2021, respectively, for which we retained servicing rights.

As of March 31, 2022 and June 30, 2021, we serviced loans which we sold with a remaining unpaid principal balance of $4,036.4 million and $2,453.9 million, respectively.

We use discounted cash flow models to arrive at an estimate of fair value. Significant assumptions used in the valuation of our servicing rights are as follows:

Adequate Compensation

We estimate adequate compensation as the rate a willing market participant would require for servicing loans with similar characteristics as those in the serviced portfolio.

Discount Rate

Estimated future payments to be received under servicing agreements are discounted as a part of determining the fair value of the servicing rights. For servicing rights on loans, the discount rate reflects the time value of money and a risk premium intended to reflect the amount of compensation market participants would require.

Net Default Rate

We estimate the timing and probability of early loan payoffs, loan defaults and write-offs, thus affecting the projected unpaid principal balance and expected term of the loan, which are used to project future servicing revenue and expenses.

We earned $23.5 million and $44.2 million of servicing income for the three and nine months ended March 31, 2022, respectively, and $8.0 million and $17.2 million for the three and nine months ended March 31, 2021, respectively.

As of March 31, 2022 and June 30, 2021, the aggregate fair value of the servicing assets was measured at $4.6 million and $2.3 million, respectively, and presented within other assets on the interim condensed consolidated balance sheets. As of March 31, 2022 and June 30, 2021, the aggregate fair value of the servicing liabilities was measured at $5.6 million and $4.0 million, respectively, and presented within accrued expenses and other liabilities on the interim condensed consolidated balance sheets.

Table of Contents

The following table summarizes the activity related to the aggregate fair value of our servicing assets (in thousands):

	Servicing Assets			
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Fair value at beginning of period	$ 2,178	$ 1,923	$ 2,349	$ 2,132
Initial transfers of financial assets	1,991	202	3,105	1,732
Subsequent changes in fair value	451	(5)	(834)	(1,744)
Fair value at end of period	$ 4,620	$ 2,120	$ 4,620	$ 2,120

The following table summarizes the activity related to the aggregate fair value of our servicing liabilities (in thousands):

	Servicing Liabilities			
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Fair value at beginning of period	$ 8,626	$ 2,826	$ 3,961	$ 1,540
Initial transfers of financial assets	2,940	1,972	13,826	5,185
Subsequent changes in fair value	(5,960)	(2,550)	(12,181)	(4,477)
Fair value at end of period	$ 5,606	$ 2,248	$ 5,606	$ 2,248

The following table presents quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of servicing assets and liabilities as of March 31, 2022:

	Unobservable Input	Minimum	Maximum	Weighted Average
Servicing assets	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation [1]	0.84 %	1.65 %	1.29 %
	Net default rate	0.87 %	9.25 %	4.56 %
Servicing liabilities	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation [1]	2.12 %	4.26 %	3.13 %
	Net default rate	1.50 %	29.18 %	13.76 %

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[1] Estimated cost of servicing a loan as a percentage of unpaid principal balance

The following table presents quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of servicing assets and liabilities as of June 30, 2021:

	Unobservable Input	Minimum	Maximum	Weighted Average
Servicing assets	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation[1]	0.70 %	0.84 %	0.81 %
	Net default rate	0.53 %	0.95 %	0.64 %
Servicing liabilities	Discount rate	30.00 %	30.00 %	30.00 %
	Adequate compensation[1]	1.29 %	3.70 %	2.71 %
	Net default rate	0.80 %	8.42 %	7.12 %

(1) Estimated cost of servicing a loan as a percentage of unpaid principal balance

The following table summarizes the effect that adverse changes in estimates would have on the fair value of the servicing assets and liabilities given hypothetical changes in significant unobservable inputs (in thousands):

	March 31, 2022	June 30, 2021
Servicing assets		
Net default rate assumption:		
Net default rate increase of 25%	$ (41)	$ (7)
Net default rate increase of 50%	$ (75)	$ (15)
Adequate compensation assumption:		
Adequate compensation increase of 25%	$ (4,587)	$ (2,006)
Adequate compensation increase of 50%	$ (9,173)	$ (4,011)
Discount rate assumption:		
Discount rate increase of 25%	$ (64)	$ (4)
Discount rate increase of 50%	$ (129)	$ (1)
Servicing liabilities		
Net default rate assumption:		
Net default rate increase of 25%	$ (26)	$ (40)
Net default rate increase of 50%	$ (49)	$ (61)
Adequate compensation assumption:		
Adequate compensation increase of 25%	$ 4,370	$ 3,060
Adequate compensation increase of 50%	$ 8,739	$ 6,119
Discount rate assumption:		
Discount rate increase of 25%	$ (512)	$ (137)
Discount rate increase of 50%	$ (663)	$ (263)

Performance Fee Liability

In accordance with our agreements with our originating bank partners, we pay a fee for each loan that is fully repaid by the consumer, due at the end of the period in which the loan is fully repaid. We recognize a liability upon the purchase of a loan for the expected future payment of the performance fee. This liability is measured using a discounted cash flow model and recorded at fair value and presented within accrued expenses and other liabilities on the interim condensed consolidated balance sheets. Any changes in the fair value of the liability are reflected in other (expense) income, net, on the interim condensed consolidated statements of operations and comprehensive loss.

The following table summarizes the activity related to the fair value of the performance fee liability (in thousands):

	Performance Fee Liability			
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
Fair value at beginning of period	$ 1,530	$ 1,205	$ 1,290	$ 875
Purchases of loans	432	349	1,265	1,070
Settlements Paid	(418)	—	(418)	—
Subsequent changes in fair value	40	(312)	(553)	(703)
Fair value at end of period	$ 1,584	$ 1,242	$ 1,584	$ 1,242

Significant unobservable inputs used for our Level 3 fair value measurement of the performance fee liability are the discount rate, refund rate, and default rate. Significant increases or decreases in any of the inputs in isolation could result in a significantly lower or higher fair value measurement.

The following table presents quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the performance fee liability as of March 31, 2022:

Unobservable Input	Minimum	Maximum	Weighted Average
Discount rate	10.00%	10.00%	10.00%
Refund rate	4.50%	4.50%	4.50%
Default rate	1.78%	2.98%	2.30%

The following table presents quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the performance fee liability as of June 30, 2021:

Unobservable Input	Minimum	Maximum	Weighted Average
Discount rate	10.00%	10.00%	10.00%
Refund rate	4.50%	4.50%	4.50%
Default rate	1.78%	2.83%	1.80%

Residual Trust Certificates Held by Third-Parties in Consolidated VIEs

Refer to Note 11. Securitization and Variable Interest Entities for a description of the 2020-Z2 securitization trust. Residual trust certificates held by third-party investor(s) are measured at fair value, using a discounted cash flow model, and presented within accrued expenses and other liabilities on the interim condensed consolidated balance sheets. Any changes in the fair value of the liability are reflected in other (expense) income, net, on the interim condensed consolidated statements of operations and comprehensive loss.

The following table summarizes the activity related to the fair value of the residual trust certificates held by third-parties (in thousands):

	Three Months Ended March 31, 2022	Nine Months Ended March 31, 2022
Fair value at beginning of period	$ 619	$ 914
Repayments	(146)	(549)
Subsequent changes in fair value	16	124
Fair value at end of period	$ 489	$ 489

Significant unobservable inputs used for our Level 3 fair value measurement of the residual trust certificates held by third-parties are the discount rate, loss rate, and prepayment rate. Significant increases or decreases in any of the inputs in isolation could result in a significantly lower or higher fair value measurement.

The following table presents quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the residual trust certificates held by third-parties as of March 31, 2022:

Unobservable Input	Minimum	Maximum	Weighted Average
Discount rate	10.00%	10.00%	10.00%
Loss rate	0.75%	0.75%	0.75%
Prepayment rate	8.00%	8.00%	8.00%

The following table summarizes the effect that adverse changes in estimates would have on the fair value of the securitization residual certificates held by third-party investor(s) given hypothetical changes in significant unobservable inputs (in thousands):

	March 31, 2022
Discount rate assumption:	
Discount rate increase of 25%	$ (8)
Discount rate increase of 50%	$ (16)
Loss rate assumption:	
Loss rate increase of 25%	$ (12)
Loss rate increase of 50%	$ (23)
Prepayment rate assumption:	
Prepayment rate decrease of 25%	$ (3)
Prepayment rate decrease of 50%	$ (6)

Retained Beneficial Interests in Unconsolidated VIEs

As of March 31, 2022, the Company held notes receivable and residual trust certificates with an aggregate fair value of $42.7 million in connection with the 2021-Z1, 2021-Z2 and 2022-X1 securitizations, which are unconsolidated securitizations. The balances correspond to the 5% economic risk retention the Company is required to maintain as the securitization sponsor. Refer to Note 11. Securitization and Variable Interest Entities for a further description of the 2021-Z1, 2021-Z2 and 2022-X1securitization trusts.

These assets are measured at fair value using a discounted cash flow model, and presented within securities available for sale at fair value on the interim condensed consolidated balance sheets. Changes in the fair value, other than declines in fair value due to credit recognized as an allowance, are reflected in other comprehensive income (loss) on the interim condensed consolidated statements of operations and comprehensive loss. Declines in fair value

due to credit are reflected in other (expense) income, net on the interim condensed consolidated statements of operations and comprehensive loss.

The following table summarizes the activity related to the fair value of the residual trust certificates during the three and nine months ended March 31, 2022 (in thousands):

	Three Months Ended March 31, 2022	Nine Months Ended March 31, 2022
Fair value at beginning of period	$ 25,319	$ 16,170
Additions	22,067	35,762
Cash received (due to payments or sales)	(4,414)	(8,798)
Change in unrealized loss	(402)	(586)
Accrued interest	215	285
Reversal of (impairment on) securities available for sale	(78)	(126)
Fair value at end of period	$ 42,707	$ 42,707

Significant unobservable inputs used for our Level 3 fair value measurement of the notes and residual trust certificates are the discount rate, loss rate, and prepayment rate. Significant increases or decreases in any of the inputs in isolation could result in a significantly lower or higher fair value measurement.

The following table presents quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the residual trust certificates as of March 31, 2022:

Unobservable Input	Minimum	Maximum	Weighted Average
Discount rate	2.13%	20.25%	3.81%
Loss rate	0.61%	10.95%	4.15%
Prepayment rate	5.25%	35.00%	23.45%

The following table summarizes the effect that adverse changes in estimates would have on the fair value of the securitization residual trust certificates given hypothetical changes in significant unobservable inputs (in thousands):

	March 31, 2022
Discount rate assumption:	
Discount rate increase of 25%	$ (319)
Discount rate increase of 50%	$ (628)
Loss rate assumption:	
Loss rate increase of 25%	$ (298)
Loss rate increase of 50%	$ (588)
Prepayment rate assumption:	
Prepayment rate decrease of 25%	$ 53
Prepayment rate decrease of 50%	$ 117

Contingent Consideration

Our acquisition of PayBright included consideration transferred and shares held in escrow, contingent upon the achievement of future milestones. We classified the contingent consideration as a liability. The acquisition date fair value of the contingent consideration liability was estimated using a Monte Carlo simulation in which the fair value is equal to the estimated number of shares to be released from escrow, which are determined based on simulated revenue, multiplied by the simulated share price, discounted at the risk-free rate. The liability is remeasured to its fair value at each reporting date, utilizing a Monte Carlo simulation for periods in which actual revenues are unknown, until the contingency is resolved. The change in fair value of the contingent consideration at each reporting date is recognized as a component of other (expense) income, net in the interim condensed consolidated statements of operations and comprehensive loss for the respective period.

The following table summarizes the activity related to the fair value of the PayBright contingent consideration during the three and nine months ended March 31, 2022 (in thousands):

	Three Months Ended March 31, 2022	Nine Months Ended March 31, 2022
Fair value at beginning of period	$ 253,750	$ 153,447
Subsequent changes in fair value	(136,248)	(28,682)
Effect of foreign currency translation	1,506	(5,757)
Fair value at end of period	$ 119,008	$ 119,008

Significant unobservable inputs used for our Level 3 fair value measurement of the PayBright contingent consideration are the discount rate, equity volatility, and revenue volatility. Significant increases or decreases in any of the inputs in isolation could result in a significantly lower or higher fair value measurement.

The following table presents quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the contingent consideration as of March 31, 2022:

Unobservable Input	Minimum	Maximum	Weighted Average
Discount rate	13.00%	13.00%	13.00%
Equity volatility	19.00%	103.00%	86.00%
Revenue volatility	11.00%	134.00%	33.00%

The Kite acquisition included $9.0 million of cash held in escrow, the release of which is determined based on employee retention. The acquisition date fair value of the contingent consideration was estimated using a probability-weighted approach in which the likelihoods of potential employee retention outcomes were applied to the respective payout amounts and discounted to present value. The contingent consideration asset is remeasured to fair value at each reporting date based on the remaining amount held in escrow, passage of time, and any changes in expectations regarding employee retention outcomes until the contingency is resolved. The change in fair value of the contingent consideration asset at each reporting date is recognized as a component of other (expense) income, net in the consolidated statements of operations and comprehensive loss for the respective period. During the three months ended March 31, 2022, the contingency was resolved and the fair value of the contingent consideration asset was reduced to zero. For the three and nine months ended March 31, 2022, the change in fair value of the contingent consideration asset was not material.

Profit Share Liability

During the fiscal year ended June 30, 2021, we entered into a commercial agreement with an enterprise partner, in which we are obligated to share in the profitability of transactions facilitated by our platform. Upon capture of a loan under this program, we record a liability associated with the estimated future profit to be shared over the life of the loan based on estimated program profitability levels. This liability is measured using a discounted cash flow model and recorded at fair value and presented within accrued expenses and other liabilities on the interim condensed consolidated balance sheets.

The following table summarizes the activity related to the fair value of the profit share liability during the three and nine months ended March 31, 2022 (in thousands):

	Three Months Ended March 31, 2022	Nine Months Ended March 31, 2022
Fair value at beginning of period	$ 2,053	$ 2,465
Facilitation of loans	1,098	4,672
Actual performance	(2,918)	(3,929)
Subsequent changes in fair value	1,645	(1,330)
Fair value at end of period	$ 1,878	$ 1,878

Significant unobservable inputs used for our Level 3 fair value measurement of the profit share liability are the discount rate and estimated program profitability. Significant increases or decreases in any of the inputs in isolation could result in a significantly lower or higher fair value measurement.

