



Fourth Quarter and Fiscal Year 2025 Earnings Call

August 28, 2025

Call Participants

Affirm

Max Levchin, Founder and Chief Executive Officer
Michael Linford, Chief Operating Officer
Rob O'Hare, Chief Financial Officer
Zane Keller, Head of Investor Relations

Analysts

Dan Dolev, Mizuho Securities
Dan Perlin, RBC Capital Markets
Adam Frisch, Evercore ISI
Will Nance, Goldman Sachs
Moshe Orenbuch, TD Cowen
Rob Wildhack, Autonomous Research
Kyle Peterson, Needham & Company
Adib Choudhury, William Blair
John Hecht, Jefferies
Matthew Coad, Truist Securities
James Faucette, Morgan Stanley
Reginald Smith, JPMorgan
Henry Bartlett, Rothschild & Company Redburn
Jamie Friedman, Susquehanna Financial Group
Guiliano Bologna, Compass Point Research & Trading

Presentation

Operator

Good afternoon. Welcome to the Affirm Holdings Incorporated Fourth Quarter Fiscal 2025 Earnings Call.

Following the speakers' remarks we will open the lines for your questions. As a reminder, this conference call is being recorded and a replay of the call will be available on our Investor Relations website for a reasonable period of time after the call.

I would now like to turn the call over to Zane Keller, Head of Investor Relations. Thank you. You may begin.

Zane Keller

Thank you, Operator.

Before we begin, I would like to remind everyone listening that today's call may contain forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including those set forth in our filings with the SEC, which are available on our Investor Relations website.

Actual results may differ materially from any forward-looking statements that we make today. These forward-looking statements speak only as of today and the Company does not assume any obligation or intent to update them except as required by law.

In addition, today's call may include non-GAAP financial measures. These financial measures should be considered as a supplement to and not a substitute for GAAP financial measures. For historical non-GAAP financial measures, reconciliations to the most directly comparable GAAP measures can be found in our earnings supplement slide deck, which is available on our Investor Relations website.

Hosting today's call with me are Max Levchin, Affirm's Founder and Chief Executive Officer; Michael Linford, Affirm's Chief Operating Officer; and Rob O'Hare, Affirm's Chief Financial Officer.

In line with our practice in prior quarters, we will begin with brief opening remarks from Max before proceeding immediately into your questions.

On that note, I turn it over to Max to begin.

Max Levchin

Thank you, Zane.

The results which I do think are exceptionally strong is all the explaining we need to do. There's one tidbit we left on the cutting room floor, and that's we didn't just crush this quarter; we actually set a new record in most of our metrics which is unusual. Fiscal Q2 is the normal but this is Q4 and yet, it is the record, so that's really cool.

It should tell you that our growth is accelerating and we are firing on all pistons. Also, we just celebrated Libor's decade at Affirm a few months ago, so I want to congratulate Michael on his seven years here as of yesterday, and Rob's upcoming fifth anniversary this Sunday. I'm privileged to lead an extremely talented and dedicated team and I don't take for granted that they and their families are willing to put up with my antics for so many years. Thank you, guys, and here's to many more years of building Affirm together.

Back to you, Zane.

Zane Keller

Okay, great. Thank you, Max. With that, we'll now take your questions. Operator, please open the line for our first question.

Operator

Great. We will now be conducting a question-and-answer session. If you would like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate that your line is in the question queue. You may press star, two to remove yourself from the queue. For participants using speaker equipment, it may be necessary to pick up the handset before pressing the star keys. One moment while we poll for questions.

Our first question comes from the line of Dan Dolev with Mizuho. Please proceed with your question.

Dan Dolev

Hey guys, Max, Rob, Michael, great results as always. Obviously, really strong quarter and amazing guide for the next year. It sounds like last quarter you were talking a little bit about the potential stress and the impact on Affirm. It sounds like things have gotten a little better for you from when you reported last time to now, and it has—what is your best take on how things stand now and the reason for that optimism and nice update to the guide. Again, really strong stuff. It's very good.

Max Levchin

Thank you, Dan. You know, as Michael loves to say, we take our guidance very seriously and err on the side of being thoughtful and aiming to get ourselves some A pluses instead of just straight As, and we typically do deliver. Not a forward-looking statement. But from the consumer point of view, which I gather was the question, we think that it continues to perform. It's really maybe a commentary on how strong the momentum is in the U.S. and to at least a similar degree Canadian consumer and soon we'll find out what that looks like for a U.K. one. But we're feeling very good about the originations we're driving. We feel quite excellent about our ability to get paid back on time. So, on the credit side of the equation, continues to perform really well.

On the demand for our service, you see the acceleration in GMV and the new record in that sense. It, off-calendar if you will, is also a reflection of the fact that folks are using Affirm for more and more things.

Dan Dolev

Thank you. Great stuff again.

Max Levchin

Thank you.

Operator

Thank you. Our next question comes from the line of Dan Perlin with RBC Capital Markets.

Dan Perlin

Thanks. Good evening everyone. I want to go back to the 0% APRs with the first-time users coming in. I think you said that was like 50%, which is again, a very, very strong number. The question is, it's bringing in a lot of new users. I'm wondering, when you look at kind of prior quarters—obviously we can't look at it

this quarter, but prior quarters, what kind of repeat rates are you able to, I guess, glean from those initial users coming in? The real crux of the question is, are they coming onto the platform because of the 0% APR but then not using it again? Or are they behaving similar to maybe a more traditional Affirm user? Thank you.

