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Presentation Participants

Affirm

Michael Linford, COO

William Blair

Andrew Jeffrey, Equity Research Analyst

Presentation

Andrew Jeffrey

Good morning, everybody. Thank you for joining us for the third day of the William Blair Growth Stock Conference. My name is Andrew Jeffrey. I cover fintech at William Blair. It's a pleasure to have Michael Linford, the COO of Affirm with us. Just as far as the obligatory disclosures, you can find any potential conflicts and full disclosures on the williamblair.com website.

With that, let me introduce Michael.

Michael Linford

Thank you, Andrew. And thanks for spending half an hour with me. I will do my best to entertain you, maybe teach you a thing or two, but would encourage everybody to also come to our breakout afterwards if you've got questions and like to ask us anything additionally.

So what I hope to do in the next 30 minutes is describe a little bit of the Affirm 101. For those of you who were here last year or who are familiar with our name, this might be a little repetitive, but I still hope you might pick up a thing or two. We'll talk a little bit about how we started, what we've built, why we think we have some real structural advantages in the market we play in. Talk about the results that we've been delivering and where we go from here.

So let's start with our mission. Everything at Affirm starts with our mission. Our mission is to deliver honest financial products that improve lives. That mission is unchanged from the day the company was founded. And it's not just words. It really does guide everything that we do. A big part of the reason why our growth has been so strong, why our consumer love has been so high is because we get ourselves on the side of the consumer. The company was founded very much with an understanding that so many people in the financial services industry get themselves on the other side of the consumer. They profit when the consumer loses. And we think that is not just bad morally, but we think it's bad business. The right business model gets yourself aligned with your stakeholders, creates situations where you win when they win. And when you do that, you force yourself to become really good underwriters, you force yourself to be really disciplined about how you build your business and you skip all the shortcuts.

We really believe we are the first financial services company with a moral backbone, and we do. We debate the morality of decisions in our business every day. I think it's really important that investors understand that because that means that the thing that we're building is very different than what you might see somewhere else. We'll get to the product descriptions in a second, but we don't charge late fees. We don't charge additional interest. There's no deferred interest in our product. Interest is capped and fixed. And these features are sometimes really difficult for financial services investors to get their arms wrapped around them. And you might think those are detriments to the business, but they're actually features. They allow us to do things that other people can't.

And that shows up with real customer love. We see this a lot, and I know other people talk about these things quite a bit, but I really can't stress enough the degree to which our consumers love what we do. Open offer to anybody willing to sport Affirm swag, I'll get you some, wear it around the world. You'll be shocked at how many people will stop you down and talk to you about how the Affirm product has impacted their lives.

The two things that happened to me recently, which were just phenomenal, I was taking my family to Europe for spring break and on the way back, the flight attendant stops me as I'm boarding the plane and she gives me her whole life story. She tells me way too much information about her life and how Affirm has enabled her to do things. She then was so tickled that there was an employee of Affirm on the plane that she called her friend back in the States and relayed to me that her friend told me, you need to tell

him how great his company is, how great this product is, not how great the loans that she took out are, but how much she loved the company.

I changed airports in Detroit and then headed home to Austin. And in the Austin flight, a different flight attendant stops me as boarding, and it was like déjà vu, exact same situation and this flight attendant told me her whole life story, again with too much information. And the reason why consumers feel this desire to talk to us about it is because what we do for them matters. Affirm helps them do things that matter for them and that they understand very, very basically why we're on their side given how the product works.

So our business model is built around aligning our interest with consumers and creating win-wins everywhere that we work. We believe that to do that, you've got to be simple, direct, transparent and honest with your consumers. So we don't have compounding interest. We don't have hidden fees. There's no gotchas. There's no -- all those additional things. Consumers check out and they take that immutable certainty of what's going to cost them to purchase that item, and they really value that simplicity and transparency.

So unlike our credit cards, if you think about contrasting the two, our product is more aligned to them. So we don't have open lines of credit. Everything is transaction level, and close ended, which means every time a consumer would like to make a purchase, we underwrite that transaction. We don't allow consumers to accrue additional interest. So when they check out, we calculate the interest on the full term of the loan. If they're late, we text them. If they're on time, they pay the amount as agreed. If they pay early, they get a reduction because they would have avoided interest that would have otherwise accrued on top of the principal schedule.

We offer 0% loans that are real, no deferred interest products with no late fees, of course. And about 1/3 of our GMV is -- in Q3 was a 0% APR offer that allows consumers to have a -- we call it a true 0. I'm sure all of you have seen promotional financing offers before in your life. And then you spend a little bit of time and squint and you realize that the 0% is 0 only if, and there's a lot of conditions that happen from there. And ours is an unconditional 0. The consumer can never pay us more than the purchase amount on a 0% loan.