The following table presents quantitative information about the significant unobservable inputs used for our Level 3 fair value measurement of the profit sharing liability as of March 31, 2022:

Unobservable Input	Minimum	Maximum	Weighted Average
Discount rate	30.00%	30.00%	30.00%
Program profitability	1.25%	3.54%	1.26%

Financial Assets and Liabilities Not Recorded at Fair Value

The following table presents the fair value hierarchy for financial assets and liabilities not recorded at fair value as of March 31, 2022 (in thousands):

	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets:					
Loans held for sale	$ 3,618	$ —	$ 3,618	$ —	$ 3,618
Loans held for investment, net	2,343,385	—	—	2,410,903	2,410,903
Other assets	11,807	—	11,807	—	11,807
Total assets	$ 2,358,810	$ —	$ 15,425	$ 2,410,903	$ 2,426,328
Liabilities:					
Convertible senior notes, net [(1)]	$ 1,705,624	$ —	$ 1,213,020	$ —	$ 1,213,020
Notes issued by securitization trusts	1,447,568	—	—	1,406,390	1,406,390
Funding debt	910,806	—	—	910,847	910,847
Total liabilities	$ 4,063,998	$ —	$ 1,213,020	$ 2,317,237	$ 3,530,257

(1) The estimated fair value of the convertible senior notes is determined based on a market approach, using the estimated or actual bids and offers of the notes in an over-the-counter market on the last business day of the period.

The following table presents the fair value hierarchy for financial assets and liabilities not recorded at fair value as of June 30, 2021 (in thousands):

	Carrying Amount	Level 1	Level 2	Level 3	Balance at Fair Value
Assets:					
Loans held for sale	$ 13,030	$ —	$ 13,030	$ —	$ 13,030
Loans held for investment, net	1,904,560	—	—	1,883,364	1,883,364
Accounts receivable, net	91,575	—	91,575	—	91,575
Other assets	171,250	—	171,250	—	171,250
Total assets	$ 2,180,415	$ —	$ 275,855	$ 1,883,364	$ 2,159,219
Liabilities:					
Accounts payable	$ 57,758	$ —	$ 57,758	$ —	$ 57,758
Payable to third-party loan owners	50,079	—	50,079	—	50,079
Accrued interest payable	2,751	—	2,751	—	2,751
Accrued expenses and other liabilities	161,502	—	159,387	2,115	161,502
Notes issued by securitization trusts	1,176,673	—	—	1,184,663	1,184,663
Funding debt	689,356	—	—	689,356	689,356
Total liabilities	$ 2,138,119	$ —	$ 269,975	$ 1,876,134	$ 2,146,109

14. Redeemable Convertible Preferred Stock and Stockholders’ Equity

Redeemable Convertible Preferred Stock

In September 2020, we issued 21,836,687 shares of Series G redeemable convertible preferred stock at $19.93 per share for an aggregate purchase amount of $434.9 million. These shares had a liquidation preference of $435.1 million. As part of this equity financing round, the convertible notes converted into 4,444,321 shares of Series G-1 redeemable convertible preferred stock. These shares had a liquidation preference of $75.3 million prior to conversion.

On January 12, 2021, prior to our IPO, all outstanding shares of redeemable convertible preferred stock were converted into shares of our common stock on a one-to-one basis and their carrying value of $1,327.3 million was reclassified into stockholders' deficit. Following this conversion, we amended and restated our certificate of incorporation to effect a reclassification of each share of our outstanding common stock into ½ share of Class A common stock and ½ share of Class B common stock, with cash paid for fractional shares. As of March 31, 2022 and June 30, 2021, there were no shares of redeemable convertible preferred stock issued and outstanding.

Common Stock

The Company had shares of common stock reserved for issuance as follows:

	March 31, 2022	June 30, 2021
Available outstanding under stock option plan	46,442,672	58,417,514
Available for future grant under stock option plan	39,309,914	29,793,755
Total	85,752,586	88,211,269

The common stock is not redeemable. We have two classes of common stock: Class A common stock and Class B common stock. Each holder of Class A common stock has the right to one vote per share of common stock. Each holder of Class B common stock has the right to 15 votes and can be converted at any time into one share of Class A common stock. Holders of Class A and Class B common stock are entitled to notice of any stockholders’ meeting in accordance with the bylaws of the corporation, and are entitled to vote upon such matters and in such manner as may be provided by law. Subject to the prior rights of holders of all classes of stock at the time outstanding having prior rights as to dividends, the holders of the common stock are entitled to receive, when and as declared by the Board of Directors, out of any assets of the corporation legally available therefore, such dividends as may be declared from time to time by the Board of Directors.

Common Stock Warrants

Common stock warrants are included as a component of additional paid in capital within the consolidated balance sheets.

In November 2021, we granted warrants to purchase 22,000,000 shares of common stock in connection with a commercial agreement with Amazon. 7,000,000 of the warrant shares have an exercise price of $0.01 per share and a term of 3.5 years, while the remaining 15,000,000 warrant shares have an exercise price of $100 per share and a term of 7.5 years. We valued the warrants at the grant date using the Black-Scholes-Merton option pricing model with the following assumptions: a dividend yield of zero; years to maturity of 3.5 and 7.5 years, respectively; volatility of 45%; and a risk-free rate of 0.93% and 1.47%, respectively. In connection with the portion of these warrants that were fully vested upon execution, we recognized a commercial agreement asset of $133.5 million as of December 31, 2021. Refer to Note 6. Balance Sheet Components for more information on the asset and related amortization during the period. The remaining grant-date fair value of the warrants will be recognized within our condensed consolidated statements of operations and comprehensive loss as a component of sales and marketing expense as the warrants vest, based upon Amazon’s satisfaction of the vesting conditions. During the three and nine months ended March 31, 2022, a total of $102.4 million and $173.0 million, respectively, was recognized within

sales and marketing expense, which included $10.2 million and $16.0 million in amortization expense of the commercial agreement asset in the three and nine months ended March 31, 2022, respectively, and $92.2 million and $157.0 million in expense based upon the grant-date fair value for the warrant shares that vested during the three and nine months ended March 31, 2022, respectively.

15. Equity Incentive Plans

2012 Stock Plan

Under our Amended and Restated 2012 Stock Plan (the "Plan"), we may grant incentive and nonqualified stock options, restricted stock, and restricted stock units ("RSUs") to employees, officers, directors, and consultants. As of March 31, 2022, the maximum number of shares of common stock which may be issued under the Plan is 118,374,202 Class A shares. As of March 31, 2022 and June 30, 2021, there were 39,309,914 and 29,793,755 shares of Class A common stock, respectively, available for future grants under the Plan.

Stock Options

For stock options granted before our IPO in January 2021, the minimum expiration period is seven years after termination of employment or 10 years from the date of grant. For stock options granted after our IPO, the minimum expiration period is three months after termination of employment or 10 years from the date of grant. Stock options generally vest over a period of four years or with 25% vesting on the 12 month anniversary of the vesting commencement date, and the remainder vesting on a pro-rata basis each month over the next three years.

The following table summarizes our stock option activity for the nine months ended March 31, 2022:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (in thousands)
Balance as of June 30, 2021	31,662,750	$ 10.42	6.30	
Granted	164,748	58.01		
Exercised	(12,986,539)	5.14		
Forfeited, expired or cancelled	(1,193,026)	23.59		
Balance as of March 31, 2022	17,647,933	13.84	6.78	
Vested and exercisable, March 31, 2022	11,118,698	$ 6.81	6.10	$ 442,482
Vested and exercisable, and expected to vest thereafter[(1)] March 31, 2022	17,195,165	$ 12.92	6.73	$ 586,036

(1) Options expected to vest reflect the application of an estimated forfeiture rate.

When an employee exercises stock options, we collect and remit taxes on the employee's behalf to applicable taxing authorities. As of March 31, 2022 and June 30, 2021, the balance of equity exercise taxes payable was $19.9 million and $23.7 million, respectively, which is included in accounts payable on the interim condensed consolidated balance sheets.

Stock Options with Early Exercise Rights

In accordance with the Plan, for certain stock options issued prior to the IPO, we allow for early exercise of the options while retaining the right to repurchase any unvested options upon termination of employment at the original exercise price. The proceeds received from early exercise of stock options have been recorded within

accrued expenses and other liabilities on the interim condensed consolidated balance sheets. As of March 31, 2022, the early exercise liability totaled $0.5 million.

Value Creation Award

In November 2020, in connection with an overall review of the compensation of Max Levchin, our Chief Executive Officer, in advance of the IPO, and taking into account Mr. Levchin's leadership since the inception of the Company, the comparatively modest level of cash compensation he had received from the Company during his many years of service, and that he did not hold any unvested equity awards, the Company's Board of Directors approved a long-term, multi-year performance-based stock option grant providing Mr. Levchin with the opportunity to earn the right to purchase up to 12,500,000 shares of the Company's Class A common stock (the "Value Creation Award"). We recognize stock-based compensation on these awards based on the grant date fair value using an accelerated attribution method over the requisite service period, and only if performance-based conditions are considered probable of being satisfied. During the three and nine months ended March 31, 2022, we incurred stock-based compensation expense of $29.0 million and $113.5 million, respectively, associated with the Value Creation Award as a component of general and administrative expense within the interim condensed consolidated statements of operations and comprehensive loss. For both the three and nine months ending March 31, 2021, we incurred stock-based compensation expense of $38.5 million.

As of March 31, 2022, unrecognized compensation expense related to the Value Creation Award was approximately $120.5 million. The period over which such compensation expense will be recognized is approximately 3.8 years.

Restricted Stock Units

RSUs granted prior to the IPO were subject to two vesting conditions: a service-based vesting condition (i.e., employment over a period of time) and a performance-based vesting condition (i.e., a liquidity event in the form of either a change of control or an initial public offering, each as defined in the Plan), both of which must be met in order to vest. The performance-based condition was met upon the IPO. We record stock-based compensation expense for those RSUs on an accelerated attribution method over the requisite service period, which is generally four years.

RSUs granted after IPO are subject to a service-based vesting condition. We record stock-based compensation expense for service-based RSUs on a straight-line basis over the requisite service period, which is generally one to four years.

During the nine months ended March 31, 2022, we awarded 8,530,480 RSUs to certain employees under the Plan.

The following table summarizes our RSU activity during the nine months ended March 31, 2022:

	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested as of June 30, 2021	14,242,111	$ 37.93
Granted	8,530,480	58.29
Vested	(4,780,097)	37.69
Forfeited, expired or cancelled	(1,640,873)	33.57
Non-vested as of March 31, 2022	16,351,621	$ 45.23

As of March 31, 2022, unrecognized compensation expense related to unvested RSUs was approximately $632.9 million. The weighted-average period over which such compensation expense will be recognized is approximately 2.2 years.

2020 Employee Stock Purchase Plan

On November 18, 2020, our Board of Directors adopted and approved the 2020 Employee Stock Purchase Plan (“ESPP”). A total of 9.1 million shares of Class A common stock were reserved and available for issuance under the ESPP as of March 31, 2022. The ESPP provides for six-month offering periods beginning December 1 and June 1 of each year. The first offering period began on December 1, 2021. At the end of each offering period, shares of our Class A common stock are purchased on behalf of each ESPP participant at a price per share equal to 85% of the lesser of (1) the fair market value of the Class A common stock on first day of the offering period (the grant date) or (2) the fair market value of the Class A common stock on the on the last day of the offering period (the purchase date). We use the Black-Scholes-Merton option pricing model to measure the fair value of the purchase rights issued under the ESPP. We record stock-based compensation expense on a straight-line basis over each six-month offering period, the requisite service period of the award.

Stock-Based Compensation Expense

The following table presents the components and classification of stock-based compensation (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
General and administrative	$ 58,100	$ 115,566	$ 187,789	$ 121,867
Technology and data analytics	33,639	52,058	75,133	56,827
Sales and marketing	5,998	10,568	15,655	11,909
Processing and servicing	650	1,447	1,536	1,760
Total stock-based compensation in operating expenses	98,387	179,639	280,113	192,363
Capitalized into property, equipment and software, net	14,618	6,567	39,691	7,792
Total stock-based compensation expense	$ 113,005	$ 186,206	$ 319,804	$ 200,155

In connection with the acquisition of Returnly on May 1, 2021, we issued 304,364 shares of our Class A common stock, which are held in escrow. Because the future payment of the escrowed shares is contingent on continued employment of certain employees, the arrangement represents stock-based compensation in the post combination period. The grant-date fair value was estimated based on the value of the shares at the date of closing. The escrowed shares have a requisite service period of two years and contain a performance-based vesting condition (i.e., the achievement of certain revenue targets). We record stock-based compensation expense on a straight-line basis for each tranche over the requisite service period, as long as the performance-based conditions are considered probable of being satisfied.

We estimate the grant date fair value based on the probability of achievement of the revenue targets at each reporting period.

16. Income Taxes

For the three and nine months ended March 31, 2022, we recorded income tax expense (benefit) of $0.3 million and $0.7 million, respectively, which was primarily attributable to various U.S state and foreign income taxes and the tax amortization of certain intangibles. For three and nine months ended March 31, 2021, we recorded

income tax expense (benefit) of $(0.1) million and $0.1 million, respectively, which was primarily attributable to the effects of foreign income taxes and various U.S. state income taxes.

As of March 31, 2022, we continue to recognize a full valuation allowance against our U.S. federal and state as well as the majority of our foreign net deferred tax assets. This determination was based on the assessment of the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to utilize the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred by the Company for the prior three fiscal years. The presence of a three-year cumulative loss limits the ability to consider other subjective evidence, such as our expectations of future taxable income and projections for growth.

17. Net Loss per Share Attributable to Common Stockholders

On January 12, 2021, we amended and restated our certificate of incorporation to effect a reclassification of each share of our outstanding common stock into ½ share of Class A common stock and ½ share of Class B common stock, with cash paid for fractional shares. Therefore, we have two classes of common stock: Class A common stock and Class B common stock. The rights, including the dividends and distributions, of the holders of our Class A and Class B common stock are identical, except with respect to voting. Additionally, the conversion of all outstanding shares of redeemable convertible preferred stock into shares of our common stock occurred immediately prior to the reclassification.