Max Levchin

It's a great question. I appreciate the implied dig at how real are these growth users, but I have good news on that front. These are repeats. Obviously every credit strata behaves a little bit differently in the sense that folks choose us more or less depending on what alternatives they have, how they feel about the merchant coverage or the deal coverage that they want, but generally speaking there's not a tremendous difference in terms of repeat of users that have been acquired through zeros or not.

But the more interesting thing, which you didn't ask but I'm going to answer anyway, is do zero users flip over to interest-bearing, and they do. That I think is a really, really important indicator. Obviously 0% transactions are somewhat less profitable for us. They're still profitable so this is not a loss leader, but the interest income that comes in in interest-bearing loans is obviously more profitable and those folks enjoy zeros when they are available to them, but the experience using Affirm is so positive they do convert to interest-bearing users just fine and come back to us for many other things than just zeros.

Dan Perlin

That's great. I figured I would throw the dig in early, so thanks.

Max Levchin

When I was reading our numbers, what would I stick my finger in and be like, 'ahhh how good is that?' And this is a good one to ask and the answer is positive.

Dan Perlin

Awesome. Yes, that's fantastic. Thank you. Have a good one.

Operator

Thank you. Our next question comes from the line of Adam Frisch with Evercore ISI. Please proceed with your question.

Adam Frisch

Hey guys, good afternoon. It seems like you guys are just as—Max, I'll quote you. You guys are crushing it. The only thing I could see kind of derailing the story is what's going on with the consumer and if you expect things like the resumption of college loans and so forth, maybe the data around consumers gets a little dicier in the next couple of months into the end of the year. Could you just remind us where you are in your spectrum of the folks that use your platform, where they are on the FICO scores relatively? How many of your transactions are with consumers that are near-prime, prime or super prime? So when the data inevitably comes out where the consumer might be getting a little shakier, we have something to fall back on in terms of the quality of the folks engaging with Affirm. Thank you.

Max Levchin

I don't know if it's going to come out any sooner than right now. It's all in our supplement, I think. But generally speaking, student loan repayment resumption is something that we've all been aware for quite some time and have definitely taken measures to make sure we are not overextending that borrower and

also monitoring how that is going for them. And so, the reason or the fact that we don't give or didn't give an enormous amount of attention to the credit performance in this particular letter isn't because we forgot; it's because it's been highly consistent and continues to perform really well. But it also doesn't mean we've taken our eyes off. The thing that we kept on repeating for years and years is that credit is job number one; it still is. The team still gets—the executive team still gets a full credit performance update every single Monday and any time that a disturbance in the force, we move that from once a week to three times a week and daily if that warrants it. So we are very, very mindful of credit performance. We are not even a little bit asleep at the switch. The numbers you see are there exactly because we want them to be there. We said it many times before: credit performance is an output of our settings of the models that we run. Not to belabor the obvious, but we underwrite every single transaction and reserve the right to decline transactions we feel are too risky for the end borrower and for Affirm, and we do.

If there's ever a deviation from our normally extraordinarily high Net Promoter Score, it's because not everybody enjoys hearing, "Hey, you shouldn't borrow. You're overextended." But we won't change our point of view on their ability to borrow and our willingness to lend if they are in fact overextended, be it with Affirm or overall in their credit utilization. So, I'm not concerned about that.

Obviously macroeconomic shifts are a thing that happens to everybody at the same time. That's not a thing we control but we can control our results and have controlled our results for years and years as the macroeconomic environment moved up and down, sometimes pretty suddenly.

So I feel very good about our performance. Feel good, more importantly, in our ability to control that performance so long as we keep our eyes on the credit numbers and we certainly do.

Rob O'Hare

I would just add that I think given the short duration of the loans that we're originating, the most important things for us is that we have a full picture of the borrower's wherewithal to repay the loan at the time of origination, and then the asset is so short-dated and we're increasingly working with consumers that we've seen before. Ninety-five percent of our transactions came from repeat borrowers this quarter, so that set-up really allows us to focus on underwriting the consumer here today where they are and making sure that we're instrumented to catch changes in the future, but we don't really stare at those problems in advance. I think we're really focused on making sure that the cohorts that we originate today pay us back, and if we need to adjust the underwriting to be more inclusive or less inclusive in the future, we'll do that in normal course.

Operator

Thank you. Our next question comes from the line of Will Nance with Goldman Sachs. Please proceed with your question.

Will Nance

Hey guys, thanks for taking the questions. Nice results today, as always.

Wanted to ask a question just on the funding environment. Max, we've continued to see the capital markets be wide open for consumer lenders. Like, your funding capacity was up roughly 55% year-over-year. Utilization is way down. We've also seen that in pretty much every other lender in the space with the rise of, kind of, alternative credit coming into the space. How do you think about the incentives that this creates in the market and the risk of credit issues that result from more of an oversupply of funding from some of the lower-quality competitors in the space, or people who are kind of flush with funding and happen to have kind of incentives to make a lot of loans because of that? Thanks.