And the main incentive here for credit card companies is to begin revolving and maintain their revolving balance. They would like those balances to stay high. They talk a lot, credit card CFOs and CEOs talk a lot about maintaining and what's the average balance and how we grow average balances. At Affirm, every loan is amortizing very quickly. The successful path for Affirm is that the obligation, the asset goes away. Something like 45% of originations that we do every quarter are fully paid back by the time we report earnings. And that is a feature of our business that stands out very differently. We like the velocity of our asset. We like the fact that consumers end up with less debt even if they still make good use of credit.

Okay. Let's talk about what we've built so far. I am really proud of -- okay. Brief discussion on the product mix. This is a bit of an oversimplification because the way the products are actually offered at Affirm almost always has a lot of offers that are co-mixed and commingled. But if you need to draw a distinction between 3, we talk about interest-bearing 0% APR monthly loans, and we call it Pay in X, that includes pay in 4 weeks or paying 4 payments. The MDRs range wildly, as you can see. The interest-bearing products have MDRs that look like consumer credit card MDRs to the merchant. Obviously, when you go to 0% monthly loans, the MDRs go up and the Pay in X is mid- to high single digits of MDRs. APRs for consumers can range from 0% to 36% on interest-bearing and monthly zeros and of course, it's always 0 on Pay in X. And the term lengths can range from 3 to 60 months on our monthly loans and 30 days to 8 weeks on our Pay in X products.

Usually, we do biweekly payments for the repayment and the average order values, as you can see, are a lot higher on our monthly 0% loans, average mid- to low single-digit hundreds of millions -- hundreds of dollars, excuse me, in the Pay in X and interest-bearing loans.

So how do the monthly installment products work? It's pretty simple. You check out at the point of sale. You see an equal monthly payments between 3 and 60 months. We go up to \$35,000, although our average again, is in the low hundreds of dollars, and the APRs are 0% to 36%. On the right-hand side here, you can see what a consumer would see. So you can see monthly installments is the second and third option, but they'll still see a biweekly payment option with no interest as they're checking out. And they can make a choice. Do I want to pay \$120 every 2 weeks or \$83 every month or \$45 every month?

Obviously, the longer in duration you get, the cost of financing does go up, but a consumer sees very transparently, in order for me to extend this purchase out over 12 months and make my payment less than \$50 a month, I will pay \$54 in interest for that right. And the consumers have a really good sense of the certainty that gives them. I'm going to be able to spread this out over months, but I'll take the \$50 payment as a result. Pay in X works a little bit differently. It's the same idea of the certainty when you check out, but it's a lot quicker. So it's typically for lower average order value transactions and you make a payment every 2 weeks. This is the product that I think most people think about as what buy now, pay later is, at least in the Western world. And there, there's no interest due. You typically will make a payment at checkout and then another payment every 2 weeks to finish the purchase. And the unique thing about our product is there's never any late or hidden fees, no repayment fees, no long list of fees that amount to 100% APRs.

And let's talk a little about another product of ours we're really proud of the Affirm Card. The Affirm card takes all of the features of those Affirm loans and delivers them on a physical piece of plastic or a fixed card number if you use it online. The key thing here to remember, we got this question at the Investor Forum. I think the question was worded what do you do with those revolving balances? We don't have any revolving balances on the card. It is a card that still creates installment loans. These are still closed-end installment loans with all the same features that I was just ranting about on the card that allow you to check out in the store or online with a fixed card account.

And the thing about the card is it's just been this incredible source of growth and profitability for Affirm. We've got over 4 million active cardholders growing at a very fast clip and the spend per user is about 3x the average spend in the rest of Affirm. And the reason for that is because we removed so much friction involved in using Affirm in more places when you have a card. You have it in your wallet, you have it in your tap to pay wherever you are.

So what does that give us? We have a marketplace that the card grew out of that continues to be really important for how we engage our consumers. We have 15 million visitors to our app every month. We have 1 million new visitors incrementally every month -- sorry, yes, monthly new visitors, 10,000 merchants are advertising on our app in some way. And there's over 4 million checkouts that are happening inside of our app surface today. If you think about our direct-to-consumer offerings, we've got an app with big distribution. The consumers have a reason to come to our app. That's usually to make repayments and service their loans. But they also have an opportunity to reengage there, understand their purchasing power, see the merchant network breadth and buy the things they want and need.