The following tables present basic and diluted net loss per share attributable to common stockholders for Class A and Class B common stock (in thousands, except share and per share data):

	Three Months Ended March 31, 2022		Nine Months Ended March 31, 2022	
	Class A	Class B	Class A	Class B
Numerator:				
Basic and Diluted				
Net Loss	$ (43,061)	$ (11,610)	$ (389,424)	$ (131,597)
Net Loss Attributable to Common Stockholders	$ (43,061)	$ (11,610)	$ (389,424)	$ (131,597)
Denominator:				
Basic				
Weighted average shares outstanding, basic	224,980,598	60,661,222	208,957,734	70,612,281
Total-basic	224,980,598	60,661,222	208,957,734	70,612,281
Diluted				
Weighted average common shares outstanding, diluted	224,980,598	60,661,222	208,957,734	70,612,281
Total-diluted	224,980,598	60,661,222	208,957,734	70,612,281
Net loss per share attributable to common stockholders:				
Basic	$ (0.19)	$ (0.19)	$ (1.86)	$ (1.86)
Diluted	$ (0.19)	$ (0.19)	$ (1.86)	$ (1.86)

	Three Months Ended March 31, 2021		Nine Months Ended March 31, 2021	
	Class A	Class B	Class A	Class B
Numerator:				
Basic				
Net Loss	$ (150,953)	$ (136,098)	$ (152,148)	$ (165,459)
Net Loss Attributable to Common Stockholders	$ (150,953)	$ (136,098)	$ (152,148)	$ (165,459)
Diluted				
Net Loss	$ (150,953)	$ (136,098)	$ (152,148)	$ (165,459)
Excess return to preferred stockholders on repurchase	—	—	(14,428)	(15,677)
Gain on conversion of convertible debt	—	—	191	207
Interest on convertible debt prior to conversion	—	—	859	933
Net Loss Attributable to Common Stockholders	$ (150,953)	$ (136,098)	$ (165,526)	$ (179,996)
Denominator:				
Basic				
Weighted average shares outstanding, basic	122,691,770	110,617,820	58,520,980	63,640,528
Total-basic	122,691,770	110,617,820	58,520,980	63,640,528
Diluted				
Weighted average common shares outstanding, diluted	122,691,770	110,617,820	58,520,980	63,640,528
Weighted average common shares attributable to convertible debt prior to conversion	—	—	583,925	583,925
Total-diluted	122,691,770	110,617,820	59,104,905	64,224,453
Net loss per share attributable to common stockholders:				
Basic	$ (1.23)	$ (1.23)	$ (2.60)	$ (2.60)
Diluted	$ (1.23)	$ (1.23)	$ (2.80)	$ (2.80)

The following common stock equivalents, presented based on amounts outstanding, were excluded from the calculation of diluted net loss per share attributable to common stockholders because their inclusion would have been anti-dilutive:

	As of March 31,	
	2022	2021
Stock options, including early exercise of options	17,195,165	33,342,527
Restricted stock units	16,351,621	13,975,457
Common stock warrants	5,909,896	350,000
Employee stock purchase plan shares	161,300	—
Total	39,617,982	47,667,984

18. Segments and Geographical Information

We conduct our operations through a single operating segment and, therefore, one reportable segment.

Revenue

Revenue by geography is based on the billing addresses of the borrower or the location of the merchant's national headquarters. The following table sets forth revenue by geographic area (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
United States	$ 344,731	$ 224,863	$ 956,789	$ 603,048
Canada	9,975	5,802	28,282	5,636
Other	56	—	87	—
Total	$ 354,762	$ 230,665	$ 985,158	$ 608,684

Long-Lived Assets

The following table sets forth our long-lived assets, consisting of property, equipment and software, net and operating lease right-of-use assets, by geographic area (in thousands):

	March 31, 2022	June 30, 2021
United States	$ 190,659	$ 118,076
Canada	3,240	2,251
Other	$ 150	$ —
Total	$ 194,049	$ 120,327

19. Subsequent Events

Fast Transaction

On April 19, 2022, Affirm completed the closing of the transaction contemplated by a Release and Waiver Agreement entered into with Fast AF, Inc., ("Fast") relating to the hiring of certain of its employees or service providers and an option to acquire certain of its assets. The purchase price was comprised of (i) $10.0 million in cash and (ii) forgiveness of a $15.0 million senior secured note issued to Fast in April 2022 prior to the closing. Due to the timing of the transaction, the initial accounting for the transaction is incomplete. As a result, the Company is not able to disclose certain information relating to the transaction, including the preliminary fair value of the assets acquired.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the interim condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q ("Form 10-Q") and our audited consolidated financial statements and the related notes and the discussion under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the fiscal year ended June 30, 2021 included in our Annual Report on Form 10-K (our "Annual Report"). Some of the information contained in this discussion and analysis, including information with respect to our planned investments to drive future growth, includes forward-looking statements that involve risks and uncertainties. You should review the sections titled "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" of this Form 10-Q and our most recently filed Annual Report on Form 10-K for a discussion of forward-looking statements and important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. For the periods presented, references to originating bank partners are to Cross River Bank and Celtic Bank.

Overview

We are building the next generation platform for digital and mobile-first commerce. We believe that by using modern technology, the very best engineering talent, and a mission-driven approach, we can reinvent payments and commerce. Our solutions, which are built on trust and transparency, make it easier for consumers to spend responsibly and with confidence, easier for merchants to convert sales and grow, and easier for commerce to thrive.

Our point-of-sale solutions allow consumers to pay for purchases in fixed amounts without deferred interest, hidden fees, or penalties. We empower consumers to pay over time rather than paying for a purchase entirely upfront. This increases consumers' purchasing power and gives them more control and flexibility. Our platform facilitates both true 0% APR payment options and interest-bearing loans. On the merchant side, we offer commerce enablement, demand generation, and customer acquisition tools. Our solutions empower merchants to more efficiently promote and sell their products, optimize their customer acquisition strategies, and drive incremental sales. We also provide valuable product-level data and insights — information that merchants cannot easily get elsewhere — to better inform their strategies. Finally, our consumer app unlocks the full suite of Affirm products for a delightful end-to-end consumer experience. Consumers can use our app to manage payments, open a high-yield savings account, and access a personalized marketplace.

Our company is predicated on the principles of simplicity, transparency, and putting people first. By adhering to these principles, we have built enduring, trust-based relationships with consumers and merchants that we believe will set us up for long-term, sustainable success. We believe our innovative approach uniquely positions us to define the future of commerce and payments.

Technology and data are at the core of everything we do. Our expertise in sourcing, aggregating, and analyzing data has been what we believe to be the key competitive advantage of our platform since our founding. We believe our proprietary technology platform and data give us a unique advantage in pricing risk. We use data to inform our risk scoring in order to generate value for our consumers, merchants, and capital partners. We collect and store petabytes of information that we carefully structure and use to regularly recalibrate and revalidate our models, thereby getting to risk scoring and pricing faster, more efficiently, and with a higher degree of confidence. We also prioritize building our own technology and investing in product and engineering talent as we believe these are enduring competitive advantages that are difficult to replicate. Our solutions use the latest in machine learning, artificial intelligence, cloud-based technologies, and other modern tools to create differentiated and scalable products.

We have achieved significant growth in recent periods. Our total revenue, net was approximately $354.8 million and $985.2 million for the three and nine months ended March 31, 2022, respectively, and $230.7

million and $608.7 million for the three and nine months ended March 31, 2021, respectively. We incurred net losses of $54.7 million and $521.0 million for the three and nine months ended March 31, 2022, respectively, and $287.1 million and $317.6 million for the three and nine months ended March 31, 2021, respectively.

The combination of our differentiated product offerings, efficient go-to-market strategy, and strong monetization engine has resulted in fast growth.

- ***Rapid GMV growth.*** We grew our Gross Merchandise Volume ("GMV") by approximately 73% period-over-period to $3.9 billion during the three months ended March 31, 2022 from $2.3 billion during the three months ended March 31, 2021. During the nine months ended March 31, 2022, GMV was $11.1 billion, which represented 91% growth over the nine months ended March 31, 2021.

- ***Increased consumer engagement.*** The number of active consumers on our platform grew by 7.4 million consumers from March 31, 2021 to March 31, 2022, an increase of 137%, to a total of 12.7 million.

- ***Expanded merchant network.*** We have also continued to scale the breadth and reach of our platform. From March 31, 2021 to March 31, 2022, our merchant base expanded from 11,513 to 207,049 active merchants due primarily to continued expansion to merchants related to the Shopify partnership.

Our business is designed to scale efficiently. Our partnerships with banks and other funding relationships have allowed us to remain equity capital efficient. Since July 1, 2016, we have processed approximately $28.6 billion of GMV on our platform. As of March 31, 2022, we had over $9.0 billion in funding capacity from a diverse set of capital partners, including through our warehouse facilities, securitization trusts, and forward flow arrangements, an increase of $2.5 billion from $6.5 billion as of June 30, 2021.

Through the diversity of these funding relationships, the equity capital required to build our total platform portfolio has declined from approximately 4% of the total platform portfolio as of June 30, 2021, to approximately 2% as of March 31, 2022. This metric measures the equity intensity of our business or the amount of capital used in relation to the scale of our enterprise. We define our total platform portfolio as the unpaid principal balance outstanding of all loans facilitated through our platform as of the balance sheet date, including both those loans held for investment and those loans owned by third-parties. This amount totaled $6.7 billion and $4.7 billion as of March 31, 2022 and June 30, 2021, respectively. Additionally, we define the equity capital required as the balance of loans held for investment plus loans held for sale less funding debt and notes issued by securitization trusts, per our interim condensed consolidated balance sheet. This amount totaled $157.7 million and $178.1 million as of March 31, 2022 and June 30, 2021, respectively. Equity capital required as a percent of the last twelve months' GMV was 1% and 2% as of March 31, 2022 and June 30, 2021, respectively.

We believe that our continued success will depend on many factors, including our ability to attract additional merchant partners, retain our existing merchant partners, and grow and develop our relationships with new and existing merchant partners, help our merchants grow their revenue on our platform, and develop new innovative solutions to establish the ubiquity of our network and breadth of our platform. For a further discussion of trends, uncertainties and other factors that could impact our operating results, see the section entitled "Risk Factors" in Item 1A, which is incorporated herein by reference.

Our Financial Model

Our Revenue Model

From merchants, we earn a fee when we help them convert a sale and facilitate a transaction. While merchant fees depend on the individual arrangement between us and each merchant and vary based on the terms of the product offering, we generally earn larger merchant fees on 0% APR financing products. For both the three and nine months ended March 31, 2022, 0% APR financing represented 43% of total GMV facilitated through our platform. For the three and nine months ended March 31, 2021, 0% APR financing represented 43% and 45%, respectively, of total GMV facilitated through our platform.

From consumers, we earn interest income on the simple interest loans that we originate or purchase from our originating bank partners. Interest rates charged to our consumers vary depending on the transaction risk, creditworthiness of the consumer, the repayment term selected by the consumer, the amount of the loan, and the individual arrangement with a merchant. Because our consumers are never charged deferred or compounding interest, late fees, or penalties on the loans, we are not incentivized to profit from our consumers’ hardships. In addition, interest income includes the amortization of any discounts or premiums on loan receivables created upon either the purchase of a loan from one of our originating bank partners or the origination of a loan.

In order to accelerate our ubiquity, we facilitate the issuance of virtual cards directly to consumers through our app, allowing them to shop with merchants that may not yet be fully integrated with Affirm. When these virtual cards are used over established card networks, we earn a portion of the interchange fee from the transaction.

Our Loan Origination and Servicing Model

When a consumer applies for a loan through our platform, the loan is underwritten using our proprietary risk model. Once approved for the loan, the consumer then selects his/her preferred repayment option. The substantial majority of these loans are funded and issued by our originating bank partners.

A substantial majority of the loans facilitated through our platform are originated through our originating bank partners: Cross River Bank, an FDIC-insured New Jersey state-chartered bank, and Celtic Bank, an FDIC-insured Utah state-chartered industrial bank. These partnerships allow us to benefit from our partners’ ability to originate loans under their banking licenses while complying with various federal, state, and other laws. Under this arrangement, we must comply with our originating bank partners' credit policies and underwriting procedures, and our originating bank partners maintain ultimate authority to decide whether to originate a loan or not. When an originating bank partner originates a loan, it funds the loan through its own funding sources and may subsequently offer and sell the loan to us. Pursuant to our agreements with these partners, we are obligated to purchase the loans facilitated through our platform that our partner offers us and our obligation is secured by cash deposits. To date, we have purchased all of the loans facilitated through our platform and originated by our originating bank partners. When we purchase a loan from an originating bank partner, the purchase price is equal to the outstanding principal balance of the loan, plus a fee and any accrued interest. The originating bank partner also retains an interest in the loans purchased by us through a loan performance fee that is payable by us on the aggregate principal amount of a loan that is paid by a consumer. See Note 13. Fair Value of Financial Assets and Liabilities for more information on the performance fee liability.

We are also able to originate loans directly under our lending, servicing, and brokering licenses in Canada and across various states in the U.S. through our consolidated subsidiaries. For the three and nine months ended March 31, 2022, we originated approximately $216.0 million and $645.7 million of loans in Canada, respectively, compared to approximately $103.4 million and $164.7 million for the three and nine months ended March 31, 2021, respectively. For the three and nine months ended March 31, 2022, we directly originated $659.7 million and $1,774.4 million, respectively, of loans in the U.S. pursuant to our state licenses, compared to approximately $108.1 million and $180.7 million for the three and nine months ended March 31, 2021, respectively. For both the three and nine months ended March 31, 2022, we self-originated 22% of total loans through our state and other licenses, compared to 9% and 6% for the three and nine months ended March 31, 2021, respectively.

We act as the servicer on all loans that we originate directly or purchase from our originating bank partners and earn a servicing fee on loans we sell to our funding sources. We do not sell the servicing rights on any of the loans, allowing us to control the consumer experience end-to-end. To allow for flexible staffing to support overflow and seasonal traffic, we partner with several sub-servicers to manage customer care, first priority collections, and third-party collections in accordance with our policies and procedures.

Our Funding Sources

We maintain a capital-efficient model through a diverse set of funding sources. When we originate a loan directly or purchase a loan originated by our originating bank partners, we often utilize warehouse facilities with certain lenders to finance our lending activities or loan purchases. We sell the loans we originate or purchase from our originating bank partners to whole loan buyers and securitization investors through forward flow arrangements and securitization transactions, and earn servicing fees from continuing to act as the servicer on the loans.

Key Operating Metrics

We collect and analyze operating and financial data of our business to assess our performance, formulate financial projections, and make strategic decisions. In addition to revenue, net (loss) income, and other results under accounting principles generally accepted in the United States ("U.S. GAAP"), the following tables set forth key operating metrics we use to evaluate our business.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
	(in thousands)			
Gross Merchandise Volume (GMV)	$ 3,916,253	$ 2,257,374	$ 11,086,766	$ 5,808,415

GMV

We measure gross merchandise volume to assess the volume of transactions that take place on our platform. We define GMV as the total dollar amount of all transactions on the Affirm platform during the applicable period, net of refunds. GMV does not represent revenue earned by us. However, the GMV processed through our platform is an indicator of the success of our merchants and the strength of our platform. For the three months ended March 31, 2022, GMV was $3.9 billion, which represented an increase of approximately 73% as compared to $2.3 billion for the three months ended March 31, 2021. For the nine months ended March 31, 2022, GMV was $11.1 billion, which represents an increase of approximately 91% as compared to $5.8 billion for the nine months ended March 31, 2021.

	March 31, 2022	June 30, 2021	March 31, 2021
	(in thousands, except per consumer data)		
Active Consumers	12,733	7,121	5,364
Transactions per Active Consumer (x)	2.7	2.3	2.3

Active Consumers

We assess consumer adoption and engagement by the number of active consumers across our platform. Active consumers are the primary measure of the size of our network. We define an active consumer as a consumer who engages in at least one transaction on our platform during the 12 months prior to the measurement date. As of March 31, 2022, we had 12.7 million active consumers, representing an increase of approximately 79% compared to 7.1 million as of June 30, 2021, and approximately 137% compared to 5.4 million as of March 31, 2021.