Michael Linford

I can start and Max can add. I don't know that I can really speak to the people in the broader ecosystem. I know that we are really mindful of the health of the capital markets when we think about picking our partners. It's as important that we pick capital partners who we think are going to be our partners for the long term and not just worrying about who's the lowest bid today, and as a result, we partner with who we think is the blue chips of these asset managers. That can come in the form of large strategic partnerships with world-class investors like Sixth Street or very good insurance asset managers up and down our stack. That's not an accident. We think really long and hard about picking the partners who we think are going to be committed and long term with us. And therefore we don't move too quickly either. We don't pivot out of a strategy; we think in the better part of decade increments.

So, we're not so concerned with what those partners do because they're obviously thinking about the problem in the right way.

I will say the conditions are very favorable, as you pointed out, and that's to our benefit. We're really mindful of that and I think that's a part of the reason why the execution is so good right now.

Operator

Thank you. Our next question comes from the line of Moshe Orenbuch with TD Cowen. Please proceed with your question.

Moshe Orenbuch

Thanks. Thanks very much for taking my question.

I was hoping we could talk a little bit about the Affirm Card. You gave some statistics, talking about being \$1.2 billion in volume, 10% attach rate, and also that the 0% volume on the card kind of tripled. Can you talk a little bit about your current strategy with respect to the card, how you think it's going to impact Affirm's customers and volume going forward, and maybe is there any special significance to the 0% in that product?

Max Levchin

Trying to parse all the really cool threads to pull on here. The card is growing really well, so the meaning of the update, for the avoidance of doubt, was it's kicking ass and taking names and we're very proud of it. And we've got a lot more to go before we think it might change.

Ten percent attach rate is just a number; we'll celebrate more when it increases.

The strategy with the card, I learned the hard way that I'm not going to front-run what's next for it. But it is an extremely active area of investment for us, so we have more coming, more things coming. Some really, we think, incrementally powerful boosters to this particular rocket are on the way. So we're very excited about what's to come there. I will not preannounce them now, but I'm still spending a lot of my time figuring out how to make the card even more compelling.

You can see a little bit about the offline category growth in the update, I think, and that sort of speaks to the fact that we are learning how to offer it in the right way to the consumer so that they remember to take it with them to places where they haven't used it before, e.g. a gas station, which is not a thing you can integrate online.

In terms of zeros on the card, it's actually a more than anything an amazing surprise and delight and frequency driver. So if you remember, last call we said that the really ambitious version of the card gets us

to 10 million card—the ambitious version of the card future is 10 million cardholders active and something along the lines of \$7500-plus GMV per year.

The current trailing 12 months of the cardholder is about \$4,700, so I think the last time we dropped this number it was along the lines of \$3,500. This is across all Affirm surfaces, so this is card and all the other places where you might go but card dominates that spend obviously. So we're not quite at the \$7,500, but we're more than half-way there. And so, there are many things that are coming together to make sure that the card is the best expression of Affirm.

So, that's as far as I think I want to go right now. I'm already kind of long-winded on this one, but there's a lot to do and there's some cool, unexpected things that are coming soon.

Moshe Orenbuch

Thanks for that.

Operator

Thank you. Our next question comes from the line of Rob Wildhack with Autonomous Research. Please proceed with your question.

Rob Wildhack

Hey guys, you know, you've been extolling the virtues of the 0% APR product for several quarters now. As far as I can tell, we haven't really seen your peers lean into that product in the same way. I appreciate that you're not them, but even so, why do you think that is? Why has no one else, be it fintech or legacy, gone into the 0% APRs with the same kind of vigor that you guys?

Max Levchin

Because underwriting is hard and we're good at it. And others aren't.

So, a couple of things. First of all, I don't mean to come off as quite so arrogant, but we do think that this is a difficult thing to do and we spent a long time being good at it and plenty of internal consternation every time we look at a model and ask ourselves, is this a good idea or a bad idea? It's not just, 'Cool, let's give people promotional rates. It's going to be amazing.' If you remember, our zeros are real zeros. It's in the letter as well, but we don't do deferred interest. We don't charge fees, which means that if it's zero, a consumer really does pay nothing above sticker. That means that the transaction has to be profitable strictly through merchant subsidies, which is a thing to negotiate and a custom contract and a lot of control surfaces that you have to offer to the merchant because they need the ability to turn it on and off if they don't have the margin to do it forever, and we have to have the support infrastructure internally to guide them through such campaigns. If you want to do zeros during this holiday period but not, and you have to do it in a way that's compliant with fair lending laws because if you start doing things that are a little too creative you might end up discriminating inadvertently against a group that should not be discriminated against.

And you're not just doing zeros. Zeros are easier in a sense that at least you know it's a 0% loan, but for a large swath of consumers, actually 5.99% APR is extraordinarily compelling; it's way better than anything else they could get. So when I see 0% in the letter, what we really mean here is consumers get the benefit of reduced APRs as merchants subsidize them, and doing that in real-time priced to perform on the credit side on the capital markets side because these loans are purchased downstream by people who expect yields that are strong whatever the deal the consumer got, and making sure that these are truly incremental for merchants, it's a massive multivariate problem. And we love math here more than just

about anything else; I think most of our competitors just don't and that's our strength. Our advantage is we live better through mathematics.

Rob Wildhack

That's helpful. Thanks. Just quick on the guidance and the comment that the enterprise merchant will transition off in the fiscal second quarter, it's kind of an important time with the holiday season. So a little in the weeds, but do you think that happens at the end or the beginning of that quarter? I guess I'm asking if you're going to get the holiday spend there or not.