And okay, so we're also super proud of our merchant distribution here. So I would put our merchant network up against pretty much anybody's -- for a lot of reasons, we can't include the names of all of our merchant partners. But you can see here a pretty robust list of merchants who we're really proud to partner with and many more who I'm sure you're aware that we do business with. That distribution is an incredible advantage for us. Affirm's business model is one where we do not pay to acquire users. We go get merchants to allow us to be offered at the point of sale. That's where we meet our consumers for the first time. That's where we reengage our consumers on profitable repeat transactions, and we get to partner with the world's best. And the world's best pick us because they know that we're going to treat their consumers the way they would want them to be treated.

And what's another thing about our merchant network is that it's not just these big logos that you saw on the prior page. You can be one of the smallest merchants in the world and still use Affirm, either through platforms like Shopify or through platforms like Intuit QuickBooks. Our ability to reach the largest and the

smallest merchants to reach across all verticals, whether you're travel, lifestyle, fashion, beauty or even med spas, we can serve you. And that has seen a real acceleration in merchant count over the past several quarters as our strategy of working through software vendors that do invoicing for these smaller merchants has allowed us to extend our reach in a more ubiquitous way. There's over -- we've added 157,000 merchants just in the last 12 months, and it looks like it's accelerating.

Okay. So that's kind of what we've built. It's a quick overview. Now let's talk a little bit about how we think about our structural advantages. We spent a lot of time on this at our Investor Forum. So hopefully, this is not too repetitive, but it's really important, we think, to understand why we think what we've built has a pretty big moat. So let's talk about flywheels. We love that metaphor a lot here at Affirm. Flywheels are big and massive. And once they get moving, they tend to have the ability to maintain a lot of energy in them. We talk a lot about our merchant and consumer network flywheel. That is to say, as our network grows, more merchants means we can give consumers more value because they have more places to use us. And as our consumer network grows, we're more valuable to the merchants. And the 2 really do reinforce one another. We spend less time talking about how our approach to risk management also creates effects that reinforce the network.

As we meet more consumers, we build more robust models with more data that allow us to underwrite and price credit risk better, which in turn allows us to price offers to consumers and merchants in a better way, which allows more transactions to come into the system. The more transactions we get in the system is more opportunities to learn and therefore, deliver the kind of targeted returns that our capital markets partners would require, allowing us to engineer the credit outcomes that reinforce both the merchant and consumer sides of the network as well as all of our partners, whether that's funding the business in the capital markets or our bank partners who help us originate loans.

So those are the 2 flywheels. That's the output of the advantages, and I'll walk through each of these very quickly. We have real network effects in our business. I kind of alluded to that a second ago. Our approach to transaction level underwriting is very unique. Our ability to say yes and no to a consumer every time they like credit allows us to deliver the kind of credit results that reinforce those two flywheels quite a bit. We have a data asset that's unmatched in the world of advanced models, modeling is great. Data is the fuel that those engines need. We don't just build models. We build and operate and deploy models on a routine basis. And lastly, we have the infrastructure and scale that allows us to serve the world's largest players at the highest peak times.

So let's talk about transaction level underwriting for a second. Affirm's advantages can't be overstated when it comes to a short duration asset that's approved every time a consumer would like to take out credit. That advantage is interesting, and it's more interesting when you also apply really world-class models. So on the chart here, you see Affirm's advantage against FICO. You can see Affirm's line and FICO's line around pick your delinquency rate and then pick your approval rate. So obviously, as you have more delinquency in the system, you can have less approvals and vice versa. Affirm's -- the gap between what Affirm is able to do and what a FICO-based underwriting approach is interesting.

But then when you apply that advantage, we're smarter about who and how we approve and then we do it every time. A credit card may make that decision once every 18 months for a consumer or maybe they revisit the line annually. Affirm is making that decision 5, 6 times a year every time a consumer tries to check out. That means we're taking a real-time view into the consumer's ability to repay for every transaction, yielding substantially different credit outcomes.

And those credit outcomes aren't just borne out in our unit economics. They're also seen in how we can go execute in the capital markets. These charts here summarize our static ABS deals. The top line is how we price the loss in these deals. And the bottom line is either the realized loss or a projection from that based upon life to date in the static securitizations. And the X-axis is in months and it goes out 3 years, 36 months. We price the deal upfront. We estimate the losses that the loans will have over the next 36 months, and we are consistently able to deliver just underneath the pricing assumptions. That is a really important thing.