Transactions per Active Consumer

We believe the value of our network is amplified with greater consumer engagement and repeat usage, highlighted by increased transactions per active consumer. Transactions per active consumer is defined as the average number of transactions that an active consumer has conducted on our platform during the 12 months prior to the measurement date. As of March 31, 2022, we had approximately 2.7 transactions per active consumer, an increase of approximately 19% compared to both June 30, 2021 and March 31, 2021. Transactions per active consumer includes incremental transactions completed by active consumers on the PayBright and Returnly platforms during the twelve months prior to the measurement date and prior to the acquisitions of PayBright and Returnly by Affirm.

Factors Affecting Our Performance

Expanding our Network, Diversity, and Mix of Funding Relationships

Our capital efficient funding model is integral to the success of our platform. As we scale the number of transactions on our network and grow GMV, we maintain a variety of funding relationships in order to support our network. Our diversified funding relationships include warehouse facilities, securitization trusts, forward flow arrangements, and partnerships with banks. Given the short duration and strong performance of our assets, funding can be recycled quickly, resulting in a high-velocity, capital efficient funding model. We have continued to reduce the percentage of our equity capital required to fund our total platform portfolio from approximately 4% as of June 30, 2021, to approximately 2% as of March 31, 2022. The mix of on-balance sheet and off-balance sheet funding is a function of both how we choose to allocate loan volume and the available supply of capital, both of which may also impact our results in any given period.

Mix of Business on Our Platform

The mix of products that our merchants offer and our consumers purchase in any period affects our operating results. In addition, shifts in volume among merchants in any period also affects our operating results. These mix impacts affect GMV, revenue, our financial results, and our key operating metric performance for that period. Differences in product mix relate to different loan durations, APR mix, and varying proportion of 0% APR versus interest-bearing financings.

Differences in merchant mix relate to the variations in the product and economic terms of the commercial agreements among our merchants. For example, our low average order value (“AOV”) products generally benefit from shorter duration, but also have lower revenue as a percentage of GMV when compared to high AOV products. Merchant mix shifts are driven in part by the products offered by the merchant, the economic terms negotiated with the merchant, merchant-side activity relating to the marketing of their products, whether the merchant is fully integrated within our network, and general economic conditions affecting consumer demand. Our revenue as a percentage of GMV in any given period varies across products. As such, as we continue to expand our network to include more merchants, revenue as a percentage of GMV will vary. In addition, our commercial agreement with Shopify to offer Shop Pay Installments powered by Affirm and our recent Split Pay offering, a short-term payment plan with 0% APR, will continue to increase the mix of our shorter duration, low AOV products. Differences in the mix of high versus low AOV will also impact our results. For example, we expect that transactions per active consumer may increase while revenue as a percentage of GMV may decline in the medium term to the extent that a greater portion of our GMV comes from Split Pay and other low-AOV offerings.

Sales and Marketing Investment

We rely on the strength of our merchant relationships and positive user experience to develop our consumer brand and grow the ubiquity of our platform. During the three and nine months ended March 31, 2022, we increased our investment in sales and marketing channels that we believe will drive further brand awareness and preference among both consumers and merchants. Given the nature of our revenue, our investment in sales and marketing in a given period may not impact results until subsequent periods. Additionally, given the increasingly competitive

nature of merchant acquisition, we have previously made, and expect that we may make, significant investments in retaining and acquiring new merchants. We are focused on the effectiveness of sales and marketing spending and will continue to be strategic in maintaining efficient consumer and merchant acquisition.

Seasonality

We experience seasonal fluctuations in our revenue as a result of consumer spending patterns. Historically, our revenue has been the strongest during the second quarter of our fiscal year due to increases in retail commerce during the holiday season. Adverse events that occur during these months could have a disproportionate effect on our financial results for the fiscal year.

Impact of COVID-19

The COVID-19 pandemic has had, and continues to have, a significant impact on the U.S. economy and the markets in which we operate. Our positive performance during this period demonstrates the value and effectiveness of our platform, the resiliency of our business model, and the capabilities of our risk management and underwriting approach. As we enter a new phase of the pandemic, our focus will turn to both changing macro-economic conditions and individual consumer spending habits. As we observe new behavior, we will rely on our flexible and robust risk infrastructure to make appropriate decisions for our business.

Diversified Mix of Merchant Partners

We have a diversified set of merchant partners across industries, which allows us to capitalize on industry tailwinds and changing consumer spending behavior, economic conditions, and other factors that may affect a particular type of merchant or industry. For example, following the onset of the COVID-19 pandemic, our revenue from merchant partners in the travel, hospitality, and entertainment industries declined significantly, but we saw a significant increase in revenue from merchant partners offering home fitness equipment, home office products, and home furnishings. As we move past the period of extended lock-downs due to COVID-19, we have observed strong changes in consumer preferences. Industries impacted by the lock-down such as travel and hospitality have seen a strong resurgence and have either replaced or offset the spending decreases we experienced in the aforementioned categories.

Dynamic Changes to Risk Model

As part of our risk mitigation platform, we closely track data and trends to measure risk and manage exposure, leveraging our flexibility to quickly adjust and adapt. In response to the macroeconomic impact of the COVID-19 pandemic, we initiated a series of refinements to our risk model based on our real-time data observations and analysis. We were able to respond, implement, and test the updates to our model quickly due to the adaptability of our infrastructure, underwriting, and risk management models. This resulted in continued decreases across both charge-offs and delinquencies. As macroeconomic conditions improved, the embedded flexibility of the model allowed our risk tolerances to return closer to pre-pandemic levels while still maintaining low losses. Our proprietary risk model was not designed to take into account the longer-term impacts of social, economic, and financial disruptions caused by the COVID-19 pandemic, and while we continue to make refinements to our risk model as new information becomes available to us, any changes to our risk model may be ineffective and the performance of our risk model may decline.

Resilient Allowance Model

At the onset of the COVID-19 pandemic in March 2020, we factored in updated loss multiples using macroeconomic data to reflect stressed expected loss scenarios emerging from forecasted delinquencies and defaults. This stressing of the model resulted in an increase of the allowance for credit losses as a percentage of loans held for investment to a high of 14.8% as of March 31, 2020. In the months subsequent to this and during fiscal year 2021, we saw stronger than expected repayment history in the portfolio and increased credit quality of loans held on our balance sheet from credit tightening, resulting in a release of the allowance over time. As the economic reopening

and recovery continues, we believe our allowance model is well equipped to forecast expected loss scenarios resulting from both the shifting product mix of loans on our balance sheet as well as a return to pre-pandemic credit levels over time. The allowance for credit losses as a percentage of loans held for investment increased from 5.8% as of June 30, 2021 to 6.4% as of March 31, 2022 due to a shift in the composition of loans retained on balance sheet. Should macroeconomic factors or expected losses change, we may increase or decrease the allowance for credit losses.

Components of Results of Operations

Revenue

Merchant Network Revenue

Merchant partners are generally charged a fee based on GMV processed through the Affirm platform. The fees vary depending on the individual arrangement between us and each merchant and on the terms of the product offering. The fee is recognized at the point in time the terms of the executed merchant agreement have been fulfilled and the merchant successfully confirms the transaction. We may originate certain loans via our wholly-owned subsidiaries, with zero or below market interest rates. In these instances, the par value of the loans originated is in excess of the fair market value of such loans, resulting in a loss, which we record as a reduction to merchant network revenue and/or virtual card network revenue. In order to continue to expand our consumer base, we may originate loans under certain merchant arrangements that we do not expect to achieve positive revenue. In these instances, the loss is recorded as sales and marketing expense unless it is determined as recoverable in future periods. During the three and nine months ended March 31, 2022, we generated 33% and 35% of our revenue from merchant network fees, respectively. During the three and nine months ended March 31, 2021, we generated 43% and 47% of our revenue from merchant network fees, respectively.

Virtual Card Network Revenue

A smaller portion of our revenue comes from our Virtual Card product. We have an agreement with an issuer processor to facilitate transactions through the issuance of virtual debit cards to be used by consumers at checkout. Consumers can apply for a virtual debit card through the Affirm app and, upon approval, receive a single-use virtual debit card to be used for their purchase online or offline at a non-integrated merchant. The virtual debit card is funded at the time a transaction is authorized using cash held by the issuer processor in a reserve fund, which is ultimately funded and maintained by us. We, or our originating bank partner, then originate a loan to the consumer once the transaction is confirmed by the merchant. The non-integrated merchants are charged interchange fees by the issuer processor for virtual debit card transactions, as with all debit card purchases, and the issuer processor shares a portion of this revenue with us. We also leverage this issuer processor as a means of integrating certain merchants. Similarly, for these arrangements with integrated merchants, the merchant is charged interchange fees by the issuer processor and the issuer processor shares a portion of this revenue with us. This revenue is recognized as a percentage of both our captured volume transacted on the payment processor network and net interchange income, and this revenue is presented net of associated processing fees. We generated 7% of our revenue from virtual card network fees for both the three and nine months ended March 31, 2022, and 6% and 5% of our revenue from virtual card network fees for the three and nine months ended March 31, 2021, respectively.

Interest Income

We also earn revenue through interest earned on loans facilitated by our platform. Interest income includes interest charged to consumers over the term of the consumers’ loans based on the principal outstanding and is calculated using the effective interest method. In addition, interest income includes the amortization of any discounts or premiums on loan receivables created upon either the purchase of a loan from our originating bank partners or the origination of a loan. These discounts and premiums are accreted or amortized over the life of the loan using the effective interest method and represented 34% and 36% of total interest income for the three and nine months ended March 31, 2022, respectively, compared to 33% and 31% for the three and nine months ended March 31, 2021. During the three and nine months ended March 31, 2022, we generated 38% and 40% of our revenue from interest

income, respectively. During the three and nine months ended March 31, 2021, we generated 41% and 37% of our revenue from interest income, respectively.

Gain on Sales of Loans

We sell a portion of the loans we originate or purchase from our originating bank partners to third-party investors. We recognize a gain or loss on sale of such loans as the difference between the proceeds received, adjusted for initial recognition of servicing assets and liabilities obtained at the date of sale, and the carrying value of the loan. During the three and nine months ended March 31, 2022, gain on sale was reduced by $0.9 million and $3.1 million due to the net impact of the servicing assets and liabilities of the loans sold, respectively. During both the three and nine months ended March 31, 2022, we generated 15% of our revenue from gain on sales of loans. During the three and nine months ended March 31, 2021, we generated 7% and 8% of our revenue from gain on sales of loans, respectively.

Servicing Income

We earn a specified fee from providing professional services to manage loan portfolios on behalf of our third-party loan owners. Under the servicing agreements with our third-party loan owners, we are entitled to collect servicing fees on the loans that we service, which are paid monthly based upon an annual fixed percentage of the outstanding loan portfolio balance. During the three and nine months ended March 31, 2022, we generated 7% and 4% of our revenue from servicing fees, respectively. During both the three and nine months ended March 31, 2021, we generated 3% of our revenue from servicing fees.

We expect our revenue may vary from period to period based on, among other things, the timing of onboarding and size of new merchants, the mix of 0% APR loans versus interest-bearing loans with simple interest, loan funding strategy and mix, type and mix of products that our merchants offer to their customers, the rate of repeat transactions, transaction volume, and seasonality of or fluctuations in usage of our platform.

Operating Expenses

Our operating expenses consist of the loss on loan purchase commitment made to our originating bank partners, the provision for credit losses, funding costs, processing and servicing, technology and data analytics, sales and marketing, and general and administrative expenses. Salaries and personnel-related costs, including benefits, bonuses, stock-based compensation expense and occupancy, comprise a significant component of several of these expense categories. An allocation of overhead, such as rent and other overhead, is based on employee headcount and included in processing and servicing, technology and data analytics, sales and marketing, and general and administrative expenses.

As of March 31, 2022, we had 2,233 employees, compared to 1,641 employees as of June 30, 2021. We increased our headcount and personnel related costs across our business in order to support our growth expansion strategy. We expect headcount to continue to increase during fiscal year 2022 given our focus on growth and expansion.

Loss on Loan Purchase Commitment

We purchase certain loans from our originating bank partners that are processed through our platform and our originating bank partner puts back to us. Under the terms of the agreements with our originating bank partners, we are generally required to pay the principal amount plus accrued interest for such loans. In certain instances, our originating bank partners may originate loans with zero or below market interest rates that we are required to purchase. In these instances, we may be required to purchase the loan for a price in excess of the fair market value of such loans, which results in a loss. These losses are recognized as loss on loan purchase commitment in our interim condensed consolidated statements of operations and comprehensive loss. These costs are incurred on a per loan basis.

Provision for Credit Losses

Provision for credit losses consists of amounts charged against income during the period to maintain an allowance for credit losses. Our allowance for credit losses represents our estimate of the credit losses inherent in our loans held for investment and is based on a variety of factors, including the composition and quality of the portfolio, loan specific information gathered through our collection efforts, current economic conditions, future reasonable and supportable forecasts, and our historical net charge-off and loss experience. These costs are incurred on a per loan basis.

Funding Costs

Funding costs consist of interest expense and the amortization of fees for certain borrowings including on balance sheet VIEs and sale and repurchase agreements, and other costs incurred in connection with funding the purchases and originations of loans. Amortization of debt issuance costs totaled $3.6 million and $13.2 million for the three and nine months ended March 31, 2022, respectively, and $1.3 million and $3.7 million for the three and nine months ended March 31, 2021, respectively.

Processing and Servicing

Processing and servicing expense consists primarily of payment processing fees, third-party customer support and collection expense, salaries and personnel-related costs of our customer care team, platform fees, and allocated overhead. Payment processing costs are primarily driven by the number and dollar value of consumer repayments which grow as the number of transactions and GMV processed on our platform increases. Customer care loan servicing costs are primarily staffing costs related to third-party and in-house loan servicing agents, the demand for which generally increases with the number of transactions on our platform. Collection fees are fees paid to agencies as percentages of the dollars of repayment they recuperate from borrowers whose loans had previously been charged off. Platform fees are revenue sharing fees paid to our e-commerce platform partners.

Technology and Data Analytics

Technology and data analytics expense consists primarily of the salaries, stock-based compensation, and personnel-related costs of our engineering and product employees as well as our credit and analytics employees who develop our proprietary risk model, which totaled $68.5 million and $172.4 million for the three and nine months ended March 31, 2022, respectively, and $77.5 million and $123.5 million for the three and nine months ended March 31, 2021, respectively.

Additionally, for the three and nine months ended March 31, 2022, $34.4 million and $95.2 million, respectively, of salaries and personnel costs that relate to the creation of internally-developed software were capitalized into property, equipment and software, net on our interim condensed consolidated balance sheets, and we recorded amortization expense of $6.4 million and $15.3 million for the three and nine months ended March 31, 2022, respectively. For the three and nine months ended March 31, 2021, $11.2 million and $18.8 million, respectively, of salaries and personnel costs that relate to the creation of internally-developed software were capitalized into property, equipment and software, net on the interim condensed consolidated balance sheets, and amortized into technology and data analytics expense over the useful life of the developed software. This amortization expense totaled $2.2 million and $7.4 million for the three and nine months ended March 31, 2021, respectively. Additional technology and data analytics expenses include platform infrastructure and hosting costs, third-party data acquisition expenses, and expenses related to the maintenance of existing technology assets and our technology platform as a whole.