Rob O'Hare

The assumption in our outlook, Rob, is that that enterprise partner is wound down sort of going into the quarter, so by the end of this quarter, fiscal Q1.

Rob Wildhack

Very helpful. Thank you.

Operator

Thank you. Our next question comes from the line of Kyle Peterson with Needham & Company. Please proceed with your question.

Kyle Peterson

Great. Good afternoon, guys. Nice results. Thanks for taking the questions.

I wanted to touch on the outlook and the take rate. It looks like it's going to be kind of fairly stable with at least the run-rated 4Q level. I guess does that imply that the mix—the product mix that we saw in the fourth quarter should be fairly steady, or are there any other take rate impacts that we should be mindful of, like, for example, with the enterprise partner, anything that might influence some of these numbers as well?

Rob O'Hare

Yes. We've stopped short of guiding to mix specifically, but as you saw this quarter, monthly 0% loans were growing north of 90% year on year, so we would expect that that loan product in particular, continues to take a bit of share within our mix. But otherwise, I think the most important thing for us is that the units we're creating are profitable and that we have a funding plan and a mix plan that allows us to sort of stay in that 3% to 4% RLTC range, and with the guide we're expecting to be at the very, very high end of that range from a revenue less transaction cost take rate perspective.

Kyle Peterson

Okay, that's really helpful. Then I guess just a follow-up, following up on Will's question around funding. I wanted to ask, are you guys seeing, just given that the funding environment is the best it's been in quite some time, have you guys seen any uptick in competition or irrational players that might be kind of spoiling the water? And I guess if so, how are you guys kind of dealing with that and continuing to grow while maintaining really solid credit?

Michael Linford

Yes. For us, the quality of the credit isn't really a decision. It's something we constrain the business with and then we operate from that point. That's not lost on our capital partners. Again, I think the reason why what I consider to be the best credit investors in the world want to partner with Affirm and do is because of that commitment we've made to operate the business in a certain way, and we've done that not just when things are really good. We've done that back through all of the turmoil that you've seen over the past half decade. Our best investors see that, they recognize that and they're attracted to it. Again, we think about these things as long-term partnerships.

I think some of the behavior or concerns that you're alluding to would exist in people who are looking for just kind of more trade-y type relationships, one-timey, and that's just not how we operate our business. So, it's kind of far away from us.

Again, when you think about choosing your partners, and we have the luxury of choice given our performance, thinking about the partners we choose to do business with, our team is really selective around partners who we know are going to be thoughtful and not get over their skis and chase anything away from them.

I talk to partners and they share that they either were pursuing an opportunity and didn't get it because they weren't willing to pay up. Both of us are happy in those moments because I know that my partner is being disciplined and that discipline will benefit us in the long run. And I think there's just so much capital to go to work right now that it doesn't really give me any concern.

Kyle Peterson

Great. Good to hear. Thank you, guys. Nice results.

Operator

Thank you. Our next question comes from the line of Andrew Jeffrey with William Blair. Please proceed with your question.

Adib Choudhury

Hi. This is Adib Choudhury on for Andrew. Thanks for taking our questions.

We wanted to ask on the international strategy in the U.K. but also in other geos you might be looking at, and kind of the opportunity for Affirm to bring its underwriting product to the rest of world. Then secondly, how the mix of GMV might look differently internationally kind of versus Affirm's core domestic business?

Max Levchin

It's a great question. Happy to report that we are in friends-and-family testing in the U.K. with our Shopify friends. It's very exciting, so that's obviously an enormous potential of that is not lost on anyone. Obviously, we have merchants that we've taken live there and are excited to bring on a few more of our own, but Shopify is just an incredible partner in our growth and we think we have been for them as well. So that's coming quite soon.

The mix is a little hard to tell in the following sense. We know that the market has tremendous appetite for Pay in 3 and Pay in 4, which are traditionally zeros because that's what the majority of the competition does the totality of their business in. But we also know that all the major merchants we've spoken with or signed have said, "What we really need from you guys is longer terms. We want 6 months, 12 months," which obviously, to a large degree, will be interest-bearing.

So as of right now, I think the mix that we have in the U.K. skews more interest-bearing than not. As we scale Shopify, that is absolutely subject to change just based on what this will do relative to what's available. So a little too early to make claims.

We are absolutely going to be as mindful and as attentive to credit in the U.K. as we have been in the U.S. and Canada. That's not an optional thing; we're not going to play fast and loose whatsoever. But we feel very good about our ability to get the data we need to underwrite and also just to achieve the scale we need to make sure that the levers of control are useful.

In terms of other geographies, I think we've been pretty transparent that we're—I'm not going to show you a map, but if we drew one, it would look like Europe.

Adib Choudhury

Got it. If I could ask a quick follow-up. Can we just get a high-level update on the Apple Pay partnership and if there's anything kind of incremental to share there?

Max Levchin

We, as is our custom, do not talk about, generally speaking, individual partners, but in particular we do not talk about wallet partnerships in any detail.

Adib Choudhury

Thanks.

Operator

Our next question comes from the line of John Hecht with Jefferies. Please proceed with your question.

John Hecht

Afternoon, guys. Good quarter. I'm looking at a globe, and I can't find anything that looks like Europe other than Europe, so thank you for that.

Max Levchin

New Zealand kind of looks like Japan. Sorry.

John Hecht

Yes. A question on, I guess, customer engagement, higher frequency of engagements. I guess, as a customer seasons on the platform, do the dynamics or characteristics of their typical transaction change as they kind of mature?