Affirm's ability to price the credit risk and model out the actual losses allows us to go to the capital markets with a lot of confidence and have the capital markets value our ability to deliver dialed-in losses even though it's 3 years out. Those advantages show up in ability to get access to credit. They also show up in the ability to get lower spreads. And both of those 2 things are benefiting the business quite a bit right now and a key part of the reason why we're delivering really good financial results.

So how do we make money? Let's look at our revenue over the past several years. Last 12 months, around \$4 billion in revenue. Since 2021, that's been compounding at 38%. We make a little bit of money servicing loans on behalf of third parties. We sell loans. What's important is that the sale of loans for us is not episodic. It's a flow program. It's a key part of the structural monthly and quarterly allocations of loans in our portfolio. We earn interest from consumers, and we earn revenue from merchants as well. All of those pieces of our business are growing in line with the total growth in GMV in the business, again, with a 38% compounded growth rate.

Let's talk about how we fund the business. I mentioned before that we benefit from that ability to dial in credit losses, and we're seeing the benefit show up in spreads as well as access to funding. Our business is funded about 45% forward flow, about 1/4 in ABS and about 1/3 in warehouse funding when you think about it from a capacity standpoint. Now we tend to utilize all of our forward flow and ABS funding channels, just given the nature of those relationships. So most of our unused capacity sits in warehouse -- so the business isn't actually using 30% into the warehouse lines. Warehouse funding is, as you'd expect, it's done at large banks. These are funding facilities that tend to have floating costs and are in the mid-80s advance rates. Forward flow, we sell whole loans. We sell whole loans with no recourse back to Affirm, and we sell whole loans to really world-class investors.

This morning, in fact, we're really proud to announce the extension of our relationship with CPPIB. And I'm so proud to have them as partners. They are -- been with us since 2019. And we do when we think about our capital program as we seek out counterparties who we think can scale with us into the \$1 billion-plus context. And that's really the level we need to be at now. And we find partners who we know are going to be in the game completely regardless of the cycle, who are going to be through-the-cycle investors in the credit asset because we believe that our credit asset is better and that the best investors want to buy it. And that's why we get to partner with people like CPPIB and Sixth Street Partners, long-term blue-chip credit investors.

That approach to funding and that revenue mix has yielded some pretty good results. The little under \$4 billion in trailing 12-month revenue, you can see the quarterly breakdown there, nice, steady and continuous rise. I like to joke around that if you look at the volatility of the stock price against the consistency of execution, you might be a little confused. The company is executing, I think, exceptionally well over the past 4 years. And our unit economics have remained really robust. If you look on the right-hand side, this is both the revenue less transaction cost dollars, which is a lot of words to say what is the economics we make on the loans that we originate on a variable basis. And what is that as a percentage of GMV. And you see there over the past 8 or so quarters, we've been hanging out in the 4% range. And we updated our medium-term framework at the Investor Forum to dial in this number between 3.75% and 4% for the next several years as we continue to scale the business to the \$100 billion context.

This is industry-leading, of course. Our unit economics stand out. And again, as a reflection, I think, of some of the best execution in fintech broadly. And it's not just those variable margins that those are great, but we've been able to turn those variable margins into really strong growth in the bottom line, both on a GAAP operating income basis and, of course, on an adjusted operating income basis. In fiscal '23, we were just approaching breakeven on an adjusted basis. In '24, '25 and so far in '26, we've delivered a tremendous amount of leverage in the adjusted operating income line in the P&L. And of course, we turned GAAP profitable on a quarterly basis coming into this fiscal year and have delivered really steady growth in that GAAP profitability.

If you look at the operating margins on the right-hand side, -- over the last 12 months, the operating margins are now at 8 points. If you think about where that was just 2 years ago at negative 76%, it's a

pretty massive step-up in GAAP operating margins. Most of that was actually driven by the improvement in the adjusted margins, but also the rolling off of some of those warrant relationships that we had with some large partners. The net result, though, is a really attractive earnings profile in the business. We're now generating close to 30% adjusted margins. We're generating that with continued line of sight to more operating leverage in the business, and a lot of growth still in the top line. It's a false trade-off to think about growth or profitability. Affirm is really doing both right now.

And we think the primary reason for that is because we have a really scalable approach to what we do. We write software at the end of the day. Software is monetized through a complicated set of merchant relationships and consumer relationships to go create these financial assets. At the end of the day, our ability to scale what we've done is really robust given the fact that it is at the end of the day, technology. So we put this framework out there a few weeks ago for how we expect growth between here and \$100 billion. We'll be rounding the corner on \$50 billion at some point in time soon. And so we thought about how do we double the business from here. And the growth rate is going to come from more than 10 points of growth on the merchant point of sale, more than 10 points in our direct-to-consumer, a few points from international, and that should give us north of 25% compounded growth from here to \$100 billion, i.e., the next doubling.