Sales and Marketing

Sales and marketing costs consist of the expense related to warrants and other share-based payments granted to our enterprise partners, salaries and personnel-related costs, as well as costs of general marketing and promotional activities, promotional event programs, sponsorships, and allocated overhead. In July 2020, we recognized an asset in connection with a commercial agreement with Shopify in which we granted warrants in exchange for their promotion of the Affirm platform with potential new merchant partners. This asset represents the probable future economic benefit to be realized over the four-year expected benefit period and is valued based on the fair value of the warrants at the grant date. This value is amortized on a straight-line basis over the four-year expected benefit period into sales and marketing expense, due to the nature of the expected benefit. In November 2021, we entered into a commercial agreement with Amazon and granted warrants in exchange for certain exclusivity provisions and the benefit of acquiring new users. In connection with the agreements, we recognized an asset associated with the portion of the warrants that were fully vested upon execution of the agreement. The asset is valued based on the fair value of the warrants on the grant date and represents the probable future economic benefit to be realized over the approximately 3.2 year remaining initial term of the commercial agreement. For the three and nine months ended March 31, 2022, we recognized $102.4 million and $173.0 million of expenses related to the warrants within sales and marketing expense, respectively, which included the amortization expense of the commercial agreement asset and the expense based upon the grant-date fair value for the warrant shares that vested during the period. For the three and nine months ended March 31, 2022, the expense related to warrants and other share-based payments comprised 76% and 62% of sales and marketing expenses, respectively, compared to 29% and 40% for the three and nine months ended March 31, 2021, respectively.

Additionally, in order to continue to expand our consumer base, we may originate certain loans via our wholly-owned subsidiaries with zero or below market interest rates under certain merchant arrangements that we do not expect to achieve positive revenue. In these instances, the par value of the loans originated is in excess of the fair market value of such loans, which results in a loss. These losses are recorded as sales and marketing expense. These losses totaled $3.3 million and $19.1 million, respectively, during the three and nine months ended March 31, 2022, compared to $3.1 million and $4.1 million for the three and nine months ended March 31, 2021, respectively. We expect that our sales and marketing expense will continue to increase as we expand our sales and marketing efforts to drive our growth, expansion, and diversification.

General and Administrative

General and administrative expenses consist primarily of expenses related to our finance, legal, risk operations, human resources, and administrative personnel. General and administrative expenses also include costs related to fees paid for professional services, including legal, tax and accounting services, and allocated overhead.

We continue to incur additional expenses as a result of operating as a public company, including costs to comply with the rules and regulations applicable to companies listed on a national securities exchange, costs related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, and increased expenses for insurance, investor relations, and professional services. We expect that our general and administrative expense will increase in absolute dollars as our business grows.

Other Income and Expenses

Other (Expense) Income, Net

Other (expense) income, net consists primarily of interest earned on our money market funds included in cash and cash equivalents and restricted cash, interest earned on securities available for sale, gains and losses incurred on derivative agreements, amortization of convertible debt issuance cost and revolving debt facility issuance costs, and fair value adjustments resulting from changes in the fair value of our contingent consideration liability, primarily driven by changes in the market price of our Class A common stock.

Income Tax Expense

Our income tax expense (benefit) consists of U.S. federal and state income taxes, Canadian federal and provincial income taxes, and income taxes attributable to other foreign jurisdictions.

Results of Operations

The following tables set forth selected interim condensed consolidated statements of operations and comprehensive loss data for each of the periods presented in dollars:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	**2021**	**2022**	**2021**
	(in thousands)			
Revenue				
Merchant network revenue	$ 121,054	$ 97,999	$ 340,385	$ 290,894
Virtual card network revenue	23,169	13,809	69,122	30,587
Total network revenue	144,223	111,808	409,507	321,481
Interest income [1]	134,599	94,530	390,256	222,624
Gain on sales of loans [1]	52,484	16,350	141,153	47,344
Servicing income	23,456	7,977	44,242	17,235
Total Revenue, net	**$ 354,762**	**$ 230,665**	**$ 985,158**	**$ 608,684**
Operating Expenses [2]				
Loss on loan purchase commitment	$ 46,853	$ 62,054	$ 163,796	$ 195,690
Provision for credit losses	66,294	(1,063)	182,581	40,389
Funding costs	15,824	14,665	50,277	37,077
Processing and servicing	43,371	21,368	110,421	51,668
Technology and data analytics	110,291	104,806	283,293	180,208
Sales and marketing	156,214	58,184	363,650	119,878
General and administrative	142,466	179,999	419,962	253,188
Total Operating Expenses	**581,313**	**440,013**	**1,573,980**	**878,098**
Operating Loss	**$ (226,551)**	**$ (209,348)**	**$ (588,822)**	**$ (269,414)**
Other (expense) income, net	172,139	(77,773)	68,507	(48,088)
Loss Before Income Taxes	**$ (54,412)**	**$ (287,121)**	**$ (520,315)**	**$ (317,502)**
Income tax expense (benefit)	259	(70)	706	105
Net Loss	**$ (54,671)**	**$ (287,051)**	**$ (521,021)**	**$ (317,607)**
Other Comprehensive Income (Loss)				
Foreign currency translation adjustments	$ 5,406	$ 2,829	$ 3,945	$ 5,048
Unrealized gain (loss) on securities available for sale, net	(2,105)	—	(3,041)	—
Net Other Comprehensive Income (Loss)	**3,301**	**2,829**	**904**	**5,048**
Comprehensive Loss	**$ (51,370)**	**$ (284,222)**	**$ (520,117)**	**$ (312,559)**

(1) Upon purchase of a loan from our originating bank partners at a price above the fair market value of the loan or upon the origination of a loan with a par value in excess of the fair market value of the loan, a discount is included in the amortized cost basis of the loan. For loans held for investment, this discount is amortized over

the life of the loan into interest income. When a loan is sold to a third-party loan buyer, the unamortized discount is released in full at the time of sale and recognized as part of the gain or loss on sales of loans. However, the cumulative value of the loss on loan purchase commitment or loss on origination, the interest income recognized over time from the amortization of discount while retained, and the release of discount into gain on sales of loans, together net to zero over the life of the loan. The following table details activity for the discount, included in loans held for investment, for the periods indicated:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
	(in thousands)			
Balance at the beginning of the period	$ 47,960	$ 71,571	$ 53,177	$ 28,659
Additions from loans purchased or originated, net of refunds	87,161	71,294	286,034	201,531
Amortization of discount	(45,443)	(31,625)	(138,853)	(68,843)
Unamortized discount released on loans sold	(40,177)	(29,357)	(150,857)	(79,464)
Balance at the end of the period	$ 49,501	$ 81,883	$ 49,501	$ 81,883

(2) Amounts include stock-based compensation as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
	(in thousands)			
General and administrative	$ 58,100	$ 115,566	$ 187,789	$ 121,867
Technology and data analytics	33,639	52,058	75,133	56,827
Sales and marketing	5,998	10,568	15,655	11,909
Processing and servicing	650	1,447	1,536	1,760
Total stock-based compensation in operating expenses	98,387	179,639	280,113	192,363
Capitalized into property, equipment and software, net	14,618	6,567	39,691	7,792
Total stock-based compensation expense	$ 113,005	$ 186,206	$ 319,804	$ 200,155

Comparison of the Three and Nine Months Ended March 31, 2022 and 2021

Total Revenue, net

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2022	2021	$	%	2022	2021	$	%
	(in thousands, except percentage)							
Merchant network revenue	$ 121,054	$ 97,999	$ 23,055	24 %	$ 340,385	$ 290,894	$ 49,491	17 %
Virtual card network revenue	23,169	13,809	9,360	68 %	69,122	30,587	38,535	126 %
Total network revenue	144,223	111,808	32,415	29 %	409,507	321,481	88,026	27 %
Interest income	134,599	94,530	40,069	42 %	390,256	222,624	167,632	75 %
Gain on sales of loans	52,484	16,350	36,134	221 %	141,153	47,344	93,809	198 %
Servicing income	23,456	7,977	15,479	194 %	44,242	17,235	27,007	157 %
Total Revenue, net	$ 354,762	$ 230,665	124,097	54 %	$ 985,158	$ 608,684	376,474	62 %

Total Revenue, net for the three and nine months ended March 31, 2022 increased by $124.1 million or 54% and $376.5 million or 62%, respectively, compared to the three and nine months ended March 31, 2021. The increase is primarily due to an increase of $1.7 billion or 73% and $5.3 billion or 91% in GMV on our platform during the quarter, from $2.3 billion and $5.8 billion for the three and nine months ended March 31, 2021, respectively, to $3.9 billion and $11.1 billion for the three and nine months ended March 31, 2022, respectively. This increase in GMV was driven by the strong network effects of the expansion of our active merchant base from 11,513 as of March 31, 2021 to 207,049 as of March 31, 2022, an increase in active consumers from 5.4 million as of March 31, 2021 to 12.7 million as of March 31, 2022, and an increase in average transactions per consumer from 2.3 as of March 31, 2021 to 2.7 as of March 31, 2022.

Merchant network revenue for the three and nine months ended March 31, 2022 increased by $23.1 million or 24% and $49.5 million or 17%, compared to the three and nine months ended March 31, 2021, respectively. Merchant network revenue as a percentage of GMV for the three months ended March 31, 2022 decreased to 3.1% compared to 4.3% for the three months ended March 31, 2021, and decreased to 3.1% for the nine months ended March 31, 2022 compared to 5.0% for the nine months ended March 31, 2021.

Merchant network revenue growth is generally correlated with both GMV growth and the mix of loans on our platform as different loan characteristics are positively or negatively correlated with merchant fee revenue as a percentage of GMV. In particular, merchant network revenue as a percentage of GMV typically increases with the term length and AOV of our loans, and typically decreases with shorter duration and higher APR loans. Specifically, long-term 0% APR loans typically carry higher merchant fees as a percentage of GMV and have higher AOVs.

The increase in merchant network revenue during the three and nine month period was primarily driven by an increase in GMV, partially offset by reductions in the concentration of long-term 0% APR loans, our highest merchant fee category. For the three and nine months ended March 31, 2022, approximately 8% and 10%, respectively, of total revenue was driven by our largest merchant partner by merchant network revenue, Peloton, for which we facilitate long-term 0% APR loans with a higher merchant fee, compared with 20% and 31% of total revenue in the comparative periods. More broadly, for both the three and nine months ended March 31, 2022, loans with term lengths greater than 12 months accounted for 21% of GMV, compared to 30% and 32% for the three and nine months ended March 31, 2021, respectively, primarily due to the increased adoption of our Split Pay product. AOV was lower at $374 and $377 for the three and nine months ended March 31, 2022, respectively, compared to $564 and $577 for the three and nine months ended March 31, 2021, respectively, primarily due to the increased adoption of our Split Pay product.

Additionally, we recorded reductions to merchant network revenue of $21.7 million and $63.9 million for the three and nine months ended March 31, 2022, respectively, associated with the creation of discounts upon origination of loans with par values in excess of the fair value of such loans, compared to $5.4 million and $12.4 million during the three and nine months ended March 31, 2021, respectively. These reductions to merchant network revenue are primarily due to our Split Pay product and our 0% APR lending programs outside of the United States.

Virtual card network revenue for the three and nine months ended March 31, 2022 increased by $9.4 million or 68% and $38.5 million or 126%, compared to the three and nine months ended March 31, 2021, respectively. This increase was driven by an increase in GMV processed through our issuer processor of 75% and 122% for the three and nine months March 31, 2022, respectively, due to increased activity on our virtual card-enabled mobile application as well as growth in existing and new merchants integrated using our virtual card platform. Virtual card network revenue is also impacted by the mix of merchants as different merchants can have different interchange rates depending on their industry or size, among other factors.

Interest income for the three and nine months ended March 31, 2022 increased by $40.1 million or 42% and $167.6 million or 75%, respectively, compared to the three and nine months ended March 31, 2021. Generally, interest income is correlated with the changes in the average balance of loans held for investment, as we recognize interest on loans held for investment using the effective interest method over the life of the loan. The average balance of loans held for investment increased by 21% to $2,464.2 million, and by 39% to $2,262.6 million for the three and nine months ended March 31, 2022, respectively, compared to the same period in the prior fiscal year.

As an annualized percentage of average loans held for investment, total interest income increased from approximately 19% during the three months ended March 31, 2021 to 22% during the three months ended March 31, 2022. This change was driven by a decrease in the average proportion of 0% APR loans being held on our interim condensed consolidated balance sheet as a percentage of the total loans held for investment, which decreased from 51% and 47% during the three and nine months ended March 31, 2021 to 39% and 41% during the three and nine months ended March 31, 2022. The shift was largely due to increased concentration of loans with large enterprise merchant partners; those loans tend to be interest-bearing.

We recognize interest income on 0% APR loans via the amortization of the loan discount. Short term 0% APR loans, including Split Pay loans, carry higher annualized discounts as percentages of annualized loan balances than longer term loans, and thus amortize more discount into interest income as percentages of unpaid principal balance than longer term loans. Therefore, the change in the mix of 0% APR loans held for investment is also contributing to the increase in interest income as an annualized percentage of average loans held for investment. The total amortization of discounts on loans held for investment increased by $13.8 million or 44% and $70.0 million or 102% for the three and nine months ended March 31, 2022, respectively, compared with the three and nine months ended March 31, 2021. The amortization of discounts represented 34% and 36% of total interest income for the three and nine months ended March 31, 2022, compared to 33% and 31% for the three and nine months ended March 31, 2021, respectively. This increase included the amortization of discounts arising from self-originated loans held for investment of $33.2 million and $79.7 million during the three and nine months ended March 31, 2022, respectively, which was $7.8 million and $9.7 million for the three and nine months ended March 31, 2021, respectively.

Gain on sales of loans for the three and nine months ended March 31, 2022 increased by $36.1 million or 221%, and $93.8 million or 198%, compared to the three and nine months ended March 31, 2021. We sold loans with an unpaid balance of $756.7 million and $2,013.2 million for the three and nine months ended March 31, 2021, respectively, and $2,042.5 million and $5,647.5 million for the three and nine months ended and March 31, 2022, for which we retained servicing rights. This increase was primarily due to higher loan sale volume, favorable loan sale pricing terms, and optimizing the allocation of loans to loan buyers with higher pricing terms.

Servicing income for the three and nine months ended March 31, 2022 increased by $15.5 million or 194% and $27.0 million or 157%, compared to the three and nine months ended March 31, 2021, respectively. This increase was primarily due to an increase in the average unpaid principal balance of loans owned by third-party loan owners and increases in negotiated servicing rates with new and existing third-party loan owners. Additionally, we recognized an increase of servicing income of $6.4 million related to the changes in fair value of servicing assets and liabilities during the three months ended March 31, 2022, compared with an increase to servicing income of $0.9

million during the three months ended March 31, 2021. Similarly, during the nine months ended March 31, 2022, we recognized an increase of $3.7 million compared with a reduction of $0.2 million during the nine months ended March 31, 2021.