Max Levchin

That is a really good question. I don't know if I have a really thoughtful answer for you right now.

The theory behind the card and things like Affirm Anywhere and all the other products we've built to gain frequency was largely that we are already understood to be a considered purchase helper. So if you're buying a bicycle or a mattress, that sort of once every N years type purchase, you obviously should use Affirm because you will probably find a great brand-sponsored zero or subsidized APR, or all that. And so as we added more products, they were always meant to take the AOV down, the average. So we would be

useful in more situations, more frequent situations, and that's generally speaking been the case. I think you track our average ticket, you can sort of see a gentle down-trend, even if the frequency increased faster than the down-trend, for sure, as we sort of grabbed onto more purchases, just some with more frequent ones. That's sort of the best I got off the cuff. I am sure we can publish something off-cycle explaining what really happens.

But needless to say, we're very happy with the increased frequency. We're not super fussy about AOVs. We don't think it's our job to make you buy two mattresses. We're answering demand that you naturally have versus telling you in any sort of promotional way, "You bought a mattress. Buy another one." And so that means whatever natural average ticket—average spend the user has on any unit time, that's what we should have. We're still ahead of the averages if you look at things like debit cards, which is kind of our primary—debit cards and credit cards are primary replacement goods or services. You will see that we're still ahead of them but we're coming closer and closer. We won't rest until we are a proper replacement for credit cards, of course, and at that point our AOV should be roughly the match to them.

John Hecht

Okay, that's very helpful. Then you guys provided the general framework to think about the impact of rising rates. I mean, the futures curve or the forward curve looks like there's a high probability of lower rates, so maybe can you guys give us a framework to think about the impact of lower rates on the business?

Rob O'Hare

Yes, great question, John. It should be generally the same rough mechanics that we outlined during the rising rate environment where a 1-point move in reference rates should translate to about a 40 bps change in our funding cost. That should be true whether the rates are going up or down.

The other part of the framework that we shared previously, just for everyone, is that there will take time for those mechanics to play out because a portion of our funding is variable in nature, but the majority of our funding actually is not truly variable and will adjust with a time lag. It may take a year or two or even longer for those rate changes to fully show up in our funding costs and in our platform portfolio base.

There's nothing to believe—there's nothing in our agreements with merchants or otherwise that would lead us to believe that we wouldn't see the same impact of a declining rate environment as a rising rate environment if you're looking purely at funding costs. I think the question that we make sure we ask internally is, if rates are declining, why is that happening, right? There could be offsetting impacts elsewhere in the business if rates were to decline because unemployment was rising or there was stress on the consumer, obviously that could lead to costs elsewhere in our base.

John Hecht

Okay. Thank you very much.

Operator

Thank you. Our next question comes from the line of Matt Coad with Truist Securities. Please proceed with your question.

Matthew Coad

Hi. Hey guys, thanks for taking the question here. Wanted to go back to the 0% topic, but wanted to address it from the merchant side. So you talked about the number of merchants funding this offering

doubling year over year, and I believe that's up to 7% of your total merchant base now that's funding the 0% APRs. Curious, as we look forward, what you think that penetration rate can get to.

Max Levchin

It should round up to almost 100. There are—and I'm prone to some hyperbole with numbers and Rob is laughing at me, but here's what I really mean by this.

Merchants are broadly divided into a handful of categories, but one way to do it is to think of the margin they spend on marketing. My contention is that marketing budget is at least as well-spent at the bottom of the funnel as it is at the top. If you're broadcasting a story of why somebody should come shop with you, you're frequently doing it in terms of going-out-of-business sale, hopefully not, but more like 20% sale or a Christmas sale so the sale-driven consumer acquisition is a little bit of a hand-grenade approach to trying to make sales.

At the very bottom of the funnel or at the product exploration level of the funnel, you can be much more precise and, with our technologies such as AdaptAI, where we offer consumers the exact or our estimation of exact financing offer that would compel them to buy is just much cheaper for the merchant. They would spend a lower percentage of their marketing budget if they thought of it this way at the bottom of the funnel.

The adoption curve of these tools—the 0% APR contract is entirely a function of these merchants realizing that the marketing money they're spending is better spent on such promotions at the bottom of the funnel versus the blanket coverage at the top of the funnel. Every year, we're just doing slightly better, making sure this is convincing, everything from showing them results and/or working with them to test this, publishing white papers, educating our salespeople, helping them educate their internal accounting people, etc. So at the limit, I think every single merchant will benefit from these programs.

There are merchants whose margins are quite low naturally and they spend very little of the overall GMV marketing themselves, maybe because they're already at scale, maybe because they just have an alternative distribution model; that will be the last holdout. But generally speaking, this is a more efficient way of driving sales. It is apparent to a large enough body of GMV producers that it will eventually trickle down to the rest of the bunch.

That's my conviction and I'm standing by it, and every year we have more and more zeros to show for it. It will keep happening until morale improves.

Matthew Coad

Thanks, Max. If I could just sneak in a follow-up? Max, you addressed this in the Shareholder Letter. You touched a lot on AI. I was hoping you could just talk about it on the call here, too. Just kind of like how you're thinking about the future for agentic commerce and Affirm's role in it.

Max Levchin

It's in the letter. I tried to boil it down to be relatively pithy so you're tempting me to give the longer form that Michael successfully talked me out of putting in. But the letter speaks to it pretty well.

