

# Affirm

affirm

## Gifts not Gotchas

Affirm is helping you say yes to the holidays and no to sneaky fine print. Enter the No Gotchas Contest for a chance to be one of 100 people to win \$10,000!

Enter to win

Where are you shopping?



### What it does

Affirm is a digital financial services company that provides point of sale credit to the customers of online merchants, enabling them to buy anything from furniture, holidays and laptops. Consumers have the chance to split the payment over periods ranging from 6 weeks to 5 years, at rates starting at 0% APR with transparent pricing, and no late fees or hidden interest charges.

### Why we own it

- Affirm has the potential to upend the consumer credit card market - reliant on opaque charging structures and keeping customers indebted for longer.
- The increasingly diverse customer base and burgeoning list of over 100,000 merchants offering Affirm as a payment option, including Peloton, Pottery Barn, and Target. Affirm delivers substantial increases in both the average order size and conversion rates for merchants.
- Affirm's utilisation of the rich transaction data results in optimised credit approval and tailored product recommendations where one quarter of Affirm purchases originate from its own app or website.

### How it could be worth many times more

- Merchant acquisition continues at pace driven by its partnerships with Shopify and Amazon. The customer base explodes from 8m to >100m with Gross Merchandise Value per user rising.
- Affirm's ease of use, personalisation and array of premium brands leads it to become the primary destination for customers to manage their credit balances and to shop.
- Affirm takes 25% of the US credit card market in 10 years. The take rate settles at 3%, much lower than today
- Add in accretive elements of directed traffic, marketing, and potential global expansion there is a convincing argument for optimism.

### Where we might be wrong

- Affirm is disproportionately scrutinised by regulators as it takes increasing market share from incumbent credit card companies.
- The evolution and consolidation of competitors hampers its growth.
- Affirm loses its premium brand value as it expands across market segments.

### Short 10 Questions

Can sales double in the next five years? **1**

Yes. Revenue growth have been consistently >50% year on year.

Ten years and beyond? **2**

Affirm takes sizeable share of the consumer credit market and merchant customer acquisition spending.

Competitive advantage? **3**

Its peerless brand value and technological expertise.

Is the business culture different? **4**

Founder led and mission driven to improve lives by providing 'honest financial products', and a culture innovation.

Customers like you? Contribute to society? **5**

Transparent, honest and fair alternative to existing credit market.

Are returns worthwhile? **6**

Yes. Gross take rates of c10%, long term operating margins of 20-30% and 30%+ ROE.

Will they rise or fall? **7**

Decreasing proportion of fixed and funding costs as Affirm scales should lead to increasing margins.

How is capital allocated? **8**

Technology development to maximise the user experience and machine learning models.

Could it be worth 5x as much? **9**

It takes 25% of the US credit market.

What doesn't the market understand? **10**

Viewed as a B2B finance company instead of a merchant-customer platform, and opportunities beyond credit

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