Operating Expenses

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2022	2021	2022	2021
	(in thousands)			
Loss on loan purchase commitment	$ 46,853	$ 62,054	$ 163,796	$ 195,690
Provision for credit losses	66,294	(1,063)	182,581	40,389
Funding costs	15,824	14,665	50,277	37,077
Processing and servicing	43,371	21,368	110,421	51,668
Total transaction costs	172,342	97,024	507,075	324,824
Technology and data analytics	110,291	104,806	283,293	180,208
Sales and marketing	156,214	58,184	363,650	119,878
General and administrative	142,466	179,999	419,962	253,188
Total operating expenses	$ 581,313	$ 440,013	$ 1,573,980	$ 878,098

Loss on Loan Purchase Commitment

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2022	2021	$	%	2022	2021	$	%
	(in thousands, except percentage)							
Loss on loan purchase commitment	$ 46,853	$ 62,054	$ (15,201)	(24)%	$ 163,796	$ 195,690	$ (31,894)	(16)%
Percentage of total revenue, net	13 %	27 %			17 %	32 %		

Loss on loan purchase commitment for the three and nine months ended March 31, 2022 decreased by $15.2 million or 24% and $31.9 million or 16%, compared to the three and nine months ended March 31, 2021, respectively. This decrease was due to a decrease in the volume of long-term 0% APR loans purchased from our originating bank partners compared to the prior period, which are purchased above fair market value The decrease in loss on loan purchase commitment is also impacted by changes in the estimate of fair value of the loans driven primarily by the mix of loan terms. During the three and nine months ended March 31, 2022, we purchased $790.6 million and $2,432.8 million, respectively, of 0% APR loan receivables from our originating bank partners, representing a decrease of $35.7 million or 4% and $58.3 million or 2% compared to the three and nine months ended March 31, 2021, respectively.

Provision for Credit Losses

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2022	2021	$	%	2022	2021	$	%
	(in thousands, except percentage)							
Provision for credit losses	$ 66,294	$ (1,063)	$ 67,357	(6,337)%	$ 182,581	$ 40,389	$ 142,192	352 %
Percentage of total revenue, net	19 %	— %			19 %	7 %		
Allowance as a percentage of loans held for investment	6.4 %	5.2 %			6.4 %	5.2 %		

Provision for credit losses generally represents the amount of expense required to maintain the allowance for credit losses on our interim condensed consolidated balance sheet, which represents management’s estimate of future losses. In the event that our loans outperform expectation and/or we reduce our expectation of credit losses in future periods, we may release reserves and thereby reduce the allowance for credit losses, yielding income in the provision for credit losses. The provision is determined by the change in estimates for future losses and the net charge-offs incurred in the period. We record provision expense for each loan we retain as loans held for investment, whether we originate the loan or purchase it from one of our originating bank partners. The allowance as a percentage of loans held for investment increased from 5.2% as of March 31, 2021 to 6.4% as of March 31, 2022 primarily due to a deconcentration of long-term, lower-credit-risk 0% APR loans on our balance sheet and rapid growth of new platforms and partnerships with higher expected losses.

Additionally, during the prior fiscal year, following the loss of our emerging growth company status, we adopted ASU 2016-13, “Financial Instruments — Credit Losses (Topic 326)” using the modified retrospective approach. The amendments replaced the incurred loss impairment methodology for computing our allowance for credit losses with the current expected credit loss model ("CECL"), effective July 1, 2020. As part of this modified retrospective approach to adoption, we recorded an adjustment reducing the provision for credit losses by $16.3 million for the nine months ended March 31, 2021.

During the three months ended March 31, 2022, provision for credit losses expense increased $67.4 million compared to the $1.1 million provision for credit losses income recognized for the three months ended March 31, 2021. Prior year provision for credit losses was recognized as income due to a combination of factors reducing the allowance for credit losses during the three months ended March 31, 2021. Firstly, continued stronger than expected repayment performance of the portfolio resulted in a decrease of approximately $12.3 million. Secondly, we began transitioning to a new underlying data model which incorporates internal improvements to our underwriting and collections processes. This change in model resulted in a decrease of approximately $48.2 million. These decreases were largely offset by allowances recognized on new purchases and originations of loans held for investment in the period with generally higher credit quality. For the nine months ended March 31, 2022, provision for credit losses increased $142.2 million or 352% compared to the nine months ended March 31, 2021. The discrete adjustments in 2021 resulted in prior year provision being unusually low while this year’s figures reflect the intentional normalization of credit.

Table of Contents

Funding Costs

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2022	2021	$	%	2022	2021	$	%
	(in thousands, except percentage)							
Funding costs	$ 15,824	$ 14,665	$ 1,159	8 %	$ 50,277	$ 37,077	$ 13,200	36 %
Percentage of total revenue, net	4 %	6 %			5 %	6 %		

Funding costs for the three and nine months ended March 31, 2022 increased by $1.2 million or 8%, and $13.2 million or 36%, compared to the three and nine months ended March 31, 2021, respectively. Funding costs for a given period are correlated with the sum of the average balance of funding debt and the average balance of notes issued by securitization trusts. This increase was primarily due to the increase of notes issued by securitization trusts during the current fiscal year, which bear interest at fixed rates. The average balance of notes issued by securitization trusts during the three and nine months ended March 31, 2022 was $1,512.4 million and $1,415.3 million, respectively, compared with $1,029.8 million and $639.6 million, respectively, during the three and nine months ended March 31, 2021. The average balance of funding debt for the three and nine months ended March 31, 2022 was $773.6 million and $688.9 million, respectively, compared with $782.7 million and $770.5 million, respectively, during the three and nine months ended March 31, 2021. Combined, average total debt for the three and nine months ended March 31, 2022 increased by $473.6 million or 26% and $694.0 million or 49%, respectively, compared to the three and nine months ended March 31, 2021 while the average reference interest rate increased by 89% and decreased by 4% during each period, respectively.

Processing and Servicing

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2022	2021	$	%	2022	2021	$	%
	(in thousands, except percentage)							
Processing and servicing	$ 43,371	$ 21,368	$ 22,003	103 %	$ 110,421	$ 51,668	$ 58,753	114 %
Percentage of total revenue, net	12 %	9 %			11 %	8 %		

Processing and servicing expense for the three and nine months ended March 31, 2022 increased by $22.0 million or 103% and $58.8 million or 114%, respectively, compared to the three and nine months ended March 31, 2021. This increase was primarily due to a $15.4 million or 152% and $39.8 million or 169%, increase in payment processing fees due to increased payments volume for the three and nine months ended March 31, 2022, respectively. Additionally, processing fees paid to our customer referral partners increased by $1.9 million or 133% and $3.5 million or 117%, for the three and nine months ended March 31, 2022, respectively. Personnel costs decreased by $0.4 million or 8% for the three months ended March 31, 2022 primarily due to employee equity vesting during the three months ended March 31, 2021 as the company went public. Personnel costs increased by $4.1 million or 48% for the nine months ended March 31, 2022 driven by growth in headcount. For the three and nine months ended March 31, 2022, third-party loan servicing and collections spend increased 109% and 80%, respectively, due to increased loan volume.

Technology and Data Analytics

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2022	2021	$	%	2022	2021	$	%
	(in thousands, except percentage)							
Technology and data analytics	$ 110,291	$ 104,806	$ 5,485	5 %	$ 283,293	$ 180,208	$ 103,085	57 %
Percentage of total revenue, net	31 %	45 %			29 %	30 %		

Technology and data analytics expense for the three and nine months ended March 31, 2022 increased by $5.5 million or 5% and $103.1 million or 57%, respectively, compared to the three and nine months ended March 31, 2021. For the three months ended March 31, 2022, we saw a $9.0 million or 12% decrease in engineering, product, and data science personnel costs, net of capitalized costs for internally developed software, primarily due to employee equity vesting during the three months ended March 31, 2021 as the company went public. For the nine months ended March 31, 2022, we saw a $48.9 million or 40% increase in personnel costs compared to the nine months ended March 31, 2021 as we continue to support our growth and technology platform as a whole. The largest component of these personnel costs was stock-based compensation, which accounted for an $18.4 million decrease and an $18.3 million increase compared to the three and nine months ended March 31, 2021, respectively, largely due to vesting of RSUs.

Additionally, there was a $14.0 million or 146% and $36.5 million or 137%, increase in data infrastructure and hosting costs for the three and nine months ended March 31, 2022, respectively, compared to the three and nine months ended March 31, 2021, due to increased capacity requirements of our technology platform. There was a $3.4 million or 72% and a $9.1 million or 78%, increase in underwriting data provider costs for the three and nine months ended March 31, 2022, compared to the three and nine months ended March 31, 2021, respectively, due to an increase in applications, partially offset by cost improvements achieved as a result of contract renegotiations.

Sales and Marketing

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2022	2021	$	%	2022	2021	$	%
	(in thousands, except percentage)							
Sales and marketing	$ 156,214	$ 58,184	$ 98,030	168 %	$ 363,650	$ 119,878	$ 243,772	203 %
Percentage of total revenue, net	44 %	25 %			37 %	20 %		

Sales and marketing expense for the three and nine months ended March 31, 2022 increased by $98.0 million or 168% and $243.8 million or 203%, compared to the three and nine months ended March 31, 2021, respectively. This increase was primarily due to $102.4 million and $173.0 million of expense related to warrants granted to Amazon during the three and nine months ended March 31, 2022, respectively. Additionally, stock-based compensation related to employees in the sales and marketing functions decreased $4.6 million or 43% compared to the three months ended March 31, 2021, as a result of employee equity vesting during the three months ended March 31, 2021 as the company went public. Stock-based compensation increased $3.7 million or 31%, compared to the nine months ended March 31, 2021 largely due to an increased headcount. Loss on loan originations increased $0.2 million or 6% and $19.1 million or 367%, compared to the three and nine months ended March 31, 2021, respectively, primarily due to an increase in self-originated loans.

Furthermore, there was a $3.7 million or 71% and $23.9 million or 131%, increase in brand and consumer marketing spend during the three and nine months ended March 31, 2022, respectively, compared to the three and nine months ended March 31, 2021, associated with our expanded brand-activation, holiday shopping, lifestyle, and travel marketing campaigns, as well as a $0.6 million or 16% decrease and $7.2 million or 118% increase in business-to-business marketing spend compared to the three and nine months ended March 31, 2021, respectively.

General and Administrative

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2022	2021	$	%	2022	2021	$	%
	(in thousands, except percentage)							
General and administrative	$ 142,466	$ 179,999	$ (37,533)	(21)%	$ 419,962	$ 253,188	$ 166,774	66 %
Percentage of total revenue, net	40 %	78 %			43 %	42 %		

General and administrative expense for the three months ended March 31, 2022 decreased by $37.5 million or 21% compared to the three months ended March 31, 2021. This decrease was primarily due to a decrease of $57.5 million or 50% in stock-based compensation during the three months ended March 31, 2022 compared to the three months ended March 31, 2021, as a result of employee equity vesting during the three months ended March 31, 2021 as the company went public. The decrease was partially offset by a $22.6 million increase in payroll during the three months ended March 31, 2022 compared to the three months ended March 31, 2021 primarily due to an increased headcount. General and administrative expense for the nine months ended March 31, 2022 increased by $166.8 million or 66%, compared to the nine months ended March 31, 2021 primarily due to an increased headcount as we continue to grow our finance, legal, operations, and administrative organizations.

Additionally, professional fees increased by $2.7 million or 35% and $7.5 million or 37%, during the three and nine months ended March 31, 2022, respectively, compared to the three and nine months ended March 31, 2021, to support our acquisitions, international expansion, and regulatory compliance programs.

Other (Expense) Income, net

	Three Months Ended March 31,		Change		Nine Months Ended March 31,		Change	
	2022	2021	$	%	2022	2021	$	%
	(in thousands, except percentage)							
Other (expense) income, net	$ 172,139	$ (77,773)	$ 249,912	(321)%	$ 68,507	$ (48,088)	$ 116,595	(242)%
Percentage of total revenue, net	49 %	(34)%			7 %	(8)%		

For the three and nine months ended March 31, 2022, other (expense) income, net, was largely comprised of a gain of $136.2 million and a gain of $28.7 million, respectively, recognized based on the change in fair value of the contingent consideration liability associated with our acquisition of PayBright, driven by decreases in the value of our common stock.

For both the three and nine months ended March 31, 2021, other (expense) income, net was primarily comprised of a loss of $78.5 million recognized based on the change in fair value of the contingent consideration liability associated with our acquisition of PayBright, driven by changes in the value of our common stock. Additionally, for the nine months ended March 31, 2021, other (expense) income, net included a gain of $30.1 million recognized upon the conversion of convertible notes into shares of Series G-1 preferred stock. The conversion of convertible notes was accounted for as a debt extinguishment since the number of shares of Series G-1 preferred stock issued upon conversion was variable and this gain represented the difference between the carrying value of the debt at the time of extinguishment and the allocated proceeds.

Liquidity and Capital Resources

Sources and Uses of Funds

We have incurred losses since our inception, accumulating a deficit of $1.4 billion and $0.9 billion as of March 31, 2022 and June 30, 2021, respectively. We have historically financed the majority of our operating and capital needs through the sales of equity securities, borrowings from debt facilities and convertible debt, third-party loan sale arrangements, and cash flows from operations. In September and October 2020, we issued an aggregate of 21,836,687 shares of Series G preferred stock for aggregate cash proceeds of $435.1 million. On January 15, 2021, we closed an initial public offering of our Class A common stock with cash proceeds, before expenses, of $1.3 billion. On November 23, 2021, we issued the 2026 Notes, generating cash proceeds of $1.7 billion.

As of March 31, 2022, our principal sources of liquidity were available for sale securities and cash and cash equivalents, available capacity from revolving debt facilities, revolving securitizations, forward flow loan sale arrangements, and certain cash flows from our operations. We believe that our existing cash balances, available capacity under our revolving debt facilities, revolving securitizations and off-balance sheet loan sale arrangements, and cash from operations, are sufficient to meet both our existing operating, working capital, and capital expenditure requirements and our currently planned growth for at least the next 12 months. We cannot provide assurance, however, that our business will generate sufficient cash flows from operations or that future borrowings will be available to us in an amount sufficient to enable us to fund our liquidity needs in the long-term. Our ability to do so depends on prevailing economic conditions and other factors, many of which are beyond our control. Our on- and off-balance sheet facilities provide funding subject to various constraining limits on the financed portfolios. These limits are generally tied to loan-level attributes such as loan term, credit quality, and interest rate, as well as borrower- and merchant-level attributes.

Cash and Cash Equivalents

As of March 31, 2022, we had approximately $2.3 billion of cash and cash equivalents to fund our future operations compared to approximately $1.5 billion as of June 30, 2021. This increase is primarily due to the proceeds of the 2026 Notes issuance on November 23, 2021. Our cash and cash equivalents were comprised of operating bank accounts, money market funds, certificates of deposits, corporate bonds, and other commercial paper with maturities less than three months. Cash and cash equivalents are held primarily for continued investment in our business, for working capital purposes, and to facilitate a portion of our lending activities. Our policy is to invest cash in excess of our immediate working capital requirements in liquid investments and deposit accounts to preserve the principal balance and maintain adequate liquidity.