We think that agentic commerce is going to be extremely successful for some categories of transactions. It may not be super successful for all of them. Many transactions require final human approval just because they have to do with taste. Kind of the unstated weakness of today's state of AI is it's fundamentally taste-free. It doesn't know what's beautiful. It certainly doesn't know what's beautiful to you, and a lot of purchases are made with taste as the front and center of the why. But the need to finance

beautiful things or things that you require isn't going away. So inherently, we will be in those transactions just like we have been able to find our way into all the other ones.

The thing that's compelling for us about agentic commerce, in particular, it's fundamentally a rehashing or remixing of e-Commerce as it exists before AI. You can imagine conversation about universal carts has been around forever and no one's ever really built the universal cart of any kind of scale. Universal shopping cart is very much what's going to happen inside these chatbots if you are to close these transactions from multiple brands, multiple stores, multiple warehouses in the same chat session. And so this idea of remixing e-Commerce is what I think successful—certainly successful first act, maybe all the acts of agentic commerce looks like. We are built to be mixed into all environments. You see us pop up in places like Shop Pay Installments, which is a really deep integration. We are a component of someone else's wallet. You see us inside Chrome Autofill, which is a completely different integration but not actually very different from our point of view because our services work in that environment. Very different environment, very similar integration, almost an identical consumer experience as far as Affirm is concerned. You will see versions of this in agentic commerce as that rolls out as well and we're pretty excited about it.

I'm generally a techno-optimist, so you should be careful what you sort of believe with my sort of rose-colored glasses on, but I don't think it's going to cannibalize commerce at a fundamental level. I think it's actually going to increase volume for a lot of merchants. I think we will find that some things are still going to be purchased the old way and other things are just going to become naturally more obvious inside of an assisted or assistance-driven transactions, and we're going to be here for all of it.

Matthew Coad

Really helpful. Thank you.

Operator

Thank you. Our next question comes from the line of James Faucette with Morgan Stanley Investment Management. Please proceed with your question.

James Faucette

Hey, good afternoon everybody. I wanted to ask on the PSP integration, pretty interesting announcement of BNPL with Stripe Terminal. I think there's potential for that or similar type announcements to be made with other payment service providers.

I'd be curious if there's any framing you would provide in terms of how important you think the PSP channel will be for your business, particularly when we think about the business overall, excluding Amazon and Shopify, and as a way to add additional merchants. How do you intend to lean into that channel, etc.?

Max Levchin

Good question. Generally speaking, offline is still kind of the greenfield of Buy Now Pay Later. The fraction of online to offline is still, whatever it is these days, 10:1, 8:1. There's a lot more there than inside e-Commerce and yet Buy Now Pay Later is a minute fraction of that world because the integrations are just difficult. Discovery is hard, placement of you should think of this in more affordable terms sort of messaging prompting at the product level is difficult.

It's important. It's important insofar as when we go to talk to a merchant that has a large offline presence, talking to them about let's promote something together and let's integrate something together are two conversations. Being able to say, actually, we don't have to worry about the latter; it's already built into

your point-of-sale processor, let's just talk about the promotional details and how we're going to advertise the opportunity to finance things without fees, frictionlessly without gimmicks, makes the conversation easier because now you are talking about that marketing budget and discussing it with just one part of the retailer versus a whole separate IT environment that says, "Well, sure. We'd love to do it but our road map is busy until 2030." So in that sense, it's a huge boost.

It's an enabling technology, not a—now that we have it, every offline partner is just going to fall into our lap. The work isn't eliminated, but it's meaningfully reduced.

James Faucette

Got it. That's really helpful. Then just a quick clarification on 0%. I certainly understand and think that it's a push there and the benefits you get are pretty clear. But I'm wondering in terms of the shorter duration of 0% that you called out and how that evolved during the course of the June quarter, is that a seasonal thing? Is that just an expansion of availability? A change in the type of customers that are eligible in opting for 0%? Just trying to get a little bit of color on how to think about that component on a go-forward basis. Thanks.

Rob O'Hare

Yes. Thanks for the question, James. I think the answer really was in the question. It was really a mix of both. We do have seasonality in our business generally, but certainly seasonality within our 0% programs and that showed up a bit as well, especially when you're comparing maybe across Q3 and Q4. Then also, when we introduce zeros to a new merchant, one of the ways that we can do that is by making the shortest term that's presented in the financing program a 0% offer. So that has the natural output of shortening term lengths for that merchant's program as well. So it really is a range of things that were at play in this quarter.

I think it speaks to the flexibility and just our ability to customize across multiple surfaces, term length and APR to make sure that we're putting the best program together for our merchants and for consumers.

James Faucette

Great. Thanks so much, guys. Have a good day.

Max Levchin

Thanks.

Rob O'Hare

Thank you.

Operator

Thank you. Our next question comes from the line of Reggie Smith with JP Morgan. Please proceed with your question.

Reginald Smith

Good evening, guys. Thanks for taking the question.

It's funny, I wanted to follow up on the question that James just asked but taken in a slightly different direction. I'm thinking about PSPs primarily online, e-Commerce not named Shopify. Is there a way to

kind of frame—how do you guys think about your penetration within that channel, and I guess the maturity of that channel? And so like if you were to look at the volumes in that segment, are they growing faster than the line average? Slower? Help kind of frame that channel for us to the extent that you can. Then, whether or not you guys often have default on status or how that works.