And importantly, we took some really cool and exciting things that are still on the edge out of that model, including Affirm Edge and Agentic commerce. There are really exciting opportunities for us, but they're so early. We didn't want to include them in what we thought it was a more clear line of sight growth rate to doubling the business. Edge, for those who don't know real quick, is our ability to take the Affirm pay over time features and extend them to any bank's debit card, are partnering with technology platforms and going direct to banks to give banks the ability to add the Affirm features. At our Investor Forum, we had a bank partner there who I thought summarized the thesis in the best way possible. And I promise you, we didn't encourage him to say anything. He volunteered.

And that was these banks see their users using the product. They see it in their accounts. They see the Affirm user showing up at their bank, and that's happening whether they like it or not. And they can choose to either participate in that or they can let it happen to them. And then separately, they recognize they're never going to build this on their own. And so if you accept that you have to make a hard decision of whether or not you want to play in the game and if you're not going to build it, you better find a partner. And Affirm is ready, willing and able to partner with all of them.

And of course, agentic commerce, everyone is really excited about it. A lot of protocols, a lot of people talking about where the future might go. We certainly agree that it's a really exciting thing and demoed a few ideas that we have for it at our Investor Forum, but it's awfully early. So I think it's still a little bit premature to begin baking into your models.

All right. I'm talking really fast here. I'm trying to get through everything, doing my best. I'm going to talk about the path to ubiquity here for a few minutes. So we talked about the merchant partnerships, and I'm really proud of those. But we also partner with the world's largest wallets. In 2024, we partnered with Google Pay, in later '24 we partnered with Apple Pay. We added Chrome Autofill in 2025. If you've not used that product, it's actually one of my favorite. We've basically removed the need to integrate with any merchant so long as you have Chrome Autofill as a payment method that you use. Next time you're in Chrome, just click on the pay later icon and you can use Affirm pretty much anywhere. And then we, of course, added Apple Pay in-store in September of last year.

All of these wallets give us a chance to reach more touch points to give the consumers more chances to use our product, whether they have the Affirm card or not. Massive growth for us, massive chance to reengage the consumers that we already have and acquire new ones. And of course, I mentioned Agentic. It's definitely transforming -- going to transform how we shop. You're going to have a fundamentally different approach to discovery, search, affordability and you're going to have the world's smartest financial adviser in your pocket. And that's great for us. Consumers who want to make a smart financial decision are going to choose to pay over time with Affirm and put that revolving credit product aside.

And we think a lot about that as we call the affordability layer. A problem that we solve for consumers is how they can afford the thing that they want and need that matters to them. So how do you afford the thing that you want, you can break it up into payments. One way to do that today is to use a revolving credit product. We think agents are going to be pretty good at telling consumers that those aren't the right products for them. And we think that the ability to extend that same pay over time features without any of the things that are trapped and bad are going to give us real advantages when we have a more agentic world. And obviously, the fact that we are partnered with the likes of Google and Stripe and Shopify put us in a very strong position to take advantage of these pretty big macro trends, not to mention our incredible network of merchants who are also on the leading edge of what's going to happen in agentic development generally.

All right. Lastly, I just want to -- a second on international here. International is a giant opportunity. Now obviously, the U.S. is our core market. It's very growthful. It's very big, and it's going to continue to be the majority of our business for the foreseeable future. But we have basically no presence out of North America today. We recently launched in the U.K., which we think is an exciting opportunity. And the rest of Europe and Australia add another \$1.7 trillion to the addressable market.

Now obviously, a smaller opportunity that we have in the U.S., and we think we're still early in the U.S., but nonetheless, a really big opportunity when you look at it in aggregate. We turned the corner in getting live in the U.K. and excited to get into Australia and Western Europe soon. And I mentioned Affirm Edge briefly, but the bottom line is we want to add the features of Affirm to every debit card in America.

All right. So where to from here? So Max loves this chart, I do too. If you look at that Affirm logo there at the bottom of that slide, it doesn't look like our current logo. It's because it's not. This was an actual slide from a fundraising deck that Max had back when the company was just getting started. And his original vision was that Affirm should be available everywhere, and it should be seen as alongside as all the other payment networks that exist.

And we always harken back to this because we are truly trying to meet the consumer wherever they are. And we think about our ultimate vision here is our product being available to consumers no matter where they shop or what they're buying, we believe that we can improve the quality of their experience and deliver a better financial product than they could get otherwise. And thank you all for listening to me.