Restricted Cash

Restricted cash consists primarily of: (i) deposits restricted by standby letters of credit for office leases and merchant partnership agreements; (ii) funds held in accounts as collateral for our originating bank partners; and (iii) servicing funds held in accounts contractually restricted by agreements with warehouse credit facilities and third-party loan owners. We have no ability to draw on such funds as long as they remain restricted under the applicable arrangements.

Funding Debt

The following table summarizes our funding debt facilities as of March 31, 2022:

Maturity Fiscal Year	Borrowing Capacity	Principal Outstanding
	(in thousands)	
2022	$ 419,018	$ 208,468
2023	—	—
2024	1,325,000	393,480
2025	—	—
2026 and thereafter	650,000	308,858
Total	**$ 2,394,018**	**$ 910,806**

Warehouse Credit Facilities

Through trusts, we entered into warehouse credit facilities with certain lenders to finance the purchase and origination of our loans. These trusts are consolidated variable interest entities ("VIEs"), and each trust entered into a credit agreement and security agreement with a commercial bank as administrative agent and a national banking association as collateral trustee and paying agent. Borrowings under these agreements are referred to as funding debt. These credit agreements contain operating covenants, including limitations on the incurrence of certain indebtedness and liens, restrictions on certain intercompany transactions, and limitations on the amount of dividends and stock repurchases. Our funding debt facilities include concentration limits for various loan characteristics including credit quality, product mix, geography, and merchant concentration. As of March 31, 2022, we were in compliance with all applicable covenants in the agreements. Refer to Note 10. Debt in the notes to the interim consolidated financial statements included elsewhere in this Form 10-Q for additional information.

These revolving facilities mature between 2022 and 2029, and subject to covenant compliance generally permit borrowings up to 12 months prior to the final maturity date. Borrowings under these facilities generally occur multiple times per week, and generally coincide with the purchase of loans from our originating bank partners. We manage liquidity by accessing diversified pools of capital and avoid concentration with any single counterparty; we are diversified across different types of investors including investment banks, asset managers, and insurance companies.

Borrowings under these facilities bear interest at an annual benchmark rate of LIBOR or at an alternative commercial paper rate (which is either (i) the per annum rate equivalent to the weighted-average of the per annum rates at which all commercial paper notes were issued by certain lenders to fund advances or maintain loans, or (ii) the daily weighted-average of LIBOR, as set forth in the applicable credit agreement), plus a spread ranging from 1.65% to 4.00%. Interest is payable monthly. In addition, these agreements require payment of a monthly unused commitment fee ranging from 0% to 0.75% per annum on the undrawn portion available.

Other Funding Facilities

Prior to our acquisition of PayBright on January 1, 2021, PayBright entered into various credit facilities utilized to finance the origination of loans in Canada. Similar to our warehouse credit facilities, borrowings under these agreements are referred to as funding debt, and proceeds from the borrowings may only be used for the purposes of facilitating loan funding and origination. These facilities are secured by PayBright loan receivables pledged to the respective facility as collateral, mature in 2022, and bear interest based on a benchmark rate plus a spread ranging from 1.25% to 4.25%.

Revolving Credit Facility

On February 4, 2022, we entered into a revolving credit agreement with a syndicate of commercial banks for a $165.0 million unsecured revolving credit facility, maturing on February 4, 2025. This facility bears interest at

a rate equal to, at our option, either (a) a SOFR rate determined by reference to the forward-looking term SOFR rate for the interest period, plus an applicable margin of 1.85% per annum or (b) a base rate determined by reference to the highest of (i) the federal funds rate plus 0.50% per annum, (ii) the rate last quoted by the Wall Street Journal as the U.S. prime rate and (iii) the one-month forward-looking term SOFR rate plus 1.0% per annum, in each case, plus an applicable margin of 0.85% per annum. The facility contains certain covenants and restrictions, including certain financial maintenance covenants, and requires payment of a monthly unused commitment fee of 0.20% per annum on the undrawn balance available. There are no borrowings outstanding under the facility. Refer to Note 10. Debt.

Securitizations

In connection with asset-backed securitizations, we sponsor and establish trusts to ultimately purchase loans facilitated by our platform. Securities issued from our asset-backed securitizations are senior or subordinated, based on the waterfall criteria of loan payments to each security class. The subordinated residual interests issued from these transactions are first to absorb credit losses in accordance with the waterfall criteria. The assets are transferred into a trust such that the assets are legally isolated from the creditors of Affirm and are not available to satisfy our obligations. These assets can only be used to settle obligations of the underlying trusts. Each securitization trust issued senior notes and residual certificates to finance the purchase of the loans facilitated by our platform. The 2020-Z1, 2020-Z2, 2021-Z1, 2021-Z2 and 2022-X1 securitizations are secured by static pools of loans contributed at closing, whereas the 2020-A, 2021-A and 2021-B securitizations are revolving and we may contribute additional loans from time to time until the end of the respective revolving period. Refer to Note 11. Securitization and Variable Interest Entities.

Cash Flows

The following table summarizes our cash flows for the periods presented:

	Nine Months Ended March 31,	
	2022	**2021**
	(in thousands)	
Net Cash Used in Operating Activities	(103,085)	(173,217)
Net Cash Used in Investing Activities	(985,621)	(1,106,378)
Net Cash Provided by Financing Activities[(1)]	2,066,000	2,753,959

[(1)] Amounts include net cash provided by the issuance of redeemable convertible preferred stock and convertible debt as follows:

	Nine Months Ended March 31,	
	2022	**2021**
	(in thousands)	
Proceeds from issuance of convertible debt, net	$ 1,704,300	$ —
Proceeds from issuance of common stock, net of repurchases	67,656	43,029
Proceeds from initial public offering, net	—	1,305,301
Proceeds from issuance and conversion of redeemable convertible preferred stock, net of repurchases and issuance costs	—	434,529
Net cash provided by equity-related financing activities	$ 1,771,956	$ 1,782,859
Net cash provided by debt-related financing activities	460,986	1,098,666
Payments of tax withholding for stock-based compensation	(166,942)	(127,566)
Net cash provided by financing activities	$ 2,066,000	$ 2,753,959

Operating Activities

Our largest sources of operating cash are fees charged to merchant partners on transactions processed through our platform and interest income from consumers' loans. Our primary uses of cash from operating activities are for general and administrative, technology and data analytics, funding costs, processing and servicing, and sales and marketing expenses.

Cash used in operating activities for the nine months ended March 31, 2022 was $103.1 million, a decrease of $70.1 million from cash used in operating activities of $173.2 million for the nine months ended March 31, 2021. This reflects our net loss of $520.3 million, adjusted for non-cash charges of $426.9 million. Additionally, we had net cash outflows of $8.6 million provided by changes in our operating assets and liabilities.

Non-cash charges primarily consisted of: provision for credit losses, which increased by $142.2 million or 352% due to a change in product mix for on-balance sheet loans and an unusually low provision expense in the prior comparative period driven by the release of stressed expected loss scenarios and the adoption of CECL; gain on sales of loans, which increased by $93.8 million from $47.3 million for the nine months ended March 31, 2021 due to improved loan sale economics and increased loan sales since the third quarter of the prior fiscal year; and amortization of premiums and discounts, which increased by $69.0 million or 114% due to increased amortization of discounts related to loans purchased from our originating bank partners at a price above fair market value. Furthermore, we incurred $280.1 million of stock-based compensation, up from $192.4 million due to accelerated vesting of RSUs for which the service-based condition had been met prior to the IPO and the performance-based condition was met on the IPO date, and gains of $136.2 million due to the decrease in the fair value of our contingent consideration liability, driven by changes in the value of our common stock.

Our net cash outflows resulting from changes in operating assets and liabilities decreased to $8.6 million for the nine months ended March 31, 2022, compared to net cash outflows of $68.5 million for the nine months ended March 31, 2021. This change was primarily driven by a decrease in other assets due to a reduction of prepaid payroll taxes during the nine months ended March 31, 2022.

Investing Activities

Cash used in investing activities for the nine months ended March 31, 2022 was $985.6 million, a decrease of $120.8 million from $1,106.4 million for the nine months ended March 31, 2021. The main driver of this was $5,867.6 million of repayments of loans, representing an increase of $2,865.2 million, or 95%, compared to the third quarter of the prior year, due to a higher average balance of loans held for investment and generally increasing credit quality of the portfolio. Additionally, we sold $1,330.3 million of loans, representing an increase of $982.1 million or 282% compared to the third quarter of the prior year. These cash inflows were partially offset by $7,529.3 million of purchases of loans, representing an increase of $3,215.5 million or 75% compared to the third quarter of the prior year, due partly to continued growth in GMV. Additionally, we recorded cash outflows of approximately $770.0 million related to purchases of available for sale securities in the current period.

Financing Activities

Cash provided by financing activities for the nine months ended March 31, 2022 was $2,066.0 million, a decrease of $688.0 million from $2,754.0 million during the nine months ended March 31, 2021. A main driver of this was vesting of warrants for common stock of $1,305.3 million during the nine months ended March 31, 2021 compared to no activity during the nine months ended March 31, 2022. Additionally, during the nine months ended March 31, 2022, we saw a $986.0 million decrease in cash inflows from the issuance of notes by our securitization trusts, net of in-period principal repayments, from $1,251.7 million during the nine months ended March 31, 2021. This decrease in net cash inflows was partially offset by the issuance of convertible debt during the nine months ended March 31, 2022, which resulted in net cash inflows of $1,704.3 million, net of debt issuance costs.

Liquidity and Capital Risks and Requirements

There are numerous risks to our financial results, liquidity, capital raising, and debt refinancing plans, some of which may not be quantified in our current liquidity forecasts. The principal factors that could impact our liquidity and capital needs are customer delinquencies and defaults, a prolonged inability to adequately access capital market funding, declines in loan purchases and therefore revenue, fluctuations in our financial performance, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products, and the continuing market adoption of our platform. We intend to support our liquidity and capital position by pursuing diversified debt financings (including new securitizations and revolving debt facilities) and extending existing secured revolving facilities to provide committed liquidity in case of prolonged market fluctuations.

We may, in the future, enter into arrangements to acquire or invest in complementary businesses, products, and technologies. We may be required to seek additional equity or debt financing in connection with those efforts. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. Additionally, as a result of any of these actions, we may be subject to restrictions and covenants in the agreements governing these transactions that may place limitations on us, and we may be required to pledge additional collateral as security. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, operations, and financial condition. It is also possible that the actual outcome of one or more of our plans could be materially different than expected or that one or more of our significant judgments or estimates could prove to be materially incorrect.

Concentrations of Revenue

For the three and nine months ended March 31, 2022, there were no merchants that exceeded 10% of total revenue. For the three and nine months ended March 31, 2021 approximately 20% and 31% of total revenue, respectively, was driven by one merchant partner, Peloton. We believe we have a strong relationship with Peloton and, in September 2020, we entered into a renewed merchant agreement with Peloton with an initial three-year term ending in September 2023, which automatically renews for additional and successive one-year terms until terminated. While we believe our growth will facilitate both revenue growth and merchant diversification as we continue to integrate with a wide range of merchants, changes in merchant loan volume and revenue concentration may cause our financial and operating performance to fluctuate significantly from period to period. Our revenue as a percentage of GMV in any given period varies across products. As such, as we continue to expand our network to include more merchants, revenue as a percentage of GMV will vary.

Contractual Obligations

On November 23, 2021, the Company issued $1.7 billion in aggregate principal amount of 0% convertible senior notes due 2026 (the “2026 Notes”). The 2026 Notes represent senior unsecured obligations of the Company. The 2026 Notes do not bear interest except in special circumstances, and the principal amount of the 2026 Notes does not accrete. The 2026 Notes mature on November 15, 2026.

Off-Balance Sheet Arrangements

Off-balance sheet loans relate to unconsolidated securitization transactions and loans sold to third-party investors for which we have some form of continuing involvement, including as servicer. For off-balance sheet loan sales where servicing is the only form of continuing involvement, we would only experience a loss if we were required to repurchase such a loan due to a breach in representations and warranties associated with our loan sale or servicing contracts. For unconsolidated securitization transactions where Affirm is the sponsor and risk retention holder, Affirm could experience a loss of up to 5% of both the senior notes and residual certificates. As of March 31, 2022, the aggregate outstanding balance of loans held by third-party investors or off-balance sheet VIEs was $4.0 billion. As of March 31, 2022, we had three off-balance sheet VIEs, the 2021-Z1, 2021-Z2, and 2022-X1

securitization trusts. In the unlikely event principal payments on the loans backing any off-balance sheet securitization are insufficient to pay senior note holders, including any retained interest, then any amounts the Company contributed to the securitization reserve accounts may be depleted. See Note 11. Securitization and Variable Interest Entities of the accompanying notes to our interim condensed consolidated financial statements for more information.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with U.S. GAAP. U.S. GAAP requires us to make certain estimates and judgments that affect the amounts reported in consolidated financial statements. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Because certain of these accounting policies require significant judgment, our actual results may differ materially from our estimates. To the extent that there are differences between our estimates and actual results, our future consolidated financial statement presentation, financial condition, results of operations, and cash flows will be affected.

We evaluate our significant estimates on an ongoing basis, including, but not limited to, estimates related to merchant network revenue, loss on loan purchase commitment, allowance for credit losses, stock-based compensation, including warrants granted to nonemployees, and income taxes. We believe these estimates have the greatest potential effect on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates.

For further information, our significant accounting policies are described in Note 2. Summary of Significant Accounting Policies within the notes to the interim condensed consolidated financial statements.

Recent Accounting Pronouncements

Refer to Note 2. Summary of Significant Accounting Policies within the notes to the interim condensed consolidated financial statements.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations within the United States, Canada and Australia, and we are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and interest rates. Our market risk exposure is primarily the result of fluctuations in interest rates. Foreign currency exchange rates do not pose a material market risk exposure, as most of our revenue is earned in U.S. dollars.

Interest Rate Risk

Our cash and cash equivalents and certain of our restricted cash as of March 31, 2022 were held primarily in checking, money market, and savings accounts. As of March 31, 2022, we had $1,462.0 million of cash equivalents invested in money market funds, certificates of deposit, corporate bonds, and other commercial paper with maturities less than three months. Our cash and cash equivalents are held for working capital purposes. The fair value of our cash and cash equivalents and certain restricted cash would not be significantly affected by a change in interest rates due to their short-term nature.

Our securities available for sale at fair value as of March 31, 2022 included $617.0 million of marketable debt securities with maturities greater than three months. A rise in interest rates would have an adverse impact on the fair market value of our fixed rate securities while floating rate securities would produce less income than expected if interest rates were to decrease. Because our investment policy is to invest in conservative, liquid investments and because our business strategy does not rely on generating material returns from our investment portfolio, we do not expect our market risk exposure on marketable debt securities to be material.