Then my last question or rather the follow-up to that is just quickly on that merchant that's leaving at the end of the first fiscal quarter, is the thinking that you'll still—your logo will still be available on the website or has that changed at all? Thank you.

Max Levchin

I'll start and let Rob finish, just because I think you're asking about assumptions in the guide.

On the PSP side of things, we're pretty early there. Obviously, default-on is a really important, really powerful thing. We have multiple partnerships of this manner with PSPs not named Shopify, and we're working pretty hard on expanding this list and being default-on. I don't have the growth rates off the top of my head so I don't want to perjure myself here, but I think they are accretive to the growth rate of the business, not detracting, but I will let Zane or Rob look this up and if I'm wrong, I'm sure they'll correct me soon enough, but I'm pretty sure I'm right on this one.

It's a really important channel. It's pretty early. If you just follow our announcements, you'll see that these are significantly more recent than, for example, the Shopify announcement, so just from the pure scale and time to penetrate, these are later comers and there's more to be had there. All of that we think accretes to the future growth.

The merchant sets are a little bit different sometimes. Obviously, Shopify has an extremely broad appeal, but even they have some degree of, 'This is the iconic Shopify merchant.' The same is true for every other platform or aggregator or payment processor, etc., etc. Each one gives us access to something that we probably haven't seen before to at least some degree.

I think that's all I want to say on PSPs.

Rob O'Hare

Yes. In terms of the question around the merchant, I think the easiest way to talk about the relationship is just to outline what's in our outlook. What we've assumed in the outlook is that the integration goes away at the end of this quarter. It's unclear exactly what the mechanics will be of how the relationship plays out, but that's what we've assumed and we think we've taken a pretty conservative stance in terms of volume in fiscal '26 coming from this merchant.

Reginald Smith

Got it. And not to belabor it, when you say go away, does that mean zero volume from that merchant or is that – and that will go away? What does that mean exactly?

Rob O'Hare

What we've assumed in the outlook is that through the integration, there would be zero volume after that.

Reginald Smith

Got it. Okay, thank you.

Operator

Thank you. Our next question comes from the line of Harry Bartlett with Rothschild & Co Redburn. Please proceed with your question.

Harry Bartlett

Hey guys, thanks for taking the question. I just wanted to touch on international again. Just thinking about Shop Pay and actually you talked about going into U.K., but in terms of how quickly you can roll out to other geographies, is it now a case of you have a playbook and then you'll be able to kind of move a bit faster if you're looking to move in other areas of Europe? Also, I guess just outside of Shop, do you have any, I guess, difference in your approach to how you're going to expand internationally?

I guess I'm just coming at this from the point of brand awareness maybe isn't quite as strong as it is in the U.S. and there are some incumbent players at checkout. So I just wonder if you have a different approach here on maybe the sales and marketing or consumer loans. Thank you.

Max Levchin

I'll try to touch on all these things as quickly as I can since there's a lot here.

The short answer to your first question is yes and no concurrently. So in terms of the platform build and a lot of the technology, it is certainly built to be reusable. We're not going to launch U.K. and go off and to build another completely different system to be live in fill-in-your-favorite European country. That's all reusable and designed to be reusable, etc. We're also not too concerned about spinning up technological or data center presence in AWS; they exist in every market.

The different things or things that are different about every market is access to data, some of the peculiarities of local regulation and then also local licensing is really important. So some things you can infer pretty easily about how might one approach to not having to do double and triple work on licensing or following regulatory regimes. So you can be assured that we're doing all those things as intelligently as we can. But there's some work involved even if you are sort of as intelligent as you can possibly be with all those things. So that part, I think we're in really good shape. We don't expect to go off the radar for too, too long, and we'll have more to say about it in coming quarters.

Things like capital markets is not a concern just for the avoidance of doubt. In terms of sales and marketing—we said it before so this shouldn't be news to anybody—but we have a nice list of multinational partners. Partners that are with us in the U.S. or Canada or U.K. who are multinational and are, generally speaking, very pleased with our performance, we think we have a very good shot at talking those folks into being useful to them in more than one market. We've been successful at it between U.S. and Canada, certainly so I see no reason why with the appropriate level of attention and good hygiene, we couldn't do this again. So that that's the expansion plans for kind of these lighthouse brands.

We don't anticipate a dramatic investment in our brand in the U.S. or U.K. or beyond, mostly because we market very successfully with our partners, and there's a—the majority of the marketing spend in our financials reflect the go-to-market efforts we share with our merchant partners where we come together in all sorts of interesting promotional ways. So we'll do that. We have some pretty exciting plans for that in our latest market. I don't want to spoil any surprises just yet, but that's certainly coming. It will not break our bank by any stretch. It's all fully priced into the guide.

Harry Bartlett

That's great. Thank you.

Operator

Thank you. Our next question comes from the line of Jamie Friedman with SIG. Please proceed with your question.

Jamie Friedman

Hi. Back to the AI conversation, I know, Max, you actually want to keep it pithy, but I want to ask specifically about what you call out here in Adaptive Checkout and specifically the AdaptAI deployments that show an average 5% increase in GMV. What is that about? Can you unpack the business process of how that works?

Max Levchin

Sure. We are not the best at naming products here, as we were lamenting earlier today internally, so you'll have to forgive the repetitive sounding names. Adaptive Checkout is the umbrella name of all the various manifestations of how checkout at Affirm works. So if you encounter an Affirm-powered checkout, Affirm checkout inside a wallet, Affirm checkout inside a website, directly integrated, so on and so forth, it's all powered by this thing called Adaptive Checkout. It wasn't always this way we had a bunch of different builds of Affirm checkout flow and over the years we have been—we generally have a tendency to refacture and rewrite a bunch of our product because we think it's just good hygiene. So as we maintain this good hygiene, we've over time consolidated into almost a single thing with lots and lots of very thoughtful configurability pieces.

Until AdaptAI came along, most of this configurability was essentially manual in a sense that we would sign a contract with the merchant, the merchant would say, "Here are the terms I want. Here are the programs I'm willing to fund, and I would like a lot of control over when I turn them on and turn them off." And of course, we're very happy to oblige because a huge part of our moat is this configurability is very powerful for the merchant but it's also not replicable with any of our competitors.

AdaptAI was sort of the answer to the question of, all right, so we've now built this thing that's the ultimate mousetrap of optimization of checkout, but there's a lot of human effort involved in getting to the best results, and it's not really—there's not a book we've published on best practices of tuning Adaptive Checkout for merchants, and we should. Then it's all, oh well, actually, we have this really great AI/ML effort. Why don't we, instead of writing a book about it, build a model that automatically figures out the absolute best way of converting consumers at an Affirm-powered checkout? And while we're at it, let's try to transition a lot of our merchant relationships or any or all of them, if we could, to something that looks like we will take care of all the optimization. Let us figure out the best set of programs for any given consumer as they're staring at a cart or a product on your site or in your store, and we will take care of the rest. We will convert them to a buyer from a shopper at the best possible terms for them that is compelling to them. Not everybody wants a 0% deal. Many people actually really care about the monthly cash flow impact, and they're far less APR sensitive or total interest-sensitive. Many people are extremely headline APR sensitive, and you can sort of slice and dice it from there. Tuning that manually works beautifully. Tuning it automatically is an extraordinary improvement.

The 5% is a great early result. We expect more and we'll certainly brag about it as we get there. But AdaptAI is AI-powered configuration of Adaptive Checkout, and that's what—we talked about rolling it out last quarter. We've rolled it out with select merchants now.

Obviously we are asking for more control from the merchant. We're telling them, "Look, if you just give us the ability to tune for each individual consumer what they see, it will cost you less and it will convert into more volume," it will take a little while for everyone to sign up for that but the ones that have are enjoying the benefits early and we're tuning the models more and more as we go.

Jamie Friedman

Fascinating. Thank you. I'll jump back in the queue.

Operator

Thank you. Our next question comes from the line of Giuliano Bologna with Compass Point. Please proceed with your question.

Giuliano Bologna

Hello. Thanks for taking my questions and congratulations on another incredible quarter.

As a question, and this is somewhat of a high-level concept. I'm curious when you look at a lot of the wallet partnerships if there's kind of a new frontier where some of the wallet partnerships could enable offline transactions in the future, and how you would plan for that and how material that could be in terms of driving incremental GMV growth. Then maybe how you think about the underwriting because you have an interesting opportunity to continue to differentiate and increase your lead ahead of your competitors with a product like that.

Max Levchin

Yes. Certainly very excited about offline commerce. I'm on the record talking about that every quarter, I think. I think if you look back at some of the announcements made by some of the largest wallets out there, you will see that they too are excited about offline applicability of the products that Affirm offers. Some of that is in the near future. We try to be, as always, conservative in our sort of promises and degrees of excitement about things that aren't live yet, so I'll hang back on exactly what we expect from it, but I think the opportunity is enormous.

I sort of covered this in a little bit earlier question, but there are two very distinct puzzles. Number one is how do you inform someone that this thing—this thing being Affirm—works in their favorite store? We have some we think really good ideas on how to do that. You'll see some of them actually quite soon on our own surfaces. But there's also the problem of integration—and in payments nerd slang it's called tender delivery. Tender delivery is integration with point-of-sale systems, digital wallets, various forms of NFC. All of that's on our radar. All of that is really important to us, and we're quite engaged in all those things.

Again, the greenfield size is roughly 10x of what we're chasing in e-Commerce. If you believe we can solve the latter problem, which we're very confident in, it becomes a question of how well can you communicate it and how aggressive can you be in communicating it to shoppers from the brand point of view, which I think asked five years ago some of them would have been wondering when might—if someone might go first. I think at this point it's flipped to actually, it should be promoted because it's so successful in driving conversion.

One fun fact: We see increase in demand for Affirm anytime anyone in the industry runs a large promotional campaign. Just the notion of Buy Now Pay Later is available accretes to Affirm naturally, even if we're not the ones putting our name on the ad. It's just a matter of awareness more than it is anything else in the offline world.

Giuliano Bologna

That is extremely helpful and I really appreciate that. I'll jump back in queue.

Operator

Thank you. With that, there are no further questions at this time. I would like to turn the floor back to Zane Keller for closing remarks.

Zane Keller

Thank you for the questions today, everybody. We'll see many of you on the conference circuit soon, I'm sure. Have a good Labor Day weekend and talk to you soon. Bye.

Operator

Thank you. With that, this does conclude today's teleconference. We thank you for your participation. You may disconnect your lines at this time.