Continued volatility in interest rates and potentially inflation, which may persist longer than previously expected, may adversely impact our customers' spending levels and ability and willingness to pay outstanding amounts owed to us. Higher interest rates may lead to higher payment obligations on our future credit products, or to their lenders under mortgage, credit card, and other loans. Therefore, higher interest rates may lead to increased delinquencies, charge-offs, and allowances for loans and interest receivable, which could have an adverse effect on our operating results.

We rely on a variety of funding sources with varying degrees of interest rate sensitivities. Certain of our funding arrangements bear a variable interest rate. Given the fixed interest rates charged on the loans that we purchase from our originating bank partners or originate ourselves, a rising variable interest rate would reduce our interest margin earned in these funding arrangements. Additionally, certain of our loan sale agreements are repriced on a recurring basis using a mechanism tied to interest rates as well as loan performance. Increases in interest rates could reduce our loan sale economics. We also rely on securitization transactions, with notes typically bearing a fixed coupon. Increases in interest rates may result in higher coupons using refinancing. We maintain an interest rate hedging program which eliminates some, but not all, of the interest rate risk. Factoring in this program, as of March 31, 2022, we estimate that a hypothetical instantaneous 100 basis point upward parallel shock to interest rates would have a less than $30.0 million adverse impact on our annual financial results over the next 12 months.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives, and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Based on this evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2022.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitation on the Effectiveness of Internal Control

The effectiveness of any system of internal control over financial reporting is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, no matter how well designed and operated, can only provide reasonable, not absolute assurance that its objectives will be met. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

Part II - Other Information

Item 1. Legal Proceedings

Please refer to Note 8. “Commitments and Contingencies” of the accompanying notes to our interim condensed consolidated financial statements.

From time to time, we may be subject to other legal proceedings and claims in the ordinary course of business. We are not presently a party to any such other legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition, or cash flows. The results of any current or future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 1A. Risk Factors

The risks described under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021 could materially and adversely affect our business, financial condition, and results of operations, and the trading price of our Class A common stock could decline. Those risks are not the only risks that we face—our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. In addition, you should carefully read and consider such risks, together with all of the other information in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021, in this Quarterly Report on Form 10-Q (including the disclosures below, in the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and in our interim condensed consolidated financial statements and related notes), and in the other documents that we file with the SEC.

Except as may be reflected in the updated risk factors included below, there have been no material changes from the risk factors previously disclosed under the heading "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended June 30, 2021.

Risks Related to Our Business and Industry

If we are unable to attract additional merchant partners, retain our existing merchant partners, and grow and develop our relationships with new and existing merchant partners, our business, results of operations, financial condition, and future prospects would be materially and adversely affected, as could the market price of our Class A common stock.

Our continued success is dependent on our ability to expand our merchant base and to grow our merchants' revenue on our platform. We derive a significant portion of our revenue from merchant network fees earned from our merchant partners. The network fees are generally charged as a percentage of the transaction volume on our platform. In addition, as more merchants are integrated into our network, there are more reasons for consumers to shop with us.

If we are not able to attract additional merchants and to expand revenue and volume of transactions from existing merchants, we will not be able to continue to attract consumers or grow our business. Our ability to retain and grow our relationships with our merchant partners depends on the willingness of merchants to partner with us. The attractiveness of our platform to merchants depends upon, among other things: the size of our consumer base; our brand and reputation; the amount of merchant fees that we charge; our ability to sustain our value proposition to merchants for customer acquisition by demonstrating higher conversion at checkout and increased AOV; the attractiveness to merchants of our technology and data-driven platform; services and products offered by competitors; and our ability to perform under, and maintain, our merchant agreements. Furthermore, having a diversified mix of merchant partners is important to mitigate risk associated with changing consumer spending behavior, economic conditions and other factors that may affect a particular type of merchant or industry. For example, following the onset of the COVID-19 pandemic, our revenue from merchant partners in the travel, hospitality, and entertainment industries declined, but we saw a significant increase in revenue from merchant partners offering home fitness equipment, home office products, and home furnishings. We have begun to see these trends reverse as access to COVID-19 vaccinations has increased, but it is difficult to predict the impact that the continuing spread of the various variants and potential additional waves of the pandemic will have on our merchant partners and our business.

Our continued success also is dependent on our ability to successfully grow and develop relationships with our merchant partners, particularly early-stage relationships with large e-commerce retailers such as Amazon. The pace of development, integration and rollout of these early-stage relationships is often unpredictable and is generally not within our control. Many of our agreements with our merchant partners are non-exclusive and lack any transaction volume commitments. Accordingly, these merchant partners may have, or may enter into in the future, similar agreements with our competitors, which could adversely affect our ability to drive the level of transaction volume and revenue growth that we seek to achieve or to otherwise satisfy the high expectations of our investors and financial analysts relating to those relationships. While some of our agreements with our merchant partners,

including Amazon, do provide for a period of exclusivity, those periods may be limited in duration, and we may not be able to negotiate extensions of those exclusivity periods on reasonable terms, if at all. In addition, our agreements with our merchant partners generally have terms that range from approximately 12 months to 36 months, and our merchants can generally terminate these agreements without cause upon 30 to 90 days' prior written notice. We may, therefore, be compelled to renegotiate our agreements with merchant partners from time to time, possibly upon terms significantly less favorable to us than the terms included in our existing agreements with those merchant partners.

If we fail to retain any of our larger merchant partners or a substantial number of our smaller merchant partners, if we do not acquire new merchant partners, if we do not successfully grow and develop our relationships with our larger merchant partners, if we do not continually expand revenue and volume from the merchants on our platform, or if we do not attract and retain a diverse mix of merchant partners, our business, results of operations, financial condition, and future prospects would be materially and adversely affected. In addition, should investor expectations relating to the growth, development and retention of our merchant partners, particularly those expectations relating to our relationships with Amazon and Shopify Inc., not be achieved, the market price of our Class A common stock could decline.

Risks Related to Our Class A Common Stock

The market price of our Class A common stock has been and may continue to be volatile, which could cause the value of your investment to decline.

The market price of our Class A common stock has been and may continue to be highly volatile and could be subject to wide fluctuations. In addition, the trading volume in our Class A common stock may fluctuate and cause significant price variations to occur. Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market, and political conditions, could reduce the market price of shares of our Class A common stock in spite of our operating performance.

In addition, our results of operations could be below the expectations of public market analysts and investors due to a number of potential factors, including: variations in our quarterly or annual results of operations; additions or departures of key management personnel; the loss of an originating bank partner or key funding sources or merchants; the growth and development of key merchant partner relationships, including our relationship with Amazon; and changes in our earnings estimates (if provided). Also, the publication of research reports about our industry, litigation and government investigations, changes or proposed changes in laws or regulations or differing interpretations or enforcement thereof affecting our business, adverse market reaction to any indebtedness we may incur or securities we may issue in the future, changes in market valuations of similar companies or speculation in the press or the investment community with respect to us or our industry, adverse announcements by us or others and developments affecting us, announcements by our competitors of significant contracts, acquisitions, dispositions, strategic partnerships, joint ventures or capital commitments, actions by institutional stockholders, and increases in market interest rates that may lead investors in our shares to demand a higher yield, could result in the significant decrease of the market price of shares of our Class A common stock.

These broad market and industry factors may decrease the market price of our Class A common stock, regardless of our actual operating performance. The stock market in general has, from time to time, experienced extreme price and volume fluctuations. In addition, in the past, following periods of volatility in the overall market and the market price of a company's securities, securities class action litigation has often been instituted against these companies. We are subject to securities litigation, as described further in Note 8. "Commitments and Contingencies" of the accompanying notes to our interim condensed consolidated financial statements and incorporated by reference in Part II, Item 1-Legal Proceedings. This litigation, and any other securities class actions that may be brought against us, could result in substantial costs and a diversion of our management's attention and resources.

The issuance by us of additional equity securities may dilute your ownership and adversely affect the market price of our Class A common stock.

Our amended and restated certificate of incorporation authorizes us to issue additional shares of Class A common stock and rights relating to Class A common stock for the consideration and on the terms and conditions established by our board of directors in its sole discretion, whether in connection with acquisitions or otherwise. Any Class A common stock or securities convertible into shares of our Class A common stock that we issue from time to time, including in connection with a financing, acquisition, investment or under any equity incentive plans or otherwise that we may adopt in the future, will dilute your percentage ownership.

In the future, we may attempt to obtain financing or to further increase our capital resources by issuing additional shares of our Class A common stock or securities convertible into shares of our Class A common stock or offering debt or other securities. We could also issue shares of our Class A common stock or securities convertible into our Class A common stock or debt or other securities in connection with acquisitions or other strategic transactions. In addition, as we did when we initially formed our partnership with Shopify and when we entered into the Amended and Restated Installment Financing Services Agreement with Amazon, we may issue additional shares of our Class A common stock or securities convertible into shares of Class A common stock as a means of initiating, developing, strengthening or preserving key merchant relationships. Issuing additional shares of our Class A common stock or securities convertible into shares of our Class A common stock or debt or other securities may dilute the economic and voting rights of our existing stockholders and would likely reduce the market price of our Class A common stock. Upon liquidation, holders of debt securities and preferred shares, if issued, and lenders with respect to other borrowings would receive a distribution on our distributable assets prior to the holders of our common stock. Debt securities convertible into equity securities could be subject to adjustments in the conversion ratio pursuant to which certain events may increase the number of equity securities issuable upon conversion. Preferred shares, if issued, could have a preference with respect to liquidating distribution or preferences with respect to dividend payments that could limit our ability to pay dividends to the holders of our common stock. Our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, which may adversely affect the amount, timing, and nature of our future offerings. As a result, holders of our Class A common stock bear the risk that our future offerings may reduce the market price of our Class A common stock and dilute their stockholdings in us.

Risks Related to Our Indebtedness

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including our 2026 Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time.We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We may not have the ability to raise the funds necessary to settle conversions of the 2026 Notes, to repay the 2026 Notes at maturity or to repurchase the 2026 Notes upon a fundamental change, and our future debt may contain limitations on our ability to pay cash upon conversion or repurchase of the 2026 Notes.

Holders will have the right to require us to repurchase their 2026 Notes upon the occurrence of a fundamental change at a fundamental change repurchase price equal to 100% of the principal amount of the 2026 Notes to be repurchased, plus accrued and unpaid special interest, if any. In addition, upon conversion of the 2026 Notes, we will be required to make cash payments for each $1,000 in principal amount of 2026 Notes converted of

at least the lesser of $1,000 and the sum of the daily conversion values as described in the indenture governing the 2026 Notes. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor or pay cash with respect to the 2026 Notes being converted. In addition, our ability to repurchase the 2026 Notes or to pay cash upon conversions of the 2026 Notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase 2026 Notes at a time when the repurchase is required or to pay any cash payable on future conversions of the 2026 Notes would constitute a default under the indenture governing the 2026 Notes. A default under the indenture governing the 2026 Notes or the fundamental change itself could also lead to a default under agreements governing our future indebtedness. If the repayment of the related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the 2026 Notes or make cash payments upon conversions thereof.

The conditional conversion feature of the 2026 Notes, if triggered, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the 2026 Notes is triggered, holders will be entitled to convert their 2026 Notes at any time during specified periods at their option. If one or more holders elect to convert their 2026 Notes, we would be required to settle any converted principal amount of such notes through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 2026 Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2026 Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital.

The accounting method for reflecting the 2026 Notes on our balance sheet, accruing interest expense for the 2026 Notes and reflecting the underlying shares of our Class A common stock in our reported diluted earnings per share may adversely affect our reported earnings and financial condition.

In August 2020, the Financial Accounting Standards Board published an Accounting Standards Update, which we refer to as ASU 2020-06, which simplifies certain of the accounting standards that apply to convertible notes. ASU 2020-06 will be effective for SEC-reporting entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. However, early adoption is permitted in certain circumstances for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. We early adopted ASU 2020-06 effective July 1, 2021 on a modified retrospective basis. The adoption of the new standard did not have any impact on our financial statements as of the adoption date.

In accordance with ASU 2020-06, the 2026 Notes will be reflected as a liability on our balance sheets, with the initial carrying amount equal to the principal amount of the 2026 Notes, net of issuance costs. The issuance costs will be treated as a debt discount for accounting purposes, which will be amortized into other (expense) income, net over the term of the 2026 Notes. As a result of this amortization, the interest expense that we expect to recognize for the 2026 Notes for accounting purposes will be greater than the cash interest payments we will pay on the 2026 Notes, which will result in lower reported income.

In addition, the shares underlying the 2026 Notes are reflected in our diluted earnings per share using the “if converted” method, in accordance with ASU 2020-06. Under that method, if the conversion value of the 2026 Notes exceeds their principal amount for a reporting period, then we will calculate our diluted earnings per share assuming that all of the 2026 Notes were converted at the beginning of the reporting period and that we issued shares of our Class A common stock to settle the excess. However, if reflecting the notes in diluted earnings per share in this manner is anti-dilutive, or if the conversion value of the notes does not exceed their principal amount for a reporting period, then the shares underlying the 2026 Notes will not be reflected in our diluted earnings per share. The application of the if-converted method may reduce our reported diluted earnings per share. We cannot be sure whether other changes may be made to the current accounting standards related to the 2026 Notes, or otherwise, that could have a material effect on our reported financial results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Unregistered Sales of Equity Securities

None.

Purchases of Equity Securities

The following table presents information with respect to the Company's repurchases of shares of Class A common stock during the quarter ended March 31, 2022.

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 - 31	1,659	$ 6.49	—	—
February 1 - 28	—	—	—	—
March 1 - 31	7,813	8.80	—	—
Total	9,472	$ 8.40	—	—

(1) The shares purchased were repurchases of unvested shares of our Class A common stock that had been issued upon early exercise of stock options. Pursuant to the associated option award agreements, upon termination of employment of a person holding unvested shares, we were entitled to repurchase the unvested shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description	Incorporated by Reference				Filed Herewith
		Form	File No.	Exhibit	Filing Date	
3.1	Amended and Restated Certificate of Incorporation	8-K	001-39888	3.1	January 15, 2021	
3.2	Amended and Restated Bylaws	8-K	001-39888	3.2	September 8, 2021	
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Exchange Act, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized,

AFFIRM HOLDINGS, INC.

Date: May 13, 2022	By:	/s/ Max Levchin
		Max Levchin
		Chief Executive Officer
		(Principal Executive Officer)
	By:	/s/ Michael Linford
		Michael Linford
		Chief Financial Officer
		(Principal Financial Officer)

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Max Levchin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affirm Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2022

/s/ Max Levchin
Max Levchin
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO EXCHANGE ACT RULES 13a-14(a) AND 15d-14(a), AS ADOPTED
PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Michael Linford, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affirm Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. Disclosed in this report any change in the registrant’s internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 13, 2022

/s/ Michael Linford
Michael Linford
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Dated: May 13, 2022

/s/ Max Levchin

Max Levchin
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned certifies that this periodic report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in this periodic report fairly presents, in all material respects, the financial condition and results of operations of the issuer.

Dated: May 13, 2022

/s/ Michael Linford

Michael Linford
Chief Financial Officer
(Principal Financial Officer)